

30 JULY 2021

TAX & EXCHANGE CONTROL ALERT

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Temporary tax relief: Announcement of emergency tax measures following recent unrest

Following President Cyril Ramaphosa's announcement that tax relief measures would be introduced after the recent unrest, National Treasury gave more details on 28 July 2021 in its "Explanatory Notes on the Emergency Tax Measures in Response to the Continuing COVID-19 Pandemic and Recent Unrest in the Country" (Explanatory Document).



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Temporary tax relief: Announcement of emergency tax measures following recent unrest

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Following President Cyril Ramaphosa's announcement that tax relief measures would be introduced after the recent unrest, National Treasury gave more details on 28 July 2021 in its "Explanatory Notes on the Emergency Tax Measures in Response to the Continuing COVID-19 Pandemic and Recent Unrest in the Country" (Explanatory Document).

The Explanatory Document indicates tax relief will be granted through the following three mechanisms:

- Extension of the expanded employment tax incentive (ETI) age eligibility criteria and amount claimable.
- Extension of payment deferral of employees' tax (PAYE) liabilities for tax compliant small- to medium-sized businesses.
- Deferral of excise duties on alcoholic beverages.

Expansion of ETI criteria

The Explanatory Document notes that despite the recent easing of national lockdown restrictions, various businesses are still negatively affected by the COVID-19 pandemic. It states that this impact has been exacerbated by the recent unrest in the country that resulted in the destruction of businesses and infrastructure. The Explanatory Document indicates that the purpose of the expanded ETI is to provide additional assistance to those who continue to be adversely affected by COVID-19, assist in the process of reconstructing businesses, and support employment in the most vulnerable sections of the labour market.

It is proposed that the expansion of the ETI be reinstated for another limited four-month period, following the design implemented in 2020 in terms of the disaster management relief tax legislation. We discussed the relief in our Tax and Exchange Control Alert of [3 April 2020](#), [24 April 2020](#) and [25 June 2020](#). Some of the characteristics of the design are as follows:

- A R750 increase to the maximum monthly amount of ETI allowable.
- The application of formulae to calculate the value of the incentive relative to remuneration received.
- Calculation of the ETI claim based on actual remuneration paid in that month where the employee worked less than 160 hours a month (remuneration paid to the employee would not need to be grossed up).
- The inclusion of an anti-avoidance measure aimed at limiting potential abuse where the employer claims the incentive despite having significantly reduced the employee's wages, which applies to wages below R2,000.
- Accelerating the ETI reimbursements from twice a year to monthly as a means of getting cash into the hands of tax compliant employers as soon as possible.
- Granting of the relief only to employers who are tax compliant and registered with the South African Revenue Service (SARS) as at 25 June 2021.

The proposed expansion will apply from 1 August 2021 to 30 November 2021.

Temporary tax relief: Announcement of emergency tax measures following recent unrest...*continued*

It is proposed that SARS will provide deferrals for payments by tax compliant licensees in the alcohol sector.

Extension of payment deferral of employees' tax

The Explanatory Document states that the reason for introducing this tax relief measure is largely the same as for expanding the ETI, as discussed above.

It is proposed that this measure will be reinstated for another three-month period. The principles applicable to this measure include:

- Deferral of payment of 35% of the PAYE liability, without SARS imposing administrative penalties and interest for late payment.
- The deferred PAYE liability for the three-month period of August to October 2021 must be paid to SARS in equal instalments over a four-month period commencing on 1 November 2021 (i.e. the first payment must be made on 7 December 2021).
- The relief will be available to small or medium-sized businesses conducted by a company, partnership, individual or trust with a gross income not exceeding R100 million for the year of assessment ending on or after 1 April 2021 but before 1 April 2022.

- Gross income should not include more than 20% of income derived from interest, dividends, foreign dividends, royalties, rental income, annuities and any remuneration received from any employer.
- Granting of the relief only to employers who are tax compliant and registered with SARS as at 25 June 2021.

Deferral of excise duties on alcoholic beverages

The Explanatory Document notes that the increase in infection rates resulted in a need to return the country to Alert Level 4, which required that the sale of alcoholic beverages be restricted. Government wishes to provide assistance to those within the alcoholic beverages sector who continue to be adversely affected by COVID-19.

It is proposed that SARS will provide deferrals of up to three months for payments by tax compliant licensees in the alcohol sector, on application setting out the circumstances justifying the deferral. This proposal will come into effect immediately.

Louis Botha

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Gerhard Badenhorst ranked by CHAMBERS GLOBAL 2009 - 2021 in Band 1: Tax: Indirect Tax.

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Ludwig Smith ranked by CHAMBERS GLOBAL 2017 - 2021 in Band 3: Tax.

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BBBEE STATUS: LEVEL ONE CONTRIBUTOR

Our BBBEE verification is one of several components of our transformation strategy and we continue to seek ways of improving it in a meaningful manner.

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