

Updated National Economic Response to COVID-19

Discussion with Provinces

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national treasury

Department:
National Treasury
REPUBLIC OF SOUTH AFRICA

Phase COVID-19 Response

- **First Phase: Mid-March declaration of national disaster**
 - Mitigation measures: tax relief, the release of disaster relief funds, emergency procurement, wage support through the UIF and funding to small businesses.
- **Second Phase: (current) Economic Stabilisation**
 - Address extreme decline in supply and demand and protect jobs
 - Social relief and economic support package of R500 billion (amounts to around 10% of GDP)
- **Third Phase: Economic Strategy to drive economic recovery**
 - Substantial infrastructure build programme
 - Speedy implementation of economic reforms
 - Transformation of the economy
 - Steps to ignite inclusive economic growth

Second Phase Economic Stabilisation

- **Four main interventions**
 - An extraordinary health budget to respond to coronavirus
 - Relief of hunger and social distress
 - Support for companies and workers
 - Phased re-opening of the economy.
- **Additional expenditure**
 - PPE for health workers, community screening, increase in testing, additional field hospital beds, ventilators, medicine & staffing
 - R20 Bn for municipalities for emergency water, increased sanitisation of public transport and facilities and providing food and shelter for the homeless
- **R500 billion support package to be financed through:**
 - Reprioritisation of R 130 Bn within current budget
 - Local sources e.g. Unemployment Insurance Fund
 - Global partners and international finance institutions
 - R 200 Bn loan guarantee in partnership with major banks, NT and SARB

Second Phase: Economic Stabilisation

- **Hunger and Social Relief Measures of R 50 Bn**
 - Child Support Grant increase by R300 in May and R 500 from June to October
 - All other grants increased by R250 per month for the next six months
 - Special Covid-19 Social Relief of Distress Grant of R350 p/m for 6 mths for those who are unemployed and do not receive any other form of social grant or UIF payment
 - Technology-based solution for SASSA to roll out food assistance at scale – vouchers and cash transfers
 - DSD together with Solidarity Fund, NGOs and CBOs to distribute 250 000 food parcels across the country in the next 2 weeks

Second Phase: Economic Stabilisation

- **Support measures for firms and workers (extended from Phase 1)**
 - UIF's special COVID-19 benefit
 - R40 billion has been set aside for income support payments
 - Loans, grants and debt restructuring – to SMMEs, spaza shop owners and other informal businesses - R100 million.
 - R2 billion to assist SMEs and spaza shop owners
 - IDC facility to support companies to procure or manufacture PPE – R 162M approved to date.
 - Support to artists, athletes and technical personnel, as well as to waste pickers and public works participants in the environment sector
- Additional support measures for vulnerable and affected sectors like the taxi industry are being considered
- Additional R 100 Bn set aside for protection of jobs & job creation in Phase 2

Second Phase: Economic Stabilisation

- R200 billion loan guarantee scheme (partnership with the major banks, NT and the SARB)
 - will assist enterprises with operational costs, such as salaries, rent and the payment of suppliers
 - in the initial phase, companies with a turnover of less than R300 million a year will be eligible.
 - aims to support over 700,000 firms and more than 3 million employees through this difficult period.
- A number of the banks are ready to roll out the product before the end of the month.

Second Phase: Economic Stabilisation

- In addition to existing tax relief measures
 - a 4-month holiday for companies' skills development levy contributions
 - VAT refunds will be fast-tracked
 - 3-month delay for filing and first payment of carbon tax.
 - previous turnover threshold for tax deferrals is being increased to R100 million a year, and the proportion of PAYE payment that can be deferred will be increased to 35 percent.
 - businesses with a turnover of more than R100 million a year can apply directly to SARS on a case-by-case basis for tax payment deferrals
 - no penalties for late payments if show negative COVID-19 impact
 - taxpayers who donate to the Solidarity Fund will be able to claim up to an additional 10 percent as a deduction from their taxable income.
- In total these tax measures provide at least R70 billion in cash flow relief or direct payments to businesses and individuals.

Second Phase: Economic Stabilisation

- Contribution of South African Reserve Bank
 - cut the repo rate by 200 basis point, in effect unlocking at least R80 billion in the real economy
 - taking other steps to provide liquidity to the financial system
- Contribution of several commercial banks and insurance companies
 - delaying or reducing instalment payments
 - providing debt relief, and
 - waiving bank fees for grant beneficiaries

Second Phase: Economic Stabilisation

- **Phased Re-Opening of the Economy**
 - South Africa will follow a risk-adjusted approach to the return of economic activity, balancing the continued need to limit the spread of the coronavirus with the need to get people back to work
 - Lock down will be ended in phases because if it is ended too soon or too abruptly, there is a risk of a massive and uncontrollable resurgence of the disease
 - Government will be guided by the best available scientific evidence, to gradually lift the restrictions on economic activity

THANK YOU

