

TAYFIN TAXTALK

ACCOUNTANTS & FORENSIC AUDITORS

“Your Empowered Insight into the World of Tax, Business and Personal Finance Issues.”

“THE COVID-19 PANDEMIC AND ITS EFFECT ON TAXPAYERS”

The Coronavirus Pandemic which officially set foot on our country's shores in March 2020 is ongoing, with seemingly everlasting effects. It is challenging to recall what life was like pre-covid. The Pandemic has calamitous effects on businesses and individuals, and impacts heavily on the economy, considering that South Africa is already in the throes of a technical recession.

As per Government regulations, South Africa was placed under an initial 3-week national lockdown, which was subsequently extended by a further 2 weeks. The country is currently in stage 3 of the lockdown, and although many businesses have resumed trading, there are still many goods and services which are not available. This limitation and restriction adversely impacts many households, taking into consideration that businesses too sustained significant losses.

The Government has committed to providing tax relief measures in order to assist businesses in alleviating their tax burden. There is a perilous need for Government interventions to assist with job retention, as well as to support businesses that are undergoing serious distress. However, the concern regarding these tax relief measures is whether they are sufficient to enable businesses to make a full recovery.

These measures are in place to assist businesses to stay afloat and to allow them to continue paying their employees and suppliers in order to ensure that our economy will be in a sustainable position once the health crisis subsides. However, since the announcement of the initial set of measures, economic conditions have worsened. The measures set out are said to provide a R70 billion in support through tax reductions or deferral of tax payments for compliant businesses. The measures include:

- Skills development levy holiday: From 1 May 2020, there will be a four-month holiday for skills development levy contributions
- Fast-tracking of value-added tax (VAT) refunds
- Three-month deferral for filing and first payment of carbon tax liabilities
- A deferral for the payment of excise taxes on alcoholic beverages and tobacco products
- An increase in the expanded employment tax incentive amount
- An increase in the proportion of tax to be deferred and in the gross income threshold for automatic tax deferrals
- A case-by-case application to SARS for waiving of penalties

Individual Taxpayer measures include:

- Increasing the deduction available for donations to the Solidarity Fund
- Adjusting pay-as-you-earn for donations made through the employer
- Expanding access to living annuity funds

The abovementioned measures are said to be given legal effect in terms of changes to the two bills namely, the Draft Disaster Management Tax Relief Bill and the Draft Disaster Management Tax Relief Administration Bill.

These Bills have now been formalized in Minister Tito Mboweni's Supplementary Budget Speech, (24th June 2020).

TAYFIN has invoked the Draft Disaster Management Tax Relief Administration Bill, several times to assist Taxpayers to achieve some tax relief.

However, this bill has aided Taxpayers with merely easing cash flow burdens by deferring payments of taxes and extending time periods. This bill also only assists micro and small-medium size businesses which poses the following questions:

1. Are the designated tax relief measures sufficient?
2. What about tax relief measures for larger businesses?

Having regard to the Finance Minister's Supplementary Budget Speech, it is noteworthy that more than 2 million customers have received relief from commercial banks. Both insurers and medical aid schemes have offered premium holidays to their customers. Landlords have also provided rental relief to tenants.

The vast majority of South Africa has numerous concerns regarding the state of the economy, and whether Government's strategies and risk-based approaches are imperative and beneficial. Taxpayers have been severely aggrieved and require any relief measures and/or incentives to help them stay afloat. Many individuals have lost their jobs due to the Pandemic or due to Government's Interventions. (*you decide*).

Minister Mboweni made mention in his Supplementary Budget Speech that The Economic Support Package will set aside R100 billion for a multi-year, comprehensive response to the job's emergency. This, if followed through, can provide relief to many individuals who have lost their jobs.

Although the situation we face is frightening, we look forward to a post-covid world. A world filled with hope, with opportunities, with new tasks to tackle and a solid and sustainable economy. To quote the President, "We are resolved not merely to return our economy to where it was before the corona virus, but to forge a new economy in a global reality".

Morality Upheld

The NCCC appears to have relegated it authority in favour of power. The resultant effect is egoism which is nothing short of deadly force.

In the words of Mark Twain "Loyalty to the country always. Loyalty to the government when it deserves it".

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