Emergency tax measures to address effects of COVID-19 and unrest

In brief
The recent unrest, as well as ongoing restrictions aimed at limiting the spread of COVID-19, have had a significant impact on the economy. Accordingly, on Sunday 25 July, the President announced that a number of quick and targeted measures would be introduced by government in order to alleviate the economic plight of South African businesses and individuals.

On Wednesday, 28 July, the Minister of Finance held a media briefing to provide further detail relating to these measures. This was followed by the release of an explanatory note that details certain tax measures. This Alert provides an overview of these tax measures, which are generally previously used measures that have been reintroduced.

In detail

Extension of the expanded employment tax incentive (‘ETI’)

In 2020, the ETI was expanded for the period 1 April to 31 July. It is proposed that the ETI again be expanded in the same manner for a further four-month period starting on 1 August 2021 and ending on 30 November 2021.

Accordingly, a R750 increase to the maximum monthly amount of ETI allowable will be available. More specifically:

- a monthly ETI claim in the amount of up to R750 will be available during this four-month period for employees (1) from the age of 18 to 29 who are no longer eligible for the ETI on the basis that the employer has already claimed the ETI in respect of those employees for 24 months; and (2) from the age of 30 to 65 who are not eligible for the ETI due to their age.

The purpose of this measure is to support employment in the most vulnerable sections of the labour market.

In order to qualify, employers must have been registered with SARS as employers by 25 June 2021, and must be tax compliant.

An anti-avoidance measure has been included that applies to wages below
This Alert is provided by PricewaterhouseCoopers Tax Services (Pty) Ltd for information only, and does not constitute the provision of professional advice of any kind. The information provided herein should not be used as a substitute for consultation with professional advisers. Before making any decision or taking any action, you should consult a professional adviser who has been provided with all the pertinent facts relevant to your particular situation. No responsibility for loss occasioned to any person acting or refraining from acting as a result of using the information in the Alert can be accepted by PricewaterhouseCoopers Tax Services (Pty) Ltd, PricewaterhouseCoopers Inc. or any of the directors, partners, employees, sub-contractors or agents of PricewaterhouseCoopers Tax Services (Pty) Ltd, PricewaterhouseCoopers Inc. or any other PwC entity.

© 2021 PricewaterhouseCoopers (“PwC”), a South African firm, PwC is part of the PricewaterhouseCoopers International Limited (“PwCIL”) network that consists of separate and independent legal entities that do not act as agents of PwCIL or any other member firm, nor is PwCIL or the separate firms responsible or liable for the acts or omissions of each other in any way. No portion of this document may be reproduced by any process without the written permission of PwC.

R2000. This measure is aimed at limiting potential abuse by employers who claim the incentive despite their having reduced the wages of their employees significantly.

**Extension of the payment of employees’ tax liabilities**

A 35% deferral of the payment of employees’ tax liabilities for small- to medium-sized businesses without penalties and interest being imposed by SARS will come into effect from 1 August 2021 and end on 31 October 2021.

In order to be entitled to the deferral, the following conditions apply:

- The deferred payments for the three-month period must be made in four equal instalments commencing on 1 November (consequently, the first payment must be made on 1 December 2021);
- The gross income of the business must not exceed R100 million for any years of assessment ending on or after 1 April 2021 but before 1 April 2022;
- There is a limitation - gross income should not include more than 20% of income derived from interest, dividends, foreign dividends, annuities, any remuneration from an employer and rental from letting of fixed properties (however, where the primary activity of the taxpayer is the letting of fixed property, that rental income is excluded for purposes of this condition);
- The employer must have been registered with SARS by 25 June 2021; and
- The employer must be tax compliant.

**Deferral of excise duties on alcohol beverages**

South Africa’s return to lockdown level 4 came with strict restrictions on the sale of alcohol. From 28 June 2021 to 25 July 2021, the sale of alcoholic beverages and the consumption thereof at public eateries was prohibited. Government is providing assistance to the sectors that were affected by using rules 105.01 to 105.04 inserted in 2020 to the Customs and Excise Act, which permit applications to SARS for the deferral of payment of excise duties in cases of financial constraints.

This measure came into effect immediately (i.e. on 28 July 2021). Tax compliant licensees in the alcohol industry will need to apply to SARS and will need to justify that they should be entitled to the payment deferral.