

## Economic measures to assist with the effects of the COVID-19 lockdown

President Ramaphosa's address to the nation on Tuesday, 21 April 2020

### Economic focus:

- Intensify health interventions to contain and delay the spread of the disease
- Protect livelihoods
- Set the economy on a path of recovery

### Three phases of the economic response:

1. Declaration of the national disaster in March 2020, beginning of the lockdown and initial economic measures (such as relief funds and tax relief, wage support and emergency procurement);
2. **Currently: stabilising the economy, addressing the extreme decline in supply and demand and protecting jobs through a massive social and economic support package of ZAR 500 billion (10% of our GDP); and**
3. Economic strategy to drive recovery of the economy as we emerge from the pandemic, focusing on stimulating demand and supply through infrastructure growth, economic reforms, transformation of the economy and other steps to ignite inclusive growth - this will be outlined in the days to come

The **support package** will address the extraordinary health budget, relief of hunger and social distress, support for companies and workers and a phased reopening of the economy

- ZAR 130 billion reprioritised from the current budget, with the rest being raised from local sources (such as the UIF) and global partners including the World Bank, IMF, development banks and international finance institutions;
- The adjusted budget will set out the detail of this spend;
- There will be an increase in social grants for grant beneficiaries and a new grant for unemployed people, for six months;
- Expanded public works to deal with unemployment is not enough – additional ZAR 100 billion will be used for the protection of jobs and to create jobs;
- Assistance set aside for loans, grants, debt restructuring, and income protection for small business; and
- A ZAR 200 billion loan guarantee scheme has been set up in partnership with banks, treasury and SARB, for companies with a turnover of less than ZAR 300 million a year. Banks are already prepared to roll out this product before the end of the month.

### In addition to existing **tax relief**:

- 4 month holiday for company skills development levy contributions;
- Fast tracking of VAT refund payments;
- 3 month delay for filing and first payment of carbon tax;
- Tax deferral threshold is set at ZAR 100 million turnover a year and the proportion of PAYE that can be deferred is increased to 35%;
- Businesses with turnover over ZAR 100 million a year can apply to SARS on a case by case for deferment of tax if they can show they have been materially negatively impacted in this period; and
- Taxpayers who contribute to the solidarity fund can claim up to an additional 10% as a deduction from their taxable income.

### A **phased reopening** of the economy:

- The phased reopening of the economy will follow a risk adjusted approach to the return of economic activity, balancing the continued need to limit the spread of the virus with the need to get people back to work. The lockdown cannot be ended abruptly;
- The president will address the nation again on Thursday, 23 April to discuss measures to be taken after the lockdown period to reopen the economy; and
- We will need to forge a new economy in a new global reality. Government will do this by accelerating structural reforms to reduce the cost of doing business, promoting localisation and reindustrialisation of the economy, overhauling state owned entities and strengthening the informal sector.