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| **COSATU Submission:** **Disaster Management Tax Relief Bill** **Disaster Management Tax Relief Administration Bill****17 July 2020** |
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**Submitted to:****Standing and Select Committees: Finance****Parliament****Republic of South Africa** |

1. **Introduction**

South Africa is facing its worst economic and health crises in living memory. The economy was already in a recession with 40% and rising levels of unemployment prior to the lockdown.

Whilst no one can predict entirely the impact of Covid-19 and the lockdown on the economy, all agree that it will be dire. Unemployment may easily rise past 50% and thousands of businesses may simply collapse. This trend may continue for some time.

COSATU supports any efforts to save the economy and jobs. The Federation equally supports any measures to save lives. The two must be complementary.

Whilst supporting the various tax relief measures provided for in the Disaster Management Tax Relief and Disaster Management Tax Relief Administration Bills, COSATU is deeply concerned at key omissions.

These include the need to link tax incentives and relief measures to job retention and creation.

It is equally important to look at extending such relief measures to sectors of the economy that remain under lockdown beyond the timeframes provided for by the Bills.

Lastly it is critical to look at what relief if being provided for workers and pensioners as they are frequently left behind unassisted.

1. **Bills’ Provisions**

COSATU notes and welcomes the various tax relief measures provided for in the Bills.

These include providing tax deferrals without penalties for employers under certain thresholds for Skills Development Levies, Pay as Your Earn, Provisional and Interim Payments and Value Added Taxes.

The Federation supports the provisions for making tax exempt donations for Covid-19 and Solidarity Fund relief payments.

COSATU’s support is based upon the premise that every possible intervention must be made to save jobs and the economy. The Federations hopes that these measures will have the necessary impact.

In short no effort must be spared to save and retain every single job and work place. We simply cannot afford to lose jobs.

1. **COSATU Proposed Amendments**

Whilst supporting the provisions of the Bills, COSATU feels that there four key omissions within the Bills.

The Federation is wary of simply providing blank cheques to employers in the form of tax and other financial relief, only for those very same employers to retrench workers in their thousands. Financial relief must come with conditions.

COSATU therefore proposes the following amendments to the relief being provided for by the Bills:

* 1. **Job Retention and Creation**

Whilst supporting the objectives of easing cash flow crises on businesses, it is extremely that no conditions are attached to this relief.

Whilst government may be wary of imposing administrative work upon itself and employers, this blank cheque will have serious consequences.

Many employers have used the Covid-19 pandemic and lockdown to retrench 1000s of workers. Frequently this has nothing to do with the pandemic itself but is rather employers simply seeking to cut costs.

This has occurred in media house, banks and the financial sector, retailers etc.

Yet despite retrenching workers these same employers are eligible for billions of Rands worth of relief from not only the only South African Revenue Service but also the Unemployment Insurance Fund.

COSATU is worried that despite the billions that have been provided over years to employers through the Employment Tax Incentive, Treasury has to date not put in place mechanisms to ensure that the ETI is linked to creating and sustaining new jobs and not simply a subsidy for employers.

Similar challenges exist with regards to other government incentive schemes.

**COSATU Proposals:**

* All tax relief provided for in the Bills be conditional upon employers retaining jobs.
* All tax relief measures be incentivised for job creation, e.g. arrears could be reduced if new jobs can be shown to have been created.
* The ETI be amended to be conditional upon employers providing proof of new jobs being created and sustained.
	1. **Local Procurement**

COSATU welcomed the establishment of the Solidarity Fund and similar Covid-19 relief measures.

However we are deeply concerned with regards to how lightly government and the private sector and even consumers treat local procurement.

The Federation supports the tax relief measures put in place for such donations. However their noble objective is defeated when the Solidarity Fund and similar funds rush to import PPEs and other materials.

Local industries need every single bit of economic stimulus and relief, more so when the economy is on its knees.

Government’s failure to move with speed on such localisation measures is not limited simply to the Bills but also the failure to implement the long delayed Export Tax on Scrap Metal and to table the Public Procurement Bill.

**COSATU Proposals:**

* All tax relief provisions provided for the Solidarity Fund and similar Covid-19 relief donations be linked to them solely being used to procure locally produced goods, unless proof can be provided that no such locally produced goods or capacity to locally produce exists.
* Government immediately implement a tax on scrap metal exports.
* Government commit to tabling the Public Procurement Bill at Parliament by the Medium Term Budget Policy Statement in October and for Parliament to then be able to adopt it by April 2021.
	1. **Timeframe Extension**

The provisions for tax relief provided for in the Bills are linked to September 2020.

This may create problems for industries that may not be allowed to resume operations in full or partial by September.

Such industries may include alcohol, entertainment, restaurants, sports, gyms etc.

These sectors are not allowed to operate at all or in full under the Ministerial Directions. It is critical that such relief measures be extended in conjunction with the timeframes of the Disaster Management Regulations which could easily be extended beyond September for those sectors.

**COSATU Proposals:**

* Tax relief measures within the Bills be linked to the timeframes and restrictions set by the Disaster Management Regulations for affected industries e.g. alcohol, entertainment, sports etc.
* The September timeframe be amended to provide for this.
	1. **Relief Measures for Workers and Pensioners**

Whilst COSATU supports the tax relief measures provided in the Bills to employers with the above proposed amendments, the Federation believes there is a need to provide further relief measures for indigent households.

The 5th Parliament that indigent households needed to be provided with relief when government increased VAT to 15%.

This was taken further by the African National Congress’ 2019 elections manifesto which committed government to increasing the amount of free electricity and water provided to registered indigent households.

To date, and even before Covid-19 was on the horizon, government had not moved to do so.

Such relief when millions may lose their jobs is all the more critical now. The relief provided by the UIF and SASSA is critical but limited in their scope and timeframe.

An increase in free electricity and water provided to registered households is targeted to the poor and affordable.

**COSATU Proposals:**

* Implementation of increased allocation of free electricity and water to all registered indigent households in all municipalities.
1. **Conclusion**

COSATU welcomes and supports the Bills. We urge their adoption by Parliament.

However this support is conditional upon the Bills being amended to ensure that tax relief provided to employers be conditional upon:

* Their retaining workers’ jobs, be incentivised to create new jobs.
* That the measures provided for the Solidarity Fund and similar Covid-19 relief donations be linked to local procurement.
* That other local procurement interventions be implemented e.g. the Scrap Metal Export Tax and the Public Procurement Bill.
* That the tax relief measures be extended in conjunction with the disaster management regulations restrictions upon affected industries.
* That additional relief be provided for indigent households through additional free water and electricity.

Government must show courage in not only molly cuddling the private sector, but equally in driving a job retention and creation, buy local and pro-worker agenda as well.

Timidity and business as usual will not suffice.

Thank you.

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