

NAVIGATING COVID19

COVID-19 LOAN SCHEME

Following the announcement by the President on Tuesday the 21st of April of additional funding of R200 Billion to assist SME's impacted by the pandemic, below is some insight into the guidelines to access this loan scheme. We are unsure of the actual date that the scheme will open for applications as the government and banks are still in talks around the implementation process under this initiative.

ELIGIBILITY

Sole proprietors, professional practices, SMMEs, SME's and commercial companies with a turnover of less than R300m per annum, who are in good standing with their bankers as of 29 February 2020.

Applicants must:

- Be registered with SARS
- Have no existing capacity to borrow for relief funding
- Have experienced financial distress as a result of lockdown and COVID-19
- Require the loan for operational expenditure including supply of goods and materials (domestic & foreign)

Terms of Loan

- 66 months loan term
- The loan amount will be determined by three months full operating expenses including supply chain expenditure. There is no official maximum.
- Capital & interest moratorium for the first 6 months from payout
- From month 7 the loan will amortise over the balance of the loan period (month 7 to 66)
- The interest for the first six months will be capitalised to the loan and form part of the repayment from month 7 onwards
- Borrowers can only apply for one loan from their primary banking institution
- There are no early settlement penalties
- The loan will be at a prime linked rate and offered at the same rate by all banks who participate in the scheme
- Business owners will need to sign surety.
- Shareholder loans and dividends cannot be paid until the COVID loan is repaid in full

Process of Application

The banks will administer the process with each client being dealt with on their merits, requirements, and access to finance.

As at the date of this circular, according to our research, only Nedbank have posted some information on their website on the Nedbank COVID loan scheme. See below.

<https://www.nedbank.co.za/content/nedbank/desktop/gt/en/business/covid-19-relief1/COVID19LoanScheme.html>

There is information "to follow" as per the site, being the application form, resolution and requirements. We are waiting for more information in this coming week.

What Should you do now?

- Keep a lookout on your primary banks COVID-19 webpage to see when additional information is made available or the scheme is opened.
- Prepare your financial information including management accounts on the businesses to ensure there is limited delay in application. We are fairly certain that a cashflow projection demonstrating the 3-month expenditure and loan requirement will be required as part of the process.
- In need, we can assist with the compilation of cashflows

Disclaimer: Although SIR Group pays maximum attention to checking and verification, it cannot guarantee the accuracy or completeness of the information provided. This information may be changed at any time without warning. We are reliant on government departments for most of the information and they may in certain instances change their position or report incorrectly. We encourage you to verify any of the information above with the professionals consulting with your business (such as your labour consultants, attorneys, and accounting officers) before acting on it.

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