

# Small Business Corporation and Compliance

**South African Revenue Service**



# The purpose and SARS Vision 2024

## Purpose:

- This presentation is merely to provide information in an easily understandable format and is intended to make the provisions of the legislation more accessible.
- The information therefore has no binding legal effect and the relevant legislation must be consulted in the event of any doubt as to the meaning or application of any provision.

## SARS Vision

To build a smart modern SARS with unquestionable integrity, trusted and admired by Government, the public as well as our international peers. For the purpose of this presentation we focus on the following strategic objectives

Make it easy &  
simple to  
Comply

Mordenize  
systems to  
provide  
seamless online  
digital services

Create  
awareness,  
clarity %  
certainty

Make it hard to  
not comply

# Points of Discussion



**Small Business Obligation**



**Small Business Incentives**



**Turnover Tax**



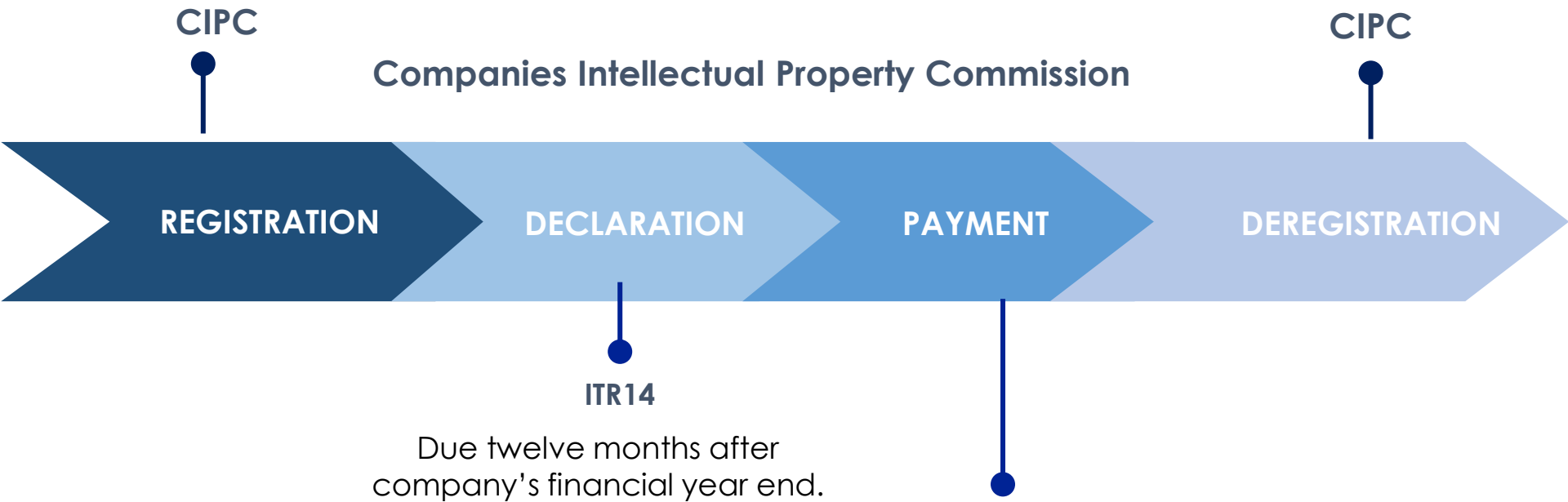
**Compliance**



**Digital Platforms**

# Small Business Obligations

# Companies Income Tax (CIT)



## Provisional Tax Return (IRP6)

- 1<sup>st</sup> Return & Payment: Within six months from the beginning of the year of assessment.
- 2<sup>nd</sup> Return & Payment: On or before the last day of the year of assessment.
- Final payment: Six / Seven months after year of assessment depending on companies' financial year end.

# Pay-As-You-Earn (PAYE)

Only register for PAYE if there is tax to be deducted

## REGISTRATION

- Within 21 days of becoming an Employer.
- RAV01 on eFiling.

## PAYMENT

- Payment due on 7<sup>th</sup> of every month with EMP201 declaration.

## DECLARATION

- EMP201 return due on the 7<sup>th</sup> of every month

### Note:

- Bi-annual reconciliation (08) due end of October.
- Final reconciliation (02) due end of May.

## DEREGISTRATION

- eFiling
- SARS Branch office (appointment only)
- [contactus@sars.gov.za](mailto:contactus@sars.gov.za)
- [pcc@sars.gov.za](mailto:pcc@sars.gov.za) (only tax practitioners)

# Value Added Tax (VAT)

## REGISTRATION

### Two Categories

- Voluntary registration (R50 000 taxable supplies)
- Compulsory registration (R1 million taxable supplies)

## DECLARATION

- On or before the 25<sup>th</sup> of the month
- eFiling declarations on or before the last business day of the month

## PAYMENT

- On or before the 25<sup>th</sup> of the month
- eFiling declarations on or before the last business day of the month

## DEREGISTRATION

- Vendors who have ceased trading
- Who wish to apply for deregistration (i.e. voluntary registrations)

# Small Business Incentives



# Small Business Incentives

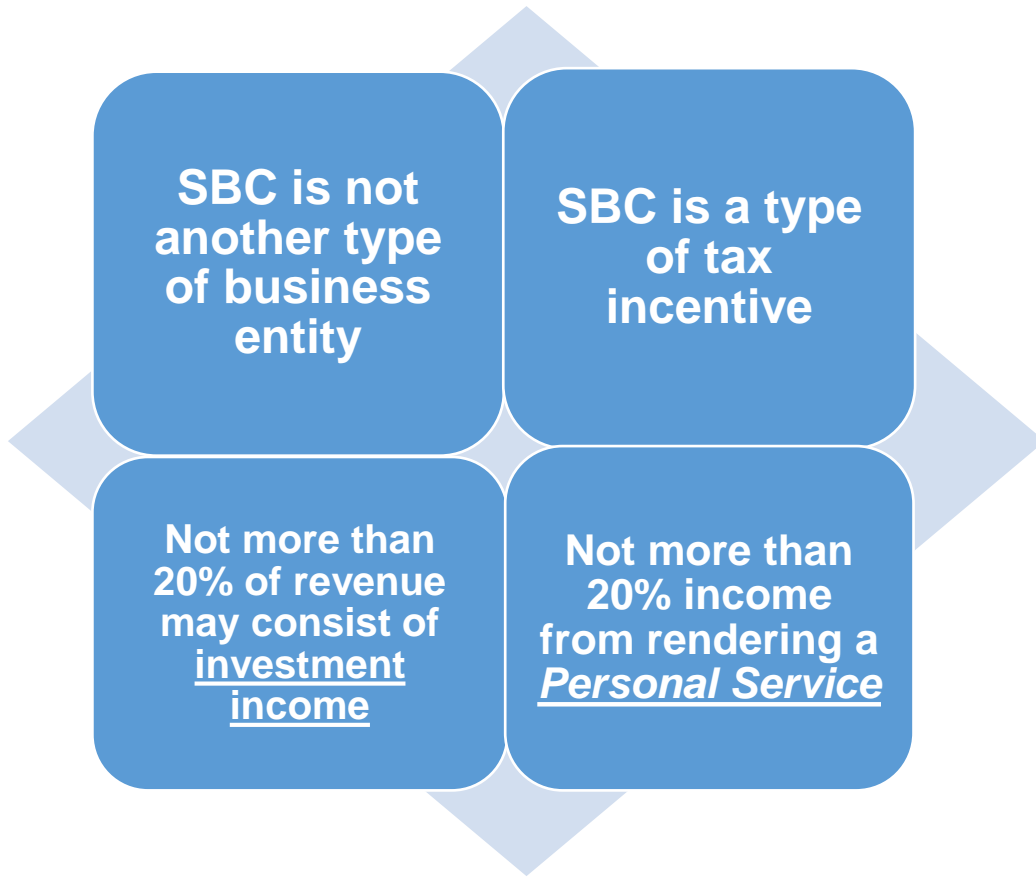
## Small Business Tax rates

Years of assessment ending any date between 1 April 2023 and 31 March 2024

Taxable Income (R)	Rate of Tax (R)
1 – 95 750	0% of taxable income
95 751 – 365 000	7% of taxable income above 95 750
365 001 – 550 000	18 848 + 21% of taxable income above 365 000
550 001 and above	57 698 + 27% of the amount above 550 000

# Small Business Incentives

## How to Qualify



# Small Business Incentives

## How to Qualify

### Co-Operatives & Private Companies

- Not applicable to sole proprietors, partnerships, trusts

### Shareholding held by Natural Persons (Individuals)

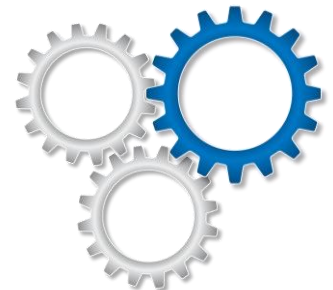
- Shareholding held for the entire year by natural persons
- Imperative to deregister from other CC's or companies before starting new venture

### Shareholders to have no interest in other Company

- Includes Dormant/ Shelf / Non Trading Companies
- Excludes listed companies and companies exempt from the payment of Income Tax and some other exceptions

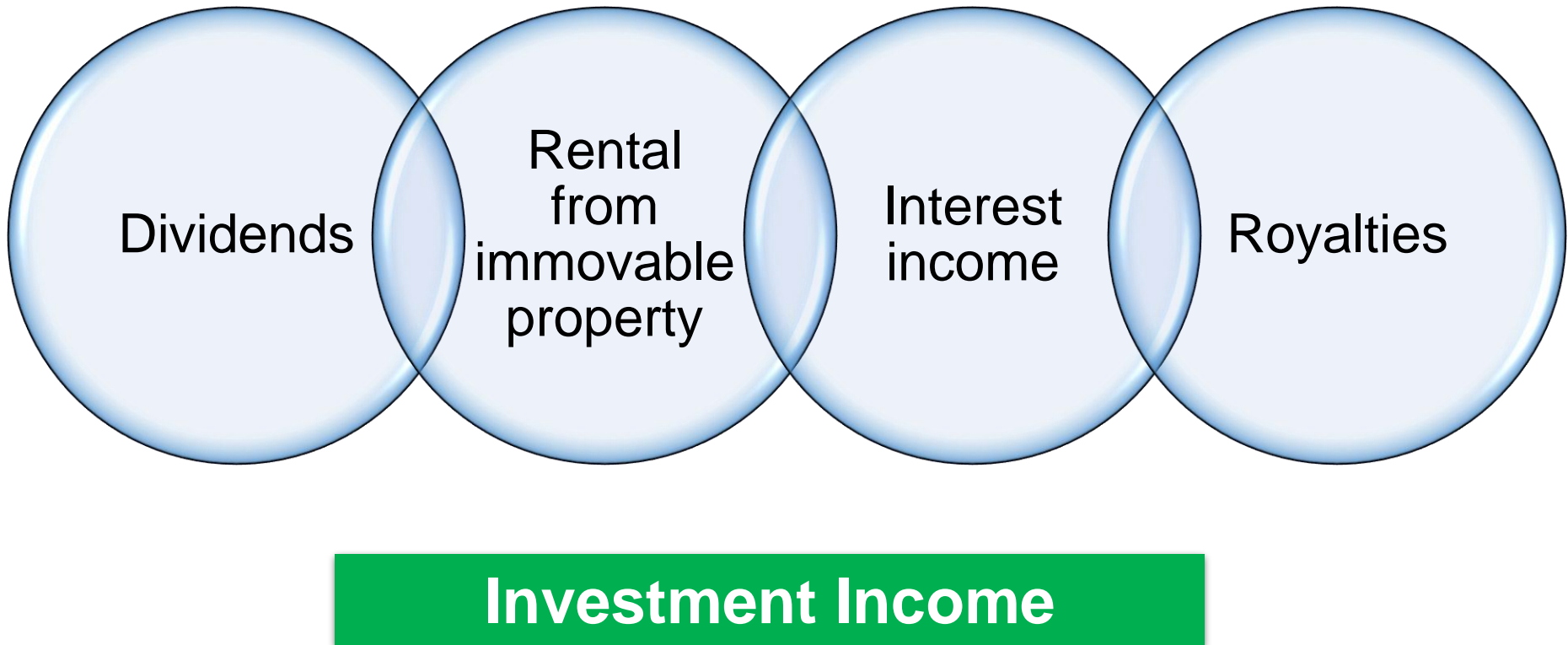
### Gross Income not exceeding R20 000 000 per year

- Pro Rata amount if trading less than 12 months- Not taxable income, is based on gross income



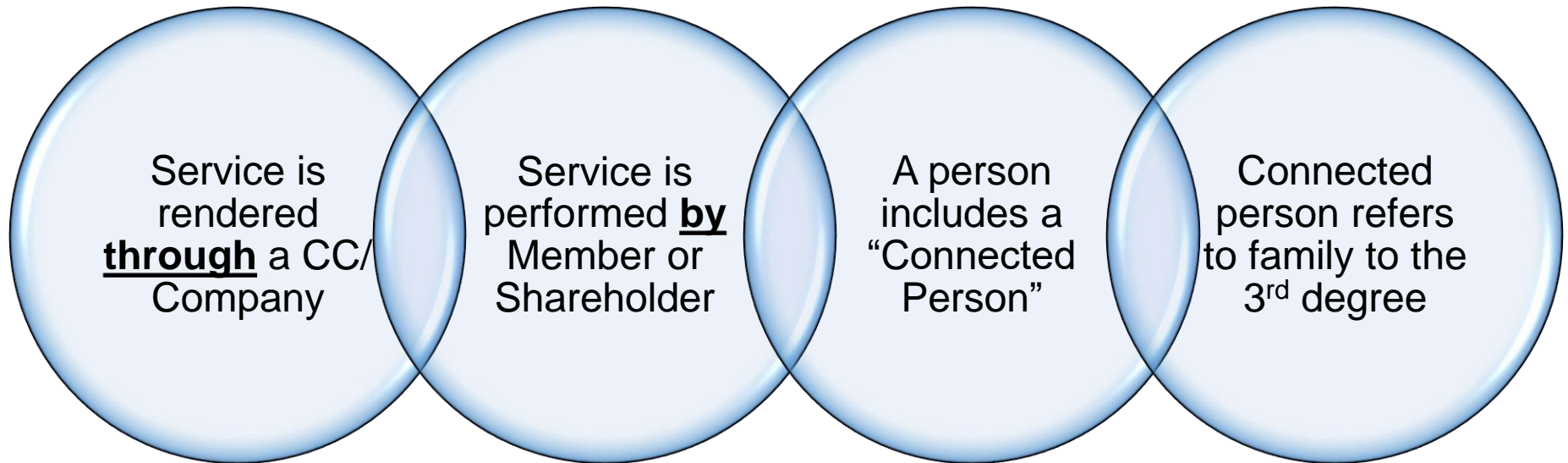
# Small Business Incentives

## How to Qualify



# Small Business Incentives

## How to Qualify



**Personal Service**

# Small Business Incentives

- **Personal Service** is an activity specifically listed in the Act:

Accounting	Actuarial Science	Management	Surveying
Broadcasting	Engineering	Sport	Auditing
Education	Law	Auctioneering	Draftsmanship
Journalism	Veterinary Services	Consulting	Information Technology
Research	Architecture	Health	Translation
Valuation	Financial Service Broking	Real Estate Broking	

# Small Business Incentives

Personal Service



**Personal Service not applicable if:**

The CC or Company employs 3 or more permanent staff members throughout the year and the service is not performed by any person who holds an interest in the company

Employees cannot be connected to Members / Shareholders

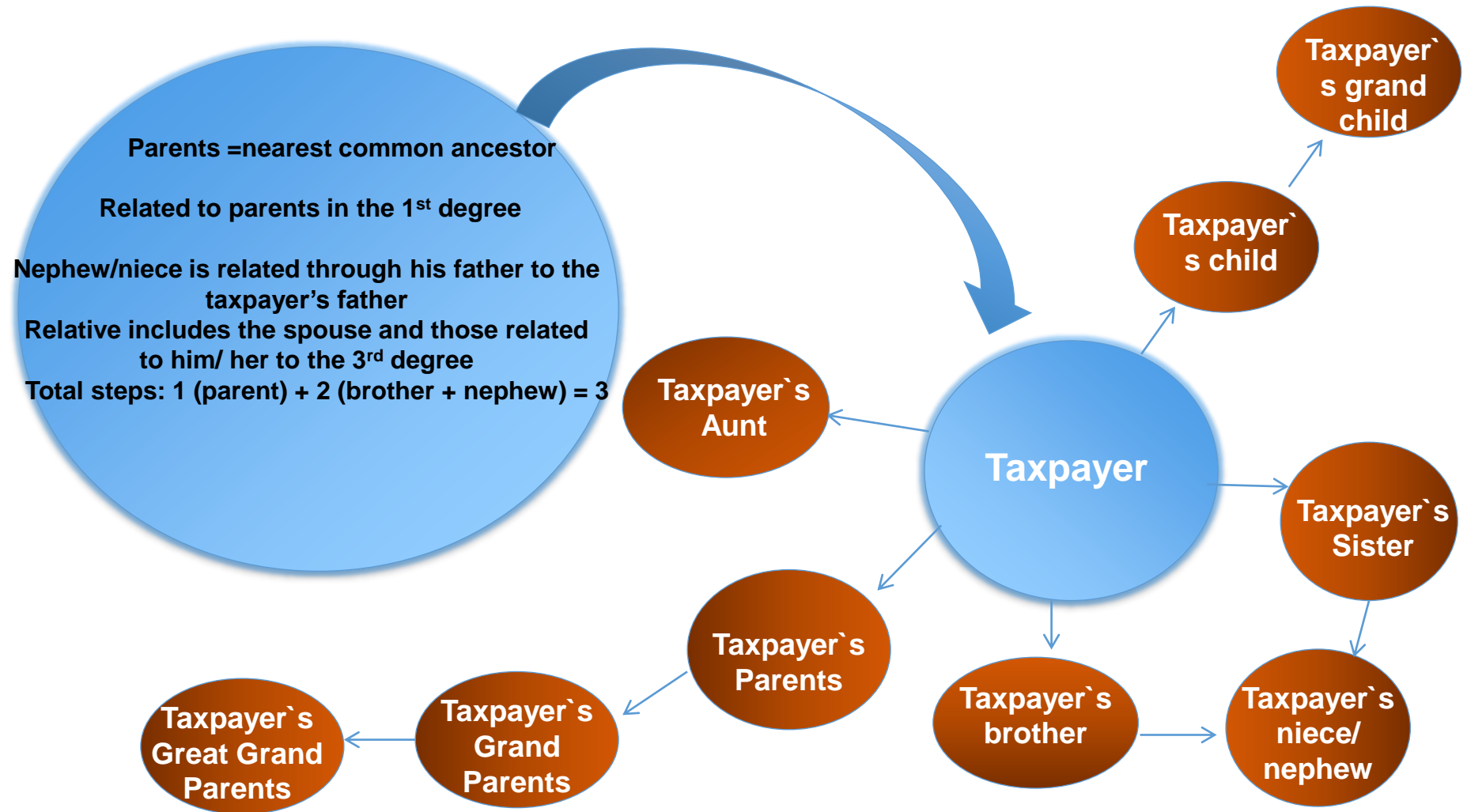
**If Personal Service not applicable then 20 % rule only applies to Investment Income**

Employees should be permanent and cannot be connected to Members / Shareholders

Minimum of 3 employees should at all times be employed, throughout the year



# Connected persons



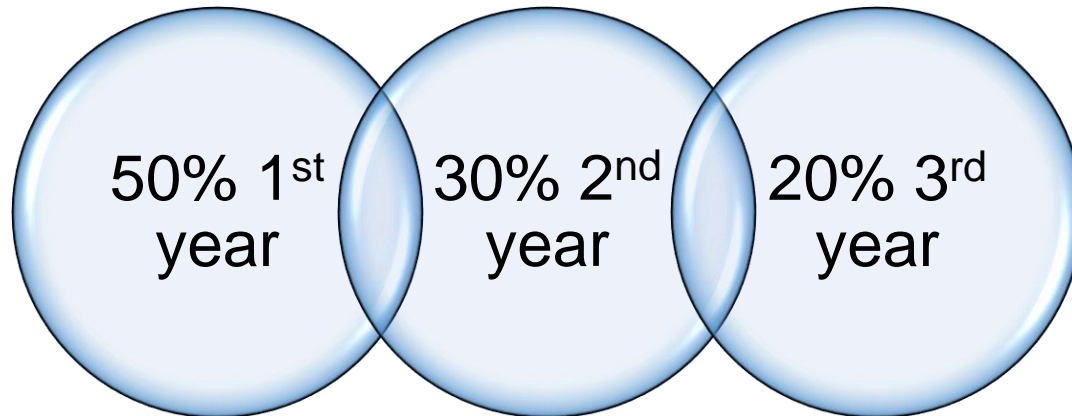


# Small Business Incentives

## Benefit of Small Business Incentive

### Benefits

- *Immediate write off of all plant machinery used in the process of manufacture*
- *An accelerated write-off allowance for depreciable assets (other than manufacturing assets)*



# Turnover Tax

# Turnover Tax



## What is Turnover Tax?

- Turnover tax (TT) is a single tax system which taxes turnover and not profit
- TT is optional to businesses with a qualifying turnover of R1 million or less per annum
- Replaces the need to account for Income Tax, Capital Gains Tax (CGT), Dividends Tax and Value-Added Tax (VAT), unless you have elected to be in the VAT system

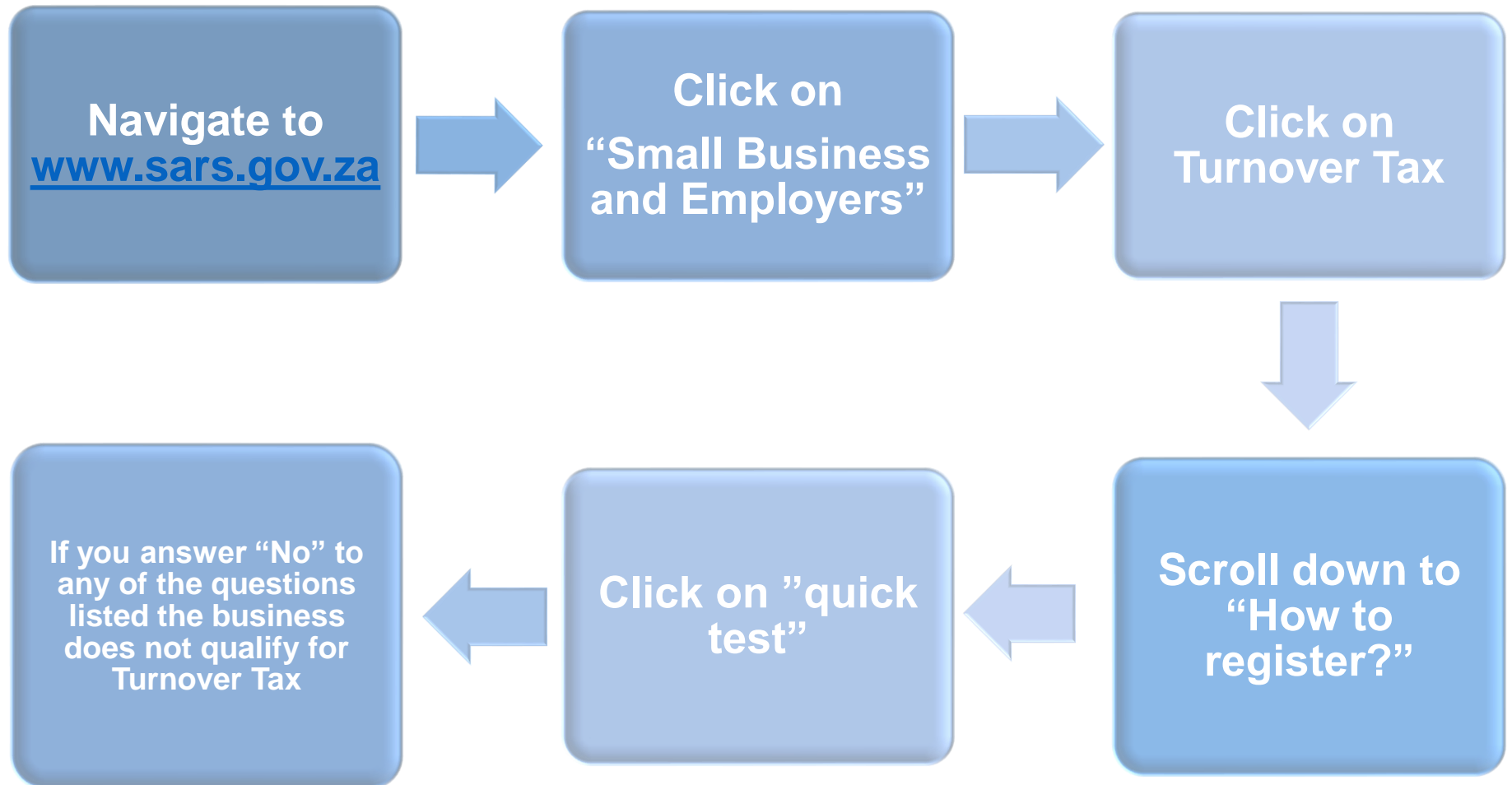
# Application Requirements

Application to be done before the start of the next tax year that is before 1 March

If the business commences during the “year of assessment”, application to be done within 2 months after date of registration

If a business chooses the TT method, the year end must be 28 February

# Online quick test



# Registration



TT01

- Complete a TT01 application form(if you qualify);
- Submit it through the following channels:
  - ☐ By visiting a SARS branch on our e-Booking system.
  - [pcc@sars.gov.za](mailto:pcc@sars.gov.za) (for Tax practitioners);
  - ☐ [contactus@sars.gov.za](mailto:contactus@sars.gov.za) (for all other taxpayers)



# Turnover Tax and VAT link



TT and VAT

- Registered micro businesses are allowed to be registered for TT as well as VAT as from 1 March 2012.
- As from 1 March 2014, a registered micro business may elect to also submit VAT returns on a six- monthly basis (category D), at the end of August and February of each tax year on a normal VAT 201.



# Qualifying Criteria



## Who Qualifies?

- Businesses with a qualifying turnover of less than R1 million per annum
- Sole proprietors, partnerships, companies and co-operatives
- Excludes, public benefit organisations and recreational clubs:  
Conducting activities other than business activities and already enjoy special tax treatments



# Partnership Requirements

Specific  
Requirements  
for partnership

- Turnover of partnership must not exceed R1 million per annum, however, each partner can apply individually
- That person cannot be a partner in another partnership
- The partner may not hold shares or interests in a company, close corporation or co-operative other than the exceptions, such as listed JSE companies, venture capital companies and some others.
- All partners must be individuals

# Turnover Tax Disqualifications

## Interests in other companies

- May not hold shares or have any interest in another company
- Certain allowable exceptions

## Investment income

- Investment income cannot be more than 20% of total receipts in the case of a company

## Professional Service

- Professional service cannot be more than 20% of total receipts in the case of both natural persons and companies



# Turnover Tax Disqualifications

## Capital disposals

- Receipts from the disposal of certain capital items may not exceed R1,5 million in a three year period

## Personal service providers and labour brokers

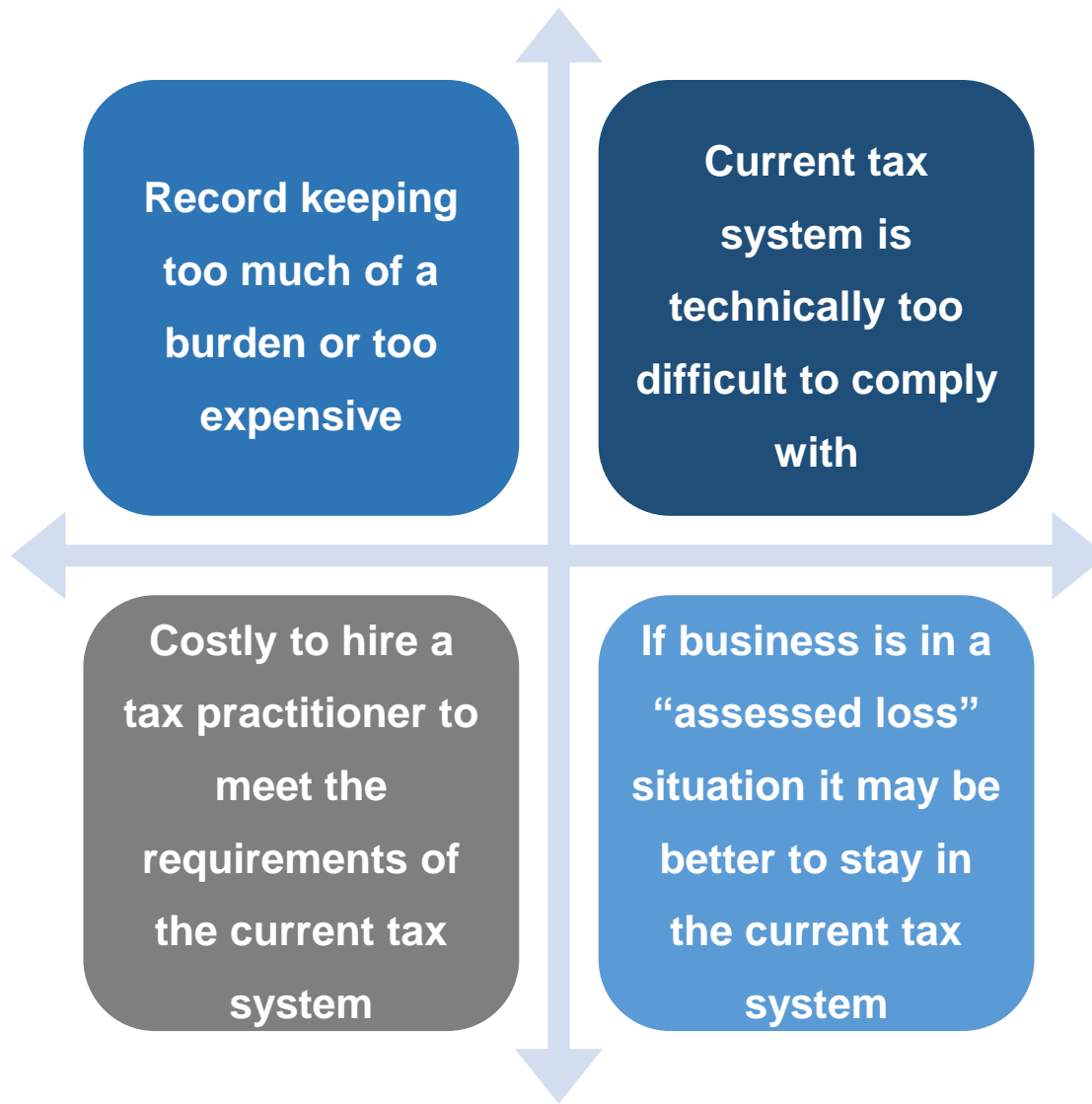
- A “Personal service provider” or “Labour broker” is disqualified except where a “Labour Broker” has been issued with a tax exemption certificate by SARS

## In the case of a Company

- All the shareholders / members must at all times be individuals



# Decision making factors



# Turnover Tax Rates

Turnover (R)	Rate of tax (R)
0 - 335 000	0% of taxable turnover
335 001 - 500 000	1% of taxable turnover above 335 000
500 001 - 750 000	1 650 + 2% of taxable turnover above 500 000
750 001 and above	6 650 + 3% of taxable turnover above 750 000

# Overall Tax Comparison

**EXAMPLE**

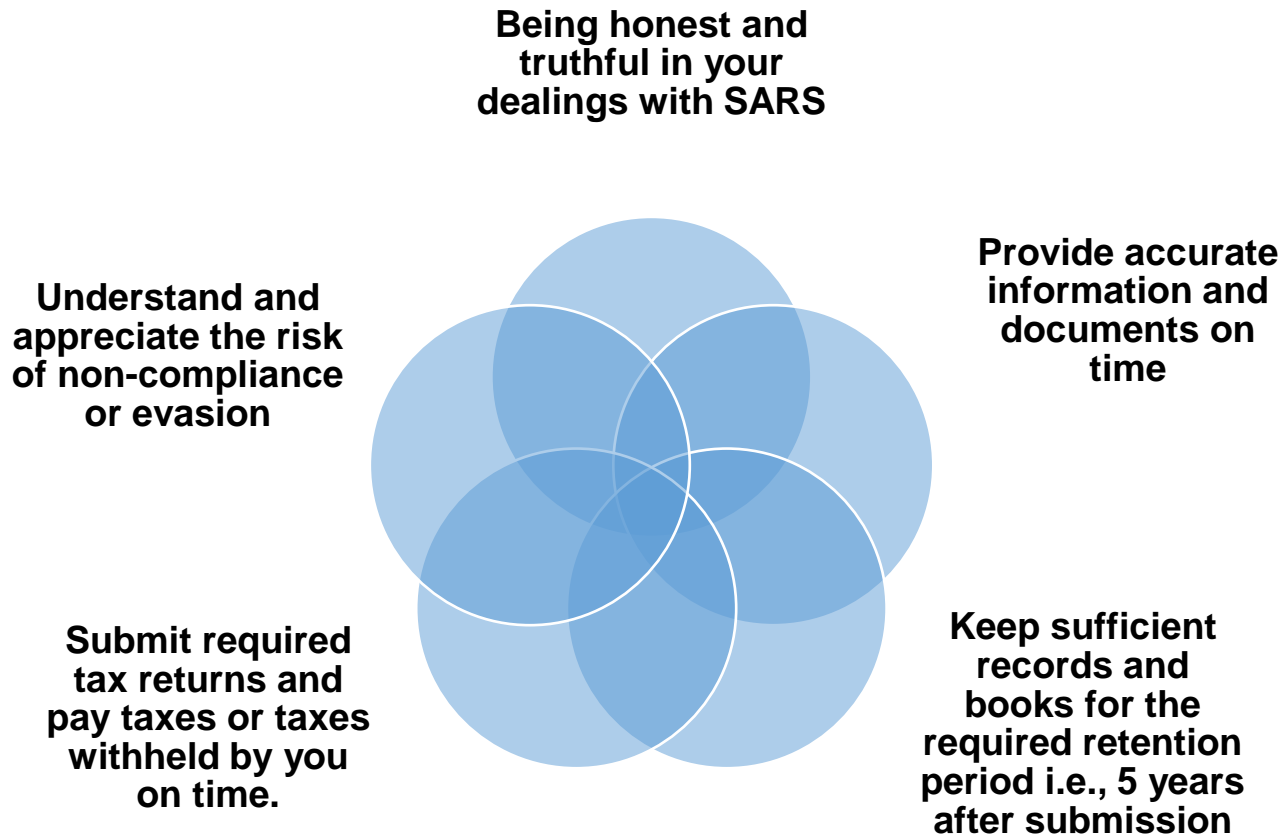
Total Income: Sales = R600 000 – (Expenses = R180 000)  
Taxable Income = R420 000

	Taxable Income: Personal Income Tax	Taxable Income: Company	Taxable Income: Small Business	Turnover Tax	Amount Payable
<b>Sole Proprietor (under 65)</b>	77 362 + 31% of Taxable income above R 370 500 Minus Rebate				R 75 472
<b>Company</b>		420 000 X 27%			R 113 400
<b>Company SBC</b>			18 848 + 21% of Taxable income above R 365 000		R 30 293
<b>Turnover Tax</b>				R1650 + 2% of Taxable turnover above R500 000	R 3650

# Tax Compliance

# Tax Compliance

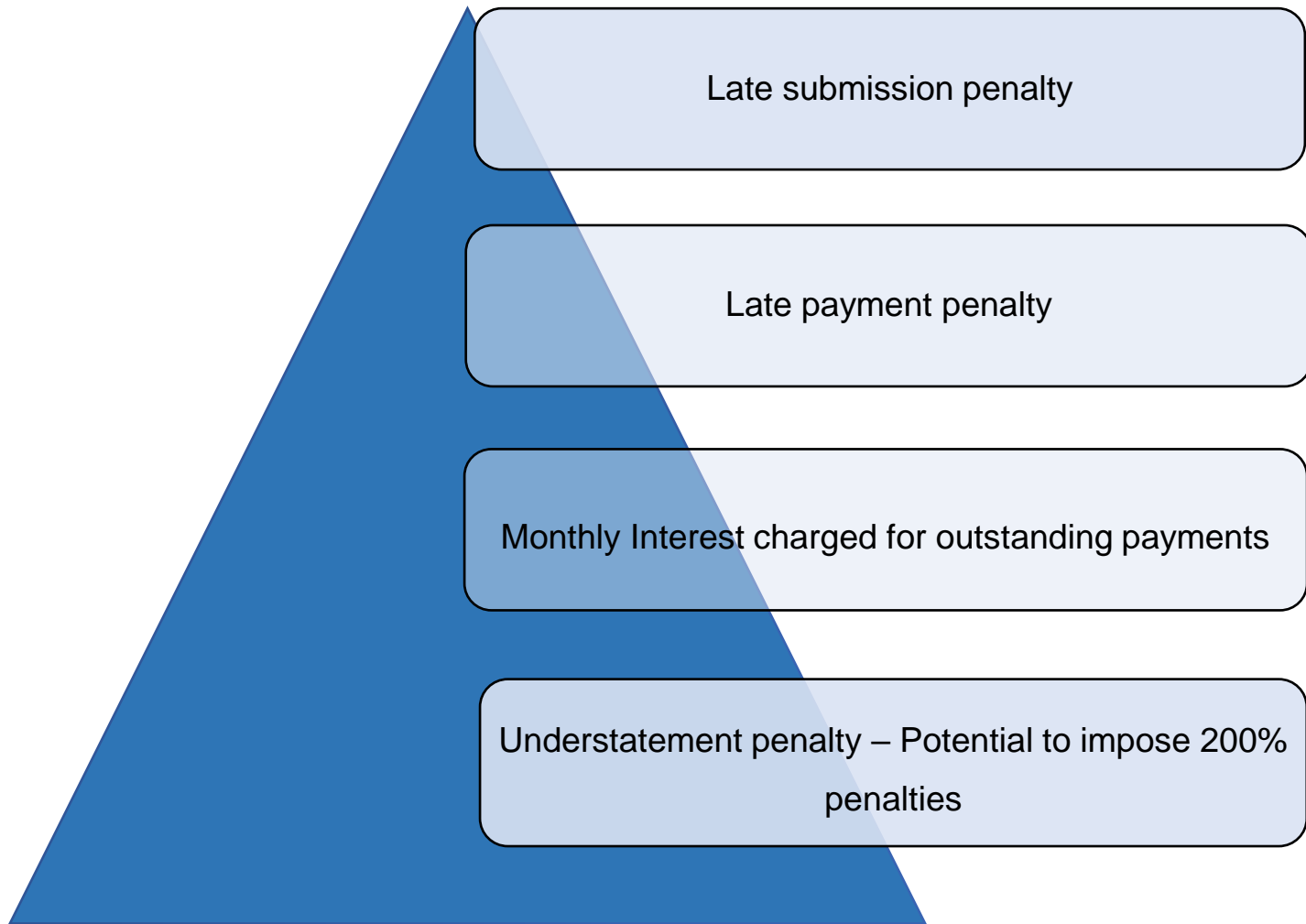
**A Taxpayer must fulfil his tax obligations i.e.**





# Tax Compliance

## Consequences of Non-Compliance



# Precautions

# Precautions

## Efiling

When making use of SARS E-filing **DO NOT** divulge your log-in name and password to anyone. If you have already done so, you can change the password. Call the SARS Contact Centre to assist you with this.

If you think that you have been affected by this scheme, we encourage you to call the SARS Contact Centre

SARS **DOES NOT** charge for services rendered by its officials.  
Request identification from a SARS official.

# Precautions

## Efiling

When using a Tax Practitioner, please verify the validity of the Practitioner number via the SARS eFiling website:

<https://secure.sarsefiling.co.za/TaxPractitionerQuery.aspx> by entering the Tax Practitioner Number and the security pin provided.



### TAX PRACTITIONER REGISTRATION STATUS



Tax Practitioner Number

(e.g. PR-0000000)

Security PIN



Audio



Verify Security PIN

Search

**Take charge of your tax affairs whereas you are using a Tax Practitioner by always check with SARS.**

# Record Keeping

A person must keep records, books of account or documents

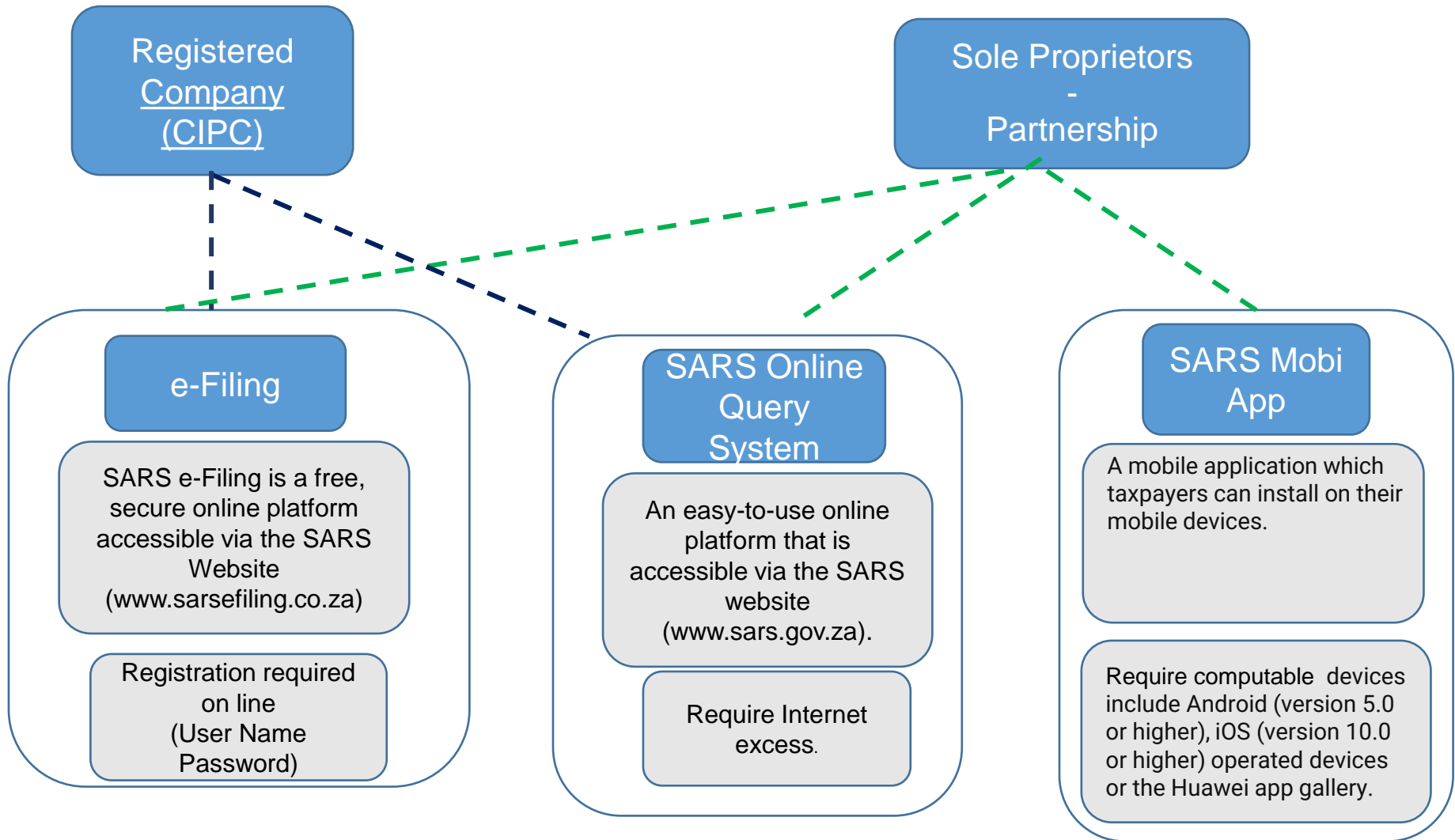
Records must be kept for 5 years

Records must be kept –

- in their original form;
- in the form, including electronic prescribed by the Commissioner
- in a safe place; and
- Available for inspection, audit and/or investigation by SARS



# Digital Platforms available for SMME's



# Follow us

- Visit us on our Social Media platforms

- ❖ LinkedIn



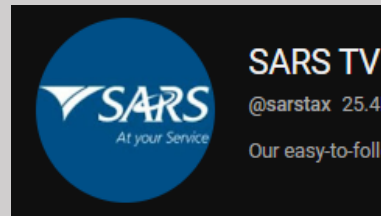
- ❖ Facebook



- ❖ Twitter



- ❖ SARS YouTube Channel



- For more information, visit the:

- ❑ SARS YouTube channel: [www.youtube.com/sarstv](http://www.youtube.com/sarstv)

- ❑ SARS website for Small Business: <https://www.sars.gov.za/businesses-and-employers/small-businesses-taxpayers/>

Thank you  
Re a leboha  
Re a leboga  
Ndza Khensa  
Dankie  
Ndi a livhuwa  
Ngiyabonga  
Enkosi  
Ngiyathokoza