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how to start  
**A MICRO  
BUSINESS IN  
SOUTH AFRICA**

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from concept to  
compliance and the  
registrations in-between



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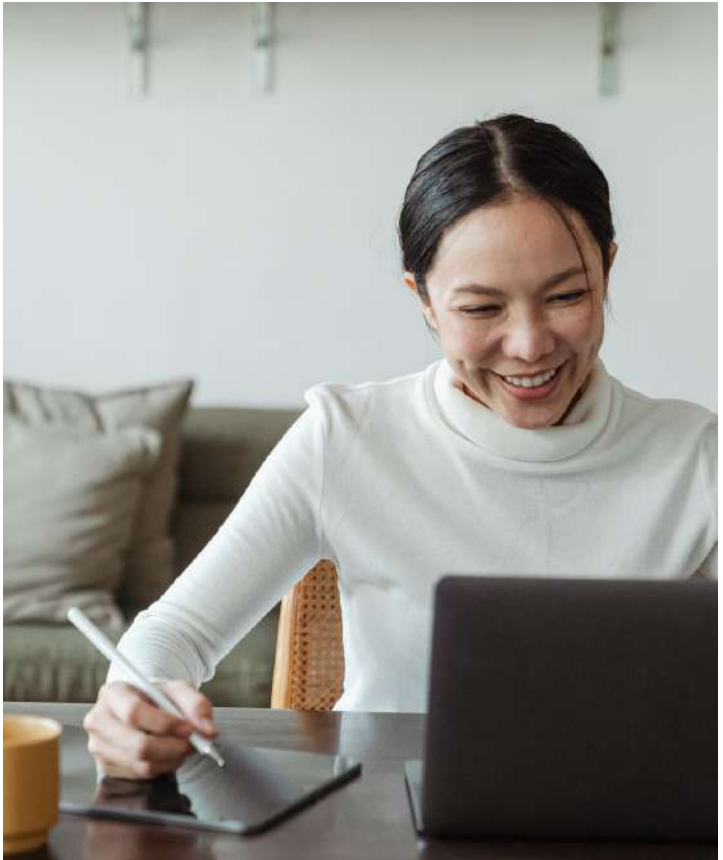
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# CONTENTS

## **DEDICATIONS**

*This e-book is dedicated to Mark:*

*Doing life with you makes it all worthwhile.  
Thank you for always believing in me.*



In the midst of the COVID-19 pandemic, many individuals have found themselves unemployed due to retrenchments, or have been forced to give up their full-time employment as a result of factors beyond their control

If 2020 taught us anything, it is that life can change in the blink of an eye. Lockdown may have forced many businesses to close, but the "new normal" also presented many new business opportunities that previously weren't needed. As many businesses go digital, it opens up a new world of previously unexplored consumer needs, as well as a virtual, global reach for your products/ services.

In this eBook, we'll be covering items such as:

- Brainstorming a business opportunity that is the right fit for your unique talents and strengths;
- The importance of a business plan, its elements, and choosing the right consultant;
- Various registrations for the most common forms of business;
- Important compliance items you will be responsible for once your business is up and running.

To your success.



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# BRAINSTORMING

Generally speaking, 9 out of 10 start-ups fail. Not exactly the dream of any aspiring entrepreneur when they start a business. While 9 fail, there is something that sets the remaining start-ups apart from the rest, even with all the odds stacked against them:

a sound business idea.

Now I know that it is easy to just throw a statement such as that in the content, but how can you tell if you are really onto something sound that will translate into a sustainable business?

A well-thought-out business idea can be defined as:

1. Is it simple?
2. Does it solve a real problem that consumers currently have?

If your business idea is great, with the right amount of exposure, it will eventually sell itself. Larry Page and Sergey Brin, the developers of the Google search engine, simply had an idea to examine the other search engines that were on the market at the time and then create one that was more user-friendly. They preceded with examining the numbers and the relevance of links between pages, and not just keywords in them. It was this idea, and the subsequent research and planning that followed, that saw the creation of Google. Although it had humble beginnings, today it dominates the market, and Page and Brin are both billionaires. In order to continue to dominate the market, they are often adding products and evolving as a company as they understand that their customer's needs and wants are always changing.

It may be difficult for some to believe that this global empire started with an idea that was so simple, yet it solved a real problem and therefore became a sound product that we still make use of today.

Once you have brainstormed what you feel is a winning item, Mark Pincus, CEO of Zynga, suggests getting 4 or 5 of your smartest friends in a room and asking them to rate your idea. A word of caution here would be to ensure that these friends are trustworthy. You do not want to ask the opinion of someone that will tell you that your idea is worthless, and then use it themselves. Unfortunately, this happened to a friend of mine so I know first-hand how devastating this situation can be.

After settling on a business idea worth pursuing, you'll need to figure out how you'd like to trade.

## BUSINESS STRUCTURES

Before we continue, I just want to take a moment to clearly define the difference between a juristic and natural person. In the eyes of the law, a company is considered to be a juristic person. This "person" is a legal entity that is recognized by law as the subject of rights and duties. Simply put, in a company, there is a clear separation between the owners of the business, and the business itself. As a result, the owners have limited liability.

A sole-proprietor (and partnership) is considered to be a natural person (a living, breathing human being). There is no separation between the business and its owner. Unfortunately, this can spell disaster should your business ever be sued, as your personal assets can be attached to settle any debts. I will go over this in a bit more depth at the end of this chapter.

## COMPANIES

There are various types of companies available, and the [COMPANIES ACT OF 2008](#) breaks these down into 2 different types:

## PROFIT AND NON-PROFIT

Let's go through these in a bit of detail and place them into their respective categories.



### 1. PRIVATE

YOUR COMPANY NAME (PTY) LTD

*The number of directors that are required to start this company must be between 1 to 50 with at least one shareholder. This company has the least amount of formalities and is perfect if you are planning on working alone in the business for a period, or indefinitely*

FOR PROFIT COMPANY

## 2. PERSONAL LIABILITY

YOUR COMPANY NAME INC

*Most accountants, doctors, lawyers etc choose this type of company. Directors both past and present may be jointly and severally attached to the company's contractual debt.*

FOR PROFIT COMPANY



## 3. PUBLIC

YOUR COMPANY NAME LTD

*This one is usually a listed company on the JSE. It's managed by a Board of Directors and is liable to its shareholders. They may offer shares to the public to raise funds.*

FOR PROFIT COMPANY

## 4. STATE-OWNED

YOUR COMPANY NAME SOC LTD

*This form of business entity is owned by either local government, for example, Metrorail, or a local municipality such as eThekweni Electricity.*

FOR PROFIT COMPANY



## 5. DOMESTICATED

*This one is usually a listed company on the JSE. It's managed by a Board of Directors and is liable to its shareholders. They may offer shares to the public to raise funds.*

FOR PROFIT COMPANY

## 6. EXTERNAL

Foreign companies looking to expand their profit or non-profit activities in South Africa will open up these branches. They are not recognized as separate legal entities.

FOR PROFIT COMPANY



## 7. NON-PROFIT

YOUR COMPANY NAME NPC

An NPC is set up for the public benefit and its income and assets are not distributable to its incorporators, directors, members, officers, or any persons related to anyone involved in the operations of the NPC. Its profits are to fund the NPC's main objective.

It differs from a Non-profit Organisation (NPO) as it does not have to register with the Registrar of NPOs. An NPO is not limited to registering as a company. It can be a charitable Trust, a Company, or a Voluntary Association.

NOT FOR PROFIT COMPANY

Another option available, as discussed at the beginning of this chapter, would be to trade as an individual. I will clearly define this type of business next.

## SOLE PROPRIETOR

YOUR BUSINESS NAME T/A YOUR NAME

A sole proprietor is the simplest form of business structure that a person can trade as. It refers to a person who owns the business and is personally responsible for all its debts. Any profit made by the business is added to the owner's personal income and is taxed accordingly, as is any loss made by the business. The downside to trading as a sole proprietorship is the owner is responsible for all credit and debts, and should this in any way default resulting in debt collection lawsuits, the owner's personal assets will be consumed by this.

Another business structure similar to a sole proprietorship is a PARTNERSHIP. This business structure involves two or more individuals who enter into a contractual agreement to set the terms and conditions of their business relationship. The contract will detail the distribution of ownership, each partner's responsibilities, as well as profit sharing.

Many of our clients generally opt for a sole proprietorship, partnership, or (Pty) Ltd structures. This again depends on the type of business that you will be pursuing and its respective needs. It also depends on the profit that your business is projected to turnover as each structure has different tax rates. We'll get to this part later on in the ebook.

Before we conclude this chapter, I would highly recommend our Brainstorming a Business Idea [printable] Workbook. It will help you pick a niche, match a suitable name to your operations, and more. Find it in our [SHOP HERE](#).

# PLANNING



In Chapter 1, I covered brainstorming a sound business idea, as well as the different types of business structures. In this chapter, I will be going over planning in general and the importance of a business plan, whether it is formal or informal.

In my humble opinion, most things in life are better with a solid plan in place. I drive my family crazy at times with my apps, lists, and strategies. Planning may not be able to predict every hiccup and detour but it does make the journey a lot less stressful and more focused.

If you are looking to secure funding, potential investors want to see that you have done the homework, and have a financially viable opportunity. Having a good business plan allows you to communicate your vision to them effectively based on data and research. No one that I know, or anyone that is of a sound mind, will simply hand money out to you because you have "a hunch" that you are on to "something big".

Next, we will outline a business plan's essential components. We are going to briefly discuss each of these sections in a bit of detail to help you get started, even if your business plan is an informal one just for personal use.

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# BUSINESS PLAN

## EXECUTIVE SUMMARY

*This is a summary or an overview of your business plan highlighting all your content and goals. This should ideally be 1 – 2 pages long, but no greater than 3 or 4.*

## COMPANY OVERVIEW

*This section is where you provide more information about your business, its mission, what makes it different from other businesses, and the markets it intends to serve. If you are an existing business converting to a company, you can add when it was formed here as well.*

## PRODUCTS AND SERVICES

*Here is where you will go into detail about the products/ services that you plan to offer, and how the product/ service will solve a problem, or fill a need in your anticipated market. It should also indicate the product/service's life-cycle.*

## MARKET ANALYSIS

*Before launching, it is essential that you research your target market thoroughly. In this section, research and include items such as who your target market is, your industry, your competitors, and customer trends.*

## MARKET SALES AND STRATEGY

*How do you plan on marketing your products/ services? What is your sales strategy? How do you intend on securing a slice of the market you intend on serving?*

## ORGANIZATIONS AND MANAGEMENT

*This describes how your business will function on an ongoing basis and the structure that you have selected to best match your business type. It will also describe the background of your appointed managers and executives and how they will help you achieve your business goals.*

## FINANCIAL PROJECTIONS

*This is always at the last inclusion of a business plan. Investors look forward to reviewing this section as backs up your funding request. This is not accounting, although the number order will be the same, but rather a forecast of anticipated numbers. This will include a number of reports such as a projected income statement, break-even calculator, capital expenditure, among others.*

*It is really not advisable to write this section until all your other sections have been completed.*

## APPENDIX

*This is completely optional and should not be included in the body of your business plan and should only be provided on an as-needed basis.*

*This section of the business plan would include the following types of documents:*

- Curriculum Vitae of key managers;
- Product images;
- Letters of reference;
- Details of market studies;
- Any other relevant legal and/ or supporting documentation.

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# EXPERT ADVICE

## DETERMINE YOUR PURPOSE

According to Alan Williams, co-author of "The 31 Practices", you need to take the time to identify with your business's core values and purpose so that you have a clear starting point.

## BUILD YOUR VISION

Ensure you have a clear vision of what it is that you actually want to accomplish as a business. Come up with 3 to 5 key strategies that will assist you to achieve that vision.

## CLARIFY YOUR BUSINESS MODEL

Your business plan should include financial projections. Start by answering, "What if's?". "If I sell this product at this price, and this is how much it will cost me to find clients, how much profit will I make?". "When you are finished building and testing the business model, you can go back and write a business plan", advises Alex Muller, CEO of GPShopper.

## **DECIDE ON YOUR NAME AND BUSINESS STRUCTURE**

The way your company is structured legally will play an important role in how you will be able to conduct your business activities. Ensuring you have researched whether or not your business name is indeed available for use is extremely vital. When a company is registered, it may reserve a specific name to allocate to its company. Once that name has been reserved and allocated to a business, that business becomes the legal owner of it. Should you now choose to use a name that you feel is a great fit for your business activities, and it belongs to someone else, it could be costly to rectify (re-do company branding and stationery) and there may be legal consequences.

## **ROAD TEST YOUR BUSINESS IDEA**

Make sure that there is actually a market for your business idea before you waste time and effort on a business plan.

Once you have completed all these steps, you are almost ready to write your business plan. Now when it comes to writing a business plan, it is not actually necessary to hire a business plan consultant. *However*, if the purpose of your business plan is to secure funding from investors, then I strongly suggest you hire one.

If you have chosen to hire the services of a business plan consultant, the fact that they may have a qualification is not enough to ensure a well-written business plan. They will also need to be fluent in sales strategies, financial projections (this is the part investors love as it will give them something to hold your business accountable to), and marketing. All this mixed with some solid experience in various business industries is a winning formula to business plan success. As I have previously discussed, and I can not stress this point enough, if the purpose of your business plan is to secure funding, you really can not afford to do without a well-written and thoroughly researched business plan.

If you are planning to write your own business plan, Peter Hull a contributing writer at Forbes Entrepreneurs and a serial entrepreneur who has a staggering 25+ years of experience in launching successful companies shares these 5 tips that I am certain you will find useful:

## **GET RID OF THE FLUFF**

Fluff gets you nowhere and wastes space. Be as concise as possible and remove any filler language.

## **BE REALISTIC**

You should be honest with yourself in your business plan which is why it is very important to consider challenges and opportunities.

## **SHOW YOU ARE CONSERVATIVE**

Show examples as to how you are conservative in your approach and projections when writing your business plan.

## **VISUALS ARE GOOD**

Whenever possible, and without overdoing it, use visuals in your business plan. Graphs, charts, and images can help bring your concept to life. In addition, it breaks up the text and helps a plan flow better.

## BE CREATIVE

Include a creative element into your business plan so that you stand out and grab someone's attention. You can use templates, but try not to replicate every detail of the template. Do something unique to make the plan yours.

*Preparation is absolutely key. A well-put-together, straight to the point, and thoroughly researched business plan will give you the tools you need to build a solid foundation for your business.*

Our shop houses a template **Business Plan** as well as **Business Model Canvas**. Click to redirect to our [SHOP HERE](#).

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# REGISTRATIONS

As was covered in the previous chapter, there are a variety of business structures from which you can choose, and each has its own legal obligations. It can be overwhelming if you do not know where to start.

In this chapter, I will cover what I consider to be some of the most important general registrations in a bit of detail so that you can gain some clarity and direction once you find yourself at this point in your business's start-up.

## REGISTER WITH THE CIPC

Should you wish to trade as a formally registered company, you will have to register one with the Companies and Intellectual Properties Commission (CIPC).

Firstly, I recommend having at least 4 names in mind for your company and performing a quick check on the CIPC's website to see if they are available. The CIPC cannot accept your proposed name if it is already registered to an existing company or is confusingly similar to one. You are able to register a company on your own by using the CIPC's e-services platform, or at a CIPC self-service terminal. To do so, you will need to register as a customer by completing the online registration process.

This is not my biased opinion, so forgive me if it comes across as such. Mistakes cost money to fix so it will be more cost-effective to pay a once-off fee to someone that knows what they are doing to ensure that any costly errors are avoided. A simple Google search should bring up many options of professionals who have made careers out of company registrations.

If you are wanting to register a (Pty) Ltd or an NPC with a Standard Memorandum of Incorporation (MOI), this can be performed on the CIPC's e-services platform. For those who do not know what an MOI is, here is a quick definition:

*" An MOI is a document that sets down all the rules that will govern the conduct of your company, as specified by you the owner. "*

If you are registering any of the other company structures as discussed in Chapter 1, you will need to register it manually with CIPC.

My business, *The Busy Bookkeeper*, can assist take the hassle out of your registration process. Read more about our company registration service [HERE](#).

## REGISTER WITH SARS

Once your company has successfully registered with the CIPC, SARS will issue it with its very own income tax number. You should receive an email from SARS not long after your company's CIPC registration. If you have not received an email with the company's income tax number, it can be found on the Official Disclosure certificate which can be downloaded off the CIPC's e-services platform.

## REGISTER YOUR COMPANY'S PUBLIC OFFICER

Once you have received your income tax number, you have a period of 30 days to appoint a Public Officer as per the Tax Administration Act, 28 of 2011. A Public Officer is the representative taxpayer for the company. They are the face of the company for all tax matters and will have to answer for all the activities and duties performed by it. This includes submissions of all tax returns, employee monthly declarations, and annual returns. If a Public Officer is not appointed, SARS can impose an administrative penalty so I strongly suggest you appoint one.

The company's Public Officer will have to meet the following criteria before he/ she can be appointed:

They must:

- Be an individual (a natural person), so no organization can be appointed;
- Reside in South Africa;
- Be a senior official of the company;
- Have a valid income tax number.

If you are trading as a "one-man" company, you as the sole director and shareholder will have to assume the responsibility and register as the company's Public Officer.

Once you have appointed your Public Officer, they will need to register as the official Registered Representative of the company with SARS. SARS has an online platform where you will be able to submit your details and the required supporting documents before loading you as the Public Officer of your company on their database. They will require appointment letters and a few other documents. We that paperwork can be frustrating, which is why we have started offering this as a service to our clients. Email us at [hello@thebusybookkeeper.co.za](mailto:hello@thebusybookkeeper.co.za), or [complete our contact form here](#) to find out more about this service.

Once your registration has been successful, the final step is to activate the Registered Representative on your company's profile to unlock certain system enhancements, such as tax registrations, on e-filing. This can be done on the SARS e-filing website by logging on to your company profile (you will need to create a company profile first) and registering as the company's Registered Representative.

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# REGISTRATIONS

If you employ one or more full-time staff, your company will have to register for various Payroll Taxes. These are covered in the next few sections.

## **PAY AS YOU EARN (PAYE)**

This is also referred to as Employees Tax. PAYE is a portion of your employees' salary which is held back and paid over to SARS on their behalf. This tax is calculated based on the employee's remuneration and this deduction must be performed monthly.

Your business will need to submit an Employer Declaration (EMP201) every month to accompany the payment. You will need to register for PAYE if you have one or more employees who earn over the tax threshold.

It is now possible to register for PAYE via the SARS e-filing website and avoid a visit to a SARS branch. Once again, ensure you (if a sole proprietor)/ company have a SARS eFiling profile, or this method will not be possible. If you are not on eFiling, you will either have to visit your local SARS branch or hire the services of a registered tax professional to perform this registration on your behalf.

## **UNEMPLOYMENT INSURANCE FUND (UIF)**

UIF is a deduction that is payable to SARS monthly. This amount is withheld from the employee's salary and paid over to the Unemployment Insurance Commissioner. These funds are then used to provide short-term relief to those who find themselves unable to work for various reasons.

If you have a full-time employee, you will need to register for UIF. However, there are some exclusions:

- Employees working less than 24 hours a month;
- Learners;
- Public servants;
- Foreigners on contract who will return to their own country once their contract has expired;
- Workers who only earn a commission.

Workers who get a monthly State (old age) pension since 07/02/2007 are no longer excluded from contributing towards UIF.

If you think you are not currently an employer and this section does not apply to you, think again! Domestic employers and their workers need to register for UIF and make monthly payments to the UIF as well. This has been mandated under the Act since 1 April 2003.

Both the employee and employer's contribution to the fund is calculated at 1% (each) of the value of the employee's remuneration. This makes the total contribution 2% of the value of the employee's remuneration.

Once you are registered, you will need to submit a monthly declaration. If you are registered for PAYE, the monthly payment is declared and submitted with the EMP201 form. You are still required to inform the UIF of the full information of the payment so that they can reconcile it on their side. You will either need to submit the return via UFiling or with a UI-19 declaration manually completed and emailed each month. A good payroll system, like Sage Business Cloud Payroll, will eliminate the need for both the aforementioned methods of monthly UIF declaration submissions as you may be able to submit it directly from the system.

Payment is due within 7 days of the new month or the last business day (Friday) of the first week of that month.

My business has been successfully registering businesses for UIF since our formation back in 2015. Click [HERE](#) to find out more about our service. We have all the forms and the expertise to ensure that the registration process is as smooth as possible.

## **SKILLS DEVELOPMENT LEVIES (SDL)**

SDL is a levy scheme that is payable to SARS by an employer when they expect the total value of salaries for the company will be more than R500,000 over the next 12 months. The reason the government collects these funds is to fund the promotion of improved skills, development, and learning. These levies are distributed by the Services Education Training Authority (SETA) within the sector.

Funds are distributed in the form of learnerships, internships, unit-based skills programs, and apprenticeships. You can register for SDL if your company is already registered as a taxpayer on your company's eFiling profile. This levy is payable monthly and must be accompanied by the Monthly Employer Declaration (EMP201) that I mentioned when discussing PAYE or you can visit your local SARS branch to register.

Alternatively, email us at [hello@thebusybookkeeper.co.za](mailto:hello@thebusybookkeeper.co.za) to discuss performing this registration on your business's behalf.

## **COMPENSATION FOR OCCUPATIONAL INJURIES AND DISEASES (COID)**

All companies with one or more full-time employees need to register with the Department of Labour. In basic summary, the Fund provides monetary compensation to employees who are injured, or who contract diseases as a result of their employment. The Compensation for Occupational Injuries and Diseases Act (COIDA) governs how the fund is run and also outlines the criteria for compensation claims.

If one of your employees were to suffer an injury or be killed on duty, the fund would be responsible for compensating the employee, or their family, for loss of earnings (should they meet the criteria).

Once you have successfully registered, there will be forms that you will be required to complete from time to time. These relate to the return of earnings, or claims.

Again, my business has been assisting clients with registrations and ongoing compliance. At the time this ebook was written, this had not been listed on our [shop](#) as it was getting a bit of a make-over. Email [hello@thebusybookkeeper.co.za](mailto:hello@thebusybookkeeper.co.za) to find out more about this service.

## **TRADE (BUSINESS) LICENSE**

Not all businesses are required to be in possession of a trade license. Due to this, it is easy to fall on the wrong side of the law quickly.

A trade, or business, license allows you to establish a certain type of business in a particular area. The license also ensures that your business and the business premises meet all of the building regulations, public safety, and health requirements. Trading without a valid license is a criminal offense.

According to the Business Act 71 of 1991, you will need a license to trade should you wish to open any of these:

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# REGISTRATIONS

- Health clinics, spas, saunas, and public baths;
- Massage parlors, laser, and ultraviolet treatment centers;
- Adult shops;
- Cinemas;
- Nightclubs;
- Pool rooms;
- Arcades;
- Any business with three or more vending or slot machines;
- Hawkers;
- Places that serve food, provide takeaways, or transport meals.

You will need to complete and submit your application for a trade license to the relevant licensing department. Your application will have to include additional documents and a once-off payment. Once your application has been received, the licensing department will send a report to additional municipality departments involved in the process. Your application will need to comply with the following laws:

1. Health and Safety – Applicable to the requirements for food premises and the transport of food;
2. Noise and air pollution – Applicable to the control and prevention of noise and air pollution;
3. Building Control Unit – Applicable to building control in compliance with the National Building Regulations and Building Standards Act, 1977;
4. Urban Planning Unit – Applicable to land use rights;
5. Public Safety and Emergency Services – Applicable to public safety.

Once you have received your license, it can be withdrawn or suspended if your business does not comply with endorsements. Once the trading license has been granted, your premises may be inspected from time to time.

## REGIONAL SERVICE COUNCIL REGISTRATION (RSC)

Although many businesses are no longer required to have a license to trade in South Africa, you will need to register with the Regional Service Council (RSC) in your business's chosen area of operations. As we saw with the above trade license, there are some industries that are exceptions to the trade/business license exemption. However, if you are an arms dealer or liquor store, you will need additional licenses to trade.

Once registered, the business is charged services levies based on its total bill for salaries and wages, as well as on gross sales. Returns and payments must be lodged on a monthly or annual basis as determined by the RSC.

The RSC defines gross remuneration as including the following:

- Salaries;
- Commissions;
- Gratuities;
- Fringe benefits;
- Drawings;
- Directors fees.

There are a few institutions that are exempted from the RSC levies. They are:

- Amateur sports clubs;
- Employers of domestic/private services;
- Religious organizations;
- Charities (registered Public Beneficiary Organisations only!);
- Nonprofit-making organizations.

If you own a legally registered company, you will have to pay the RSC levy, even if you do not employ any full-time staff. Late payments of these levies will accumulate unnecessary penalties and interest.

## EXPORTER REGISTRATION

Firstly, let us define who is considered to be an exporter to see if you will need to register as one:

*“ An exporter is someone that sells their goods to a person/ company in another country (importer). ”*

Will this be your business activity? If yes, read on. If not, you can go ahead and skip to the next registration type.

Any person who intends to export goods from South Africa must register with SARS as an exporter.

## ENVIRONMENTAL LEVY

Certain types of plastic flat and carrier bags are subjected to the payment of Environmental Levy. Manufacturers of these bags are required to license their premises as manufacturing with the local SARS Excise. The registration must be completed before you begin to manufacture or otherwise deal in plastic bags.

Will this apply to you? If yes, read on. If not, you can go ahead and skip to the next registration type.

Plastic bag types that are excluded from the payment of this levy include plastics for immediate wrapping/ packaging, refuse bags and refuse bin liners.

More often than not, plastic bags litter our streets. These levies are intended to establish recycling centers so that they can be disposed of properly.

This levy is self-assessed by the licensed manufacturer at a rate of 3 cents per bag, and quarterly Excise returns must be submitted with the relevant payment made to SARS. In addition to this levy, VAT will also be levied on these bags, calculated on the amount that includes the levy.

## VALUE ADDED TAX (VAT)

Since its introduction, this percentage has increased from 10% in 1991, to 14%, and has further climbed to 15% effective 1 April 2018. If your company's turnover is or is likely to be, R1-million and over for a period of 12 consecutive months, you will need to register for VAT.

You may also voluntarily register for VAT if your turnover is R50,000 and above, subject to certain conditions.

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# REGISTRATIONS

VAT as defined by SARS is an indirect tax on the consumption of certain goods and services in the economy. The businesses who register for this tax then become vendors that act as an agent for the government in collecting the VAT.

The registration process can be performed in-branch, over email, or on the eFiling system. A registered tax practitioner may complete the registration on your behalf, saving you much hassle. There are many good service providers that will be able to assist you with this process should you choose to not register for this tax yourself.

VAT as defined by SARS is an indirect tax on the consumption of certain goods and services in the economy. The businesses who register for this tax then become vendors that act as an agent for the government in collecting the VAT.

The registration process can be performed in-branch, over email, or on the eFiling system. A registered tax practitioner may complete the registration on your behalf, saving you much hassle. There are many good service providers that will be able to assist you with this process should you choose to not register for this tax yourself.

The Busy Bookkeeper has been assisting businesses with Vat Registrations for many years. Email us at [hello@thebusybookkeeper.co.za](mailto:hello@thebusybookkeeper.co.za) to enquire about this service.

The above are a few of the registrations that your business may need in order to trade. There are additional registrations/ licenses that your business may need to comply with, depending on its selected operations. If you require additional guidance, please get in touch and we will gladly assist you.

## SAVE OUR CONTACT DETAILS

- Our phone/ WhatsApp number : +2761 405 4737
- Our email address : [hello@thebusybookkeeper.co.za](mailto:hello@thebusybookkeeper.co.za)
- Our contact form : [click here to be redirected](#)
- A link to our shop : [click here to be redirected](#)
- Book a virtual coffee : [click here to be redirected](#)



In this chapter, we will cover some of your business's various statutory obligations and taxes, as well as some other items that you need to know regarding your business's ongoing compliance obligations.

## **1. BANK ACCOUNT**

If you are registering a company, it is a requirement of the Companies Act to open a bank account in the name of your business.

If you are trading as a sole proprietor, you may trade through your personal bank account. I would still recommend a separate bank account for business use, even as a sole proprietor. The accounting can get muddled between personal and business expenses, and it can be time-consuming to sift through the transactions which may lead to a larger accounting bill should you be outsourcing.

## 2. B-BBEE CERTIFICATION

Although it is not compulsory to comply with B-BBEE legislation, it is required should you wish to apply for tenders. Most large corporations require this document as well, as they enjoy procurement points from participating businesses which adds to their B-BBEE scoring. Broad-Based Black Economic Empowerment (B-BBEE) by definition, is a socio-economic process that directly contributes to the economic transformation of South Africa. Increasing the number of black people that manage, own, and control the country's economy, hopes to diminish income inequalities.

Should your business's turnover (sales) be less than R10 million per annum, you are no longer required to have a B-BBEE Certificate. A B-BBEE Affidavit is all that you will need to prove your compliance. This will need to be renewed annually. Start-ups automatically qualify for a B-BBEE Affidavit. B-BBEE works on different qualifying levels all completely dependent on the percentage of "black" ownership.

There are also many service providers that are well-versed in the DTI Codes of Good Practice that will be able to draft you a good B-BBEE Affidavit, should your business require one, I assist small businesses to draft these documents on a daily basis. [CLICK HERE](#) to view The Busy Bookkeeper's current pricing for preparing this document on your behalf.

## 3. TAX COMPLIANCE

As of 18 April 2016, the old Tax Clearance Certificate system was replaced with the Tax Clearance Status Pin. This document proves that your business is tax compliant by meeting its various tax obligations. As a start-up company, you will immediately qualify for your TCS Pin. If you are trading as a sole proprietor, you will need to ensure that you have met all your tax obligations, including settling any debt that you may have.

The below are the most required for business:

- Foreign Investment Allowance – If you are planning to transfer business funds out of South Africa, you will need to apply for this status pin;
- Good Standing – This is the most widely used one. Its purpose is to verify your tax compliance status;
- Tender – You will need this status pin when your business is applying for tenders or advertised bids. You will not be able to apply for government tenders without them;

For you to maintain your compliance status for any of the abovementioned pins, you will need to:

Ensure you do not have any outstanding returns;

- Ensure that you do not owe SARS any money. This does not apply if you have a payment arrangement with SARS in place or if a suspension of debt has been agreed to between both parties;
- Make sure you are registered for ALL the tax products which you are liable for (PAYE, VAT, SDL, etc);
- Keep your business details up-to-date at all times;
- Merge all your registered tax numbers.
- You will be able to register for any of the Tax Clearance Status Pins either at your nearest SARS branch, via your eFiling profile, or find a service provider to help you.
- The Busy Bookkeeper has been applying for tax compliance pins for many years. Book a chat by emailing us at [hello@thebusybookkeeper.co.za](mailto:hello@thebusybookkeeper.co.za). Should you be a start-up company, this process will be slightly smoother. Contact us to chat so we can see where you are with compliance and formulate a plan to catch you up and enjoy tax compliance.

## 4. ANNUAL FINANCIAL STATEMENTS (AFS)

*In this section, I will be covering the importance of annual financial statements, their elements, and we will briefly discuss Compilations, Independent Reports, and Audits.*

*You will need this document prepared within 6 months from the date of its previous financial year-end. The size and structure of your business will determine who is able to prepare these documents for your business. If you are a sole proprietor, you will not necessarily require formal financial statements, however, SARS will require some financial documentation for verification purposes should you be selected for verification during tax season. If you require a loan from a bank, they will favour financial statements as well. Should you have a small company (Pty Ltd), the business owner, company accountant, or anyone internally (with accounting knowledge) is able to prepare these documents.*

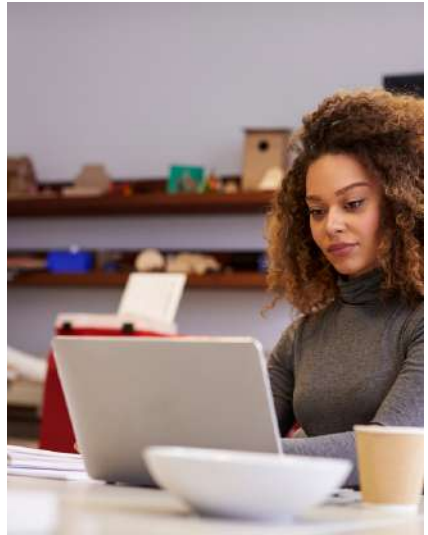
### THE IMPORTANCE OF AFS

Annual financial statements are important for more than just the obvious reason of compliance with the Companies Act and I will explain why next:

**Better Decision Making** - They are absolutely critical when it comes to making crucial business decisions by giving you clear, accurate records as to how your business has actually performed. With this information, you can then monitor progress and identify growth opportunities.

**Tax Returns** - Keeping your accounting up-to-date will ensure that you are prepared for tax time. The information found in these records is the information that you will use in your tax returns.

**Proof of Your Success** - They provide historical records of how well your business is doing financially. This will assist when making not only the crucial business decisions we spoke of earlier but will also be used should you ever need to secure additional funding for expansion of operations.



### ELEMENTS OF THE AFS

The below categories combine to create the various reports found in the annual financial statements:

**Assets** - These are possessions of the business that will bring the business benefits in the future. Some examples of assets include your customer accounts, vehicles, bank accounts, and investments.

**Liabilities** - Simply put, liabilities are the debts of the business. They are everything that the company owes to another entity or individual. Liabilities include items such as supplier accounts, loans, credit cards, bank overdrafts, and your business's tax liability.

**Equity** - This is the net worth of your business once you have totaled up everything that your business owns (ASSETS) and have deducted everything owed to creditors (LIABILITIES). For a sole proprietorship/partnership, equity is referred to as "owners' equity" whereas, in a corporation, it is referred to as "shareholders' equity".

**Revenue** - Money that is paid to, or made by your company from its business activities. This could be from the sale of goods/ services to your customers/ clients.

*Cost of sales* - These represent the expenses a business has paid to manufacture, source, and ship a product or service. These expenses will differ from business to business, depending on its core activities.

*Other Income* - This is income that is derived from other sources. Think interest on investments, royalties, or any other fees collected that are not related to your business's core activities.

*Expenses* - These are the costs of running your company. Examples of these include rent, utilities, general office expenses, entertainment, among others.

Annual financial statements are formed by the general grouping of the line items of the above elements. Revenue, cost of sales, other income, and expenses will form to make the Income Statement. Assets, Liabilities, and Equity will form to make the Balance Sheet. The changes in the elements will make up the Cash Flow Statement. Notes to Financial Statements are additional information at the end of the annual financial statements that help explain specific items in the statements and provide a clearer picture as to the business's financial condition.

I've written an article on The Busy Bookkeeper's blog where you can read more on this. [Read it here.](#)

Next, let's go over the differences between a Compilation Engagement, an Independent Review, and an Audit just for information purposes.

## AUDIT

An Audit, by definition, is an examination of the financial report of an organization - as presented in the annual report - by someone independent of that organization. The purpose of an audit is to form a view on whether the information presented in the financial report taken as a whole reflects the financial position of the organization at a given date. Once the auditors have completed the audit, they prepare something called an audit report. This report will explain to the reader what they have completed and will give an opinion drawn from their work.

Whether or not your company will require an audit is based on the calculation of the Public Interest Score (PIS). This applies to both companies and existing close corporations. To calculate the PIS of either of these entities, according to CIPC, you will need to apply the following:

1. A number of points equal to the average number of employees of the company during the financial year;
2. 1 point for every R1 million (or portion thereof) in third party liability of the company, at the financial year-end;
3. 1 point for every R1 million (or portion thereof) in turnover during the financial year; and
4. 1 point for every individual who, at the end of the financial year, is known by the company;
5. In the case of a profit company, to directly or indirectly have a beneficial interest in any of the company's issued securities; or
6. In the case of a non-profit company, to be a member of the company or a member of an association that is a member of the company;
7. Companies scoring more than 350 points will be required to have an audit.

## INDEPENDENT REVIEW

Whether or not your company will be required to have an Independent Review will be determined by its PIS scoring.

An Independent Review is required should your company's scoring be between 100 - 350 points. An Independent Review is less of an engagement than an audit. Therefore, an independent reviewer will express less assurance on a set of annual financial statements than an auditor would provide after having performed an audit. The conceptual difference between an external audit and independent review lies in the procedures that are used to verify the integrity of data supplied by either management or the relevant person(s) who are responsible for providing this information.

The independent review is a more cost-effective option but it is considered to be as credible as an audit, as the level of investigation and testing followed in establishing data integrity is less. When it comes to securing loans and funding from investors, it is easier to do so with a set of audited financial statements due to the above reasoning.

## COMPILATION ENGAGEMENT

A compilation engagement is a service provided by an outside accountant to assist the management in the presentation of financial data in the form of financial statements. It is not designed to express an opinion or provide assurance regarding the information contained in the financial statement. The external accountant uses financial data provided by the management to compile the required financial statements. Unlike an audit or an Independent Review, a compilation engagement does not require the accountant to provide an opinion on the correctness of the financial statements. The accountant engaged in a compilation engagement is not required to use analytical procedures, review procedures, or inquiries, or engage in other audit procedures. A compilation engagement is the least expensive of the various audit types.

Having good quality financial statements is vital when trying to secure additional funding or finance for assets, and for quality reporting purposes to SARS and CIPC. The Busy Bookkeeper has been preparing these documents for many years. We have extensive experience in a variety of industries and provide affordable financial statements with a beautifully professional aesthetic. While we do not perform Independent Reviews, nor Audits, we do have a referral network of highly skilled professionals who will be able to assist you, should this be your requirement. You can email your business needs to [hello@thebusybookkeeper.co.za](mailto:hello@thebusybookkeeper.co.za) or find out more about how we can assist your business [HERE](#).

## 5. ANNUAL RETURNS

*All companies (and close corporations) are required by law to submit annual returns to the CIPC within a certain time period. This time period is on the anniversary of the registration of the company. These returns are not to be confused with the annual income tax return that you will need to submit to SARS. The CIPC and SARS are separate government agencies and these are different statutory requirements.*

*According to CIPC, the purpose of these returns is to confirm if the company is still trading, or intends to trade in the future. There are consequences should you not submit these returns. The CIPC will assume that you have no intention to trade and start the deregistration process. When this process is final, effectively in the eyes of the country, your company will no longer exist as CIPC would have completely removed your company from their database. Effectively, your company will cease to exist.*

*With the submission of this return, a fee is payable. The fee is based on your company's turnover for the previous period of assessment. The higher your turnover, the larger the calculated fee.*

*There are many service providers who can assist you with the submission of your annual return. It is possible, should you wish to submit the return yourself and pay the CIPC directly. As we discussed in a previous chapter, you will need to register as a customer on the CIPC's e-services platform. You will further need your company's turnover figure, and depending on your PIS, you will either need to upload XBRL financial statements or submit a financial accountability supplement to support your submission. Thereafter, in order for the CIPC to issue you with your compliance certificate, you will need to submit the return and make the prescribed payment. Without a biased opinion, this can be complicated and I recommend you utilize the services of a skilled professional to reduce errors. A quick internet search will produce a list of businesses that have years of experience. The Busy Bookkeeper is also able to assist you with this. [CLICK HERE](#) to find out more about our submission service and current pricing.*

## 6. TAXATION

*In the following subsections, I will be going over a few tax types and returns, as well as some good-to-know's that could potentially save your business thousands annually.*

*Please note that tax rates are subject to change annually based on the country's total government expenditure for the following financial year and the ways in which it will be financed. This information is outlined in the annual budget which is presented by South Africa's Minister of Finance. I will provide a link in the sub-sections to follow where you will be able to view the latest taxation rates for your consideration.*



### INCOME TAX

As discussed in a previous chapter, should you wish to trade through a company, it will automatically be issued with an income tax number shortly after your successful registration with the CIPC. Your income tax return (ITR14) must be completed and submitted within 12 months after the financial year-end of a company. Corporate income tax is currently payable at a rate of 27% (2022/2023 tax year). This is calculated on your company's net profits for the year under assessment. [READ MORE ABOUT CORPORATE INCOME TAX \(CIT\) HERE.](#)

As a sole proprietor, your business's activities will form a part of your personal income tax calculation. You will need to let SARS know that you are trading, and when submitting your personal income tax return (ITR12) you will declare your business's income and expenses under the "Local Business, Trade, and Professional Income" section. Your tax payable is based on a sliding scale, which means the more you earn, the more you are taxed. This is unlike a company's set rate of 28%. An individual's income tax return was historically due for submission from 1 July, succeeding the previous tax year-end, but the COVID-19 Pandemic did see tax season start later in 2020, from 1 September. As to the deadline for 2021 and beyond, I cannot say at this time, but you can [READ MORE ABOUT PERSONAL INCOME TAX HERE.](#) SARS will update filing dates and deadlines for individuals in the link provided previously.

### PROVISIONAL TAX

This is not a separate tax registration, although, on your eFiling system, you will have to activate this tax type using your income tax number. It is a method created by SARS to help relieve the pressure of making one large payment at the end of your year of assessment, by SARS to help relieve the pressure of making one large payment at the end of your year of assessment, by breaking it up into smaller, more manageable payments. Companies are automatically liable for provisional tax, and sole proprietors will need to activate this tax type as well.

Once you have activated provisional tax on your eFiling system, you will need to request the IRP6 tax return to add in your business's income and expenses to form the calculation. There are a few other elements to this return, but I am just providing a general overview of this tax type for the purpose of this ebook. If you would like to read up a bit more on provisional tax, I have written a blog post that may interest you. [READ IT HERE.](#)

I mentioned provisional tax as smaller, more manageable returns and I will now elaborate a bit more as to what this means. Provisional tax is made up of 2 compulsory returns, and 1 voluntary return per year of assessment.

First period - This return and payment must be made within six months of the start of the year of assessment. For years of assessment starting March, this will be 31 August.

Second period - It is due no later than the last working day of the year of assessment. As a sole proprietor, this falls in line with the tax year for individuals, which will be 28/29 February. For companies with a February financial year-end, the same applies.

Third period - This return and payment must be made within 7 months of the year of assessment wherein the year of assessment ends in February which is 30 September, or within 6 months of the year of assessment.

You may also read up more regarding provisional tax on the [SARS WEBSITE HERE.](#)

## DIVIDENDS TAX

Dividends are sums of money that are paid by a company over to its shareholders from the company's profits. Local dividends are taxable at a rate of 20% to the value of the dividend declared, unless an exemption or reduced rate is applicable. A dividend is in essence any payment by a company to a shareholder in respect of a share held in that company, excluding the return of contributed tax capital. This 20% is then withheld and paid over to SARS by the company declaring the dividend. Read more regarding this tax type on the [SARS WEBSITE HERE.](#)

### • CAPITAL GAINS TAX (CGT)

As with provisional tax, capital gains tax is not a separate form of taxation, but rather forms a part of income tax. You become liable to pay CGT when your business disposes of an asset where the proceeds (what you sold it for) exceed its base cost

Capital gains are taxed at a lower effective tax rate than ordinary income tax. Declaration of the capital gain/ loss simply forms part of your annual Income Tax return and it becomes payable then. Just keep your documents ready because there could be a time gap between the sale of the asset and your next ITR14 submission.

Both sole proprietors and companies will be liable for capital gains tax. Read more regarding this tax type on the [SARS WEBSITE HERE.](#)

## TURNOVER TAX

This is a simplified form of tax that makes it easier for certain qualifying micro-enterprises to meet their tax obligations. This tax replaces the following tax types:

- Income Tax;
- VAT;
- Provisional Tax;
- Capital Gains Tax;
- Dividends Tax.

If your business is already registered for VAT, it may elect to remain VAT registered even if you have registered for Turnover Tax. Many large companies prefer to conduct business with others who are VAT registered, as they may benefit from an Input (VAT relating to expenses) deduction in that purchases VAT cycle calculation.

In order to potentially qualify to register for Turnover Tax, your annual turnover must be R1 million or less.

The following taxpayers may qualify:

- Individuals (sole proprietors);
- Partnerships;
- Close corporations;
- Companies;
- Co-operatives;

The rates of taxation are based on a sliding scale and are directly linked to your business's turnover (sales), rather than its net profits. Find out more about this tax type on the [SARS WEBSITE HERE](#).

## **SMALL BUSINESS CORPORATIONS (SBC)**

If you may not qualify for Turnover Tax, do not be disheartened as it may qualify to register as an SBC. As an SBC, your business could double its tax benefits (when compared to SMME tax benefits).

In order to qualify as an SBC, your company will need to meet the following criteria:

- Must be a private company, or co-operative;
- All shareholders must be natural persons;
- All shareholders must own only one business;
- Turnover must be less than R20 million for the year;
- Less than 20% of the company's turnover must be from investment income;
- Less than 20% of the company's turnover must be from personal services rendered;
- The company must have in its employ 3 full-time employees, other than directors/ shareholders.

Should you meet the above qualifying criteria, your business stands to save on tax. Tax is calculated on net profits, unlike turnover tax where it is calculated on the business's turnover. [HERE IS THE LINK](#) to the current rates of taxation. They are subject to change every year, and too, are based on a sliding scale.

This concludes our final chapter. I hope you have found this ebook to be helpful and informative! Compliance for businesses can be challenging, but with the right tea on your side, it doesn't have to be.

You can find our important contact details in the About Me section of this ebook so that you can book a virtual coffee to see how The Busy Bookkeeper can help you.

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# ABOUT ME

Hi, I'm Magdelene van der Walt, the founder and CEO of The Busy Bookkeeper, Haute Advisory and Digiclectic Media. My companies and I are dedicated to empowering entrepreneurs through education, business support services, and self-empowerment so they can grow+manage their businesses fully informed and with confidence.

In my 11+ years of accounting work, I've gained extensive experience from my time employed in large, international companies, as well as over 6 years as a fierce fempreneur. In addition to serving my clients and running my businesses, I share my knowledge through educational materials and articles on The Busy Bookkeeper's blog where I aim to assist empower and educate entrepreneurs, regardless of their budget or industry.

I've been featured in [Female Entrepreneur SA](#), Carol Azam's book [Treasure: Stories of Covid-19](#) Lockdown, and [A Curvy Mom](#) blog.

## CONNECT WITH THE BUSY BOOKKEEPER



## WHO IS THE BUSY BOOKKEEPER?

The Busy Bookkeeper is a female-led, virtual accounting firm that provides professional and personalized support to help our clients run their businesses effectively. Our "virtual" status means that we have no office space and instead work out of our own homes, offering you the convenience of being able to reach us at any time, wherever you are and whenever you need us.

*We want you to spend less time on paperwork and more time doing what you do best.*

As a team of well-trained, experienced accountants and tax specialists who deliver more than just accounting services – we get to know your business, support your growth and help make it happen.

*Our aim is to help you make informed decisions.*

Established in 2017 by Magdelene van der Walt, a Business Accountant who has been in the industry for 11+ years, The Busy Bookkeeper prides itself on offering personalized services with a friendly, feminine flair to them. We are passionate about the relationships we have with our clients and believe that their success is our success.

We've been providing virtual accounting services to small business and freelance professionals in South Africa for over 6 years.

[VIEW OUR WEBSITE](#)



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**The Busy Bookkeeper (Pty) Ltd**  
70 Stellawood Road  
Durban, KwaZulu-Natal,  
South Africa, 4001

hello@thebusybookkeeper.co.za  
+2761 405 4737