



TAYFIN TAXTALK

ACCOUNTANTS & FORENSIC AUDITORS

“Your Empowered Insight into the World of Tax, Business and Personal Finance Issues.”
“SMALL BUSINESS CORPORATIONS (SBCs)”

SARS - on its website - states that **new** and **small businesses** are the lifeblood of South Africa’s economy. “So, we know we must encourage their growth and ensure that they prosper.”

To support this strategic objective, **SARS** has designed special tax benefits in order to stimulate their growth.

Companies, and **close corporations** are taxed at the prevailing rate of **28%** of their taxable income.

Small business corporations (SBCs) who meet the qualifying criteria as per section 12E of the Income Tax Act 58 of 1962 as amended, enjoy reduced tax rates, as per below.

- 1) **0 % tax on profits of up to R 79 000**
- 2) **7 % tax on profits R 79 001- R 365 000**
- 3) **R 20 020 + 21 % Tax on profits R 365 001 – R 550 000**
- 4) **R 58 870 + 28 % Tax on profits above R 550 000**

The aforementioned are direct tax incentives. **SARS** also provides the following dispensation:

- 1) **Accelerated depreciation on plant and equipment**
- 2) **100 % deduction on assets used directly in manufacturing**
- 3) **Deductions on other qualifying assets on a descending scale**

Qualifying Criteria

- 1) **It must be a legal entity**
- 2) **Shareholders must be natural persons**
- 3) **Gross income may not exceed 20 million**
- 4) **Shareholders are not permitted to hold shares in other companies**
- 5) **Limitation on investment income**
- 6) **Limitation of personal service income**
- 7) **Exclusion of personal service providers**

Taxpayers are encouraged to take advantage of these tax benefits as lower taxes gives you and advantage.
Another tax dispensation for small businesses is in the form of **Turnover Tax**.
Below is an extract from **SARS’** website.

TURNOVER TAX – WHAT IS IT?

Turnover Tax is a simplified system aimed at making it easier for micro businesses to meet their tax obligations.

The Turnover Tax system replaces Income Tax, VAT, Provisional Tax, Capital Gains Tax and Dividends Tax for micro businesses with a qualifying annual turnover of R 1 million or less. A micro business that is registered for Turnover Tax can however elect to remain in the VAT system.

Turnover Tax is calculated by applying a tax rate to the taxable turnover of a micro business. The rates are applicable for any year of assessment ending - during the 12-month period before (ending on) 28 February 2020.

TURNOVER TAX FOR MICRO BUSINESSES

2020 (1 March 2019 – 29 February 2020) – no change from last year

Taxable 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

Who is it for?

- Micro businesses with an annual turnover of **R 1 million** or less, - the following taxpayers may qualify:
 - **Individuals (sole proprietors)**
 - **Partnerships**
 - **Close corporations**
 - **Companies**
 - **Co-operatives**

MORALITY UPHELD

It is comforting that **SARS** allows for such dispensation to stimulate and facilitate growth.
Entities that do not qualify for the aforementioned must not be prejudiced by unnecessary delays in Income Tax or VAT Refunds.
Conduct of this nature only stifles growth which renders **SARS’** initiatives ineffective.
SARS must therefore be consistent in its approach in all aspects of and its interaction with **taxpayers**.

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