



**DISPERSIVE CONSULTING**

INTEGRITY : QUALITY : EXCELLENCE

ACCOUNTING - TAX - ADVISORY

A background image of a man with a beard and short hair, wearing a white t-shirt and a dark apron, standing with his arms crossed against a brick wall. The image is overlaid with a semi-transparent blue filter.

# The **Small Biz** Tax Guide

This guide provides useful information for Small, Micro and Medium Enterprises (SMMEs) and their tax obligations relating to tax registration, filing, and payment with the South African Revenue Service (SARS). It also includes information on the different tax types you may be liable for depending on the size and nature of your business.

Due to the many legal and tax obligations that are associated with different types of businesses, before you start your business, first decide on the type of entity that you want to start.

### **Responsibility of a business owner**

Ultimately, business owners are responsible for filing and making payment to SARS accurately and on time. This is regardless of whether you have a Tax Practitioner or someone else handling your tax matters.

### **Record keeping**

Good record keeping includes financial statements, bank statements, management accounts, invoices and receipts of your business. This helps you explain what is declared on your income tax return in the event that SARS has questions regarding information declared on your return. Keeping supporting documents such as sales slips, invoices, receipts, bank deposit slips and other documentation will help you manage your tax matters better and ensure that you remain tax compliant.

Once your business is generating enough revenue, it is advisable to consult with a tax practitioner or accountant to help you keep your records up to date and ensure that you meet all your tax obligations.

## Types of business and tax responsibilities

Types of business	Description	Tax responsibilities
Sole Trader/ Owner	Operates on a small scale and run by self-employed individuals. Includes the informal businesses. No requirement to register with Company and Intellectual Property Commission (CIPC).	Register for Personal Income Tax (PIT) and annually declare your business income on the Income Tax Return for Individuals (ITR12). Where you need to pay SARS, you must do so before the payment deadline reflected on your Notice of Assessment (ITA34).
Partnership	Two or more people with common interest who join to run a business. No requirement to register with CIPC. Each partner will be taxed separately according to their share in the business.	Register for Personal Income Tax (PIT) and annually declare your business income on the Income Tax Return for Individuals (ITR12). Where you need to pay SARS, you must do so before the payment deadline reflected on your Notice of Assessment (ITA34).
Private/Public Companies or Close Corporation	Formal business that is required to register with CIPC and obtain a company registration number. The company is separate from the owner and the owner is required to submit their Personal Income Tax.	<ul style="list-style-type: none"> <li>» Automatic registration for Corporate Income Tax (CIT) when registering with CIPC and declare CIT annually on ITR14</li> <li>» Register for VAT – if you qualify</li> <li>» Register for PAYE – if you qualify and Special Small Business taxes: Turnover Tax, SBC or ETI.</li> <li>» Payment of taxes</li> </ul>
Co-operative	A Co-operative is formed when a group of people, with common interests, joins to achieve a certain economic, social or cultural goal, such as a stokvel, community agricultural venture, etc. A Co-operative is required to register with CIPC. Co-operative are taxed as companies .	See Private/Public Companies or Close Corporations



Once you have registered your company with the Company and Intellectual Property Commission (CIPC) formerly called CIPRO on [www.cipc.org.za](http://www.cipc.org.za), SARS will automatically generate a Company Income Tax (CIT) reference number for you. The company representative must then register on SARS eFiling to update information, and transact electronically and conveniently with SARS.

Self Employed/Sole Trader or persons in Partnerships need to register for Personal Income Tax (PIT) directly with SARS via SARS eFiling.

## Your tax obligation

Whether as a self-employed individual or business, you are required to register your business with SARS, file your tax returns and pay the required taxes on time.

## Convenient ways to interact with SARS

Most of your interaction with SARS will happen online via SARS eFiling. If you are trading as an individual and do not have an Income Tax Reference Number, you must first register as a taxpayer on eFiling to create a profile, and a tax reference number will be generated for you.

To register for eFiling:

- Visit the SARS website [www.sars.gov.za](http://www.sars.gov.za) and click eFiling then REGISTER NOW; or
- If you are trading as a Sole Trader or in Partnership - Download the SARS MobiApp from the Google Play Store (Android) or App Store (Apple devices) and tap on 'REGISTER'.

You can also watch the "How to register for eFiling" video on the SARS TV YouTube channel.

Once all your information is updated, especially banking details, contact details, and company representative, you can register for other taxes such as VAT, PAYE, etc. on eFiling, without visiting a SARS branch.

## Special taxes applicable to small businesses

There are a number of tax incentives available to qualifying small businesses like the Turnover Tax (TOT), Small Business Corporation Taxes (SBC), and Employment Tax Incentive (ETI).

## 1. Turnover Tax (TOT)

Turnover Tax aims at reducing and simplifying tax compliance and the administrative burden on small businesses with an annual turnover of R1 million or less.

The Turnover Tax system is a single tax system and replaces Income Tax, VAT, Provisional Tax, Capital Gains Tax and Dividends Tax. Qualifying businesses will declare and pay one (1) tax (unless with a VAT or PAYE option) and only start paying tax when their annual turnover exceeds R335 000.



***A small business that is registered for Turnover Tax can choose to register for VAT as well.***

## 2. Small Business Corporation

Turnover Tax aims at reducing and simplifying tax compliance and the administrative burden on small businesses with an annual turnover of R1 million or less.

The Turnover Tax system is a single tax system and replaces Income Tax, VAT, Provisional Tax, Capital Gains Tax and Dividends Tax. Qualifying businesses will declare and pay one (1) tax (unless with a VAT or PAYE option) and only start paying tax when their annual turnover exceeds R335 000.

## Value-Added Tax (VAT)

Businesses with an estimated or actual turnover of more than one R1 million are required to register and charge 15% VAT on the taxable supplies of goods and services.

## Categories for VAT registration:

Compulsory registration	Voluntary registration
You will be required to register for VAT if your sales are more than R1 million, in any 12 month period or you expect that your sales will exceed that amount in terms of a written contractual obligation.	You can apply for voluntary registration even if your sales, are less than R1 million. The requirement is that the sale made must already have exceeded the minimum threshold of R50 000, or is likely to exceed R50 000 in a 12 month period. Registration for VAT using SARS eFiling is quick and convenient.

## Pay-As-You-Earn (PAYE)

An employer who is registered or required to register with SARS for PAYE will also be required to register and pay over the Skills Development Levy (SDL) and Unemployment Insurance Fund (UIF) contributions to SARS.

Make sure you register with SARS within 21 business days after becoming an employer, deduct PAYE and UIF from your employees' salaries or wages and pay it over to SARS on a monthly basis. These payments must be made within seven (7) days after the end of the month. Where employees' salaries are below the set thresholds, currently R83 100 per year, no PAYE is payable.

## Provisional Tax

All companies are automatically registered for Provisional Tax upon registration for Company Income Tax. Individuals that have a small business and earn an income from this business, other than a salary, must register for Provisional Tax. You must complete and submit a Return for Payment of Provisional Tax (IRP6) twice a year and make payment of your estimated income.

This return can be filed via SARS eFiling. If however you are registered for Turnover Tax, you do not need to submit an IRP6.

## Corporate Income Tax (CIT)

Companies must declare their income annually by submitting a Company Income Tax Return (ITR14) once their registration has been finalised. The declaration must be accurate, stating all income and expenses so that over or under tax assessment is avoided. Companies and close corporations pay an annual flat tax rate of 28%.

## Tax Return submission periods per tax type

Tax type	Submission frequency	Tax Form	Notes
Company Income Tax (CIT)	Once a year as per company's financial year end	ITR14	The company has 12 months to submit the ITR14 after the financial year-end. The financial year end is indicated on the company registration certificate from CIPC
Personal Income Tax (for self-employed individuals)	Once a year as announced by SARS during filing season	ITR12	Sole traders, self-employed and individuals in a partnership should declare their business income on their ITR12
VAT	Every two (2) months before the 25 <sup>th</sup>	VAT201	The period will be allocated at registration and some companies may be required to submit every month
PAYE	Monthly on or before the 7 <sup>th</sup>	EMP201	The submission is due within seven (7) days after the month the tax was deducted from the employee.
Provisional Tax	Twice a year	IRP6	<b>For companies:</b> The first submission is due six (6) months from the start of the financial year. The second submission is due at the end of your financial year. <b>For individuals:</b> the first submission is due on 30 August and second submission is due 28/9 February of each year.
Turnover Tax	Once a year	TT03	The submission of turnover tax returns is done once a year in line with the company's financial year-end or submission of the annual income tax returns, between 1 July and 31 January of the following year for individuals.
Employer reconciliation	End of October and end of May	EMP501	First interim submission is due at end of October and final submission end of May

**DISCLAIMER:** Businesses with an estimated or actual turnover of more than one R1 million are required to register and charge 15% VAT on the taxable supplies of goods and services.

\*Adapted from SARS Small Business Leaflet.

# CONTACT US

At Dispersive Consulting, our mission is to help our clients build and develop sustainable, profitable businesses. We use our accounting expertise to record and report to business owners and stakeholders, helping them gauge the progress of their businesses.

Speak to us about your business' financial growth, profitability and compliance.

We are the accountants you can Count on.

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