



NEW MICRO-BUSINESS TURNOVER TAX EXEMPTION

SARS recognizes the vital role that small businesses play in the economic growth, job creation, poverty alleviation and the improvement of living standards in South Africa. In the past all businesses had to register for income tax law irrespective of whether they were small or big businesses. In 2008, SARS announced initiatives in order to reduce the burden of tax compliance where businesses had an annual turn over of up to R1 million. SARS have initiated a simplified tax system which functions as a package that consists of turn over tax as a substitute for income tax, capital gains tax, secondary tax on companies and an increase in the value-added tax (VAT) compulsory registration threshold from R300 000 to R1 million. Companies have the option of using the turn over tax system or the current standard tax system. The turnover tax package includes an exemption from Capital Gains Tax (CGT), Secondary Tax on Companies (STC), increasing the threshold for VAT and further providing that all employees be registered for employees tax.

Turnover tax is available to sole proprietors, partnerships, close corporations, companies and co-operatives. Excluded from turnover tax are micro-businesses that render professional services. Professional Services are services in the field of accounting, actuarial science, architecture, auctioneering, auditing, broadcasting, consulting, draftsmanship, education, engineering, financial service broking, health, information technology, journalism, law, management, real estate, broking, research, sport, surveying, translation, valuation or veterinary science. Micro-businesses will be disqualified if more than 20% of the total income of the business consists of income from professional services and investment income.

The rates will apply to a taxable turn over. The payments will be two provisional payments every six months. A micro-business that intends paying the turn over tax must then apply to do so before the beginning of the year of assessment.

The rates for 2010/2011 are as follows:

Turnover	Marginal Rates (R)
R0 – R100 000	0%
R100 001 – R300 000	1% of each R1 above R100 000
R300 001 – R500 000	R2 000 + 3% of the amount above R300 000
R500 001 – R750 000	R8 000 + 5% of the amount above R500 000
R750 001 and above	R20 500 + 7% of the amount above R750 000

The Minister of Finance made proposals in his 2011 National Budget Speech that has the following impact on the turnover tax rates:

Turnover	Marginal Rates (R)
R0 – R150 000	0%
R150 001 – R300 000	1% of each R1 above R150 000
R300 001 – R500 000	R1 500 + 2% of the amount above R300 000
R500 001 – R750 000	R5 500 + 4% of the amount above R500 000
R750 001 and above	R15 500 + 6% of the amount above R750 000

In making the choice between the standard tax system and the turnover tax system there are various factors which should be considered. The simple determination in making these considerations are firstly, the compliance costs of each tax system and secondly, should record-keeping be a burden or expensive to maintain, turnover tax is more favourable.

We hope the above is of interest to you.

Written and prepared by

Lauren Hastie

BOUWER KOBELI MORABE

Please do not hesitate to contact us on +27 11 788-0083 should you have any further enquiries or email enquiries@bkm.co.za.

“BKM Attorneys - Passionate about Law”