

# Welcome to the SARS Tax Workshop

The purpose of this presentation is merely to provide information in an easily understandable format and is intended to make the provisions of the legislation more accessible to the layman. 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.

# SBC - Requirements

- SBC is not another type of business entity but rather a type of tax incentive for certain small business
- Gross Income not more than R 20 million per annum (from 1 April 2013)
- Co-operatives, close corporations & private companies
- Not applicable to sole proprietors, partnerships and trusts
- Shareholding held by natural persons (individuals)
- Shareholding held for the **entire year** by natural persons
- Imperative to deregister from other co-operatives, CC's or companies before starting a SBC (although certain limited shareholding is permissible)

# SBC - Requirements

- Shareholders to have no interest in another Company
- Excludes Dormant/ Shelf / Non Trading Companies where total value of assets do not exceed R5000
- Excludes listed companies and companies exempt from the payment of Income Tax

# SBC - Requirements

Not more than 20% of total receipts and accruals must be from Investment Income and a Personal Service (these are defined terms in section 12E of the Income Tax Act)

Investment income:

- ✓ Dividends (local and foreign)
- ✓ Royalties
- ✓ Rental from immovable property
- ✓ Annuities or income of a similar nature
- ✓ Interest income

# SBC - Requirements

A SBC may not be a 'personal service provider' (as defined in the Fourth Schedule to the Income Tax Act). A personal service provider is where -

- ✓ the service is provided by the company;
- ✓ the service is provided via a person who is connected to the company;
- ✓ the company does not have at least three full time employees who are not shareholders, members or connected to such persons;
- ✓ the person rendering such service is regarded as an employee of the client;
- ✓ the duties are performed mainly at the premises of the client and is subject to supervision by such client; and
- ✓ more than 80% of income for a year from services rendered consists of or is likely to consist of amounts received from one client.

# Tax Rates – Small Business Corp

- Reduced tax rates
- No need to apply for SBC status – indicate annually on the annual tax return (ITR14) – all requirements must be met

Small Business Corporation rates for 2014 YOA	
0 – R70 700	0 % of taxable income
R70 701– R 365 000	7% of taxable income above R70 701
R365 001 – 550 000	R20 601 + 21 % of taxable income above R365 000
R550 001 and above	R59 451 + 28% of the amount above R550 000

# Other Benefits of SBC

- Immediate write off (100% in first year) of all plant machinery used in the process of manufacture
- An accelerated write-off allowance for depreciable assets (other than manufacturing assets)
  - ✓ 50% 1<sup>st</sup> year
  - ✓ 30% 2<sup>nd</sup> year
  - ✓ 20% 3<sup>rd</sup> year