AITKEN LAMBERT ELSWORTH
CHARTERED ACCOUNTANTS (S.A.)

With Compliments

5A Rydall Views
Rydall Vale Office Park
38 Douglas Saunders Drive
La Lucia Ridge, 4051

Tel: 031 202 7601
Tel: 031 277 2740
Fax: 031 202 7663
Email: info@aitkenlambert.co.za
Website: www.aitkenlambert.co.za

Directors: CC Elsworth, A King and AG Wiggill

CA(SA)
CHARTERED ACCOUNTANT SOUTH AFRICA

Forward email

Keeping you in touch

AccountingDotNews

In this Issue

January 2025

3 Things You Have to Do to Position Your Business for Growth in 2025

"There are no secrets to success. It is the result of preparation, hard work and learning from failure." (Colin Powell, United States Secretary of State)

Of course you plan for your business to grow. But in an environment of constant change, it can be hard to know where to place your energy. These three focus areas will help you position your business for growth, regardless of the external circumstances.

Subscribe

1. **Clean up your finances**

   A business that's ready for growth is one that understands its finances. How much money can you afford to spend on advertising? What investments need to be made to maintain infrastructure or hire the right staff? And can you afford to keep going if there's a disruption in your supply lines? Businesses with tidy finances are able to answer all of these questions and more.

   If you can't answer every conceivable question about your finances, then you need to ask your accountant (that's us) to help you get them in order. Here are a few pointers:

   - **Separate business and personal finances**

     Business finances that are intermingled with personal ones create confusion and make it difficult to get a clear picture of just where the business is headed.

   - **Introduce bookkeeping software**

     You may not have the time to stay on top of your finances when you're running the business – but that's okay. Using bookkeeping software can keep you one step ahead of the game, and it will definitely save your accountant time.

   - **Regularly update your financial statements**

     Ask us to keep a set of financial statements up-to-date and on hand at all times. Financial statements can open doors, allowing you to get necessary funding, apply for awards or government incentive programs and/or build an accurate business strategy.

2. **Optimise your client base**

   Improving company finances doesn't have to mean introducing new products or expanding into new territories. It's far simpler to maximise the benefit you're getting from your current market. Do this by ensuring your sales and marketing teams are functioning at the best possible level, getting the right information to your clients, and then maximising the impact they have on those clients.

   Focus on building genuine relationships with your customers by engaging with them and their needs, providing top-level service and offering value beyond the sale. If you truly care for your customers they will care for you, and you will find yourself at the front of the queue when it comes to new market information and advice on how your product could be improved. Your sales team should also be encouraged to follow up with potential new clients to ensure opportunities aren't being missed.

3. **Analyse your existing offering**

   Growth can also be generated by making sure you're offering the products your clients need at the right price. It's no good pouring money into a product that's not right, or which isn't as good as its competitors. The first step to finding out if you're on the right track is to ask yourself the question, "If we stopped operating today, would anyone miss us?" If the answer isn't a resounding yes, then you need to immediately investigate what changes need to be made.

   Do you need to bring on new products to fill the missing gaps in your offering? Is there an essential thing that your product could be doing better? If you aren't continually striving to deliver the best product in the perfect price range, then you're probably falling behind.

The bottom line

A company is like the human body. It needs to be perfectly optimised to run at its best level. Making the changes to improve your business health today will pay off in the long run. If you need any help with the financial side of things, please speak to us.

Tax Compliance in 2025: Help Is at Hand

"Being tax compliant and 'paying your fair share' is not just good for you, but also contributes to the positive growth of our country's economy which in turn benefits all South Africans." (SARS)

Being tax-compliant is a legal requirement for all South Africans.

SARS says it will be unrelenting in driving voluntary compliance in pursuing the 2024/25 tax revenue target of R1,840.8 billion.

To expand the tax base, detect dishonest taxpayers, deal with tax avoidance, expand debt collection, and improve service levels, SARS will:

- Deploy more data science and artificial intelligence (AI).
- Broaden the tax base via third-party data sources (banks, medical schemes, fund administrators etc.
- Use predictive modelling to ensure all taxpayers and traders are registered, filing returns and paying dues.
- Build detection capability using machine learning models and AI.
- Enforce Customs and Excise trade laws against the illicit economy.
- Focus on dispute prevention and resolution.

Importantly, SARS is ready to act against those who willfully and defiantly ignore their legal obligations by misrepresenting their true economic status. SARS will impose significant legal and administrative costs on taxpayers and traders who deliberately fail to meet their obligations.

What does tax compliance look like?

Your company needs to:

- Be registered with SARS for all the tax types applicable to your company.

- Have either merged or declared all registered tax reference numbers on eFiling.
- Timeously submit all tax returns and other documentation requested.
- Keep all registered particulars updated.
- Pay all tax debt on time, or timeously secure a payment arrangement or suspension of payment.
- Deregister the business if it is liquidated or closed.

Remember that your tax compliance status is not static: it changes according to your continued compliance with tax requirements month after month. Also remember that SARS can impose both monetary and criminal sanctions to enforce compliance. This is a significant business risk, because the burden of proof, should a taxpayer disagree with a decision taken by SARS, lies with the taxpayer. In the event that the taxpayer fails to argue their case successfully, they may find themselves in a position where penalties are suffered even if the error was unintentional or administrative in nature.

Benefit from the advantages of tax compliance

When you comply with your tax obligations, you give your business some compelling advantages.

- Eliminate the costs of non-compliance, like penalties, interest, and additional accounting and admin fees.
- Avoid the risk of criminal offences, which may result in a fine, imprisonment or both. Common offences include not registering for a tax type, or simply not submitting tax returns.
- Proof of tax compliance is considered an indicator of good company management and legal good standing.
- Good standing tax clearance certificates are often required for tender applications, bidding processes or prequalification as a supplier. They can also be needed to receive payment, or for foreign investment allowances.
- Compliance enables companies to gain the confidence of clients, stakeholders and investors; take advantage of business opportunities; and prevent reputational damage.

Help is at hand

Now more than ever before, professional assistance is the best way to consistently meet all the tax compliance requirements across all the relevant tax types over the tax year, and in an always-changing tax landscape.

SARS itself recommends “employing an accountant, tax practitioner, or other tax professional to complete returns, or from whom to obtain advice before completing a return with entries that are not understood or adopting a position with tax implications” to ensure you have taken “reasonable care” when it comes to your tax affairs.

We are well-versed in the requirements and deadlines of the various tax types and we’re also on top of the latest rules and processes. **In a nutshell: we have the tax expertise to ensure you remain tax compliant all through 2025.**

Starting a New Business? Here Are the Tax Implications...

"A goal without a plan is just a wish." (Antoine De Saint-Exupery, author of The Little Prince)

Want to start a business? SARS warns you to be aware of the tax obligations of running a business, whether it's in the form of a legal entity or in your personal capacity.

Considering the tax implications before starting a business will result in substantial benefits down the line. These include better budgeting and cash-flow planning, cost savings, and easier administration and compliance.

Pound of flesh

Depending on the type of business entity you establish, different tax rates and rules apply. On the flip side, certain tax incentives and opportunities to reduce the administrative burden may be available.

Legal entities like private companies, close corporations (CCs) and non-profits are automatically registered with SARS for corporate income tax when they register with the Companies and Intellectual Property Commission (CIPC).

This is not required for a non-legal entity like a sole proprietorship or partnership. In these cases, the owner or partners are taxed in their individual capacities on their share of taxable profits. Certain tax rebates and credits apply, which can reduce overall tax liability.

Legal entities may qualify for different tax incentives and preferential rates like the turnover tax system, the small business corporation (SBC) incentive, or accelerated deprecation relief available in Urban Development Zones.

Corporate Income Tax (CIT)

Every business (legal entity or individual) is liable for income tax. But the rates of taxation – and the rules – can vary widely.

- For companies (including CCs) the **standard corporate tax** rate is 27%. In addition to filing an annual return, companies are required to submit provisional tax returns twice a year – and to make the required payments on time.

- **Turnover tax** is a possible alternative for sole proprietors, partnerships, CCs and companies with a qualifying annual turnover not exceeding R1 million. This simplified annual tax, calculated on your turnover, replaces income tax, provisional tax, VAT, capital gains tax and dividends withholding tax (if the annual dividend does not exceed R200,000). This substantially reduced administrative burden is a significant benefit for small businesses. The first R335,000 of annual turnover is tax exempt – and the highest tax rate is just 3%.

- Qualifying companies may register as a **small business corporation (SBC)** for additional tax incentives, including a tax exemption for the first R95,750 of annual taxable income, and a reduced corporate tax rate up to a taxable income of R550,000.

Employee taxes

Every employer must register for pay-as-you-earn (PAYE), deduct it from remuneration paid to employees (along with Unemployment Insurance Fund contributions) and pay it over to SARS. Once annual salaries, wages and other remuneration exceed R500,000, the Skills Development Levy (SDL) also becomes payable.

As an employer, you must submit monthly returns and payments to SARS. There are also two compulsory reconciliations during the year.

Some relief is available through the Employment Tax Incentive (ETI), allowing for a reduction in PAYE for qualifying companies that employ young people.

VAT (Value Added Tax)

VAT registration becomes compulsory if the value of invoices raised by an entity (or is expected to be raised due to a written contractual obligation) exceeds R1 million in any consecutive 12-month period.

Your business can also choose to register for VAT voluntarily. This will benefit businesses with sizeable VAT input claims.

New businesses should factor in the increased administrative requirements of VAT registration and compliance. There are also cashflow implications as your business has a VAT liability before payments on invoices are received – a significant risk if invoices are paid later than expected.

Other taxes that may apply

- Companies that import or export goods must be registered (and will be liable) for customs and excise taxes.

- A dividends tax of 20% must be withheld by the company and paid to SARS when its shareholders earn dividends.

- Depending on the industry and the specific business activities, further taxes such as carbon tax, sugar tax, transfer duties, and Capital Gains Tax (CGT) may be applicable.

Tax implications for business owners

Business owners who pay themselves a salary will already be paying PAYE. If there are no additional income streams, they don’t need to register for provisional tax.

If, however, a business owner receives any other income in addition to this salary, whether from another source, or dividends or investment income from the business, registration as a provisional taxpayer may be necessary if the requirements of the provisional taxpayer definition are met.

New business owners often can't draw a salary for some time. Personal expenses paid by the company can be allocated to a loan account, or the owner can draw down a loan. These expenses will unfortunately not be deductible for CIT purposes.

The most tax-efficient solutions for your new business

When starting a business, tax planning is critical. It adds significant value and protects you against unexpected tax liabilities.

Our team can help you determine the most tax-efficient structure for your new business – and we can ensure it remains tax-compliant. We're passionate about saving you time, reducing costs, and contributing to the success of your new venture…

Why Email is Destroying Your Business (And How to Stop it)

"There's life and death in every email." (Bill Gates)

Over the past 25 years, email has become synonymous with office life: a recent study found that the average worker sends between 9,000 and 15,000 emails a year. All of this is happening despite email being fundamentally flawed in multiple ways that choke businesses and, in some cases, even kill them off. Here are four reasons why email needs to go.

1. **It thwarts productivity**

   The first thing most employees do in the morning is to check if they have any important emails. Undoubtedly, they do – but these are often buried among a slew of customer queries, spam emails, company newsletters, messages from business partners, employee announcements, HR updates and IT memos. According to one study, wading through these emails to find the vital pieces of information can take employees up to two-and-a-half hours every day.

   The need to constantly check emails can interrupt employee thinking processes and break the vital concentration they need to keep their workflow going. This can slow down projects at every step with the hours adding up dramatically over each project's lifetime. Worse, the need to be permanently online can mean this is happening with personal emails too.

2. **It slows down collaboration**

   For one-to-one communication, email retains a powerful role. But in groups, it's seldom efficient. Email threads where some are always included, and others seldom lead to email dead-ends, lost information and uninformed team members. Even if you are kept in the loop, it can still be confusing. Is the version of the document in your inbox the latest one? Or has it been updated by someone else on another thread?

3. **It's damaging staff mental health**

   The two challenges above lead directly to a third, perhaps more dangerous one – an attack on employee mental health. The need to constantly be available, connected and ready-to-reply is exhausting and can lead some employees into anxiety or depression. Humans simply aren't wired to have their attention constantly divided. No wonder email overload can lead to a notable decrease in our ability to function, with one study suggesting this to be the equivalent of a 10-point drop in IQ.

4. **It's a threat to your safety**

   The internet is full of scam artists, criminals and opportunists – all of whom are trying to find a way to steal your data and/or your cash. While antiviruses and firewalls may offer protection from many forms of attack, they can't protect from everything. According to Seacom, 40% of cyber events that result in loss are Business Email Compromise (BEC) scams. BECs – emails designed to trick staff into giving up vital information or downloading malicious software – result in an estimated R53bn in global company losses each year.

So, what can you do?

- **Train your staff**

  Email isn't going anywhere. All enterprises, no matter their size, need to find the budget to adequately train their staff in the correct, most efficient way to use emails to reduce the burdens on themselves and their colleagues, while also reducing the threat from BEC scams. As your accountants, we can help you to ensure there's enough money in your training budget.

- **Implement email rules**

  While some countries (most notably France) have enshrined a "right to disconnect" in their constitutions, this is not the case in South Africa. That's why it's important to implement company rules that allow your employees to switch off and be unavailable – not just in the evenings and on weekends, but during the workday too. You can't expect your employees to get any work done if they feel under constant pressure to check their emails. What's more, you need to put your money where your mouth is, by sending fewer internal emails.

- **Use shared communication spaces**

  There are loads of new technologies that can help your team communicate better. Shared digital workspaces allow team members to immediately see the latest versions of documents, leave notes for the entire team, and communicate important project information without being afraid that something will get lost in the process. If you aren't using Google Workspace, Teams, Monday, Slack (Butterfield does have skin in the game), Trello, or similar, you need to speak to your accountant about making this a priority in your budget.

- **Leverage automation tools and technology**

The creation of AI has led to new solutions that can help your employees manage their email inboxes. These tools can sift out spam, and sort emails to help staff find the information they need while also deprioritising those emails that don't need their immediate attention.

The world is getting faster every year, and your business can no longer afford to use email for the wrong reasons. Updating the way you work will have an immediate boost on your company's well-being and productivity. **Speak to us if you need help freeing up the budget to make it happen.**

Your Tax Deadlines for January 2025

- 07 January – PAYE submissions and payments.
- 20 January – End of Filing Season 2024 for Provisional taxpayers & Trusts.

- 24 January – VAT manual submissions and payments.
- 30 January – Excise duty payments.
- 31 January – VAT electronic submissions and payments, & CIT Provisional Tax payments where applicable.

Have a Healthy, Happy and Successful 2025!

Disclaimer

The information provided herein should not be used or relied on as professional advice. No liability can be accepted for any errors or omissions nor for any loss or damage arising from reliance upon any information herein. Always contact us for professional, detailed and appropriate advice.