

# Registration, labour and tax: The most important compliance requirements for new small businesses

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Apart from a small and medium enterprise (SME) owner's many responsibilities - maintaining healthy cashflow, maximising profitability, securing customers and hiring the right recruits, to name a few - there are also a number of legal parameters to consider.

Putting measures and policies in place to ensure compliance may be a daunting task, and small business owners may be tempted to put compliance on the back burner in favour of more immediate concerns. However, being compliant from day one of your small business journey will have a far-reaching impact on the business's future development and growth, so it's best to tackle compliance head on.

The best way to understand the major compliance issues that apply to SMEs is to think of it in terms of three key areas: company registration, labour, and tax. Let's take a closer look at how these areas are regulated:

## Company registration

One of the first steps when starting an SME is to have it registered as a company, which separates the running of the business from your personal assets, responsibilities and liabilities.

This process is regulated by the Companies and Intellectual Properties Commission (CIPC), which operates according to the legal frameworks built around several acts and regulations. These include, among others, the Companies Act 2008 No. 71 of 2008, the Patents Act 1979 (Act 57 of 1978) and the Counterfeit Goods Act.

Over the past few years, the process of registering a business has been significantly simplified and requires entrepreneurs to fill out a comprehensive checklist before the process can be completed. The checklist includes questions around issues such as business solvency and liquidity, access to company records and financial assistance, which require 'yes' or 'no' answers. You have the option of registering your company with or without a name – adding a name at a later stage incurs a nominal fee.

## Labour

Several labour law compliance issues come into play from the moment you hire your first team member. The best way to understand how to navigate this complex terrain is to familiarise yourself with the Basic Conditions of Employment Act, which sets out what the working hours of your employees can be, the workplace conditions, leave policies and workplace discipline.

In tandem with this legislation, you should also have an understanding of the National Minimum Wage, which is currently R23.19 for each ordinary hour worked. When you draw up your first contracts for employees, you'll need to structure the stipulations around these basic legal requirements.

Furthermore, upon onboarding your first hires, you need to ensure that you are registered for UIF (Unemployment Insurance Fund) for each of your team members, currently this can be completed online via the government's uFiling system. The process is free and takes about 48 hours to reflect. Another important consideration is to register your employees for workmen compensation in the event of occupational disease, injury or death:



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[compeasysupport@labour.gov.za](mailto:compeasysupport@labour.gov.za) is a great contact to have to start this process.

## Tax

As an SME, you will need to be [registered with Sars](#) in order to pay the appropriate amount of tax. The type of tax a business registers for will depend on a number of factors, the most prominent being annual turnover. To ensure compliance, Sars will issue the business a Tax Clearance Certificate. You could think of this certificate as your key to unlocking opportunities with corporates and government departments, who require your business to be tax compliant before you are able to secure a contract.

Financially, this is the most important step you can take to secure the future of your business. Penalties for non-compliance include business deregistration, severe fines which incur interest and losses in revenue with regards to future funding and investment opportunities. Consulting with a business tax practitioner is a good investment and may be the key to ensuring that you understand the intricacies of the Tax Administration Act and that you're kept up to date with changes and developments in taxation law.

A tax practitioner will also be able to provide useful information on the state-initiated incentives for small businesses, which you can leverage to increase your bottom-line and get your business off the ground.

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