

# Government must do more to support small business

This year's budget from Finance Minister Nhlanhla Nene showed some support for the country's SMEs by giving further tax relief to the smallest enterprises; yet it could have done more to help local businesses prosper.



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That's according to Daryl Blundell, GM of Sage Pastel Accounting, who says that the government has yet to translate its talk about the importance of small business into bold actions and strategies that give a serious boost to the SME sector.

"Like most budget speeches, I was left feeling that the government could have done more to support the growth of the SME sector," he adds. "It would have been great to see if we've seen more decisive action on issues such as the country's electricity crisis. That said, the smallest businesses are among the few South Africans to get some good news in the budget."

## New tax thresholds

On a positive note, Blundell welcomes the decision to increase tax threshold for micro-business owners. Those that have chosen to pay turnover tax will not pay tax if their turnover is lower than R335,000. The threshold used to be R150,000 - so the effect will be to give smaller businesses more money to fund their growth, says Blundell.

The other brackets for turnover tax have also been significantly adjusted. A business with a turnover of R750,000 will now pay just R6,650 in tax rather than R15,500. And businesses with a turnover of between R750,000 and R1m will be taxed at 3% rather than 6%.

Blundell says that the Minister's promise to establish small business desks at the SA Revenue Service (SARS) to help SMEs to comply with tax requirements is also a positive move. "Complying with SARS' regulations is time-consuming and complex, so this could be very good news for SMEs, provided the idea is well executed," says Blundell.

"I'm also glad to hear Minister Nene reiterated the government's plans to ensure that 30% of government procurement goes

to SMEs, to make sure that SMEs supplying government are paid more speedily."

## **Mid-sized businesses**

But Blundell says that he would've liked to have seen government signal more support for growing businesses that have annual turnovers above R1m and less than R10m. "As a micro-business owner, your incentives are tilted towards staying small rather than busting through the R1m turnover ceiling where your tax and regulatory burdens become much more onerous. At the moment, there is a lot of heavy-handed regulation that makes it expensive to do business in South Africa," he adds.

"For example, there are complex labour laws. Big companies run large HR and legal departments to navigate them. Small businesses, however, cannot afford such resources. We need to recognise, perhaps, that small and large enterprises cannot be regulated in the same ways."

## **Answers needed on electricity**

Blundell says that one obvious area where government could help SMEs is by taking decisive action on the current electricity crisis. "By allowing the free market to play a bigger role in the energy sector, government could address the shortfall in power generation in a much shorter time frame," he says.

"We'd see a flurry of job creation as entrepreneurs step up to service the demand for electricity. Just look at how privatisation and liberalisation have transformed the telecoms sector.

"It is time to stop protecting dysfunctional state-owned enterprises and let other players step in to compete. It is disappointing to hear that a higher electricity levy - that increases the cost of doing business - is the most imaginative step the Minister could come up with to address this pressing problem."

## **Consumption-based tax**

"A consumption-based tax would've been a fairer way of raising money than putting businesses and workers under more pressure," says Blundell. "Reducing people's disposable income through taxation will hurt growth. Meanwhile the stiff fuel levy increase will fuel inflation, and will compound the pain we'll all feel when the oil price inevitably rises again. The best way to increase tax revenue would be to promote economic growth."

This demands that government cuts red tape, promotes local industry and allows business to operate with fewer constraints on its growth. The budget's biggest failing, therefore, is that it has few new ideas about helping businesses to grow and create jobs.

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