

Budget bodes well for small, entrepreneurial businesses

The new simplified, turnover-based tax system for small businesses, announced by Trevor Manuel in his budget speech yesterday, Wednesday, 20 February 2008, is to be welcomed, even though some caution is in order. This is the view of Dr Robin Beale, a practising consultant and tax specialist at PKF, formerly Fisher Hoffmann.



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Beale, commenting on the budget speech, said that the simpler tax matters are for the small business, the better. The new turnover-based tax proposed for these businesses will be a combination of VAT and income tax, with business owners paying tax on their total turnover without making any deductions for expenses.

However, there is a danger that small, unsophisticated businesses could unwittingly miscalculate their taxes, therefore a simpler turnover system is preferable.

Also to be welcomed, said Beale, are the incentives announced for venture capital investments, which will target high-growth and hi-tech companies, as well as junior mining companies. In the case of the junior mining companies, this should encourage exploration for new mineral deposits.

Widely welcomed

The reduction in the corporate tax rate will, of course, be widely welcomed. Dropping from 29% to 28%, said Beale, this will help make South Africa more internationally competitive, though the country still has a way to go to match the international average of between 25% and 27%.

However, with this good news comes less cheerful news about the Secondary Tax on Companies (STC), which is being phased out by government. When this happens company STC credits will expire. Beale said this will not be welcomed by companies with unused credit.

Overall, though, Dr Beale, Trevor Manuel has come up with a positive set of proposals that will be good for business, especially smaller, entrepreneurial businesses, and this is good news for the South African economy.

- PKF is a chartered accounting and business advisory firm that specialises in servicing growing and entrepreneurial companies.

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