Southern Right Financial Solutions
Your Accounting and Business Partner for Life

COMPLIANCE GUIDE FOR STARTING A COMPANY

Is your business compliant with the various legislations, regulations and bodies as prescribed by South African Revenue Service, Companies and Intellectual Property Commission, Labour Department, Workmen's Compensation, and the various Industry Bodies etc?

This guide will assist you in managing your company's compliance obligations.

1 COMPANY REGISTRATION

The first step is to register a company with the Companies and Intellectual Property Commission (CIPC). Your objectives and type of business will determine the type of company you need to register. If you are unsure, talk to one of our professionals, or let us handle the whole process for you.

Once your company is registered you will receive a CoR14.3 Registration Certificate as well as the Memorandum of Incorporation, which need to be kept safe for future use. We will issue share certificates and maintain your share register on your behalf.

2 OPENING OF BANK ACCOUNT

Once you have received the Company Registration documents, you need to open a bank account in the company's name. The Company cannot use an associated entity or individual's bank account. SARS will not refund you if the company does not have a bank account in the company's name.

To open a bank account you normally need to take the company registration documents, proof of address of both the company and the directors and directors ID's

3 INCOME TAX

Every company need to be registered for income tax to comply with the Income Tax Act and Tax Administration Act. CIPC will automatically register a new company with SARS on registration of the new company. You will receive a tax registration confirmation letter from SARS confirming the income tax registration. The company will have to submit an annual tax return within 12 months of year end, as well as provisional tax returns twice a year. The first provisional tax return is due within 6 six months of start of financial year and the second provisional return is due at year end. A company with a February year end will need to submit provisional tax returns August and February.

4 EMPLOYEES

If you have employees in your service, you need to comply with the following bodies

- SARS (for payment of PAYE, UIF and SDL)
- Labour Department
- Workmen's Compensation
- All employees need to register as taxpayers (have an income tax number)
- Industry related bodies if applicable

5 PAY AS YOU EARN (PAYE)

If you employ employees, you must register for employees tax (PAYE) with SARS if the employee's salaries are over the tax threshold and submit your monthly EMP201 before or on the 7th of the next month. Kindly note that if the 7th is on a weekend day or public holiday, your return and payment must reach SARS on the closest working day before the 7th. If your payment is received by SARS after the 7th, SARS will raise 10% penalties for late payment and interest calculated daily on the overdue amount.

On this EMP201 return you also need to declare UIF and SDL and pay it to SARS, as SARS is the collection agents for these bodies and pay the funds over to them.

Twice a year in August and February you need to submit the EMP501 reconciliation. This is basically where you tell SARS who the tax deducted and paid on the EMP201's relates to and what they have earned. In February this submission will generate IRP5 and IT3A certificates for your employees which they need for their personal income tax returns.

6 VAT

Compulsory VAT registration

- It is mandatory for any business to register for VAT if the income earned in any consecutive twelve month period exceeded or is likely to exceed R1 million.

Voluntary VAT registration will be granted by SARS when the following criteria is met:

- Taxable supplies exceeded R50 000 in the preceding 12 months
- Taxable supplies did not exceed R50 000 in preceding 12 months but are expected to exceed R50 000 in the following 12 months
- Goods or services are acquired directly in respect of the commencement of a continuous or regular activity and taxable supplies are expected to be made after a period of time.
  VAT Returns (VAT102) are submitted to SARS every two months. VAT payments must reach SARS before the last working day of the month following the period. Failure to make payment in time will lead to penalties and interest raised by SARS.

7 UIF

Employers must register themselves and their worker(s) as soon as they employ staff. Employers must deduct 1% of their workers' pay for UIF. Employers must pay the 1% they deducted from workers, together with 1% contribution from themselves to the UIF or SARS before the 7th of every month. If your employee's salaries are beneath the tax threshold, there is no need to register with SARS and the monthly UIF will be paid directly to the Labour Department. Any employee, including domestic workers, who works for you, for more than 24 hours per month must be registered with the Unemployment Insurance Fund (UIF).

If you elect to pay the UIF via the SARS PAYE system, keep in mind this only facilitates the payment and not the submission of the UIF return. This info must still be submitted to the UIF, and u-filing is the easiest way to do these submissions.

8 WORKMEN'S COMPENSATION

An employer must register with the Compensation Commissioner within seven days after the day on which the company employs his first employee. An employer must register with the Commissioner via the Compensation website. Alternatively you can complete a WA.S8 Form and submit with the following documents to the Compensation Fund:

- The company registration documents (CoR14.3)
- ID's of all directors

Workmen's Compensation is submitted once a year (April/May) and calculated using your total annual salaries, total number of staff and industry liability. Failure to submit returns will lead to penalties and interest raised by the Compensation Commissioner.

This is an important insurance sometimes overlooked, or seen as an additional tax, In fact this is quite essential as it provides cover for injuries on duty and if not in place can open you or your company for claims should someone be injured on duty.

9 ACCOUNTING RECORDS

Proper accounting records are needed to prepare Annual Financial Statements at the end of the financial year end as well as monitoring your company's financial position at all times. Monthly bookkeeping, includes the processing of invoices (debtors and creditors), bank statements, income and expenses, asset register and the preparation of Management Reports when needed.

Once registered for VAT it is essential to keep your bookkeeping up to date as it the info is needed for submission of VAT returns

10 AUDIT OR NOT?

According to the Companies Act No.71 of 2008 the following companies are required to be audited:

- Public companies (listed and unlisted)
- State-owned companies
- Any Profit or non-profit company who olds assets in a fiduciary capacity for persons who are not related to the company and the value of such assets exceeds R 5 million.
- Any company whose public interest score is above 350 or above 100 if it's financial statements for the year was internally prepared.

11 INDEPENDENT REVIEW OR NOT?

An independent review of a company's financial statements cannot be carried out by an independent accounting professional who was involved in the preparation of the said annual financial statements (AFS).

According to the Companies Act No. 71 of 2008 the following companies are required to have an independent review:

- Profit and non-profit companies that has a public interest score of at least 100 but not less than 350 and AFS independently compiled.
- Profit and non-profit companies with a public interest score less than 100 and AFS independently com piled but not owner managed.
- Profit and non-profit companies with a public interest score less than 100 and AFS internally compiled but not owner managed.

12 CIPC ANNUAL RETURNS

All companies and close corporations must submit Annual Returns once a year on the anniversary month of the company registration. These fees are paid to the Companies and Intellectual Property Commission (CIPC) and we need to submit the Company's Financial Statements if the company is audited or a Financial Accountability Supplement (FAS) for non-audited companies. CIPC will then issue a CoR30.1. The Annual Return must be filed within 30 business days of the companies anniversary date. Failure to submit your yearly Annual Return will lead to deregistration of the company with CIPC. Late or non-submission of Annual returns will lead to penalties raised by CIPC.

13 COMPANY REGISTER AND MINUTE BOOK

According to the Companies Act No. 71 of 2008 all companies must have a Company Register and Minute Book. The Company Register keeps record of all changes and amendments within the company (directors, addresses, shares etc) and all Minutes of Meetings and resolutions are kept in the Minute Book. All decisions, changes, purchases of new assets, loan agreements must be recorded through a resolution or Minutes of Meetings.

14 COMPANY CHANGES

All company changes (change of directors, business address, shareholder changes, auditor changes etc) need to be submitted to CIPC within 30 days of this change. CIPC are used by SARS, banks, Deeds office, Master Offices, lawyers, estate agents etc. to verify and check company information when you enter into contracts with them. If the information with CIPC is incorrect or outdated, it can delay your property purchase etc.

15 DEREGISTRATION

Once your company has ceased to carry on business, has no assets and liabilities and there is no reasonable probability of the company being liquidated or will commence trading in the near future again, it is recommended that you deregister your company with CIPC.

Once you receive the final deregistration confirmation letter from CIPC, all tax types with SARS, UIF and Workmen's Compensation need to be deregistered. Failure to submit deregistration may lead to penalties and interest raised or admin penalties for non-submission.

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