

The ABC's you should know

10 January 2024

Turnover Tax for Micro-businesses

As an individual operating a small business you may be eligible to register as a MICRO BUSINESS. The benefits of being registered as a micro business are that the business is taxed on a turnover basis at a very low rate. The profits are not subject to normal tax. This means it is not necessary to record year end stock nor keep record of the business expenses.

The business is taxed on a receipts basis not on accruals. Therefore, only the actual sales received in cash are recorded in the period they are received.

Currently, you would have to turnover more than R335 000 before you start paying tax. There after the maximum rate rises through the table to 3%.

The accounting requirements become much simpler as you only need to record your qualifying turnover so that it can be reported and taxed for the period.

Qualifying turnover:

- Total receipts
- From carrying on
- Business activities
- Excluding any amount of a capital nature
- And amounts exempt from tax

Qualifying turnover must remain under R1 million. Should it grow beyond this SARS will deregister the micro business and they will never be eligible again.

A micro business is not subject to Provisional Tax, however, payments of the turnover tax follow the same pattern, being end of August and end of February.

Record keeping is simplified.

Keep record of:

- Amounts received as turnover
- Dividends declared (if company)
- Each asset with a cost price of more than R10 000
- Each liability that exceeds R10 000

This legislation is intended for the small business owner who does not have other interests in other businesses or companies.

Registration as a micro business must take place before the new year of assessment starts – 1 March 2024.

Should you be eligible for this registration we can assist you to become registered and then to submit the bi-annual returns.