

Tax Guide for Micro Businesses

Issue 3



Income Tax

Tax Guide for Micro Businesses

Preface

This guide provides general guidance about a simplified tax system that is available for micro businesses (businesses with a qualifying turnover of R1 million or less). The system provides for a single tax in the place of normal tax, capital gains tax (CGT) and, to an extent, dividends tax. Under normal circumstances an application to switch to (or from) the system must be made before 1 March each year. Since the system is optional, it is important to thoroughly review the operations of a business before deciding on whether to switch or not. Factors such as the overhead costs of the business, its expected taxes otherwise payable and – most importantly – its tax compliance costs should be considered in making the decision.

This guide is not an “official publication” as defined in section 1 of the Tax Administration Act 28 of 2011 (TA Act) and accordingly does not create a practice generally prevailing under section 5 of that Act. It does not consider the technical and legal detail that is often associated with taxation and should therefore, not be used as legal reference.

It is also not a binding general ruling (BGR) under section 89 of Chapter 7 of the Tax Administration Act. Should an advance tax ruling¹ or a value-added tax (VAT) ruling² be required, visit the SARS website at www.sars.gov.za³ for details of the application process.

Another guide offered by SARS, *Tax Guide for Small Businesses*, provides useful background information to this guide and is available on the SARS website. It covers topics such as: the different types of businesses, the SARS requirements that small businesses have to comply with, the requirements of other authorities that small businesses have to comply with, and record-keeping.

For more information, assistance and guidance you may –

- visit the SARS website at www.sars.gov.za;
- contact the SARS National Service Centre (between 8am and 4.30pm South African time weekdays except on Wednesdays when the service centre can be called between 9am and 4.00pm) –
 - if calling locally, on 0800 00 72 77; or
 - if calling from abroad, on +27 11 602 2093;
- have a virtual consultation with a SARS consultant by making an appointment via the **SARS website**;
- visit your nearest SARS service centre, after making an appointment via the **SARS website**; or
- contact your own tax advisor or practitioner.

¹ For further commentary, see the *Comprehensive Guide to Advance Tax Rulings*.

² For further commentary, see the *VAT Rulings Process Reference Guide*.

³ Navigate to Legal Counsel ⇒ Legal Counsel Publications ⇒ Find a Guide and select the category Tax Administration (for the guide relating to advanced tax rulings) **or** Value-Added Tax (VAT) (for the guide relating to VAT rulings).

Comments on this guide may be emailed to **policycomments@sars.gov.za**.

Leveraged Legal Products
SOUTH AFRICAN REVENUE SERVICE
16 January 2026

Disclaimer

While every precaution has been taken to ensure that the information and the rates published in this guide are correct at the date of publication, it is advisable that users verify the rates with the relevant legislation pertaining to the rates, applicable to the tax, customs or excise concerned.

Operational information contained in this guide is up to date as at date of publication. However, always refer to the **SARS website** for any guidelines specifically issued on such operational matters.

Hyperlinks, and cross-references display as **bold** text to assist our visually impaired readers. For example, **SARS website**, and see **3.6**.

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Glossary

In this guide unless the context indicates otherwise –

- “**accrue**” means the point at which a person becomes unconditionally entitled to an amount;
- “**amount of a capital nature**” is a technical income tax term usually used to describe an amount received upon the realisation of fixed capital.⁴ This amount is distinguished from an amount of a revenue nature, which is fully taxable. Whether an amount is of a capital or revenue nature is a question of fact. Generally, the intention behind acquiring, holding, and selling an asset will be a deciding factor. If a taxpayer sells an asset while carrying on a business or within a profit-making scheme, the amount would typically be of a revenue nature. In the context of conducting a business, an amount of a capital nature usually arises from the disposal of assets other than trading stock, such as machinery;
- “**CGT**” means capital gains tax, which is the portion of normal tax attributable to the inclusion in taxable income of a taxable capital gain, determined under the Eighth Schedule, upon the disposal of an asset;
- “**company**” means a company as defined in section 1(1);
- “**compulsory VAT registration threshold**” means the total value of taxable supplies made in a year that necessitates an enterprise registering for VAT;⁵
- “**employees’ tax**” means the tax that employers are required to withhold or deduct from the earnings of their employees, which is then paid to SARS on the employees’ behalf;
- “**investment income**” means any income in the form of annuities, dividends, foreign dividends, interest, rental derived from immovable property, royalties, or income of a similar nature, as well as any proceeds derived from the disposal of financial instruments [see **3.4.2(a)**];
- “**micro business**” means a person with a qualifying turnover that does not exceed R1 million in aggregate for a year of assessment, and which is not specifically disqualified from registering as a micro business for turnover tax purposes;
- “**normal tax**” means the tax that is payable to SARS based on the taxable income received by or accrued to individuals, companies, and other taxpayers in a year of assessment;
- “**paragraph**” means a paragraph of the Sixth Schedule;
- “**professional service**” means a service in the fields of accounting, actuarial science, architecture, auctioneering, auditing, broadcasting, consulting, draftsmanship, education, engineering, financial service broking, health, information technology, journalism, law, management, real estate broking, research, sport, surveying, translation, valuation, or veterinary science [see **3.4.2(b)**];
- “**provisional tax**” means the periodic payment of normal tax required to be made by taxpayers based on an estimate of the taxable income to be derived for a year of assessment, which is offset against the final income tax liability determined for that year of assessment;

⁴ *Elandsheuwel Farming (Edms) Bpk v SBI* 1978 (1) SA 101(A), 39 SATC 163.

⁵ The threshold is R1 million.

- “**qualifying turnover**” means the total receipts not exceeding R1 million for a year of assessment, derived by a person from carrying on business activities, but excluding any amount of a capital nature, any amount received from a small business funding entity, and government grants;
- “**Schedule**” means a Schedule to the Act;
- “**section**” means a section of the Act;
- “**SBFE**” means a small business funding entity contemplated in section 30C;
- “**TA Act**” means the Tax Administration Act 28 of 2011;
- “**the Act**” means the Income Tax Act 58 of 1962;
- “**TT01**” means the registration form prescribed by SARS that must be completed by a person applying for registration as a micro business;
- “**TT03**” means the annual tax return on which a micro business declares its taxable turnover for a year of assessment, which must be submitted to SARS by the due date prescribed by the Commissioner in the public notice issued under section 25 of the TA Act each year;⁶
- “**turnover tax**” means the tax payable to SARS by a person registered as a micro business during a particular year of assessment, based on its taxable turnover for that year of assessment;
- “**VAT**” means the value-added tax that is imposed on the supply of goods, and services, the importation of goods and the supply of imported services;
- “**VAT Act**” means the Value-Added Tax Act 89 of 1991;
- “**year of assessment**” for a micro business means the tax reporting period, which generally runs from the beginning of March of one year to the end of February of the following year; and
- any other word or expression bears the meaning ascribed to it in the Act.

All guides, interpretation notes, and rulings referred to in this guide are available on the SARS website at www.sars.gov.za. Unless indicated otherwise the latest versions of these publications must be consulted.

⁶ For the latest public notice, see Government Notice 6217 in *Government Gazette* 52712 of 23 May 2025.

1. Purpose

This guide provides guidance on the application of the Sixth Schedule and Part IV (sections 48 to 48C), which regulate the turnover tax system available to micro businesses.

2. Background

The turnover tax regime became effective from 1 March 2009 to alleviate the tax compliance burden on micro businesses. The general business tax compliance process regarding liability for income tax (including CGT) and, to some extent, dividends tax⁷ is replaced by a micro business' obligation to account for turnover tax. The tax liability of a registered micro business is calculated by applying the tax rate applicable to the "taxable turnover" for the relevant year of assessment or tax period.

A micro business is not exempt from the obligation to withhold payroll and other taxes, such as employees' tax,⁸ skills development levies (SDL), and unemployment insurance fund (UIF) contributions, or to account for VAT (if voluntarily registered as a VAT vendor). However, to reduce the compliance burden, a micro business has the option of making these tax payments in two six-monthly instalments within seven days after the end of each six-month period.⁹ If opting for this arrangement regarding VAT, the micro business must submit a written application to a SARS Service Centre to make VAT payments in two six-monthly instalments.¹⁰

The determination of turnover tax is primarily based on the application of the Sixth Schedule, while the other provisions of the Act have limited applicability.

3. Turnover Tax Framework

3.1 Who may qualify as a micro business?

Turnover tax¹¹ is payable by any person that is a registered micro business and serves as a substitute for any normal tax or CGT that may otherwise have been payable by the registered micro business. A micro business that is not registered as prescribed under Part II of the Sixth Schedule will be subject to the normal tax (including CGT) and dividends tax rules.¹² The turnover tax regime is an alternative to the normal tax system for persons conducting their business activities as sole proprietors, partnerships, close corporations, co-operatives, or private companies. The Act prescribes two broad categories of persons that may qualify as a micro business, namely –¹³

- a natural person (or the deceased or insolvent estate of a natural person who was a registered micro business at the time of death or insolvency),¹⁴ and
- a "company" as defined in section 1(1).

⁷ See 3.8.

⁸ Businesses with employees who are not liable for normal tax are, however, not required to register for employees' tax - proviso to paragraph 15(1) of the Fourth Schedule.

⁹ Paragraph 11(4A) and (4B).

¹⁰ Section 27(4)(b) of the VAT Act. Also see 3.1.3 of *VAT 404 Guide for Vendors (Issue 15)*.

¹¹ Imposed under section 48A.

¹² The holders of shares for a company registered as a micro business are eligible for an exemption up to R200 000 which applies to the total amount of all dividends paid by a registered micro business in a year of assessment to all the holders of shares. See 3.8.

¹³ Paragraph 2.

¹⁴ Partners in a partnership and sole proprietors fall within the natural person category.

Provided none of the disqualifying factors discussed in **3.4** applies, a business with "qualifying turnover" not exceeding R1 million in any year of assessment can choose to register as a micro business¹⁵ and be taxed under the turnover tax system instead of the normal tax rules applicable to other taxpayers.

3.2 What is qualifying turnover?

Qualifying turnover, as defined in paragraph 1, refers to the total receipts from carrying on business activities, excluding any amounts of a capital nature and any amounts exempt from normal tax under sections 10(1)(zK) or 12P. One of the requirements for registration as a micro business is that the qualifying turnover must not exceed R1 million during the year of assessment in which the taxpayer opts to register. Therefore, an estimation of the qualifying turnover for that year must be made. By electing to register as a micro business, the taxpayer affirms that it does not anticipate its qualifying turnover exceeding the R1 million threshold for the relevant year of assessment. If a registered micro business surpasses the R1 million threshold at any time after registration, the taxpayer must transition to being fully taxable under the normal tax system through compulsory deregistration from turnover tax.

It is vital to differentiate between "qualifying turnover" and "taxable turnover" (see **3.6**). Taxable turnover is used to calculate turnover tax by applying the progressive rate of tax relevant to that turnover (see **Annexure B**, Example 5 and Example 6), while qualifying turnover serves as one of the tests to determine whether a taxpayer qualifies as a micro business or must be deregistered from the turnover tax system post-registration.

3.2.1 Determination of qualifying turnover

The term "qualifying turnover" is defined in paragraph 1 as the total receipts derived from carrying on business activities, excluding –

- any amount of a capital nature received from business operations (for example, an amount received from the sale of equipment that was a capital asset in the business); and
- any amount received by or accrued to a small, medium, or micro-sized enterprise from an SBFE that is exempt from normal tax under section 10(1)(zK) or a government grant exempt under section 12P.¹⁶

Total receipts refer to actual amounts received rather than amounts accrued. If the person is registered as a VAT vendor, the total receipts include any VAT charged on the supply of goods or services by that person.

Qualifying turnover concerns only receipts from "carrying on business activities." Although the phrase "carrying on business activities" is not defined in the Act, the courts have provided useful guidelines to clarify its meaning.¹⁷ In this context, business activities consist of either –

- the act of selling or supplying goods or services with the intention to continue such activities whenever opportunities arise, as long as it is deemed desirable; or
- a series of acts of selling or supplying goods or services from which this intention can be inferred.

¹⁵ Part IV of the Sixth Schedule.

¹⁶ For more details, see the *Tax Exemption Guide for Small Business Funding Entities* and Interpretation Note 59 "Tax Treatment of the Receipt or Accrual of Government Grants".

¹⁷ See *Cape Town Municipality v Clarensville (Pty) Ltd* (1974) 2 All SA 346 (C).

Additionally, a person will be considered to be carrying on business activities if there is some continuity in the activities described above. Amounts received from an isolated transaction typically do not fall within the definition of "carrying on business activities." Certain amounts or income streams falling outside the turnover tax regime are addressed under the normal tax system, such as remuneration and investment income received or accrued to natural persons. Receipts and accruals from carrying on business activities outside South Africa are also excluded from the turnover tax system and are subject to normal tax rules.

3.2.2 Relevance of qualifying turnover amount for registration

An existing business may qualify as a micro business if its qualifying turnover for the previous year of assessment did not exceed the threshold of R1 million (provided all other requirements are met).¹⁸ However, the person must continue to meet the qualifying turnover threshold throughout a year of assessment to maintain its micro business status for that year.¹⁹ A person will not be registered as a micro business if its receipts from business activities in the immediately preceding year of assessment exceeded the qualifying turnover threshold of R1 million. A person may apply for registration as a micro business, provided it has not previously registered as such and all other requirements are met.²⁰

The qualifying turnover threshold of R1 million applies to a year of assessment, which generally runs from 1 March of one year to the last day of February of the following year.²¹ A reduced threshold must be applied when a person has conducted business activities for less than 12 months. In this case, the qualifying turnover of R1 million must be proportionally reduced based on the number of full months during which the person has not traded.²²

The Act does not specify a method for making this apportionment and is silent on how to account for a month in which a taxpayer partly traded. Various methods may apply, potentially leading to differing results. A fair and reasonable approach should be employed to determine the reduced threshold of qualifying turnover. The fixed amount method (described below) provides consistency across various scenarios and can be used to determine the reduced threshold when a micro business has not traded for the full year of assessment.

Fixed Amount Method

By dividing the annual threshold of R1 million by 12, a fixed monthly amount of R83 333.33 is obtained for the year of assessment. The threshold of R1 million is reduced by this fixed amount multiplied by the number of full months during which the taxpayer did not trade in that particular year of assessment, as illustrated below.

$$\begin{aligned} & \text{R1 million} - (\text{R83 333.33} \times \text{number of full months not traded}) \\ &= \text{apportioned threshold} \end{aligned}$$

¹⁸ Paragraph 8(1).

¹⁹ Paragraph 2(1).

²⁰ Paragraph 8(3).

²¹ A company with a year of assessment that does not end on the last day of February is ineligible to qualify as a micro business. See **3.4.4**

²² Paragraph 2(2).

Example: Assume a person commenced trading on 15 June 20X1 and therefore did not trade for three and a half months during that year of assessment (that is, 1 March to 14 June 20X1). The qualifying turnover may be determined as follows:

$$= R1 \text{ million} - (R83\ 333.33 \times 3^*)$$

$$= R750\ 000 \text{ (rounded off)}$$

*For each full month that trade is not carried on, the threshold of R1 million must for purposes of paragraph 2(2) be reduced by R83 333.33, which is determined by dividing the threshold by 12. (See Example 1 below). The threshold of R1 million is reduced only by the number of full months *not* traded (that is, March, April, and May), rather than 3.5 months or 4 months.

The pro-rata qualifying turnover threshold is used to determine whether compulsory deregistration must be effected by SARS within the timeframes prescribed by legislation.²³ The pro-rata qualifying turnover threshold applies only in the first year of assessment for a person that commenced trading during that year. Subsequently, the R1 million threshold applies to ascertain whether a person must transition to the normal tax system through compulsory deregistration.

It is in the best interests of the micro business to regularly calculate its qualifying turnover to ensure it remains within the prescribed threshold at all times and to promptly inform SARS when compulsory deregistration may be necessary (see **3.9.2**). Penalties and interest may be imposed on taxpayers that account for tax as a micro business but do not qualify as such.

Example 1 – Apportionment of qualifying turnover

Facts:

Individual A was retrenched in February 2024 and started a cake baking and supply business for weddings and various events. Individual A commenced trading activities on 09 May 2024 and elected to register as a micro business for tax purposes.

Result:

Since Individual A did not commence trading activities at the beginning of the year of assessment, the business has traded for less than 12 months. This necessitates a reduction in the qualifying turnover threshold of R1 million, considering the number of full months the business did not trade, as illustrated below.

$$R1 \text{ million} - (R83\ 333.33 \times 2) = R833\ 334$$

Consequently, the threshold of R1 million is reduced to R833 334, with the fixed amount of R83 333 applied only to the two full months that no business was carried on. If the qualifying turnover of Individual A's business is estimated to be below R833 334 for the 2025 year of assessment and all other requirements for qualifying as a micro business are met, Individual A must apply for registration for turnover tax within two months from the date of commencement of the business (see **3.9.1**).²⁴

²³ Paragraph 2(2) read with paragraph 10(1)(a).

²⁴ Once registered as a micro business, if at any time during the 2024/2025 year of assessment Individual A's qualifying turnover exceeds or is expected to exceed R833 334, Individual A must notify SARS within 21 days of the threshold being exceeded after which SARS will deregister Individual A for turnover tax (see **3.9.2**).

3.3 Specific anti-avoidance rule for qualifying turnover

An anti-avoidance rule to prevent income-splitting by micro businesses is included in the Sixth Schedule.²⁵ This rule addresses situations where a micro business is divided among connected persons²⁶ (see 3.3.1 and 3.3.2) to ensure that the qualifying turnover of each separate business remains within the R1 million threshold.

In determining the qualifying turnover of any person, the total amount received by a connected person from carrying on business activities must also be included in the qualifying turnover of the person seeking to register as a micro business if—

- the connected person engages in business activities that should properly be regarded as forming part of the business activities carried on by that person; and²⁷
- the main reason or one of the main reasons for the connected person carrying on business activities in the way the connected person does is to ensure that the qualifying turnover of that person does not exceed the threshold of R1 million.²⁸

Under the above circumstances, the qualifying turnover of a person seeking registration as a micro business should be combined with the business receipts of connected persons related to that person. If the combined qualifying turnover exceeds R1 million, none of the connected parties will qualify as a micro business, including the person seeking registration.

3.3.1 Connected persons in relation to a natural person

A connected person in relation to a natural person²⁹ includes –

- any relative³⁰ (within the third degree of consanguinity), which encompasses spouses, children, parents, brothers and sisters, grandchildren, grandparents, great-grandchildren, great-grandparents, uncles, aunts, nephews, and nieces; and
- any trust (other than a portfolio of a collective investment scheme) of which the natural person or his or her relative is a beneficiary.

A connected person in relation to a member of any partnership or foreign partnership includes –

- any other member; and
- any connected person related to any member of such partnership or foreign partnership.

Thus, in determining the qualifying turnover of the person seeking registration or already registered as a micro business, the amounts derived from the business activities of connected persons may also be considered to determine its eligibility for registration or continued registration as a micro business (see 3.2 and 3.9.2).

²⁵ Paragraph 13.

²⁶ The term “connected person” is defined in section 1(1). Also see Interpretation Note 67 “Connected Persons”.

²⁷ Paragraph 13(a).

²⁸ Paragraph 13(b).

²⁹ Paragraph (a) of the definition of “connected person” in section 1(1).

³⁰ As defined in section 1(1).

Example 2 – Qualifying turnover for connected natural persons

Facts:

Individual B, a registered micro business owner, operates a business park and receives rental income from all occupied units. The ground floor houses various businesses operated by family members.

Type of business	Qualifying turnover R
A supermarket of which B is the sole proprietor	680 000
A fruit and veg shop of which B's child C is the sole proprietor and manager	450 000
A fast-food and home industry shop of which B's spouse D is the sole proprietor and manager	600 000
A butchery of which C's spouse is the sole-proprietor and manager.	510 000

The fast-food and home industry shop sources all its supplies from the butchery, fruit and vegetable store, and supermarket as required. Additionally, staff from the various stores can be called upon to work at any of the stores as needed. B is responsible for paying all staff wages and salaries across the businesses.

Result:

Each family member is a “relative” as defined in section 1(1) and thus a connected person in relation to the other family members. Furthermore, the four separate businesses do not appear to operate independently. Under these circumstances, it can be concluded that the businesses constitute one composite business under paragraph 13. Since the combined qualifying turnover of the four businesses exceeds the qualifying turnover threshold of R1 million, B must be deregistered from turnover tax.

3.3.2 Connected persons in relation to a company

A connected person in relation to a company³¹ must be understood in context of paragraphs (d)(i), (d)(iv), (d)(v), (d)(vA) and (vi) of the definition of “connected person” in section 1(1). A comprehensive discussion of the definition of “connected person” is beyond the scope of this guide.

For detailed information on connected persons in relation to a company, see Interpretation Note 67 “Connected Persons”.

3.4 Persons that do not qualify as micro businesses

3.4.1 Prohibition and limitation on interests in other companies or partnerships

A person does not qualify as a micro business for any particular year of assessment if any of the following prohibitions apply:

- At any time during that year of assessment, the person (whether a natural person or a company) holds any shares or has any interest in the equity of another company.³²

³¹ Paragraph (d) of the definition of “connected person” in section 1(1).

³² Paragraph 3(a).

- In the case of partnerships, any of the partners –
 - is not a natural person;³³
 - is a partner in any **other** partnership at any time during the year of assessment;³⁴
- In the case of a company, at any time during its year of assessment, any holder of shares is not a natural person (or the deceased or insolvent estate of a natural person).³⁵

These provisions are anti-avoidance measures designed to prevent a person that may be part of complex or multi-layered structures from qualifying as a micro business. The Act outlines a list of permissible entities in which natural persons (that is, sole proprietors, partners of a partnership), and in the case of a company, (the holders of shares) may hold shares or any interest in the equity of another company. These include shares or interests –

- in companies listed on a South African exchange;³⁶
- in collective investment schemes;³⁷
- in bodies corporate, share block companies, or any other association of persons managing the collective common interests of members, such as homeowners' associations;³⁸
- in venture capital companies;
- of less than 5% in social or consumer co-operatives;⁴⁰
- of less than 5% in co-operative burial societies⁴¹ (or any other similar co-operative if all income derived from the trade of that co-operative during any year of assessment is solely from its members) or primary savings co-operative banks; or
- in friendly societies.⁴²

The below mentioned permissible shareholdings only apply to the holders of shares of a company and do not therefore extend to any partners of a partnership or sole proprietors registered as a micro business:

- In any company that did not trade during any year of assessment, and which did not own assets with a total market value exceeding R5 000 during any year of assessment.⁴³
- In any company that has taken steps to liquidate, wind up or deregister.⁴⁴

³³ Paragraph 3(g)(i).

³⁴ Paragraph 3(g)(ii).

³⁵ Paragraph 3(f)(ii).

³⁶ As defined in paragraph (a) of the definition of “listed company” in section 1(1).

³⁷ As described in paragraph (e) of the definition of “company” in section 1(1).

³⁸ As described in section 10(1)(e).

³⁹ As defined in section 12J.

⁴⁰ As defined in section 1 of the Co-operatives Act, 2005.

⁴¹ As defined in section 12J.

⁴² As defined in section 1 of the Friendly Societies Act, 1956.

⁴³ Paragraph 3(f)(iii)(aa).

⁴⁴ Paragraph 3(f)(iii)(bb).

In context of a partnership, although a particular partner may be disqualified by any of the factors mentioned above, this disqualification does not result in the disqualification of the other partners. Therefore, it is important to distinguish between factors that disqualify all partners (see 3.5) and those that disqualify only a specific partner without affecting the remaining partners.

3.4.2 Limitation on investment and professional service income

A business operating as a company is disqualified if the aggregate income derived from “investment income” and “professional services”⁴⁵ as defined exceeds 20% of the total receipts (including capital receipts). For natural persons (that is, a sole proprietor or partner), the 20% limitation applies only to income from the rendering of a professional service.⁴⁶

(a) Investment Income

The term “investment income” is defined⁴⁷ as any income in the form of annuities, dividends, foreign dividends, interest, rental derived in respect of immovable property, royalties, or income of a similar nature, as well as any proceeds from the disposal of financial instruments as defined in section 1(1).

Income derived from providing accommodation on a short-term basis in, for example, a guesthouse, lodge, bed and breakfast establishment, or hotel) is generally not regarded as “rental derived in respect of immovable property” as contemplated in the definition of “investment income”. However, if a person has exclusive use of property or a portion of property on a long-term basis (for example, for periods exceeding one month under one or more contracts), a portion of the income earned may be regarded as rental in respect of immovable property. All facts and circumstances must be considered in these cases to determine whether any portion of the income should be classified as rental in respect of immovable property or as the provision of serviced accommodation.

Example 3 – Limitation of investment income for a company

Facts:

A company conducts two trades, namely, the rental of houses owned by the company on a long-term basis and the provision of short-term serviced accommodation to guests in two guesthouses.

The rental agreements for the houses vary in duration depending on tenants’ requirements but are generally longer than 6 months.

The guesthouses offer accommodation on a bed and breakfast basis. The duration of a guest’s stay typically ranges from a few days to two weeks, with guests able to request lunch and dinner at an additional cost.

Total receipts for the year of assessment comprised rental from the houses of R200 000, income from the bed and breakfast accommodation at the guesthouses of R450 000 and income from the supply of lunch and dinner meals of R200 000.

⁴⁵ See **Glossary** and 3.4.2(b) for an explanation of the term.

⁴⁶ Paragraph 3(b).

⁴⁷ Paragraph 1.

Results:

Total receipts amount to R850 000, which does not exceed the qualifying turnover threshold of R1 million.

The rental income from the houses qualifies as “investment income” as defined since tenants had exclusive use under long-term rental agreements. Conversely, the income from serviced accommodation and the provision of lunch and dinner meals does not qualify as “investment income” as defined.

$$\frac{\text{Investment income} + \text{Professional service income}}{\text{Total receipts}} \times \frac{100}{1}$$

$$\frac{\text{R200 000}}{\text{R850 000}} \times \frac{100}{1} \\ = 23,5 \%$$

The 20% limitation has been exceeded; therefore, the company does not qualify as a micro business.

Any investment income derived by a natural person (that is, a sole proprietor or partner) who is a registered micro business is specifically excluded from that person’s taxable turnover for turnover tax purposes.⁴⁸ Consequently, any investment income derived by such a natural person remains taxable under the normal tax provisions and may still qualify for the exemptions applicable to interest and dividends received.⁴⁹

(b) Professional services

The term “professional service” is defined in paragraph 1 as follows:

“ ‘[P]rofessional service’ means a service in the field of accounting, actuarial science, architecture, auctioneering, auditing, broadcasting, consulting, draftsmanship, education, engineering, financial service broking, health, information technology, journalism, law, management, real estate broking, research, sport, surveying, translation, valuation or veterinary science;”

While the term “professional service” is broadly defined, activities generally not considered professional services include (these categories serve as guidelines within the scope of turnover tax):

- Retail sales involving the sale of tangible products to customers, such as supermarkets, convenience stores, spaza shops, flea markets, restaurants or food outlets, livestock traders, small-scale farmers, hawkers, and similar activities.
- Repairing, installing, altering, decorating, cleaning, constructing, or improving customers’ movable, immovable, or personal property, including plumbers, electricians, artisans, carpenters, car-washers, panel beaters, landscape maintenance, laundromats, and shoe repairers.
- Providing personal or social nature services to the public, such as payphone operators, hairdressers, day care centres or crèches, bed and breakfast establishments or guesthouses, taxi drivers, herbalists, or traditional healers.

⁴⁸ Paragraph 7(a).

⁴⁹ Section 10(1)(i) and (k), section 10B and section 12T.

The categories identified as professional services under the Sixth Schedule are typically more knowledge-intensive than those services contemplated to qualify under the micro business regime. To protect the tax base and ensure a level playing field for various types of businesses under the turnover tax system, professional services, as defined, are excluded. Businesses providing professional services may qualify for the small business corporation (SBC)⁵⁰ tax dispensation under section 12E if they employ the required number of full-time employees throughout the year of assessment and meet other qualifying criteria.

(See **Annexure A** for general descriptions of the fields of professional services.)

Example 4 – Limitation on investment and professional service income for a company

Facts:

DEF is registered under the normal tax system and mainly trades in supplying computer hardware and software. Additionally, it offers customers computer software development services. The shareholders apply to register the company as a micro business for the 2025 year of assessment. The following income was received by the company in the previous year of assessment.

	R
Sales	650 000
Computer software development services	190 000
Gross dividends from listed company	2 700
Interest received	2 000
Receipts from sale of business assets	<u>5 000</u>
Total receipts	<u>849 700</u>
Qualifying turnover (R650 000 + R190 000 + R2 700 + R2 000)	844 700

Note: The receipts of R5 000 from the sale of business assets are of a capital nature and must therefore be excluded from qualifying turnover.

Result:

$$\frac{\text{Investment income} + \text{Professional service income}}{\text{Total receipts}} \times \frac{100}{1}$$

$$\frac{R2 700 + R2 000 + R190 000}{R849 700} \times \frac{100}{1}$$

$$= 22,9\%$$

Interest and dividends constitute investment income and must be aggregated. As the rendering of computer software development services falls within the field of information technology, the income generated from this source is considered as professional services income (see **3.4.2**). Although the qualifying turnover is below the R1 million threshold, the investment and professional services income exceeds the 20% limitation, meaning the business does not qualify as a micro business.

⁵⁰ The SBC dispensation is a tax concession for qualifying entities that offers accelerated depreciation allowances and graduated tax rates. For more information in this regard, see Interpretation Note 9 “Small Business Corporations”.

3.4.3 Limitation on capital disposals

A person will not qualify as a micro business in a given year of assessment if receipts from the sale of capital assets (whether movable or immovable, excluding any financial instruments) used primarily for business purposes exceed R1,5 million over a three-year period. This three-year period comprises the current and the two immediately preceding years of assessment. If the micro business has been registered for less than three years, the rule applies to that shorter period.

Immovable property will be considered to have been used “mainly” for business purposes if over 50% of its floor area or volume was used for such purposes.

For all other assets (excluding financial instruments), the relevant asset will be regarded as having been used “mainly” for business purposes if it is predominantly used for business activities. Note that the R1,5 million threshold applies to the total receipts from capital assets disposed of in the relevant years of assessment, rather than to each individual asset disposed of.

3.4.4 Year of assessment rule

The year of assessment for a micro business runs from 1 March to 28/29 February of the following year. A company whose year of assessment ends on a date other than the last day of February does not qualify as a micro business. A company with a different year-end wishing to qualify as a micro business may change the end of its financial year by notifying the Companies and Intellectual Property Commission using the prescribed form.⁵¹

3.4.5 Only interests and shares held by natural persons permitted

A business will not qualify as a micro business if any of its partners,⁵² members or holders of shares⁵³ are not natural persons during the relevant year of assessment.

3.4.6 Exclusion of personal service providers and certain labour brokers

A “labour broker”, as defined in the Fourth Schedule,⁵⁴ who has not been issued with a tax exemption certificate by SARS, will not qualify as a micro business. A “personal service provider”, as defined in the Fourth Schedule,⁵⁵ is also disqualified.

A labour broker is any natural person who, for reward, provides a client with the services of other persons to render a service and pays those persons for their services. A person that pays a labour broker for services received must withhold employees’ tax from the payment and remit it to SARS on behalf of the labour broker unless the labour broker can provide a valid tax exemption certificate from SARS.

A personal service provider is a company or trust that provides services to clients personally through a connected person (usually the owner, relative, or beneficiary) and –

- the connected person is regarded as an employee of the client had the services been rendered directly to the client;

⁵¹ Section 27(4) of the Companies Act⁷¹ of 2008 read with regulation 25(1) of the Companies Regulations, 2011.

⁵² Paragraph 3(g)(i).

⁵³ Paragraph 3(f)(ii).

⁵⁴ For the full definition, see paragraph 1 of the Fourth Schedule.

⁵⁵ For the full definition, see paragraph 1 of the Fourth Schedule.

- when the services must be performed mainly at the client's premises, the connected person is controlled or supervised by the client regarding how the services are rendered; or
- if more than 80% of the income of the company or trust is received from any one client during the year of assessment,

except if the company or trust employs three or more full-time employees throughout the year of assessment who are on a full-time basis engaged in the business of the company or trust and are not connected persons.

For more information on labour brokers and personal service providers, see Interpretation Note 35 "Employees' Tax: Personal Service Providers and Labour Brokers".

3.4.7 Exclusion of public benefit organisations, recreational clubs, associations and small business funding entities

In relation to a company, the following will not qualify as a micro business:

- A public benefit organisation approved by SARS under section 30.⁵⁶
- A recreational club approved by SARS under section 30A.⁵⁷
- An association approved by SARS under section 30B.
- An SBFE approved by SARS under section 30C.⁵⁸

3.5 Special rules relating to partnerships

Partnerships are taxed on a flow-through basis, meaning the taxable turnover of a partnership will be taxed in the hands of each partner according to the profit-sharing ratio stipulated in the partnership agreement. Consequently, partners are individually registered as micro businesses for turnover tax purposes, and each partner is separately liable for turnover tax based on that partner's taxable turnover as determined by the partnership profit-sharing ratio.

A distinction must be made between factors that would disqualify all partners in a partnership and those that would disqualify only a specific partner without affecting the others. A compulsory deregistration from turnover tax applies to any partner who is disqualified. All partners will be disqualified if any one of them is not a natural person⁵⁹ or if the qualifying turnover of the partnership as a whole exceeds R1 million.⁶⁰ In contrast, a specific partner will be disqualified if that partner holds shares in a company or is a member of another partnership.⁶¹ This disqualification will not affect the remaining partners unless the qualifying turnover limit is exceeded due to the application of the anti-avoidance rule under paragraph 13 (see 3.3).

The income of any disqualified partner will be subject to normal tax based on that partner's profit-sharing ratio.

⁵⁶ For more information, see the *Basic Guide to Income Tax for Public Benefit Organisations*.

⁵⁷ For more information, see the *Tax Exemption Guide for Recreational Clubs*.

⁵⁸ For more information, see the *Tax Exemption Guide for Small Business Funding Entities*.

⁵⁹ Paragraph 3(f)(ii).

⁶⁰ Paragraph 2(1) read with paragraph 3(g)(iii). Also see the *Explanatory Memorandum on the Taxation Laws Amendment Bill, 2008*.

⁶¹ Paragraph 3(g)(ii).

3.6 Taxable turnover

Turnover tax is levied⁶² on the taxable turnover of the registered micro business in the year of assessment. Taxable turnover refers to the amount, not of a capital nature, that is *received by* a micro business during a year of assessment from carrying on business activities in South Africa, less any amounts refunded to any person for goods and services supplied by the micro business. Additionally specific inclusions (see 3.6.1) and exclusions (see 3.6.2) apply in determining a micro business's taxable turnover. Since it is only amounts *received by* the micro business that comprise its taxable turnover, amounts that accrue to the micro business but have not been received during the year of assessment must not be included in its taxable turnover. The turnover tax system does not allow for the deduction of expenses against income, unlike the normal tax system.

See 3.2 for commentary on the expression “carrying on of business activities”. Amounts received that relate to isolated transactions typically do not fall within the scope of the expression “carrying on of business activities”.

Taxable turnover refers to the receipts from “carrying on business activities in the Republic” (South Africa). Therefore, the location of these business activities is crucial. If the work performed to generate income occurs within South Africa, it is likely that the receipts will be considered as deriving from business activities carried on in South Africa. Relevant business activities may include, for example, the production of goods, taking orders, and providing certain services within South Africa. The origin or source of any receipt is not relevant in determining whether the micro business operates in South Africa. Consequently, if a micro business operates in South Africa and delivers goods to clients outside of South Africa, those receipts must be included in taxable turnover, as the income arises from business activities conducted in South Africa. However, if any work related to providing a service occurs outside South Africa, the portion of income associated with that service may not be included in taxable turnover.

Income from business activities conducted outside South Africa does not constitute taxable turnover and will be subject to the normal tax⁶³ rules. The normal tax system includes mechanisms to prevent double taxation, which can occur when multiple countries impose taxes on the same income. In this context, it is important to consider any applicable tax treaty provisions and the unilateral relief provided under section 6⁶⁴ in the form of a tax rebate or deduction.⁶⁴

Any amounts refunded by the micro business to its customers (cash outflow) for goods or services supplied must be deducted when calculating taxable turnover.⁶⁵ Conversely, if the micro business receives a refund from any of its suppliers (cash inflow), these receipts must be excluded from the taxable turnover calculation⁶⁶ (see 3.6.2).

Since taxable turnover consists of *all amounts* not of a capital nature *received by* the micro business, a micro business that is a vendor for VAT purposes must include any VAT charged on the supply of goods or services in its taxable turnover.

⁶² Section 48A.

⁶³ In these circumstances, amounts received by or which accrue to a micro business constituting gross income will be subject to normal tax.

⁶⁴ See Interpretation Note 18 “*Rebates and Deduction for Foreign Taxes on Income*” for a detailed explanation.

⁶⁵ Paragraph 5.

⁶⁶ Paragraph 7(d).

3.6.1 Specific inclusions in taxable turnover

The following amounts must be included in taxable turnover:

- 50% of all receipts of a capital nature from the disposal of –
 - immovable property mainly used for business purposes, other than trading stock; and
 - any other asset mainly used for business purposes, other than any financial instrument.
- [It is 50% of the gross amount/proceeds received by a micro business that must be taken into account in the taxable turnover when a capital asset is disposed of and not the capital gain]⁶⁷ Investment income (excluding dividends and foreign dividends) received by a company.

3.6.2 Specific exclusions from taxable turnover

The following amounts must be excluded from taxable turnover:

- Investment income received by natural persons, that is, individuals operating as sole proprietors or partners in a partnership (see **3.4.2**).
- Any amounts received by or accrued to a small, medium, or micro-sized enterprise from an SBFE that are exempt under section 10(1)(zK).
- Government grants exempt from normal tax under section 12P, read with the Eleventh Schedule (see **Annexure B** for a list of these exempt government grants).
- Any amount accrued to the business that was subject to normal tax in a year of assessment before the micro business was registered for turnover tax.
- Any refund received from any person for goods or services supplied to a micro business.

Example 5 – Determination of turnover tax liability (Natural persons)

Facts:

X and Y are partners whose primary business is constructing houses. They equally share in the profits and losses of the partnership. Clients are responsible for purchasing building materials. Additionally, they offer a service for drafting house plans on a small scale. They registered their business as a micro business for turnover tax purposes and met all requirements throughout the year. The following amounts relate to various receipts by the micro business during the year:

	R
Construction services	785 000
Drafting services	25 000
Government grant exempt from tax under section 12P	10 000
Sale of business tools	4 000
Interest earned on the business bank account	6 000
Refund received	<u>4 500</u>
Total income from business activities	<u>834 500</u>

⁶⁷ According to paragraph 57A of the Eighth Schedule, a micro business must disregard any capital gain or loss on the disposal of an asset used primarily for business purposes. See the commentary on the CGT implications in **3.7**.

- The refund received relates to faulty equipment returned to the supplier.
- The construction services figure includes R15 000 received from a client for a contract concluded in the previous year of assessment. This R15 000 had accrued to the business in the previous year of assessment and was subject to normal tax.
- The construction figure also includes R50 000 from business activities conducted in Lesotho.

Result:

The taxable turnover of the partnership for the year of assessment is calculated as follows:

	R
Total income from business activities	834 500
Less: 50% of receipts from sale of business asset (Note 1)	(2 000)
Income from business activities in Lesotho	(50 000)
Government grant (Note 3)	(10 000)
Interest received on business bank account (Note 4)	(6 000)
Refund received (Note 5)	(4 500)
Amount previously accrued to business (Note 6)	<u>(15 000)</u>
Taxable turnover	<u>747 000</u>

Notes:

1. Only 50% of receipts of a capital nature from the disposal of assets used mainly for business purposes are included in taxable turnover [paragraph 6(a)].
2. The amount received for business activities conducted in Lesotho is excluded from taxable turnover as it arises from activities outside South Africa (paragraph 5) and is subject to normal tax. The R50 000 must be declared in the TT03 return as income from business activities outside South Africa.
3. Government grants exempt from normal tax must be excluded from taxable turnover [paragraph 7(b)].
4. Interest income (which is considered “investment income”) earned by natural persons must be excluded from taxable turnover under paragraph 7(a) and is subject to normal tax, subject to relevant exemptions.
5. Refunds received from suppliers for goods or services supplied to a micro business must be excluded from taxable turnover [paragraph 7(d)].
6. Amounts previously accrued under the normal tax system and that were taxed must be excluded from taxable turnover [paragraph 7(c)].

Since this is a partnership, the taxable turnover of R747 000 is divided between each partner according to their profit-sharing ratio, that is, R373 500 ($R747\ 000 \times 50\%$).⁶⁸

Interest of R3 000 ($R6\ 000 \times 50\%$) will be subject to normal tax in each partner's hands but may be exempt from normal tax under section 10(1)(i), depending on the level of any other interest income earned by each partner in his or her personal capacity.

⁶⁸ See the latest Rates and Monetary Amounts and Amendment of Revenue Laws Act for the turnover tax rates.

Example 6 – Determination of turnover tax liability (Company)

Facts:

ABC commenced trading activities on 31 May 2024 and registered as a micro business effective from 1 March 2024. The company has six shareholders and operates from the private home of one of them. The amounts detailed below pertain to the income received and expenses incurred by the micro business for the 2025 year of assessment, arising from its business activities in South Africa. The company met all requirements for a micro business throughout the year of assessment.

R

Receipts

Cash sales	625 000
Credit sales	55 000
Government grant exempt from tax	15 000
Receipts from the sale of a gas stove	500
Interest received on the business bank account	25 000
Dividends received from listed shares	500
Refund received	2 500

Payments

General operating expenses	250 000
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Notes:

1. The government grant was received from the Department of Small Business Development under the Black Business Supplier Development Programme.
2. The gas stove sold was mainly used for business purposes.
3. The refund was received from a supplier for a faulty stove.
4. The interim payments refer to payments made to SARS in August and February.

Result:

The taxable turnover of the micro business for the year of assessment is determined as follows:

	R
Amounts received from business activities (Note 1)	642 500
50% of receipts from the sale of business asset (Note 2)	250
Investment income (Note 3)	25 000
<i>Less:</i> Government grant (Note 4)	(15 000)
Refund received (Note 5)	<u>(2 500)</u>
Taxable turnover	<u>650 250</u>

Notes:

1. The amounts received by the company from business activities consist of all non-capital receipts of a business nature, namely, cash sales (R625 000), the government grant (R15 000) and the refund received (R2 500). Credit sales are excluded since the company had not received these amounts by the end of the year of assessment.
2. Since the gas stove was mainly used for business purposes, 50% of the amount realised from its disposal must be included [paragraph 6(a)].
3. Investment income must be included, while dividends are excluded [paragraph 6(b)].
4. The government grant was received from the Department of Small Business Development under the Black Business Supplier Development Programme. As this grant is listed in the Eleventh Schedule, it qualifies for exemption under section 12P and must be excluded from the company's taxable turnover [paragraph 7(b)].
5. Refunds received by the company for goods or services supplied to it must be excluded [paragraph 7(d)].

The taxable turnover is R650 250. According to the turnover tax rates table (see **Annexure B**) the tax payable on this amount is R4 655 (R1 650 + 2% of R150 250).

3.7 Capital gains tax

A registered micro business must disregard any capital gain or loss for CGT purposes on the disposal of an asset used mainly for business purposes, as the typical micro business is unlikely to have substantial capital assets.⁶⁹ However, specific measures have been implemented to prevent abuse.⁷⁰ In lieu of CGT, a qualifying micro business must include 50% of all receipts of a capital nature used mainly for business purposes (see **3.6.1**) in its taxable turnover. Regarding immovable property, if more than 50% of a building's floor space or volume is used for business purposes, the "mainly" requirement will be satisfied. Depending on the specifics of a given case, it is possible that an alternative method may be more appropriate than measuring by floor space or volume. The burden of proving the suitability of a specific method rests with the micro business.⁷¹

This inclusion does not apply to amounts derived from the disposal of assets not used mainly for business purposes by the micro business. The disposal of such assets may be subject to CGT. For more information on CGT, see the *Comprehensive Guide to Capital Gains Tax*, the *ABC of Capital Gains Tax for Individuals* and the *ABC of Capital Gains Tax for Companies*.

Note: A person will not qualify as a micro business if the total receipts from the disposal of assets used mainly for business purposes exceeds R1,5 million during the current and preceding two years of assessment (see **3.4.3**).

⁶⁹ Paragraph 57A of the Eighth Schedule.

⁷⁰ *Explanatory Memorandum on the Revenue Laws Amendment Bill, 2008* at 62.

⁷¹ Section 102(1)(a) of the TA Act.

3.8 Dividends tax

The term “dividend” is defined in section 1(1) as any amount that is transferred or applied by a resident company for the benefit of any holder of shares in the company. Dividends tax is levied at 20% on any dividends paid by a company, including a micro business that is a company. This 20% rate may be reduced under a tax treaty. The beneficial owner of the dividend is liable for the tax, except if the dividend is a dividend *in specie* (see 3.8.2), in which case the company declaring the dividend is liable for the tax. Specific exemptions are also provided for, including a limited exemption that applies to holders of shares in micro businesses.

3.8.1 Cash dividends

While the company paying a cash dividend is required to withhold dividends tax and remit it to SARS, the beneficial owner of the shares remains liable for the dividends tax. Section 64F(1)(h) provides an exemption from dividends tax for dividends⁷² paid to a holder of shares in a registered micro business. The exemption from dividends tax is limited to an aggregate amount of dividends paid by the company not exceeding R200 000 in the year of assessment. If there is only one holder of shares, the dividends paid by the company to that holder will be exempt from dividends tax, provided the aggregate amount does not exceed R200 000 in the year of assessment.

Any dividends paid to the holder in excess of the aggregate exemption threshold of R200 000 in the year of assessment will therefore be subject to dividends tax. If, however, there are multiple holders of shares in a registered micro business, the Act does not prescribe how the dividend exemption should be applied. A fair and reasonable approach would be to apportion the exempt amount according to the respective entitlements of the holders to the dividends. While the rights of holders of shares to dividends paid by a company are generally based on their relative shareholding, this may not always be the case. For instance, the company may have issued different classes of shares with varying preferences, rights, limitations, and terms concerning the holders’ rights to dividends distributed by the registered micro business. To qualify for the exemption, the relevant holders of shares in the micro business must submit a declaration in the prescribed form claiming the exemption. In cases of multiple holders of shares in a registered micro business, the exemption of R200 000 must be apportioned in relation to the dividends accruing to each of them (See Example 7).

The R200 000 exemption pertains to dividends paid during a year of assessment by a micro business. The exemption, or part thereof, will be forfeited if no claim for the available exemption is made by a holder of shares regarding any dividends paid by the micro business in that year of assessment. Thus, if a registered micro business has previously paid dividends of R150 000 but the holders of shares failed to claim the available exemption, only additional dividends not exceeding R50 000 paid during that year of assessment may be exempted – provided the qualifying holders make the necessary declarations and undertakings.

⁷² A similar exemption is provided for *in specie* dividends in section 64FA(1)(a).

Section 64F lists the persons and entities exempt from tax concerning dividends. A limit of R200 000 is imposed for the holder of shares in a micro business, which may result in a partial exemption in situations where this amount is exceeded. The calculation of the exemption applicable to any dividend paid to a holder of a share is not prescribed in the Act, but equitable apportionment may be determined using the following formula:

$$\text{Available exemption} \times \frac{\text{Dividend paid to holder of shares}}{\text{Total dividend distribution}}$$

In relation to the above –

“*available exemption*” is the exemption threshold of R200 000, minus the total amount of all dividends paid to holders of shares in the year of assessment;

“*dividend paid to the holder of shares*” means the dividend paid by the registered micro business to the relevant holder, in accordance with their entitlement;

“*total dividend distribution*” means the total of the relevant dividend declared and paid by the registered micro business to all holders of shares entitled to it.

Upon the declaration of a dividend, a holder may calculate the amount of the dividend that qualifies for exemption using the above formula. They can then claim the relevant exemption amount by submitting the prescribed declaration to the registered micro business before the dividend is paid.

Example 7: Exemption from dividends tax – Section 64F(1)(h)

Facts:

Company M is registered as a micro business. X, Y, and Z hold 50%, 30%, and 20% of the equity shares in the company, respectively, and they are entitled to dividends in proportion to their shareholdings. Company M declared and paid a dividend of R300 000 to its shareholders on 10 April 2023.

Result:

Withholding of dividends tax by Company M

An amount equal to R200 000 of the dividend paid to the holders of shares is exempt from dividends tax under section 64F(1)(h) if the relevant holders submit the prescribed declarations on time, as outlined in section 64G(2)(a). The remaining R100 000 (R300 000 – R200 000) is the amount subject to dividends tax, which must be withheld by Company M and paid over to SARS.

Apportionment of exemption / determination of dividends tax liability of holders of shares

	Holder X	Holder Y	Holder Z
	R	R	R
Dividends paid	150 000	90 000	60 000
Exempt portion	(100 000)	(60 000)	(40 000)
Taxable portion of dividend	<u>50 000</u>	<u>30 000</u>	<u>20 000</u>

Note:

$$\text{Available Exemption} \times \frac{\text{Dividend paid to holder of shares}}{\text{Total dividend distribution}}$$

Holder X: exemption calculation: $200\ 000 \times (150\ 000 / 300\ 000)$

Holder Y: exemption calculation: $200\ 000 \times (90\ 000 / 300\ 000)$

Holder Z: exemption calculation: $200\ 000 \times (60\ 000 / 300\ 000)$

3.8.2 Dividends *in specie*

A distribution of an asset other than cash by a company is known as a dividend *in specie*. If a registered micro business declares and pays a dividend consisting of a distribution of an asset *in specie*, the micro business is liable for dividends tax.⁷³ However, the micro business will not be liable for dividends tax on a dividend *in specie* to the extent that its holders of shares would have qualified for the exemption under section 64F(1)(h) had the dividend hypothetically not been a distribution of an asset *in specie* [section 64FA(1)(a)(i)]. For the registered micro business to qualify for the exemption, the holder of shares to whom the dividend *in specie* was paid must (as in the case of the cash dividend discussed above) submit to the micro business, by the date of payment of the dividend –

- a declaration in the form prescribed by SARS, stating that the dividend or a portion of it would have been exempt under section 64F had it not been a dividend *in specie*; and
- a written undertaking in a form prescribed by SARS⁷⁴ to inform the registered micro business in writing should the circumstances affecting the exemption applicable to the beneficial owner change or if the beneficial owner ceases to be a beneficial owner.

As with cash dividends discussed above, the exemption provided for under section 64FA(1)(a)(i), read with section 64F(1)(h), applies to the total amount of all dividends paid by a registered micro business in a year of assessment to all holders of shares. If the dividends are paid to more than one holder of shares, the formula described above may be used.

Example 8: Exemption from dividends tax – Sections 64F and 64FA

Facts:

Company M is registered as a micro business. A, B, and C hold 50%, 30%, and 20% of the equity shares in the company, respectively, and they are entitled to dividends in proportion to their shareholdings. On 10 April 2024, Company M declared and paid cash dividends amounting to R150 000 to X, Y, and Z in proportion to their shareholdings. On 5 December 2024, Company M distributed an asset to X, which constituted a dividend *in specie*. The market value of the asset on the date of distribution was R125 000.

⁷³ Section 64EA(b).

⁷⁴ See paragraph 14 of the *Business Requirements Specification: Administration of Dividends Tax* on the SARS website under Tax types / Dividends Tax for guidance on the relevant wording and minimum information that should be contained in forms which are to be prepared by the company, regulated intermediary or beneficial owner.

Result:

For the current year of assessment, Company M has made two dividend distributions that must be considered for determining the application of the exemption applicable to registered micro businesses.

X, Y, and Z were liable for dividends tax in respect of the dividend declared in April. However, as the cash dividend of R150 000 qualified for a full exemption under section 64F(1)(h), and X, Y, and Z have submitted the required declarations and undertakings to Company M, it was not necessary for Company M to withhold any dividends tax on the dividend paid of R150 000.

Company M is liable for dividends tax on the dividend *in specie* distributed to X. However, since X submitted the required undertaking and declaration to Company M by the date of payment of the dividend, Company M is entitled to a partial exemption of R50 000 under section 64FA(1)(a)(i) of the dividend *in specie* distributed by Company M, calculated as follows:

$$\text{Available Exemption} \times \frac{\text{Dividend paid to holder of shares}}{\text{Total dividend distribution}}$$

$$(R200\ 000 - R150\ 000) \times (R125\ 000 / R125\ 000).$$

Company M is liable for dividends tax on the remaining balance of the dividend *in specie*, which amounts to R75 000.

For a detailed discussion on dividends tax, see the *Comprehensive Guide to Dividends Tax*.

3.9 Turnover tax administration

3.9.1 Registration (paragraph 8)

Since registration for the turnover tax system is optional, a person qualifying as a micro business (see **3.1**) may elect to register as a micro business with SARS –

- before the beginning of a year of assessment, that is, before 1 March, or before a date during the year of assessment prescribed by the Commissioner; or
- if the micro business commences business activities during the course of a year of assessment, within two months from the date of commencement of its business activities.

The election to register as a micro business is made by completing a turnover tax application form (TT01), which must be submitted via any of the following channels:

- by making an appointment on the SARS eBooking system; or
- by emailing SARS at –
 - tax practitioners: pcc@sars.gov.za; or
 - taxpayers: contactus@sars.gov.za.

Any incomplete applications submitted to SARS may result in SARS considering a person not to have applied for registration until all particulars and documents have been provided.⁷⁵ Should a person qualify as a micro business and elect to register, SARS is required to register the micro business effective from the beginning of the year of assessment, in accordance with the requirements of paragraph 8(2). It follows that a person cannot be registered as a micro business for part of a year of assessment if they have traded for more than two months.

Note that a micro business that deregisters, whether voluntarily or compulsorily (see **3.9.2**), will not be able to register again as a micro business.⁷⁶

An application form to register for turnover tax (TT01) can be obtained from the SARS website or a SARS Service Centre.

3.9.2 Deregistration

There are two circumstances in which a registered micro business will be deregistered from turnover tax by SARS, namely as set out below..

(a) Compulsory deregistration (paragraph 10)

Compulsory deregistration will occur if a registered micro business no longer qualifies for registration. Two factors may necessitate compulsory deregistration, namely –

- the qualifying turnover derived by the micro business from its business activities during a year of assessment exceeds, or is likely to exceed, the R1 million threshold, and the business cannot demonstrate that this is a nominal *and* temporary event; or
- the person is disqualified under paragraph 3 (see **3.4**).

The words “nominal and temporary” are not defined in the Act, so their ordinary grammatical meanings apply. According to the *Merriam-Webster* online dictionary, “nominal” is defined as follows (in context):⁷⁷

“Trifling, insignificant.”

“Temporary” is defined in the same dictionary as –⁷⁸

“[I]asting for a limited time”.

If a micro business must be deregistered because it has exceeded, or there are reasonable grounds to believe it will exceed, the qualifying turnover threshold of R1 million in a year of assessment, but the excess is nominal (a small or insignificant amount) *and* temporary, the micro business must apply to SARS for a decision regarding whether it should remain a registered micro business. It is generally considered that if the total receipts exceed R1 million by 2 to 3%, that amount would be regarded as nominal for the purposes of paragraph 10(3). However, SARS will consider the facts and circumstances of each case when determining whether an entity may remain registered as a micro business. Important factors include the specific event identified by the taxpayer as the reason for exceeding the threshold by a nominal amount, and whether that event is of a temporary nature.

⁷⁵ Section 22(4) of the TA Act.

⁷⁶ Paragraph 8(3).

⁷⁷ www.merriam-webster.com/dictionary/nominal [Accessed 16 January 2026].

⁷⁸ www.merriam-webster.com/dictionary/temporary [Accessed 16 January 2026].

A registered micro business that is subject to compulsory deregistration must notify SARS within 21 calendar days from the date it no longer qualifies as a micro business.⁷⁹ Failure to notify SARS may result in penalties against the taxpayer. SARS will deregister the micro business from the turnover tax system effective from the first day of the month following the month in which the business no longer qualifies as a registered micro business. If the micro business ceases to qualify during a year of assessment, the taxpayer's assessment for that year will include an amount payable made up of turnover tax and normal tax. The business will also need to register for VAT if the total value of taxable supplies⁸⁰ in a 12-month period exceeds, or is likely to exceed, the R1 million taxable supply threshold, at which registration for VAT becomes compulsory.⁸¹

Example 9 – Compulsory deregistration

Facts:

ABC (Pty) Ltd (ABC) was registered as a micro business on 1 March 2024.

- i) ABC was awarded a once-off contract of R500 000 that ran from 1 March 2023 to 31 August 2023 (the 2024 year of assessment). The contract involved providing meals and drinks for a film production crew and was valid for six months. Payments due to ABC under this contract were made at the end of each month. Total receipts from other clients amounted to R225 000 by this date (R725 000 in total). It is anticipated that ABC's receipts will average R50 000 per month for the remainder of the year of assessment. Therefore, the projected total receipts for the current year of assessment are R1 025 000 [500 000 + 225 000 + (50 000 × 6)].
- ii) The same facts as in i) apply, except that instead of the temporary film production contract, ABC was awarded a three-year contract on 1 March 2024 (the 2025 year of assessment) to provide meals on a daily basis to the client's employees, valued at R800 000 per year for the duration of the contract. Total receipts from other clients amounted to R500 000 for the 2025 year of assessment (resulting in R1,3 million in total).

Result:

- i) ABC's total receipts of ABC for the 2025 year of assessment were estimated at R1 025 000 (that is, R25 000 in excess of the R1 million threshold). Under paragraph 10(1)(a), ABC therefore had reasonable grounds to believe that the qualifying turnover would be exceeded. Consequently, ABC must notify SARS in writing within 21 days from the date it realised that the threshold might be exceeded. However, if ABC believes that the increase in its total receipts, which results in exceeding the qualifying turnover threshold of R1 million, is of a "nominal and temporary" nature, it must apply to SARS for a decision regarding whether it should remain a registered micro business. Relevant facts for ABC to provide in the request include the fact that the R500 000 contract is applicable for only six months (indicating a limited time and therefore of a temporary nature) and that the amount exceeding the threshold is R25 000 or 2,5% of R1 million (which ABC considers a "nominal" amount).

⁷⁹ Paragraph 10(1).

⁸⁰ Section 1(1) of the VAT Act defines "taxable supply" as "any supply of goods or services which is chargeable with tax under the provisions of section 7(1)(a), including tax chargeable at the rate of zero per cent under section 11". For further information in this regard, see the *VAT 404 – Guide for Vendors*.

⁸¹ Section 23(1) of the VAT Act.

- ii) ABC's total receipts for the 2025 year of assessment were estimated to exceed R1 million (R500 000 + R800 000). ABC must therefore notify SARS in writing within 21 days from the date that it realised that the R1 million qualifying turnover threshold was going to be exceeded. Owing to the long-term nature of the contract, the increase in qualifying turnover is not of a "temporary" nature. Paragraph 10(3) requires that the increase be of a nominal *and* temporary nature for a deregistration not to occur. Since the increase in ABC's estimated receipts is not temporary, this requirement is not met.

(b) Voluntary deregistration (paragraph 9)

Voluntary deregistration occurs when a registered micro business opts to be taxed under the normal tax system and elects to deregister from the turnover tax system. Voluntary deregistration is permissible if the taxpayer submits a written notification to the Commissioner on or before the end of a year of assessment, specifically by 28 or 29 February.⁸²

Deregistration will be effective from the beginning of the following year of assessment. For example, a registered micro business that chooses to deregister from the turnover tax system by submitting a notification to the Commissioner on 15 January 2025 would be deregistered with effect from 1 March 2025.

3.9.3 Voluntary VAT registration

A micro business may choose to register for VAT if it meets the requirements for voluntary registration under the VAT Act and if registration is in its best interests. Note that for a micro business registered for VAT, total receipts for qualifying turnover and taxable turnover purposes include any VAT amounts received by the micro business. A person that elects to be registered under both tax systems does so voluntarily in order to access the benefits that these systems offer. In these circumstances, it is advisable for the micro business to consider the potential advantages and disadvantages of being registered as a VAT vendor in relation to its specific trade.

Generally, it may be advantageous for a micro business to register voluntarily for VAT if it supplies goods or services to customers that are registered VAT vendors and that may, therefore, be able to deduct the VAT charged by the micro business as input tax.

Should a micro business decide to register for VAT voluntarily, it must be aware of the complexities involved in maintaining two tax systems, namely VAT and income tax. A micro business that chooses to also register for VAT will need to fulfil certain obligations and responsibilities. For example, vendors are required to ensure that VAT is levied on taxable supplies made by them, tax invoices must be issued, VAT is deemed to be included in all prices advertised or quoted, returns must be submitted, and payments must be made to SARS punctually. For detailed information on VAT, see the *VAT 404 – Guide for Vendors*.

⁸² Notification on a later date of a particular year of assessment is permissible only if the Commissioner has prescribed a later date by way of notice in the *Government Gazette*.

3.9.4 Payment of turnover tax

(a) Interim payments [paragraphs 11(1) to (4)]

Registered micro businesses are required to make two interim payments and, if necessary, one final payment on assessment.

A registered micro business must, within six calendar months of the start of the year of assessment, estimate its taxable turnover for the entire year, calculate the turnover tax owed on this estimated turnover, and pay 50% of that turnover tax to SARS as the first interim payment. This estimate cannot be lower than the micro business's taxable turnover from the previous year of assessment unless the micro business applies to SARS and receives approval for a lower estimate based on the specific circumstances. The first interim payment is due within six months from the beginning of the year of assessment. Since the year of assessment for a micro business begins on 1 March, the interim payment is due on or before 31 August each year. This deadline applies to any micro business that has conducted or starts business activities within the first six months of a given year of assessment.

The second interim payment must be made on or before the last day of the year of assessment, which is 28 or 29 February. This payment will also be based on an estimate of the taxable turnover for the year of assessment and the calculation of turnover tax payable on that estimate. The second interim payment thus represents the total turnover tax due on the estimated taxable turnover for the entire year of assessment, minus the first interim payment already made by the micro business.

(b) Interest and penalties [paragraphs 11(3), (5), (6) and (7)]

If a micro business fails to pay any turnover tax when due to SARS, interest will accrue (from 1 September for the first interim payment and from 1 March for the second interim payment) at the prescribed rate on the amount of turnover tax that should have been paid until the earlier of –

- the date on which the shortfall is received by SARS; and
- the last day of the year of assessment (for the first interim payment) or the due date of the assessment for that year of assessment (for the second interim payment).

A penalty will be imposed if the estimate of taxable turnover for the second interim payment is less than 80% of the actual taxable turnover for the year of assessment.⁸³ The penalty will be calculated at 20% of the difference between –

- the tax payable on 80% of the taxable turnover; and
- the tax payable on the initial estimate.

No penalty will be imposed if SARS has issued an assessment for a payment due at the end of the year of assessment (second interim payment).⁸⁴ The penalty may be waived in full or in part if SARS is satisfied, or partially satisfied, that the understatement of the estimated payment was not made deliberately or negligently, and that the estimate was made in good faith based on the information available.⁸⁵

⁸³ For years of assessment commencing on or after 1 March 2014, such a penalty is deemed to be a percentage-based penalty imposed under Chapter 15 of the TA Act [paragraph 10(6) was amended by section 26(1)(b) of the Tax Administration Laws Amendment Act 21 of 2012].

⁸⁴ Paragraph 11(8).

⁸⁵ Paragraph 11(7).

3.9.5 Deadlines

The Sixth Schedule sets deadlines for the following actions:

- The date by when the election to be registered as a micro business must be made
- The making of interim payments by a registered micro business

Section 244 of the TA Act may modify these deadlines by advancing the date for any payment or election if the deadline falls on a Saturday, Sunday, or public holiday.

Therefore, if the last day for an interim payment of turnover tax or the last day for the election to register as a micro business falls on a Saturday, Sunday, or public holiday, the submissions must be made no later than the last business day before that Saturday, Sunday, or public holiday.⁸⁶

Section 22(4) of the TA Act provides that a person applying for registration that has not submitted all required particulars and documents to SARS may be considered as not having applied for registration until all necessary information has been provided. Consequently, an application may be deemed untimely, which could result in the elected year of registration as a micro business being deferred to the following or a later year of assessment.

3.9.6 Payments of other taxes

A registered micro business under the turnover tax system remains liable for employees' tax, skills development levies (SDL), and unemployment insurance fund (UIF) contributions. Micro businesses can choose to adopt the payment and administrative options outlined below, which have been introduced to align with the simplified tax system available to micro businesses in fulfilling their tax obligations.

Paragraph 11(4A) allows micro businesses to elect to make payments of employees' tax, skills development levies, and unemployment insurance fund⁸⁷ twice a year. Accordingly, amounts withheld for these purposes:

- In the first six months of a year of assessment will be payable within seven days after the end of this period
- In the next six months of the year of assessment will be payable within seven days after the end of that period

The election made by a micro business as described above applies to all the aforementioned tax types; that is, the micro business cannot choose to adopt the special dispensation for only one or some of the tax types.⁸⁸

If the micro business is voluntarily registered for VAT, the option to make twice-yearly payments also applies to VAT amounts withheld by that micro business. This can be done by submitting a written application to its local SARS Service Centre for this particular concession.⁸⁹ See the *VAT 404 – Guide for Vendors* for details regarding payment due dates.

⁸⁶ Section 244(1) of the TA Act.

⁸⁷ Under paragraph 2(1) of the Fourth Schedule, section 89bis(2), section 6 of the Skills Development Levies Act 9 of 1999, and section 8 of the Unemployment Insurance Contributions Act 4 of 2002 respectively.

⁸⁸ Paragraph 11(4B).

⁸⁹ Section 27(4)(b) of the VAT Act.

3.9.7 Record-keeping (paragraph 14)

A registered micro business is required to retain a record of –

- all amounts received during a year of assessment;⁹⁰
- any dividends declared during a year of assessment;
- each asset at the end of a year of assessment with a cost price exceeding R10 000; and
- each liability at the end of a year of assessment exceeding R10 000.

These records must be retained for a period of five years from the date of submission of the return.⁹¹ The records should not be submitted with the TT03 return, but must be kept available for audit purposes if requested.

3.9.8 General administrative provisions

Although the turnover tax system has its own set of administrative provisions within the Sixth Schedule, the general administrative provisions related to deadlines, returns, assessments, dispute resolution, refunds, and anti-avoidance contained in the TA Act will also apply to registered micro businesses.

3.9.9 Transitional provisions (section 48C)

Transitional provisions facilitate a smooth transition between the turnover tax and normal income tax systems for the prescribed criteria outlined below.

(a) Amounts received by but not accrued to a micro business

Section 48C(1) clarifies the situation when the receipt of income occurs before it accrues, and the person was initially registered as a micro business but later deregistered. This may occur, for example, if the person received advance payments for goods or services provided to customers, where the full acquisition expenditure was incurred in a previous year of assessment, and such amounts were taxed under the turnover tax system. Therefore, an amount that –

- was received by a person during a year of assessment while registered as a micro business;
- was included in that person's taxable turnover for the year of assessment; and
- accrues to that person after deregistration as a micro business,

must not be included when determining the taxable income of that person.

⁹⁰ This requirement includes documentation relating to amounts specifically excluded from taxable turnover such as investment income, government grants, amounts derived from an SBFE, accruals and refunds made in favour of the micro business. See **3.6.2**.

⁹¹ Section 29(3) of the TA Act.

(b) Amounts accrued to a micro business but received under the normal tax system

Section 48C(2) outlines a scenario in which a micro business accrues an amount while registered as such, but receives that amount after deregistration. This situation may arise, for instance, when the micro business provides goods or services on credit and receives payment after it has been deregistered. In these cases, 10% of the amount accrued to the micro business must be included in the taxable income of the person in the year of assessment in which the payment is received, provided that the amount –

- was not included in the taxable income of the person but would have been if received on the date of accrual; and
- is received only after the micro business is no longer registered.

(c) Trading stock held by a micro business

Any trading stock that remains unsold at the time of a micro business's deregistration from the turnover tax system is considered opening stock for the purposes of section 22(2)(b) at the start of the year of assessment during which it deregistered.

(d) Deregistration of micro business during year of assessment due to exceeding threshold for qualifying turnover

If the qualifying turnover of a micro business exceeds R1 million or the threshold relevant to the number of months it has been operating during that year of assessment, it must be deregistered as a micro business from the beginning of the month following the month in which the threshold was exceeded. This may lead to unexpected administrative penalties.

Should a micro business be deregistered during a year of assessment solely due to exceeding the threshold for qualifying turnover, there is an exemption from penalties for underpayment of tax incurred under any of the following provisions:

- Fourth Schedule to the Act
- Chapter 15 of the TA Act

Annexure A – General descriptions of service fields

Below are descriptions of various service fields, referencing the definition of “professional service”⁹² in the Sixth Schedule. These descriptions have been formulated with consideration of the nature and scope of turnover tax and are not exhaustive, serving merely as guidelines.

Accounting

Accounting encompasses the measurement, disclosure, and assurance of financial information, aiding managers and investors in making resource allocation decisions. Functions related to accounting include financial accounting, cost accounting, management accounting, financial planning, and bookkeeping.

Actuarial science

Actuarial science involves professional expertise in mathematics, statistics, business, finance, economics, and insurance. This work requires applying knowledge to assess financial risks associated with life, health, retirement, pensions, and other contingencies. An actuary ensures the financial viability of insurance products designed to protect individuals, groups, and businesses against uncertain future financial losses.

Architecture

Architecture entails the professional skills associated with the conceptual and detailed planning of buildings and related works. This includes the design of outdoor environments for human use, the development of standards and codes, and the management or supervision of construction projects.

Auctioneering

Auctioneering is a skilled profession that involves taking bids and selling various items to the highest bidder. Auctioneers specialise in different types of items and possess in-depth knowledge about market values and histories to encourage bidding. Areas of expertise may include art, automobiles, furniture, livestock, and real estate.

Auditing

Auditing applies professional accounting and auditing knowledge, standards, and principles in –

- advising, supervising, or performing work that constitutes the examination of financial records, management reports, and controls, policies, and practices of an organisation;
- conducting performance audits; or
- conducting activities related to detecting fraud, waste, and abuse.

Broadcasting

Broadcasting involves distributing audio and video content to a dispersed audience via radio, television, or other digital transmission media. Professional services in this field are typically

⁹² The main source of information used to construct the descriptions is the *Standard Classification of Occupations* which can be obtained from Statistics South Africa www.statssa.gov.za. This particular compilation classifies persons in accordance with the nature of work in which they are involved.

provided by production companies, editors, programme directors, reporters (news/weather/sport), sound engineers, and radio and camera operators.

Consulting

Consulting entails applying professional, specialised knowledge and experience to investigate assigned problems or provide advice in areas such as accountancy, management, finance, human resources, marketing, law, medicine, engineering, information technology, commercial arts, and the environment.

Draftsmanship

Draftsmanship involves portraying engineering and architectural ideas and information through drawings. Its applications span the production, construction, aeronautical, architectural, civil, mechanical, and electrical engineering industries.

Education

Education encompasses the delivery of educational services provided by institutions or private teachers, either full-time or part-time, at any level or for any profession. This includes pre-primary, elementary, secondary schools, after-school education, technical colleges, universities, universities of technology, vocational and commercial schools, hospital schools, art schools, and driving schools. It also includes a group of persons imparting expert knowledge through customised workshops, seminars, lectures, and online courses.

Engineering

Engineering involves applying technical, scientific, and mathematical knowledge to design and implement materials, structures, machines, devices, systems, and processes. The broad discipline of engineering encompasses numerous specialised fields, including civil, chemical, mechanical, electrical, agricultural, and industrial engineering.

Financial services broking

Financial services broking concerns persons acting as financial intermediaries who assist clients with –

- tax services or tax consultancy;
- stock broking;
- financial markets;
- banking; or
- asset portfolio management.

Health

Health services are generally provided by hospitals, medical centres, doctors' offices, dental practices, medical laboratories, alternative health practitioners, and long-term care facilities such as hospices, rehabilitation, and fitness centres. In South Africa, a professional service in this field comprises the practice of professional, scientific, or technical work registered under either the –

- Health Professions Council of South Africa – encompassing specialists in various branches of medicine, surgery, dentistry, optometry, and occupational therapy;
- South African Nursing Council – including nurses, midwives, enrolled nurses, and nursing assistants;

- South African Pharmacy Council – regulating pharmacists and pharmacies; or
- Allied Health Professions Council of South Africa – comprising practitioners of alternative medicine, including chiropractic, homeopathy, Chinese medicine, acupuncture, ayurveda, naturopathy, osteopathy, aromatherapy, and reflexology.

Information technology (IT)

Information technology involves the study, design, development, implementation, support, or management of computer-based information systems, particularly software applications and hardware. Duties performed by IT professionals include data management, networking, hardware engineering, database and software design, as well as the management and administration of entire systems.

Journalism

Journalism is the profession or practice of conveying news, descriptive material, and commentary through various media, including newspapers, magazines, radio, television, the internet, and, more recently, cell phones. Depending on context, journalism also encompasses various types of editors, columnists, and visual journalists, such as photographers, graphic artists, and page designers.

Law

The practice of law encompasses the provision of professional legal advice, the drafting of legal documents, and the representation of clients in negotiations and lawsuits by lawyers, attorneys, or advocates.

This field also includes services provided by associated professions, such as paralegals, conveyancers, and agents in the accountancy, insurance, real estate, and banking and finance sectors. These professionals carry out technical work related to the law, which includes the preparation of certificates, deeds, bonds, contracts, wills, notarial acts, patents, and copyrights.

Management

Management involves offering advice, guidance, or operational assistance to businesses. It encompasses activities such as planning, organising, staffing, leading, directing, and controlling an organisation, project, or initiative to achieve specific goals. This process includes the effective deployment and management of human, financial, technological, and natural resources. Additionally, it covers the fields of management consultancy and project management.

Real estate broking

Real estate broking primarily entails acting as an intermediary between persons looking to sell and those wishing to purchase real property. A real estate broker may perform, advise on, plan, or direct several functions, including –

- acquisition of real property;
- management of real property;
- administration of real property; and
- disposal of real property

Research

Research refers to any study or investigation aimed at discovering facts, interpreting findings, and developing literature, methods, or systems to advance human knowledge.

Sport

Sport encompasses services provided by professionals who participate in sports for financial reward and may be affiliated with professional sports clubs. It also includes services rendered by sports clubs, coaches, and racing operators, such as tattersalls, bookmakers, racehorse owners, and trainers.

Surveying

Surveying involves determining, planning, positioning, and mapping land, natural and constructed features, coastlines, and land areas. Specialised fields within surveying include property, cartography, construction, hydrography, mining, topography, photogrammetry, land development, and mapping.

Translation

Translation is the skill and practice of conveying the meaning of written texts or spoken language from one language to another, ensuring that the communication in the second language retains the same meaning as the original. This includes services provided by translators, interpreters, and lexicographers.

Valuation

Valuation is a highly specialised skill acquired through education or training, involving the unbiased assessment of the value of real or personal property. A valuator or appraiser is contracted to examine, research, consult, and report on the worth of specific properties. Appraisers may specialise in various areas, including commercial and residential properties, artwork, livestock, and jewellery.

Veterinary science

Veterinary science pertains to the services delivered by health professionals specialising in the causes, diagnosis, and treatment of diseases and injuries in animals.

Annexure B – Tax rates for micro businesses

The rate of tax applicable to taxable turnover of a registered micro business for years of assessment commencing on or after 1 March 2023 is set out below -

Taxable turnover	Rate of tax
R1 – R335 000	0% of taxable turnover
R335 001 – R500 000	1% of the amount by which taxable turnover exceeds R335 000
R500 001 – R750 000	R1 650 + 2% of the amount by which taxable turnover exceeds R500 000
R750 001 and above	R6 650 + 3% of the amount by which taxable turnover exceeds R750 000

Annexure C – Eleventh Schedule government grants exempt from normal tax under section 12P

Name of Grant	Department paying grant
Agro-Processing Support Scheme	Department of Trade, Industry and Competition
Aquaculture Development and Enhancement Programme	Department of Trade, Industry and Competition
Automotive Production and Development Programme	International Trade Administration Commission of South Africa
Automotive Investment Scheme	Department of Trade, Industry and Competition
Black Business Supplier Development Programme	Department of Small Business Development
Black Industrialists Scheme	Department of Trade, Industry and Competition
Business Process Services	Department of Trade, Industry and Competition
Business Viability Programme	Department of Small Business Development
Capital Projects Feasibility Programme	Department of Trade, Industry and Competition
Capital Restructuring Grant	Department of Human Settlements
Clothing, Textile, Footwear & Leather Growth Programme (CTFLGP)	Department of Trade, Industry and Competition
Cluster Development Programme	Department of Trade, Industry and Competition
Comprehensive Agricultural Support Programme	Department of Agriculture
Co-operative Incentive Scheme	Department of Small Business Development;
Critical Infrastructure Programme	Department of Trade, Industry and Competition
Eastern Cape Jobs Stimulus Fund	Department of Economic Development, Environmental Affairs and Tourism of the Eastern Cape
Enterprise Incubation Programme	Department of Small Business Development
Enterprise Investment Programme	Department of Trade, Industry and Competition
Equity Fund	Department of Science and Technology

Name of Grant	Department paying grant
Export Marketing and Investment Assistance	Department of Trade, Industry and Competition
Film Production Incentive	Department of Trade, Industry and Competition
Food Fortification Grant	Department of Health
Green Technology Incentive Programme	Department of Tourism
Idea Development Fund	Department of Science and Technology
Incubation Support Programme	Department of Trade, Industry and Competition
Industrial Development Zone Programme	Department of Trade, Industry and Competition
Industry Matching Fund	Department of Science and Technology
Integrated National Electrification Programme Grant: Non-grid electrification service providers	Department of Energy
Integrated National Electrification Programme: Electricity connection to households	Department of Energy
Interest Make-Up Programme	Department of Trade, Industry and Competition
Jobs Fund	National Treasury
Manufacturing Competitiveness Enhancement Programme	Department of Trade, Industry and Competition
Sector Specific Assistance Scheme	Department of Trade, Industry and Competition
Shared Economic Infrastructure Facility	Department of Small Business Development
Small Enterprise Manufacturing Support Programme	Department of Small Business Development
Small, Medium Enterprise Development Programme	Department of Trade, Industry and Competition
Small/Medium Manufacturing Development Programme	Department of Trade, Industry and Competition
Social Employment Fund	Department of Trade, Industry and Competition
South African Research Chairs Initiative	Department of Science and Technology
Strategic Partnership Programme	Department of Trade, Industry and Competition

Name of Grant	Department paying grant
Support Programme for Industrial Innovation	Department of Trade, Industry and Competition
Taxi Recapitalisation Programme	Department of Transport
Technology Development Fund	Department of Science and Technology
Technology and Human Resources for Industry Programme	Department of Trade, Industry and Competition
The Blended Finance Facility	Department of Small Business Development
The COVID-19 Emergency Fund	Department of Small Business Development
The Small Business and Innovation Fund	Department of Small Business Development
Township and Rural Entrepreneurship Programme (TREP)	Department of Small Business Development
Transfers to the South African National Taxi Council	Department of Transport
Transfers to the University of Pretoria, University of KwaZulu-Natal and University of Stellenbosch	Department of Transport
Youth Technology Innovation Fund	Department of Science and Technology