

SARS and CIPC Deregistration Process: SMME Business Deregistration Explained



Purpose and SARS Vision

The purpose of this presentation is to provide information in an easily understandable format and is intended to make the provisions of the legislation more accessible.

This presentation aims to guide SMME taxpayers and traders through the process of deregistering tax types, highlighting the reasons, tax types that can be deregistered, and the consequences of not deregistering.



SARS Vision aims to build a smart, modern tax authority with unquestionable integrity, trusted by the government, public, and international peers.

Disclaimer:

The information therefore has no binding legal effect, and the relevant legislation must be consulted in the event of any doubt as to the meaning or application of any provision.

SARS Strategic Objectives

Provide **Clarity & Certainty** of tax obligations **(SO1)**

Make it **Easy for Taxpayers & Traders to Comply** & fulfill their obligations **(SO2)**

Detect Taxpayers and Traders who do not comply and make non-compliance hard and costly **(SO3)**

Expand and increase the use of DATA to improve integrity, derive insight & improve outcomes **(SO4)**

Modernise our systems to provide digital & streamlined services **(SO6)**

Work with and through Stakeholders to improve the tax system **(SO8)**

For the purpose of this webinar, we are focused on the following strategic objectives:

Key points to discuss

What is deregistration

Reasons for deregistration

Who can request deregistration

Common Tax types to deregister

Deregistration process on : Corporate Income Tax, Payroll Taxes & VAT

Common errors committed by taxpayers when applying for deregistration

The importance of deregistering

Suspension versus deregistration

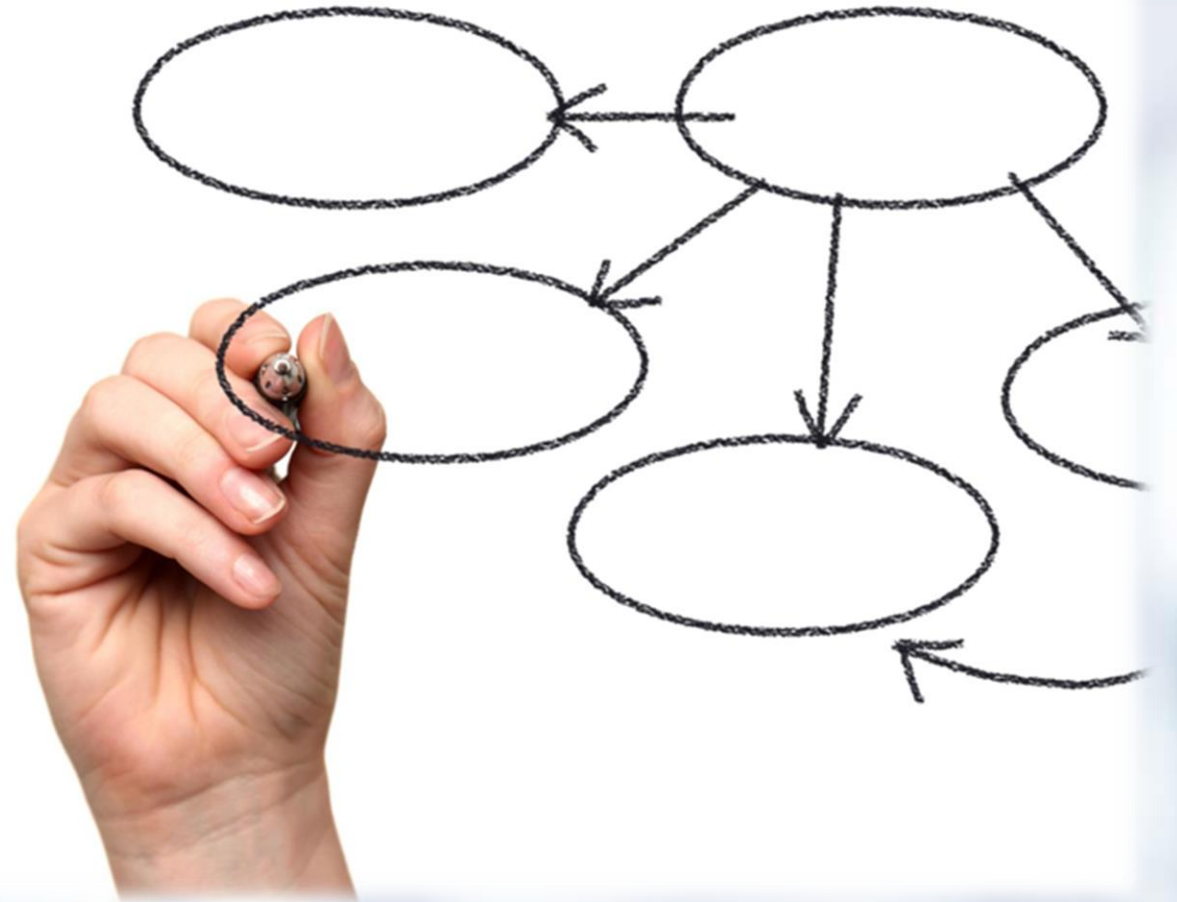
Customs & Excise

SARS Channels of Engagement

What is deregistration of a company/business?

When a business/company deregisters with the Companies and Intellectual Property Commission (CIPC), it implies that the business/company is no longer registered and has no legal standing since it's not doing any business nor has assets or liabilities.

Deregistering tax types when no longer required helps avoid unnecessary tax obligations, penalties, and interest. It also ensures that your tax affairs are up-to-date and accurate.



Reasons for deregistration

There are various reasons that may lead a company to undergo deregistration such as:

- Dissolution or Liquidation
- Voluntary deregistration
- Ceasing of business operations
- Change in business structure or ownership or retirement
- No Taxable Activity
- Other reasons (e.g., merger, acquisition, or consolidation)



Reasons for deregistration continued....

- When a deregistration was initiated internally by SARS.
- When an entity has a duplicate Tax reference number.
- When a taxpayer who formally emigrated from South Africa or a non-resident taxpayer who left the republic, has no income and assets in the republic.
- When a deceased, insolvent or liquidated estate comes into effect.
- Inactive or dormant



Who can request deregistration?

- An Individual Taxpayer
- An executor of a deceased estate
- A curator for an Insolvent estate
- Representative of a Company (Public Officer), Co-Operative
- Main member of a CC
- Representative of a Government entity
- Main Trustee for a Trust



Common tax types on deregistration

Common types of tax that businesses and individuals may deregister from include:

- **Value-Added Tax (VAT):** Often deregistered when a business ceases operations or its turnover falls below the VAT threshold.
- **Income Tax:** Deregistered when an individual or entity no longer has taxable income or ceases to exist.
- **Turnover Tax:** Deregistered when a micro business no longer qualifies or opts out voluntarily.

Common tax types on deregistration continued.....



EMPLOYEES TAXES i.e.

- **Pay-As-You-Earn (PAYE):** Typically, deregistered when an employer no longer has employees or ceases business operations **OR** when there are no employees earning above the personal Income Tax threshold.
- **Skills Development Levy (SDL):** Deregistered when an employer's total annual remuneration falls below the threshold.
- **Unemployment Insurance Fund (UIF):** Deregistered when an employer no longer has employees or ceases operations.

Corporate Income tax deregistration

- **Deregistering for Corporate Income Tax (CIT) involves these steps:**
- **Deregister with CIPC**
- **Obtain Confirmation of deregistration from CIPC**
- **Book an Appointment with SARS:** Schedule an eBooking appointment with SARS. Alternatively, you can contact SARS through email (contactus@sars.gov.za) or online to initiate the deregistration process.



Corporate Income Tax deregistration continued...

- **Submit Required Documents:** Provide the confirmation letter from CIPC and any other required documents such as business details and reasons for deregistration to SARS.
- **Submit all outstanding tax returns-** Ensure that all returns due are submitted and finalised.
- **Settle Outstanding Liabilities:** Ensure all outstanding tax liabilities are settled. SARS will not finalize the deregistration until all obligations are resolved.
- **Receive Confirmation:** After submitting the application, SARS will assess and review the application. Once SARS processes your application request is concluded, you will receive the outcome of your application which may either be an approval if everything is in order or rejection or delay if there are discrepancies, outstanding issues or documents until this is sorted out.



VAT deregistration process

Several steps to ensure compliance with SARS regulations. Here is a step-by-step guide:

- **Assessment of Eligibility:** Determine if your business meets the criteria for deregistration. This typically includes having taxable supplies below the compulsory registration threshold of R1 million in any consecutive 12-month period or ceasing all taxable activities.
- **Submission of Application:** Complete the VAT123e form for the cancellation of VAT registration. This form can be downloaded from the SARS website or obtained from a SARS branch.
- You will need to provide business details, the reason for deregistration, and the expected date of cessation of taxable supplies.



VAT deregistration process

- **Final VAT Return:** Submit your final VAT201 return to SARS. This return will help calculate any outstanding VAT liabilities or refunds.
- **Settle Outstanding Liabilities:** Ensure all outstanding VAT liabilities are settled. SARS will not finalize the deregistration until all obligations are resolved.
- **Receive Confirmation:** Once SARS processes your application and any outstanding issues are resolved, you will receive a confirmation of deregistration.
- **Continue Compliance:** Until you receive confirmation, continue to charge VAT on supplies and submit VAT returns as usual.



PAYE deregistration process

The process of deregistering for Pay-As-You-Earn (PAYE) involves these steps.

Final EMP501 Reconciliation: Indicate on your final EMP501 reconciliation that you wish to deregister for PAYE and provide the reason for deregistration.

Deregistration via eFiling: Use the deregistration function available on the SARS eFiling platform.



PAYE deregistration process

- **Written Notification:** Send a written notification along with the EMP123 or EMP123T form to SARS. This can be done via email, post, or fax to the region where your entity is registered.
- **Settle Outstanding Liabilities:** Ensure all outstanding PAYE liabilities are settled before deregistration can be finalized.
- **Receive Confirmation:** Once SARS processes your application and any outstanding issues are resolved, you will receive a confirmation of deregistration



Skills Development Levy (SDL) deregistration process

SDL Deregistration Process

- 1. Eligibility Check:** Ensure that your total annual remuneration for employees falls below the R500,000 threshold.
- 2. Deregistration via eFiling:** Use the eFiling platform to request deregistration for SDL.
- 3. Written Request:** Alternatively, send a written request to SARS indicating the cessation of activities or sale of the business.
- 4. Settle Outstanding Liabilities:** Make sure all SDL liabilities are settled before the deregistration is processed.
- 5. Receive Confirmation:** SARS will confirm the deregistration once all requirements are met.



Common errors made by Taxpayers upon deregistration that cause delays

- **CIT deregistration** – no final deregistration or deregistration documents from CIPC attached
- **PIT** (non-resident coding for individuals) – Confirmation of the date the person left South Africa, copy of passport
- **VAT deregistration** – VAT123 (cancellation of VAT number) not fully completed with the applicable dates of suspension and declaration not signed



Common Errors made by Taxpayers upon deregistration that cause delays

- **PAYE deregistration** – EMP 123 (cancellation of Paye number) not fully completed with the applicable dates of suspension and declaration not signed
- **Request for all tax types deregistration coming through the e-mail Channel** – no Power of attorney and well as a copy of ID for the representative person.



The importance of deregistering

Deregistering tax types is crucial for several reasons:

- **Avoiding Unnecessary Compliance:** If a business or individual no longer needs certain tax registrations due to inactivity, closure, or other reasons, deregistering helps avoid the burden of ongoing compliance and reporting requirements.
- **Preventing Penalties:** Continuing to be registered for a tax type that is no longer applicable can lead to penalties and interest for non-compliance with filing and payment obligations.
- **Simplifying Financial Management:** Deregistering unnecessary tax types can simplify financial management and reduce administrative overhead.
- **Accurate Tax Records:** It ensures that tax records are accurate and up-to-date, reflecting the status of the taxpayer.
- **Legal Compliance:** It is a legal requirement to deregister tax types that are no longer applicable, ensuring compliance with tax laws and regulations.



Deregistration versus Suspension

Suspension of Tax Types

- Suspension refers to temporarily halting the payment of taxes. This does not remove the tax type from your profile but pauses the obligation until the deregistration is finalized.

Deregistration of Tax Types

- Deregistration involves permanently removing a specific tax type from your profile. This is typically done when a business or individual no longer needs to be registered for that tax type due to inactivity, closure, or other reasons. Once deregistered, you are no longer obligated to submit returns or pay taxes for that specific tax type.

Customs and Excise Cancellation



Introduction

Cancelling Customs and Excise registration is an important step for any business that decides to cease its involvement in customs and excise activities.

This process ensures that the business meets all legal and regulatory requirements set forth by SARS.

Paying adequate attention to detail and complying with SARS regulations are crucial to avoid complications and ensure a smooth transition out of customs and excise activities.

Reasons for Cancellation



Cessation of Trade in Customs and Excise Goods: Business stops trading goods subject to Customs and Excise duties.



Change in Business Model/Activities: Company no longer involved in customs and excise operations, business closure or liquidation.



Compliance with Regulations: Businesses may need to cancel their registration to comply with new or revised regulations.



Business Restructuring: During restructuring of the business such as merger or acquisition, the new entity may no longer require Customs and Excise registration leading to cancellation.

Cancellation Process

Determine the Client Type and Code Status

- If the client type or code is linked to the Registration, Licensing, and Accreditation (RLA) system, the client can cancel it online.



Online Cancellation via RLA

- Log into the RLA system on the SARS eFiling portal.
- Navigate to the appropriate section to withdraw the client types and codes.
- Follow the on-screen instructions to complete the cancellation process.

Cancellation Process continued....

Manual Cancellation Process

- Complete the SARS Customs and Excise deregistration DA185 application form, ensuring all relevant sections are filled in. The form is available through SARS eFiling or can be completed in person at any the SARS branch office.
- Attach supporting documents as specified in the checklist provided with the DA185 form.
- Submit the completed application and the supporting documents to the nearest Customs Branch office or electronically on eFiling.

Submission and Tracking

Once the application is submitted to the Customs Branch office:

- The office will capture the application details.
- The client will receive a case number for tracking and tracing the status of their application.
- To make a decision, SARS will then verify outstanding liabilities, confirm compliance and confirm cessation of activities.

Processing Time



The registration cancellation process time varies.

Using the RLA system for electronic withdrawal speeds up the process by bypassing manual steps and relying on automated systems.



Clients should ensure they have all the necessary documents to avoid delays.

Channels of Engagement - *Go Digital!*

▪ We've made it easier for you with our digital platforms

- SARS MobiApp
- SARS eFiling
- SARS Online Query System
- SARS USSD dial *134*7277#
- SARS WHATSAPP: 0800 11 7277

▪ Visit us on our Social Media platforms



For more information, visit the:

- ☐ SARS YouTube channel: www.youtube.com/sarstax
- ☐ SMME webpage on the SARS website: www.sars.gov.za. This can be accessed on landing page.
- ☐ SARS website www.sars.gov.za

#YourTaxMatters



Thank you

Rea leboha

Re a leboga

Ndza Khenza

Dankie

Ndi a livhuwa

Ngiyabonga

Enkosi

Ngiyabonga



South African Revenue Service