

Media Releases 2009

SARS simplifies tax system for small businesses with launch of Turnover Tax

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Pretoria, 4 March 2009 - In an effort to cut red tape and reduce the administrative burden on small businesses, the South African Revenue Service has launched an exciting new tax system which will dramatically lower the time and cost of submitting tax returns.

This initiative is in line with Government's broader mandate to encourage entrepreneurship and create an enabling environment for small businesses to survive and grow.

Known as Turnover Tax, the innovative tax system is available to small businesses with a turnover up to R1 million a year and replaces income tax, provisional tax, capital gains tax, secondary tax on companies and VAT.

Turnover Tax is part of the introduction of a simplified tax system to reduce the tax compliance burden on small businesses which was announced in the 2008 Budget by the Minister of Finance. Its introduction this week coincides an increase in the compulsory VAT registration threshold from R300 000 to R1 million.

Under the Turnover Tax system, qualifying small businesses will only need to submit two interim returns and a final return for assessment. This represents a huge saving in time and costs relating to the current provisional tax, income tax and VAT system which requires businesses to submit an average of 10 returns a year.

According to independent research commissioned by SARS and National Treasury, it costs small businesses an average of about R7000 a year to ensure that tax returns for income tax, provisional tax, VAT and employees' tax are prepared, completed and submitted as required.

The Turnover Tax is calculated by simply applying the relevant tax rate to the annual taxable turnover of the small business as per the following table:

Turnover	Marginal Rates (R)
R0 - R100 000	0%
R100 001 - R300 000	1% of each R1 above R100 000
R300 001 - R500 000	R2 000 + 3% of the amount above R300 000
R500 001 - R750 000	R8 000 + 5% of the amount above R500 000
R750 001 and above	R20 500 + 7% of the amount above R750 000

The Turnover Tax is available to the following forms of businesses: sole proprietors, partnerships, close corporations, cooperatives and companies provided they have a taxable turnover of R1 million or less in a year of assessment and meet certain criteria. It is not available to labour brokers, personal service providers or persons that render professional services. Public benefit organisations and recreational clubs also do not qualify, since they already enjoy specific concessions.

Small businesses already registered for VAT that opt to register for the Turnover Tax will automatically be deregistered from the VAT system if their application for the Turnover Tax is successful.

The Turnover Tax is voluntary so qualifying small businesses can choose whether to register for it or not, depending on their individual circumstances.

Applications to register for the Turnover Tax system in the current 2009/10 tax year close on 30 April 2009. Thereafter applicants will only be able to register for the Turnover Tax for the next tax year to avoid the administrative challenge for businesses and SARS of running multiple tax systems in a year simultaneously. Start-up businesses can also apply to register within two months of their establishment. [For more information and contact details, please see our Turnover Tax webpage.](#)

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