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Tel: (021) 761 5955
Fax: (021) 762 0864

Email: admin@verryn.co.za
Website: www.verryn.co.za

CA(SA) CHARTERED ACCOUNTANT SOUTH AFRICA

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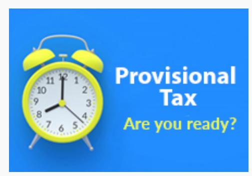
Your Tax Deadlines for February 2025

February 2025

Are You Ready for the Next Provisional Tax Deadline?

> ***"Death, taxes, and childbirth! There's never any convenient time for any of them." (Margaret Mitchell)***



What is provisional tax?

Provisional tax allows corporate and individual provisional taxpayers to pay their annual income tax in advance by making two or three payments during a tax year.

The aim is to prevent taxpayers from facing large income tax liabilities that are only revealed at the end of the year of assessment, when the annual personal income tax (PIT) return ITR12 or the annual corporate income tax (CIT) return ITR14 is filed in January.

While provisional tax payments can assist taxpayers by spreading their income tax liability over the tax year, they also create additional administrative obligations such as completing and submitting a provisional tax return (IRP 6) on time, twice or thrice a year. What's more, they increase the risk of penalties, most notably under-estimation penalties.

Luckily you have us in your corner.

Are you a provisional taxpayer?

Companies are automatically provisional taxpayers. Individuals who receive income other than a salary may also be provisional taxpayers, depending on various criteria. Because SARS places the onus on you to determine if you are liable for provisional tax, it's best to check your provisional tax status with us.

The 3 provisional tax payments

The first compulsory provisional tax payment is due within six months of the start of the year of assessment. So, if your or the company's 2025 tax year commenced on 1 March 2024, the first provisional tax payment was due on 31 August last year.

This forward-looking payment is based on half of the total estimated tax for the full year, less employees' tax already paid and any applicable tax credits and rebates.

The upcoming second compulsory provisional tax payment deadline is the last working day of the year of assessment (on 28 February if your tax year started on 1 March). It works somewhat differently, and the rules are far stricter – with harsh penalties for under-estimating taxable income for the year.

A third optional payment can be made after the end of the tax year, but before the issuing of the annual income tax assessment by SARS each year.

Crunch time!

The provisional return for the second period to 28 February is retrospective and based on the total estimated tax for the full tax year (less the first period provisional tax and employees' tax already paid, and any applicable tax credits and rebates).

The second estimate must be quite accurate as heavy under-estimation penalties apply.

- Where the taxable income is less than R1 million; and the second period estimate is less than 90% of the actual taxable income and less than the 'basic amount' (taxable income assessed for latest preceding year of assessment), a 20% penalty is imposed on the difference between the employees' and provisional tax already paid and the lesser of normal tax on 90% of the actual taxable income or normal tax on the basic amount, after deductible rebates.
- Where the taxable income is more than R1 million; and the second period estimate is less than 80% of the actual taxable income, a 20% penalty is imposed on the difference between the employees' and provisional tax already paid and the normal tax on 80% of actual taxable income after deductible rebates.

Bear in mind that SARS can ask for your estimate to be justified, so you will need accurate records of all the source documents and calculations used to determine your estimate. Even so, SARS can increase the estimate if they are dissatisfied with your amount, and this is not subject to an objection or appeal.

To avoid this, SARS provides the following advice: "the amount of the estimate must be determined sensibly and by careful reasoning and judgment, in a mathematical manner, and using experience, common sense and all available information".

We can ensure this holds true for your provisional tax, be it corporate or individual.

Further penalties to watch out for…

- Even if you or your company owes no tax, a 'nil' return showing taxable income as equal to zero must still be filed timeously. Failing to do so will attract administrative penalties.
- If an IRP6 is filed more than four months after the deadline, SARS will consider a 'nil' return to have been submitted. Unless the actual taxable income really was zero, an under-estimation penalty will also apply to a late submission.
- Not making your provisional tax payments on time will also result in an immediate late payment penalty, calculated at 10% of the provisional tax amount, regardless of whether it's not paid at all or simply paid late.
- Interest will also be levied on the underpayment of provisional tax because of under estimation, and on late payments.

Rely on our expertise

The rules of provisional tax are daunting and confusing, and yet SARS holds provisional taxpayers responsible for their tax affairs. That's why it makes sense to allow the experts to prepare and/or review your provisional tax and income tax returns prior to submission.

We will proactively take care of all the necessary steps to correctly calculate the estimated taxable income for the year of assessment, and to submit timeously, ultimately saving you time, money and hassle.

Building a Business: Should You Bring in Funders or Go it Alone?

> ***"As an entrepreneur, one of the biggest challenges you will face will be building your brand. The ultimate goal is to set your company and your brand apart from the crowd." (Ryan Holmes, Founder and CEO of Hootsuite)***

Trying to get a business off the ground is challenging. Every step of the process requires a mountain of time and investment. Choosing between going it alone or involving others as partners or investors is a decision that should not be taken lightly. In this article we'll break down the options available and take a look at the pros and cons of each.

1. ***Going it alone***

   Self-funding, also known as bootstrapping, is when a business owner goes it alone, providing all funding, time and energy themselves.

   Pros of bootstrapping

   Whether you're finding the money from savings, or your monthly pay cheque at another job, bootstrapping is perfect for the entrepreneur who wants full control over their business. With no partners on board, all decisions are yours to make, and all the profits, achievements, and losses are yours alone.

   Apart from the independence it offers, bootstrapping can also be easier. There's no time spent filling in application forms or putting together pitch decks to impress would-be investors. There is also no accrued interest on the debt involved and no loss of equity in your own business. This makes running the business far simpler.

   Cons of bootstrapping

   On the downside, bootstrapping can be much slower. Each cent spent on the business needs to come from your own pocket and so necessary investments need to be prioritised from month-to-month. Things that are essential for success may need to wait another month – and this can mean your break-even point takes longer to arrive.

   Bootstrapping also increases your chances of failure, as some expenses simply can't wait if you want to make money. Bootstrappers are also more likely to become frustrated with the slow pace and give up.

2. ***Tapping into venture capital***

   Venture capital (VC) is one of the most popular routes for finding funding in entrepreneurship. This is where a company or an individual provides funding to your business in exchange for a percentage of ownership.

   Pros of VC

   Venture capitalists are able to offer significant investment in the company and can often provide all the funding necessary to take the company from start-up to established business. What's more, venture capitalists likely come with significant experience in business and a strong network of contacts.

   Cons of VC

   Working with venture capitalists requires that you give up some control of your business. This new partnership can create friction if the person who pays the bills doesn't share your ideas of where the company should be headed. In some instances, their investment may even give them a majority stake and the dream you had of being your own boss might now be a thing of the past.

3. ***Touched by an angel (investor)***

   Angel investors are also happy to provide the financing necessary for your business to thrive. Unlike VC, however, they are typically looking to take a more background role and are hoping to cash in when your company has become established.

   Pros of angel investors

   Angel investors generally offer more flexibility than VC. They aren't looking to get involved – they're looking for business owners and ideas that stand a good chance of succeeding without their intervention. This means they'll often provide funding to businesses others may not touch.

   Cons of angel investors

   Angel investors are looking for part ownership of the business and you should therefore expect to lose some of the equity in your company. Because they're investing without getting involved, angel investors know they may lose their money. This means they are generally unwilling to invest as much time or money as a venture capitalist might, so you should expect to still do some of the bootstrapping yourself.

   Remember that angel investors are interested in one day getting a big payoff. They are looking for that moment when the company can be sold or listed on a stock exchange. This means they may pressurise you to make decisions that aren't necessarily in the company's best interests.

4. ***Borrowing from the bank***

   An old-fashioned bank loan is another way of bringing money into a business.

   Pros of bank loans

   Taking out a bank loan gives you the money you need to grow the business. You also do not lose any equity in your company.

Cons of banks loans

The interest on a loan can be problematic and over time may add up to a significant amount – often the cost of debt is much higher than the cost of giving away equity to investors. If the company fails, you may still be required to pay off the loan in your personal capacity. There may also be some trouble securing the loan in the first place: banks want to know that they are lending to people who can pay them back!

The bottom line

Accessing funding is a decision you should consider carefully. Ask yourself what you need from your business, what you can afford and just who you would be going into business with.

As your accountants we're here to help you so please give us a call before you make any big decisions.

What Your Balance Sheet Says About Your Business

> ***"It sounds extraordinary, but it's a fact that balance sheets can make fascinating reading." (Mary Archer)***

A balance sheet reveals a company's "book value" by showing what assets it owns, what liabilities it owes, and the equity or net worth attributable to its owners, at a specific point in time.

Because all resources or assets are either funded by borrowing (liabilities) or owner investments (equity), the fundamental accounting equation that underpins the balance sheet is:

Assets = Liabilities + Equity.

Key components of a balance sheet

1. **Assets** are resources controlled by a company that are expected to generate future value. These include current assets, such as cash, accounts receivable, and inventory; and non-current or long-term assets such as property, equipment, trademarks, and patents.

2. **Liabilities** are obligations the company owes to external parties. These include current liabilities, such as accounts payable, payroll and short-term loans, and non-current or long-term liabilities like bonds, leases and deferred tax liabilities.

3. **Owners' equity** represents the net worth of a company after liabilities are deducted from assets and includes retained earnings and contributed capital, among others.

What your balance sheet says about your business

The balance sheet is an important tool for evaluating your company's financial health and operational efficiency.

By providing an overview of the assets and liabilities of the company and how they relate to each other, the balance sheet can help answer questions such as whether your company has a positive net worth, whether it has enough cash and short-term assets to cover its obligations, and how indebted it is compared to its peers.

The balance sheet will show when a company is borrowing too much money, if the assets it owns are not liquid enough, or if it has enough cash on hand to meet current liabilities.

For this reason, balance sheets are also used to secure capital, private equity funding, business loans or bank finance, as they allow stakeholders to assess the financial health of a company, its solvency, and its ability to repay short-term debts.

Using your balance sheet for better management

Business owners and managers, as well as other stakeholders such as lenders or investors, can leverage the balance sheet alongside other financial resources to enhance decision-making and performance.

When analysed over time or comparatively against competing companies, a balance sheet can reveal ways to improve the financial health of a company.

Financial ratios are important tools that draw data directly from the balance sheet and other sources and are used for fundamental financial analysis. Some common ratios include:

- **Liquidity and solvency ratios** show how well a company can pay off its debts and obligations using existing assets. They also allow for monitoring long-term liabilities to maintain sustainable debt levels.

- **Financial strength ratios,** such as debt-to-equity ratios, measure the relative proportion of debt and equity used to finance a company's assets. A higher debt-to-equity ratio shows that a company is more heavily financed through debt, showing an increased leverage. These ratios indicate how financially stable a company is and how it is financed.

- **Activity ratios** focus mainly on how well the company manages its operating cycle, which includes receivables, inventory, and payables. These ratios can provide insight into the company's operational efficiency.

The balance sheet can also contribute to planning for growth, for example, by showing if the company has the assets, resources and capacity to expand, or if reinvestment or additional funding is required.

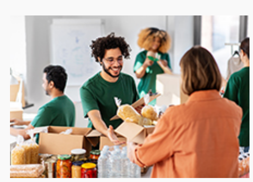
We can provide and interpret your financial reports

A balance sheet is an invaluable strategic management tool – provided you know how to interpret it.

We can provide your company with this important business tool (along with other key financial reports such as your income statement and cash flow statement). **We can also help you to understand and use these reports to make better business decisions, enhance financial health, and drive sustainable growth.**

The Enormous Benefits of Non-Profit Collaborations

> ***"The unfortunate need people who will be kind to them; the prosperous need people to be kind to." (Aristotle)***



Strategic business partnerships are an integral part of any successful business and yet very few entrepreneurs think of the opportunities which arise from partnering with non-profit organisations. Collaborating with NGOs and charities has been shown to offer many of the same benefits achieved through regular business partnerships – as well as a few additional, and perhaps unconsidered ones. Here's why helping others may also end up helping you.

Make the circle bigger

Like any other business partnership, aligning with a non-profit gives businesses shared access to one another's contacts and opens up doors that previously may have been locked, or not considered. By hosting combined events you're sure to not only meet the leaders of other companies in your position, but may also uncover new talent, enthusiastic and empathetic leaders and creative mentors and volunteers.

Greater brand exposure

By moving into these new areas, brands stand to not only make valuable business allies but are also likely to expand their own customer base. By partnering on events or activities with a non-profit, your brand immediately becomes exposed to the non-profit's audience in a way that's real, and likely to generate a warm first impression. According to research conducted by Consumer Goods, 82% of shoppers want a brand's values to align with their own. When a charity's audience sees you offering your support, they know you care about the same things they care about.

Improve employee happiness

In a survey commissioned by former Unilever CEO Paul Polman in 2023, a whopping 76% of respondents said that they want "to work for a company that is trying to have a positive impact on the world". The study further found that more than half of employees said that "they would consider resigning from their job if the values demonstrated by their employer did not align with their own", while 35% of respondents claimed to already have quit a job for this reason.

Improve your image

How your business is presented in the media impacts consumers, current and potential employees, and prospective partners. Good press is therefore vital for business expansion – and assisting a non-profit is a great way of ensuring that what's being said is positive. When you help a charity, you put your brand values and ethics front-and-centre for people to see and admire. This goes a long way toward fostering goodwill toward your company and building positive brand association.

Reap the tax benefits

There can also be tax benefits to assisting charities and non-profit organisations. The donations made can be in cash or kind, and must be made to qualifying public-benefit organisations (PBOs). These organisations are registered with SARS and will issue donors with a certificate in terms of section 18A of the Income Tax Act. The total deduction must comprise no more than 10% of your taxable income for the given year of assessment and must be made with no strings attached.

It's a fairly complicated area, so be sure to get professional advice. Your accountant will be able to help you maximise the benefit of these deductions and ensure they are made in the best interests of both parties.

Make it happen

In addition to these business benefits, partnering with a non-profit also helps you to make a difference in the world, building your own self-belief in the value of your work, and helping those who are in desperate need. Put together, it's clear to see that working with a non-profit should be an essential part of every business plan in 2025.

Budget 2025: The Minister of Finance Wants to Hear from You!

> ***"Together, government and business can drive the messages that matter most, which are those of resilience, opportunity, and shared prosperity." (Minister of Finance, January 2025)***

Finance Minister Enoch Godongwana has invited the public to share suggestions on the 2025 Budget he is expected to deliver on Wednesday, 19 February.

Go to National Treasury's "Budget Tips for the Minister of Finance" page and fill out the online form.

Your Tax Deadlines for February 2025

- 07 February – Monthly PAYE submissions and payments
- 25 February – Value Added Tax (VAT) manual submissions and payments
- 27 February – Excise duty payments
- 28 February – VAT electronic submissions and payments, Corporate Income Tax (CIT) Provisional Tax payments where applicable, and Personal Income Tax (PIT) Provisional Tax payments.
