



Issue 7 - 4 March 2024

# Budget Snapshots

## Benefits for Small Business Corporations

The benefits currently available are generous and make it extremely important for those who may qualify to ensure that they do all that is necessary to comply.

To be classified as a “small business corporation”, the annual turnover (gross income) must not exceed R20 million to qualify. This is a substantial amount and many entities may be able to be classified as a small business corporation.

The amount of normal tax payable by a “small business corporation” in respect of years of assessment ending on or after 1 April 2024 is set out below. There was no change from the previous year. A normal company pays tax at the flat rate of 27%.

In a table form, the rates will be as follows –

<b>Taxable Income 2025</b>	<b>Amounts of tax payable and percentages to be applied to excess over base amounts</b>
Up to R95 750	0%
Exceeds R95 750 up to R365 000	7% of excess over R95 750
Exceeds R365 000 up to R550 000	R18 848 plus 21% of excess over R365 000
Exceeds R550 000	R57 698 plus 27% of excess over R550 000

In respect of the previous year, the rates were as follows -

<b>Taxable Income 2024</b>	<b>Amounts of tax payable and percentages to be applied to excess over base amounts</b>
Up to R95 750	0%
Exceeds R95 750 up to R365 000	7% of excess over R95 750
Exceeds R365 000 up to R550 000	R18 848 plus 21% of excess over R365 000
Exceeds R550 000	R57 698 plus 27% of excess over R550 000

Dividends tax still remains payable on dividends declared –

<b>Example – 2025 tax year</b>	<b>Normal Company</b>	<b>Small Business Corporation</b>
Total taxable income	550 000	550 000
<u>Less: Tax thereon</u>	148 500	57 698
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Balance available for dividend	401 500	492 302
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Dividends tax at 20%	R80 300	R98 460
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Total tax burden	R228 800	R156 158
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The cost of manufacturing assets acquired and brought into use for the first time may be written off in full in the first year. On all other assets, the standard write off/depreciation rates apply. In respect of assets acquired and brought into use, the depreciation rates on these other assets are 50% (first year); 30% (second year) and 20% (third year). If the cost of individual assets is less than R7 000, the full cost can be written off in the year of purchase.

All the above measures also apply to small companies and close corporations that offer a variety of services that were previously excluded such as accounting, engineering and information technology. To prevent abuse there must be a minimum of three employees, unrelated to the shareholders, who are employed on a full-time basis engaged in the core operations of the business.

The full list of service fields are: accounting, actuarial science, architecture, auctioneering, auditing, broadcasting, broking, commercial arts, consulting, draftmanship, education, engineering, entertainment, health, information technology, journalism, law, management, performing arts, real estate, research, secretarial services, sport, surveying, translation, valuation or veterinary science.

Taxpayers over the age of 55 receive a lifetime cumulative CGT exclusion for the first R1.8 million of Capital Gains realised on the disposal of small business assets (subject to certain conditions). This concession is not limited to small business corporations as defined.

Small businesses can elect to pay VAT on the cash/payments basis if their turnover is less than R2,5 million per annum. Consult us for further details.

If a shareholder owns multiple companies, the small business relief (or micro business relief) will not be applicable. This creates a problem for business owners who place their business in a purchased shelf company which already has non-qualifying shareholders. Relief is granted by excluding the prior ownership of a purchased shelf company or an inactive dormant company in the process of liquidation or deregistration.

All employers with an annual payroll of R500 000 or less (even if required to register for PAYE purposes) are exempt from the payment of Skills Development Levies. The levy is not payable by an employer during any month that there are reasonable grounds for believing that the total amount of remuneration paid or payable by that employer to all its employees during the following 12 month period will not exceed R500 000.



## Contact

### **Crowe HZK**

7th Floor, 5 St. Georges  
St. Georges Mall  
Cape Town, 8001  
Main +27 21 481 7000  
hzk@crowe.za.com

### **Crowe HZK**

D8, Block D, Octo Place  
Elektron Avenue, Techno Park  
Stellenbosch, 7600  
Main +27 21 8807940  
bso@crowe.za.com

### **Crowe JHB**

9 Autumn Street  
Rivonia  
Johannesburg, 2191  
Main +27 11 217 8000  
info@crowe.za.com

### **Crowe Winelands**

17 Private Road  
Somerset West, 7130  
Main +27 21 855 2917  
reception.winelands@crowe.za.com

### **Crowe DNA**

Unit 201, 2nd Floor  
Crossfire Place  
15 Gardner Williams Avenue  
Paardevelei, Somerset West, 7130  
Main +27 87 0572613  
infodna@crowe.za.com

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