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Owning Your Own Private Company (Pty) Ltd

A practical guide to company registration, compliance, taxation and business administration in South Africa.

COMPANY REGISTRATION
Registering your (Pty) Ltd with CIPC

TAX COMPLIANCE
Income tax, VAT, PAYE and provisional tax

CIPC REQUIREMENTS
Annual returns and beneficial ownership

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Legal duties in terms of the Companies Act

RECORD KEEPING
Financial records and supporting documents

FINANCIAL STATEMENTS
Annual financial reporting requirements

BUSINESS ADMINISTRATION
Ongoing operational compliance and admin

☏ Contact Us

Cell: 082 446 8978
Cell: 079 897 6751
Office: 011 793 1188

✉ Email Us

gary@excell.co.za
finanace@excell.co.za

⌂ Find Us

Unit 11 Boskruin Business Park, 3 Boskbok Road
www.excell.co.za

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Introduction

Owning and operating a business can be both rewarding and financially beneficial. However, building a successful business requires dedication, responsibility, and ongoing compliance with various legal, tax, and administrative requirements.

Many business owners underestimate the responsibilities involved in managing a company properly. Failure to comply with these responsibilities can lead to penalties, legal issues, financial losses, and unnecessary stress.

This guide provides a practical overview of the key responsibilities and compliance requirements involved in owning and operating a Private Company (Pty) Ltd in South Africa.

Company Registration Procedure

The general process of registering a company is as follows:

1. Company Name Reservation

A company name application is submitted to the Companies and Intellectual Property Commission (CIPC). Up to six proposed names may be submitted for approval.

2. Company Registration

Once the name has been approved, the company registration documents are prepared. This includes:

- Appointment of directors
- Issuing of share certificates
- Registration of the company
- Updating registered and postal addresses

3. Signing and Submission

The directors and shareholders are required to sign the relevant registration documents. The completed documents are then submitted to CIPC for processing.

4. Opening a Business Bank Account

Once the company has been successfully registered, a business bank account may be opened in the company's name.

5. SARS Registrations

The following registrations may then be completed with SARS where applicable:

- Income Tax Registration
- VAT Registration
- PAYE Registration

6. Additional Registrations

Depending on the nature of the business, additional registrations may also be required, such as:

- UIF Registration
- Workmen's Compensation Registration
- Tax Compliance Status (Tax Clearance)

Main Responsibilities of a Business Owner

The responsibilities of owning and operating a business generally fall into four main categories:

1. Administration
2. Taxation
3. Legal Compliance
4. CIPC Compliance

Although these are some of the main compliance areas, business owners may also have additional responsibilities depending on the industry and nature of the business.

1. Administration Responsibilities

Administrative responsibilities include:

- Maintaining proper accounting records
- Preparing annual financial statements
- Keeping company registers and statutory records
- Maintaining records of company transactions and decisions
- Ensuring proper filing and document retention

Companies are generally required to prepare annual financial statements within six months after their financial year-end.

Record Keeping Requirements

In terms of the Companies Act 71 of 2008, companies are required to maintain proper records and documentation.

The following records should be maintained and safely stored:

- Memorandum of Incorporation (MOI)
- Company rules and amendments
- Directors' register
- Annual financial statements
- Accounting records
- Shareholder meeting minutes
- Shareholder resolutions
- Directors' meeting minutes and resolutions
- Share register (securities register)

Most records should be retained for a minimum period of seven years.

Recommended Business Files

We recommend maintaining the following files and records:

- Bank statements
- Sales invoices
- Supplier invoices
- Customer statements

- Expense records
- Contracts and legal documents
- PAYE records
- VAT records
- Employee records and payroll information
- Fixed asset register
- Stock and inventory records
- Minutes and resolutions
- General correspondence

Electronic records should be backed up regularly to avoid data loss.

2. Tax Responsibilities

Business owners are responsible for ensuring that all required tax returns are submitted to SARS on time and that all taxes due are paid.

Even if a company is dormant or not actively trading, certain tax returns may still need to be submitted.

The company owner should ensure that the following returns are submitted where applicable:

- Company Income Tax Returns
- Personal Income Tax Returns
- Provisional Tax Returns
- VAT Returns
- PAYE / UIF / SDL Returns
- EMP501 Reconciliations
- Workmen's Compensation Returns
- CIPC Annual Returns

Failure to submit returns on time may result in penalties and interest being charged by SARS or CIPC.

3. Legal Responsibilities

Duties of Directors

Company directors have legal duties and responsibilities in terms of the Companies Act.

Directors are expected to:

- Act honestly and in good faith
- Act in the best interests of the company

- Exercise reasonable care and skill
- Avoid reckless or fraudulent trading
- Avoid conflicts of interest

A company may not trade recklessly or while financially insolvent.

Fiduciary Duties

Directors must:

- Avoid using company opportunities for personal gain
- Avoid misuse of confidential information
- Avoid actions that may harm the company

Failure to comply with fiduciary duties may result in personal liability.

Duty of Care and Skill

Directors are expected to:

- Make informed decisions
- Exercise reasonable care and judgment
- Disclose personal interests where required
- Act in the best interests of the company

Directors may rely on professional advice from:

- Accountants
- Attorneys
- Consultants
- Employees
- Other qualified professionals

provided there is no reason to doubt the advice received.

4. CIPC Compliance Requirements

All companies registered in South Africa are required to remain compliant with the Companies and Intellectual Property Commission (CIPC).

The following are some of the basic ongoing CIPC compliance requirements:

- Submission of Annual Returns each year within the prescribed deadline
- Submission and updating of Beneficial Ownership information
- Maintenance of the company’s share register and director records
- Updating any changes to directors, addresses, company name, or shareholding structure
- Retaining proper company records and statutory documents
- Preparation of annual financial statements where applicable

Companies are also required to disclose the natural persons who ultimately own or control the company through the Beneficial Ownership (BO) process. This information must be updated whenever changes occur and submitted together with the annual return filing where applicable.

Failure to comply with CIPC requirements may result in penalties, restrictions on company changes, or even deregistration of the company. It is therefore important that businesses ensure all company information and filings remain accurate and up to date.

How Much Tax Will My Company Pay?

Company tax rates are determined by SARS and may change from time to time.

Generally, companies are taxed at the applicable corporate income tax rate on taxable profits earned during the financial year.

Certain qualifying small businesses may benefit from reduced Small Business Corporation (SBC) tax rates if they meet the SARS requirements.

Because tax legislation changes regularly, it is recommended that business owners obtain updated tax advice annually.

What Expenses Can the Company Claim?

A business expense is generally deductible if it:

- Was incurred by the company
- Was incurred during the financial year
- Relates directly to the company's business activities
- Was incurred for the purpose of producing income
- Is not capital in nature

Examples of common deductible business expenses include:

- Rent
- Salaries and wages
- Telephone and internet expenses
- Office expenses
- Accounting fees
- Advertising and marketing costs

Personal expenses are generally not deductible business expenses.

Examples of personal expenses include:

- School fees
- Personal insurance
- Home bond repayments
- Personal entertainment expenses

If personal expenses are paid by the company, they may be treated as taxable benefits in the hands of the individual.

Conclusion

Running a successful business involves far more than simply generating income. Business owners are required to comply with various legal, administrative, tax, and CIPC obligations on an ongoing basis.

Maintaining proper records, meeting submission deadlines, and obtaining professional advice when needed are all essential components of operating a compliant and successful business.

At Excell, we aim to assist our clients by providing professional guidance and support in accounting, taxation, compliance, and business administration matters, including financial advisory such as investments, retirement and estate planning.

Our goal is to help business owners remain compliant while focusing on growing and strengthening their businesses.

Basic Administrative Framework

Step 1

Keeping your Records

You are required to keep the following documents for a period of at least 5 years:

1. All bank statements (including credit cards).
2. Invoices sent to customers.
3. Invoices received from suppliers and from all expenses that you have paid.
4. Copies of any contracts the company has entered into.
5. Invoices for major assets purchases such as motor vehicles.

Step 2

Processing your business transactions

Every year it would be a requirement that the records maintain in **step 1** are processed to produce **a set of accounts (bookkeeping)**. These documents can be provided to us in the following manner

1. At the end of the financial year – e.g. from April onwards
2. Every 6 months – at the end of August for the period 1st March to 30 August and again at the end of February from 1st September to 28th February.

Should you choose to give us your documents as per the second option, we can use that information to calculate your provisional taxes, this will provide more accurate tax submissions.

Step 3

Preparation of your Annual Financial Statements

In terms of the Companies Act it is a requirement that your annual financial statements are prepared within 6 months after the company's financial year end. Your annual financial statements are prepared after processing all your business transactions as mentioned in **step 2**. Your annual financial statements are required by SARS and are used by the banks and other interested parties.

Step 4

Filing Tax Returns

The following tax returns are required to be submitted to SARS each year.

1. One provisional tax return in august (1st period)
2. One provisional tax return in February (2nd period)
3. Annual income tax return (from July onwards)

All tax submissions are calculated and based on the annual financial statements as per **step 3**.

Step 5

SARS Assessments

Lastly once your annual income tax return has been submitted as per **step 4**, SARS will issue the company an income tax assessment (IT34). The outcome of which will be one of the following:

1. A refund will be due to you
2. You will owe SARS money
3. The assessment will be nil

Step 6

Your Personal Tax Solutions

Every year from July onwards your personal income tax return is also required to be filed with SARS. Your income declared on your tax return will be obtained from the company annual financial statements as per **step 3**. Once filed SARS will issue you an income tax assessment as per **step 4**.