

VAT system, which requires businesses to submit an average of 10 returns a year.

Turnover Tax is voluntary, so qualifying small businesses can choose whether to register for it or not, depending on their individual circumstances. Small businesses already registered for VAT that opt to register for Turnover Tax will automatically be deregistered from the VAT system if their application for Turnover Tax is successful.

It is beyond the scope of most small contractors to be able to submit Company Tax Returns without appointing specialists to help them. (Pty) Ltd companies are required by law to appoint an auditor. Sole proprietor, partnerships or CCs do not have to appoint an auditor. It is recommended that these forms of businesses either appoint an accounting officer, or a company tax "expert" to complete these returns. Such experts will advise on how much deductions are permitted from the gross income to determine company profits.

Businesses are advised to calculate their tax obligations based on profits before tax at regular intervals so that provision can be made to meet tax obligations which are to be paid twice a year.

More Information

For more information about the ncdp and Taxation for a Construction Business, contact: cidb Enterprise Development Unit (Growth and Contractor Development Programme); Tel: 012 482 7241, or visit our website www.cidb.org.za, or Provincial Construction Contact Centres:

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Eastern Cape CCC

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KZN CCC

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Limpopo CCC

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TAX EVASION IS A SERIOUS CRIME. A BUSINESS SHOULD APPROACH SARS IF IT HAS PROBLEMS IN PAYING ITS TAXES AS ARRANGEMENTS CAN BE MADE TO PAY THE TAXES OVER TIME.

**Contractor Tips & Advice:
TAXATION FOR A CONSTRUCTION BUSINESS**

Contractor Tips & Advice: TAXATION FOR A CONSTRUCTION BUSINESS

INTRODUCTION

A good starting point to successful management of a business enterprise is to comply with the statutory/legal requirements. These include registration with the South African Revenue Service (SARS), as well as adhering to their guidelines.

As an emerging contractor, it is important to play by the rules for the benefit and growth of your business.

Why is it important to register with SARS?

Every Construction Business needs to have an original and valid Tax Clearance Certificate (for all procurement thresholds above R 30 000.00) to do business with government. This is a confirmation to government that the relevant requirements in terms of tax registration, tax returns and tax payments (Income Tax, VAT, PAYE and SITE) have been complied with.

It is a condition of every government bid that taxes of a successful bidder must be in order, or that satisfactory arrangements should have been made with SARS to meet the bidder's tax obligations.

ALL CONSTRUCTION BUSINESSES HAVE TO BE IN "GOOD STANDING" INsofar AS THEIR TAX AND SERVICE CHARGE OBLIGATIONS ARE CONCERNED IN ORDER TO CONTRACT WITH GOVERNMENT. A TAX CLEARANCE CERTIFICATE IS PROOF OF "GOOD STANDING"

A Tax Clearance Certificate is valid for up to one year and is issued based on past behaviour by the taxpayer. Construction businesses must apply to SARS for a tax clearance certificate by completing form TCC 001 "Application for a Tax Clearance Certificate" which is available from any SARS branch office or on the website www.sars.gov.za. Alternatively construction businesses may make use of SARS's eFiling service to make applications for a Tax Clearance Certificate.

TAXATION BY GOVERNMENT

Government collects taxes from two main sources:

- Value Added Tax; and
- Turnover Tax.

Value Added Taxes apply to all people and most businesses buying goods and services.

Each person earning over a certain amount, and each organisation that is making a profit, must pay taxes.

VALUE ADDED TAX (VAT)

When you buy goods from a supplier you pay VAT. The supplier then "looks after" the money for the South African Revenue Services (SARS) for a period of up to two months, and then adds up all the VAT amounts collected, and sends this amount to SARS. The supplier is collecting VAT on behalf of SARS. The VAT is never his money. The supplier is known as a VAT Vendor.

Value Added Tax (VAT) is levied at a standard rate of 14% on all goods and services subject to certain exemptions, exceptions, deductions and adjustments provided for in the VAT Act. 89 of 1991, as amended.

BE ORGANIZED AND KEEP RECORDS OF ALL YOUR BUSINESS TRANSACTION FOR USE WHEN SUBMITTING YOUR TAX RETURN.

TURNOVER TAX

The South African Revenue Service has launched a new tax system that will dramatically lower the time and cost of submitting tax returns known as Turnover Tax.

This innovative system is available to small businesses with a turnover of up to R1-million a year, replacing income tax, provisional tax, capital gains tax, secondary tax on companies and value added tax (VAT).

This tax system taxes small businesses on the basis of their turnover. It reduces the company's Vat and income tax obligations. The accounting or bookkeeping burden for tax purposes will be drastically reduced because small businesses need only record and estimate their turnover on a six monthly basis.

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