



Starting and Registering Your Own Close Corporation in SA

There are different forms to start a business here in South Africa.

By form we do not relate to the type of products you are going to sell or services you intend to provide.

Forms for business relate to the type of business set -up you want to start. This will be in a following formation:



Educational

A. Informal Enterprises

1. Sole Proprietor.
2. Partnership.
3. Sole Proprietor and Partnership Formation are still regarded as informal (unregistered) types of businesses.

B. Formal Enterprise

1. Close Corporation- CC's.
2. PTY Companies.

A CC and a PTY company are government registered entities and are recognized by law for the reason that these kinds of entities use a unique trade name and have a business registration number in a form of 2008/123456/23.

These business formations are recognized by Banks, SARS, and other commercial institutions.

A. CLOSE CORPORATIONS- CC'S

In this manual we will concentrate mostly in Close Corporation enterprise formation.

The CC is easy to form and does not require complicated or expensive operation procedures such as appointing of an Auditor as required when forming PTY LTD Company.

Most people here in South Africa prefer this type of entity for its simplicity in the formation procedure. Please note that one to 19 persons can register and run a CC.



Boutiques

Business Idea

A person can have a business idea and a willingness to pursue that idea. An idea can be in a form of providing services or selling a product. Here are a few examples.

Products Selling

- *Hair products
- *Cleaning Chemicals
- *Motor spares
- *Groceries
- *Electrical Appliances

Services offering

- *Motor Mechanic
- *Accounting and Consulting
- *Funeral Services
- *Security Services
- *Transport and Tourism

TENDERING

Most people form a CC for the purpose of tendering which is not a good idea. I will touch on this topic in later stage

B. FORMING A CLOSE CORPORATION

Registration of all CC's is governed by a DTI subsidiary Company known as Company Intellectual and Property Registration Office (CIPRO) situated at Sunnyside Pretoria.



Architects

Requirements for Registration.

1. **Name Reservation.**

Before you register your business, you need to decide on at least 5 names in which to name your CC company e.g.

1. South Africa Food Distributions.
2. SA Food and Trading.
3. SA Trading Enterprises.
4. Jozi Food Sales and Distributors.

These names need to be reserved first with Cipro. The Registrar will determine and test if your desired names are not already being used by other business.

Forms to Use –CK7

You need to lodge a manual reservation form known as CK7, this process will takes between a days to three days to know which name is approved. A reservation fee of R50 is paid in advanced.

Approved Name

On approval you will receive a computerized CK7 form with a reference number such as 42121212.

Please note this is not a company registration number.

The CK7 form will state that the name South African Food Distribution has been approved and reserved for registration between 01 January to 28 February.

You have two months on which you must register your company in the approved name.

C. FORMING A CLOSE CORPORATION (continued)

Registering Your CC

Form to Use -CK1

To register, the CC you now need to complete and sign computerized Hybrid CK1 Registration Forms.



Taxi Business

The following information is required

1. Approved name in full.
2. Reference number.
3. Province and financial year end usually February.
4. Postal address of the company.
5. Physical address of the company.
6. Accounting office's details.
 - *Names, PR. NO., Qualifications, Address and Telephone numbers.
 - *Please ensure that the Accounting officer is registered with a professional body.
7. Full details ID no and addresses of all members of the CC.
8. Print the Hybrid form.

Attachments

- Please sign the printed Hybrid Form along your names (members).
- Attach the approved Accounting Officers original signed letter of consent to appointment.
- Attached the valid computerized CK7.
- Submit the complete compiled form to registrar in original format

Easy Process

For easy and quicker CC processing you may use a service of a reputable business consultant preferable and Accountant who will also attach his/her consent to appointment to your application. Accountants or Consultants service fees apply.

Online Registration

Your Accountant will do all your CC registration procedures online from CK7 to CK1.

D. INCOME TAX REGISTRATIONS- Compulsory

As soon as your CC is registered the company information is transmitted to South Africa Revenue Services (SARS) for income Tax registration purpose.

However this may take up to three months before you get your tax number. In some instances this information may not be recorded at all and your company may end up not having an income tax number.



Models & Casting

1. TAX Application

In order to get Tax number sooner, you need to personally apply for Tax Registration at your local SARS branch or through your Accountant/Tax Practitioners.

You will need to complete:

- An IT/77B for Application for Registration Close Corporations.
- Copy of the CK1 documents.
- Certified copy of ID of all members of the CC.
- An application takes between seven to fourteen days to process by SARS.

2. Tax Clearance Certificate –TCC

Once the business ten digit income Tax registration number has been issued you may then apply for a Tax Clearance Certificate, it is advisable to do so although not compulsory.

You will need to submit the appropriate IRP6 returns with your TCC application. Your Accounting Officer, Bookkeeper is well informed of this step and know which period is appropriate to the date of registration of your company.

This process takes twenty (20) working days.

In the case that you have used a consultant to process all application on your behalf, please exercise patience in this regard as all transactions rest in the mercy of SARS officials.

E. BUSINESS BANK ACCOUNT

You will also be required to open a business bank account in form of:

- *Savings Account Biz-start.
- *Cheque Account.

ITC –Credit Bureau

In the case that any (one) of the member of the CC is listed is the ITC, the bank may not grant you a cheque account, in the interim your business will be allocated a savings account known as Biz-Start.



Professionals

Requirement for opening a bank account

All members of the CC need to present themselves at the bank when opening a bank account.

Decide on the bank of your choice. Major SA banks such as ABSA, Standard Bank, Nedbank, FNB, Capitec offer this service in their own terms.

The following may be required when opening a business bank account:

- * CK1 founding statement.
- * A letter issued by your Accountant confirming the address where the business will be operating from.
- * Original ID copies of all members of all the CC.
- * Proof of residence (in some instances).
- * A declaration for non SA residents.

SUMMARY

Now you have gone through the following important steps:

1. Registered a CC and received a CK1 founding statement
2. Applied and received a Company Income Tax number.
3. Applied Tax Clearance Certificate.
4. Opened business bank account.

This process may take between 30 to 60 days to go to complete. Patience in this regard is highly envisaged.

F. COMPANY PROFILE

At this stage you may then prepare a profile for your company.

This is a CV of your business and will contain all the information in the previous pages as well as services offered by your company or sold.

A company profile will consist from three to ten pages and should have a presentable layout with:



Photographic

- Cover page containing company logo and address.
- Names of business, registration number, postal and physical address, tax number, telephone and cell number, contact person, email or web address if available.
- A brief introduction about the formation of the company.
- Type of services offered or products sold.
- Company structure (list of management and their duties)
- Brief conclusion or motivation page.

G. OTHER REGISTRATIONS - non compulsory

UNEMPLOYMENT INSURANCE FUND (UIF)

UIF registration is done with the Department of Labour. Companies need to register for UIF as soon as they employ a person.

UIF registration is for the purpose of registering employees.

It is therefore not compulsory for a company to register for UIF if it has no employees.



Administrators

Registration Procedure

As soon as the company employs a person, the company needs to register with the Department of Labour for employee UIF reasons. The following forms need to be completed:

- Form UI-8 application for registration as employees
- Form UI-19 employers' declaration of employees

These forms are obtainable from your local Department of Labour or downloadable from www.msamanzi.co.za

H. VAT REGISTRATIONS - Value Added Tax

VAT registration comes with serious implication and commitments.

Before you register for VAT determine if:

- * Your company really needs to register for VAT.
- * Your company will fully comply with bi-monthly VAT returns which are compulsory and are required by SARS.
- * Your company will be able to prepare monthly VAT schedules to capture input tax (VAT received from sales) and output tax (VAT paid on supplies)
- * To create a VAT Tax Account in your accounting System.
- * Your company will be ready and fully comply with VAT Audits conducted by SARS on VAT 201E Refund claims.



Secretarial Services

NB: It is not compulsory to register for VAT. You can register for VAT in the event that your company really needs to be a VAT vendor and that it will fully comply with all the consequences, which may have extended expenses to bear.

Requirements for VAT registration.

The following are the requirements before a company can register for VAT.

1. CK1 founding document.
2. Company income tax number.
3. Banking details, Letter from the bank or original cancelled cheque or original latest bank statement.
4. Personal income Tax reference number of all member of the CC.
5. Certificate copies ID of all members of CC.
6. Proof of physical address of business (Municipal Account).
7. Proof of residence of representative members of the CC.

NB * SARS officials will visit the business premises to confirm activities taking place and the existence of the company.

*Please ensure that the Tax status of the CC as well as of all the CC Tax Returns are up to date.

There are no outstanding IT-14 and or IT12R Returns in respect of both the company and its members.

*The VAT registration process may take up to 30 days to complete.

VAT 201E BI MONTHLY RETURNS

Please consult your Accountant or Tax Consultant to handle this matter properly.

Incorrect submitting late submissions and ignorance may lead to penalties, demands and summons, which may require you to appear in court.

I. PAYE REGISTRATION

P.A.Y.E. (Pay As You Earn)

is a registration for deduction of Income Tax from Directors of the company as well as employees. The company registers for PAYE as an Employer for the purpose of deducting Employee Tax from employees whose salaries qualify for a monthly Tax deduction known as PAYE.

When registering for PAYE employers (Company) is automatically registered for:

- *SDL = Service Development Levy.
- *UIF = Unemployment Insurance Fund.



Transport & Tours

1. SDL

Employees (companies) that employ less than 50 employees are NOT registered for SDL.

In this instance SARS is an agent for an appropriate SETA. Collects the levy and passes to on a SETA.

2. UIF

Employees who qualify for PAYE deductions are also required to contribute to the Unemployment Insurance Fund by means of UIF deductions at 1% of their earnings. This UIF is paid to SARS by the employees at 2% contribution. SARS then forwards this contribution to the Department of Labour.

NB. Employers must register their employees with the Department of Labour as they are not registered with SARS for UIF purposes. At this stage SARS only collect the UIF from the employers and forward them to Department of Labour.

PAYE REGISTRATION

1. PAYE

Any employee whose monthly income is R3900 and above, is liable for monthly Tax deductions.

Amount deducted from the employee is forwarded to SARS by the employers by means of EMP 201 monthly returns.

Lump sum earnings from Fund Institutions maybe subject to Tax deductions.

2. IRP-5

IRP-5 certificate are a summary of total annual earnings received by the employee (person) from an Employer or Fund Institution.

The certificate will detail total income (earnings), total Tax paid.

Where an income or funds received are non taxable, an IT3a

Certificate will be issued by the employer or fund.

All this is summed up in the Annual EMP501 Reconciliation done by employers at the end of May each year.

On submission of a reconciled EMP501to SARS. SARS will then issue IT12R Tax Returns to employees based on IRP5 and EMP501 reports received from the employer or fund.

J. TENDERING

SERIOUS MISTAKES

Most people rush to register CC's for the purpose of winning tenders.

This practice is common amongst South African Citizens.

In most instances people register a CC in a rush to beat a tender that is closing in two weeks time.



Health & Beauty

A person will require:

- *Instant CC.
- *Instant Tax Number.
- *Instant Tax Clearance Certificate.

This is not a good practice and does not happen in SA unless if prepared to loose a lot of money in the process with-out success. A new CC document, a Tax Clearance Certificate is no guarantee for securing a tender or a large contract.

We need to be realistic in some instances

An average of one thousand to two thousand companies register for a Tender which will be awarded to one company at a later stage.

Whoever wins the tender is awarded such based on credentials such as:

- ability to do the job properly based on experience.
- own financial resources.
- proven track record and proper grading previously received.

As any soccer coach if he would engage in his club any person who has never played football.

General Advice.

It is advisable to run the business on your own, for yourself, the hard way focusing on day to day activities of the business.

The tendering process will find you along the way as you progress in your business.

It should not be the main purpose of starting your business bearing in mind that tenders are often short term arrangement lasting between 3 Months to two Years. What will happen to your business beyond the tender?

COMPLEMENTS



www.fifa.com



www.msamanzi.co.za



www.africanimpact.org



www.sowetoguide.co.za

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**CLOSE
CORPORATIONS
REGISTRATIONS

CC ANNUAL
RETURNS**

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Business Registrations
Financial Statements
Tax Application
On-line Tax Returns

CIPRO COMPANY REGISTRATIONS SERVICES:

- Close Corporation Registrations. (CC) CK1.
- Close Corporation Amendments. (CC) CK2.
- Close Corporation Reservations. (CC) CK7.
- Close Corporations CK1/CK2 downloads.
- Close Corporation Annual Returns.
- Cooperative Registrations.

ACCOUNTING SERVICES:

- Financial Statements + Balance Sheets.
- Business Bank Accounts.
- Accountants Consent Letters.

NPO Organisations SERVICES:

- NPO Constitutions and Registration.
- NPO Financials/Grants and Narrative Reports.
- NPO Funding Applications & Proposals.

TAX RETURNS SUBMISSIONS:

- IT14 Company Annual Income Tax Return.
- IT12IE NPO Annual Income Tax Return.
- IT12R PERSONAL Annual Income Tax Return.
- VAT Returns Bi monthly VAT 201E Schedules.
- PAYE Returns EMP20I Employee Tax Returns.
- EMP-501 Employer Employee Reconciliations.

SARS TAX SERVICES:

- TAX Registration/Application
- NPO Tax Exemption Applications.
- PAYE Registration UIF, SDL.
- VAT Applications / Registrations.
- TAX Clearance Certificates application.
- TAX Status Queries, Re-activation & De-registrations.

BUSINESS SERVICES

- Company Profiles.
- BEE Certification.