

**NATIONAL ASSEMBLY**

**QUESTION FOR WRITTEN REPLY**

**QUESTION NUMBER 477**

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**Mr N J J van R Koornhof (Cope) to ask the Minister of Finance:**

Whether he will look at lifting the minimum level at which companies pay taxes in order to assist Small and Medium Enterprises (SME's); if not:, why not; if so, what steps?

NW554E

**REPLY**

Yes, the National Treasury continually reviews the manner in which SME's can be assisted, and tax thresholds are periodically updated, although not necessarily on an annual basis. Where new announcements are made, there usually occur in the annual Budget. As you are aware, the 2010 Budget did not make any significant new announcements on SME's. This is largely due to announcements in the previous two budgets still being at an early stage of implementation.

The taxation of micro-businesses has been simplified and the tax liability of qualifying small business corporations has been reduced in recent years.

A micro-business which is a business with an annual turnover of up to R1 million per annum and which meets certain requirements, has the option to register for the turnover tax regime. This simplified tax regime substantially reduces the compliance costs to submit tax returns and in some instances could result in a lower tax liability. However, it should be noted that the focus of the turnover tax regime is to reduce the tax compliance burden. As you may have noted in the Budget announcements of February 2010, no changes to the tax-free turnover threshold have been proposed for the 2010/11 tax year, as the turnover tax regime first came into operation for the 2009/10 tax year. The 2010 Budget Review did note some technical refinements with regard to the micro-business turnover tax. These were set out in Annexure C.

A small business corporation, which is a company with an annual turnover of up to R14 million per annum and which meets certain requirements, qualifies for the small business corporation tax regime. This regime provides for a graduated income tax and accelerated depreciation allowances for qualifying companies. It is proposed that the first R57 000 of taxable income be tax-free for the 2010/11 tax year, up from R54 200 for the 2009/10 tax year. This monetary threshold is the same as the income tax-free thresholds for individuals under 65 years of age (and their unincorporated businesses) and has been adjusted annually as per the personal income-tax tables. Taxable income above R57 000 up to R300 000 is taxed at 10 per cent and is taxed at 28 per cent above the 300 000 level i.e the standard corporate income tax rate. Given that the marginal income tax rate for individuals (and thus also unincorporated businesses) of 30 per cent is proposed to commence at a taxable income of R221 000, with the top marginal income tax rate of 40 per cent commencing at R552 000, there is good reason for not to increasing the R300 000 to a level that is too high. As noted above, we will consider adjusting the R300 000 monetary threshold for small business corporations in future budgets.