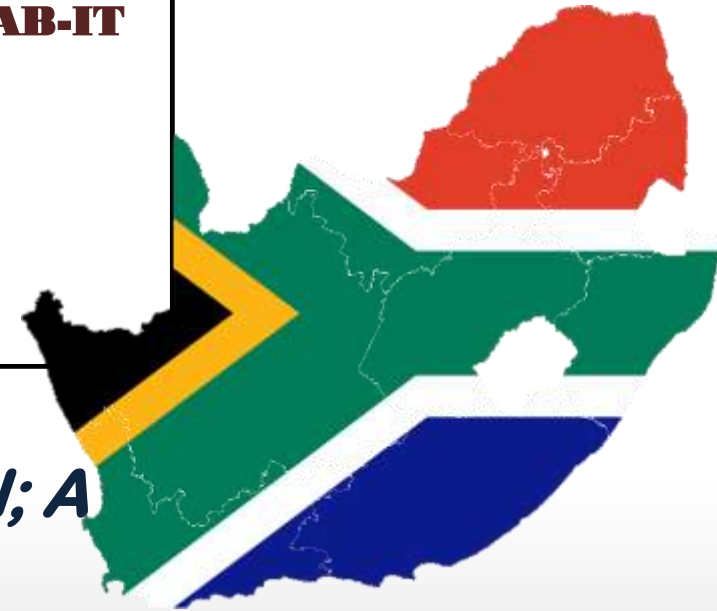


W&R SETA ILDP 2014 Presentation



SYNDICATE 2 -Team GRAB-IT

- Girland Chibaya
- Riad Laher
- Anne Matlala
- Brian Pillay
- Ismail Kajee
- Thulisiwe Nkosi



***POLICY FRAMEWORK AND LEGISLATION; A
HELP OR HINDRANCE TO THE RETAIL
SECTOR, THE SA CONTEXT AND LESSONS
FROM ABROAD.***

With the help of:

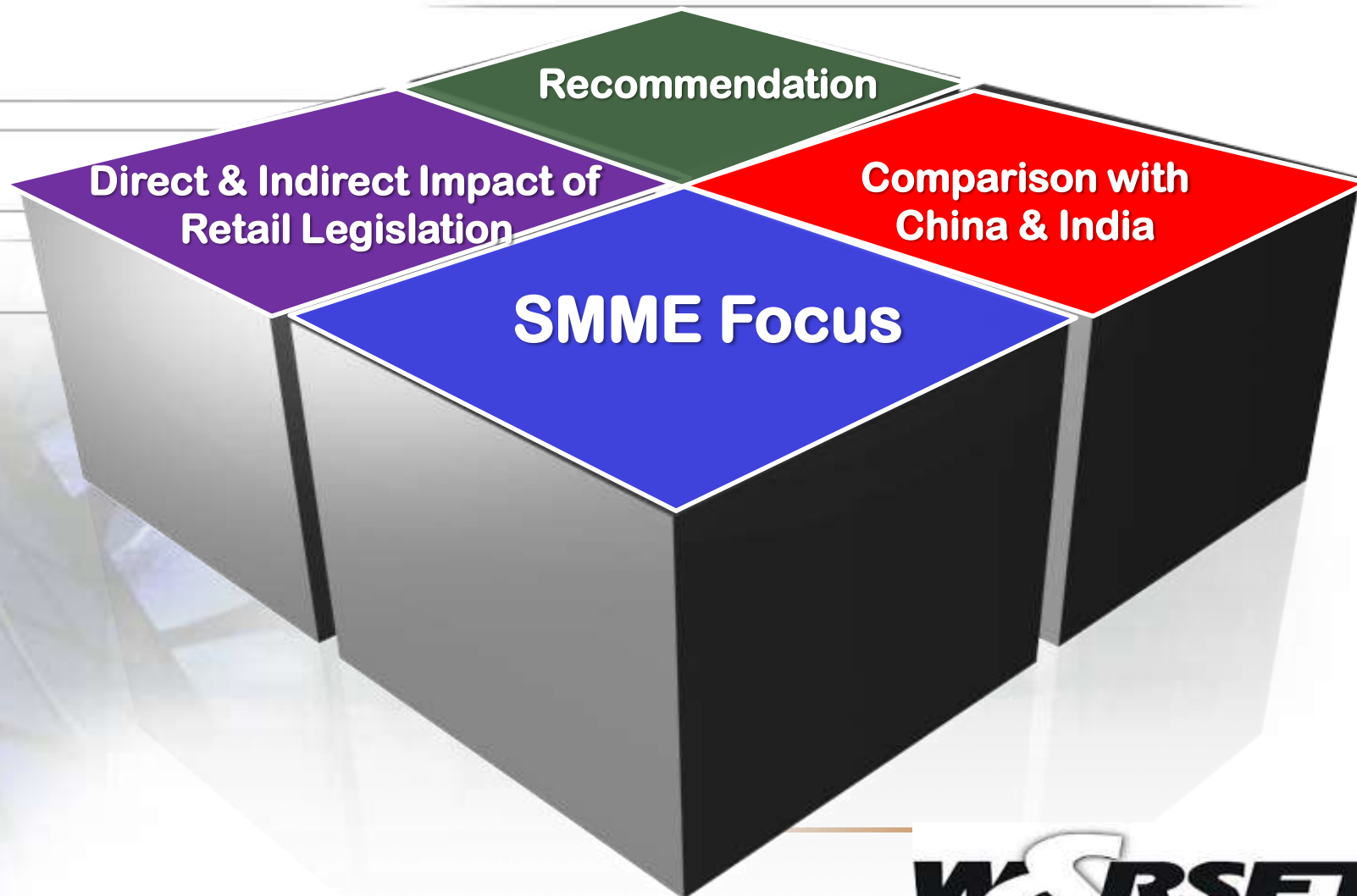
Retail Legislation-Why the Excitement?

- Business structure laws
- Zoning Laws
- Licensing Laws
- Trademark and Patent Laws
- Employment Laws
- Tax Laws
- Environmental Laws
- Health Laws
- Consumer Laws

**OVER 300
LAWS!!**



Project Objectives & Scope



Why the Focus on SMMEs?

- SMMEs contribute over 50% of South Africa's GDP
- High Contribution to employment levels
- Scarce Resources: SMME Versus Corporates



Research Methods



INTERVIEWS



LITERATURE REVIEW



ETHNOGRAPHY



RISK ASSESSMENT

Retail Industry Experts(12)
Retail Store owners(4)
Retail Labour Attorneys(4)
Labour Union
Representatives(2)
Academic Experts(10)

Vuyo's Story...



Scholar

- ✓ Completed Matric
- ✓ Finding the right retail qualifications
- ✓ No retail skills – Studies Economics Degree
- ✓ Labour Legislation(Skills)



Aspiring Business Owner

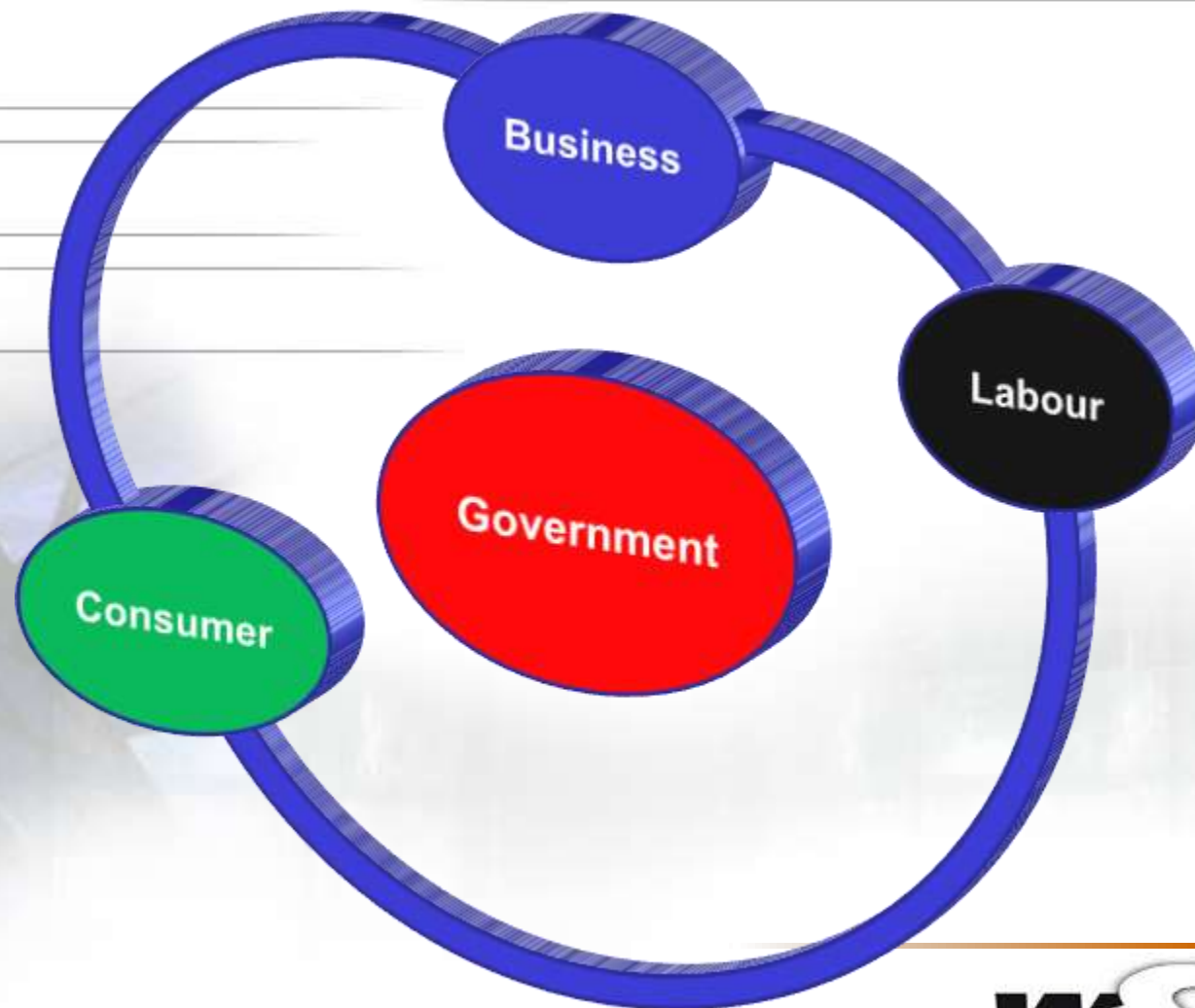
- ✓ Access To Retail business start up Finance
- ✓ Banks refuse to grant him finance based on criteria set
- ✓ Acquires credit through non-formal means
- ✓ Consumer Legislation



Operating SMME

- ✓ Government Incentives
- ✓ Tax incentives
- ✓ Business Legislation
- ✓ Challenge in managing labour and Financial Resources
- ✓ Compliance Costs too high

Major Stakeholders in Business



Discussion of Results/Findings

Based On Research methods used!

The 3 areas of Retail Legislation Considered



Labour
Legislation

Business
Legislation

Consumer
Legislation

- Basic Conditions of Employment Act
- Labour Relations Act
- Skills Development Act
- Business Licensing Bill
- Tax Legislation
- Competition Act
- Consumer Protection Act
- National Credit Act
- POPI

Labour Legislation overview



Labour Legislation

- **Basic Conditions of Employment Act**
- **Labour Relations Act**
- **Skills Development Act**

Regulating employment relationship between employers and employees.

Discussion of Findings

- Skills Shortage challenge
- Questions regarding skills
- Impact: Large companies versus SMMEs
- SMME companies are struggling
- SMME's lack of infrastructure
- Non compliance



Recommendation -Skills Development

- SMMEs – set up structure that will assist them with compliance requirements
- Retail sector to set-up a retail college
- W&R Seta ILDP Alumni be utilized to create capacity in SSMEs



Consumer Legislation Overview

Main Aims

- CPA- To protect the rights of consumers
- POPI – protect personal information
- NCA – To prevent reckless lending and improve access .



Discussion of findings

- Loans more affordable for SMMEs
- More transparency
- National credit register has enabled lending
- Developmental credit incentives
- Lack of awareness of programmes



Recommendations –National Credit Act



Formation of support unit in the NCR to help smaller retailers understand and implement National Credit Act. Will also help them take advantage of initiatives to access funding which they are not aware



Government to mitigate risks of lenders by providing credit insurance for qualifying SMME”S.



Skills programs to be introduced to improve financial and management skills of smme to ensure that they have strong business plans

Business Legislation

- Various Acts that govern businesses from Registration through to Liquidation



TAX Legislation Findings

KEY FINDINGS

- Tax compliance costs are too high;
- Submission of returns (VAT, PAYE, Provisional Tax and Income Tax) time consuming;
- Current tax rate thresholds (Turnover Tax & SBT) not adequate to stimulate business growth;
- China Example.....



Recommendations – Tax Legislation

- Eliminate total tax compliance costs for compiling and submission of all returns for businesses that qualify for Turnover Tax and Small Business Tax (SBT)
- Increase the turnover tax threshold to R1.2m and replacing the current progressive scale
- Adjust the Small Business Tax thresholds to R30m and adjust corresponding lower tax rate benefit to business profits from R350k to R500k



Team Consensus – Business Case

- The Tax Legislation if amended can produce a 'Quick Win' and have a positive impact on the growth of the economy?



Vuyo's Business Case- Tax Legislation

Assumptions for this Business Case are as follows:

Vuyo:

- Decides to use the turnover tax option for his business;
- Receives income grants from Government;
- Employs 5 staff members(Age 18-29 years) and qualifies for Youth subsidy.
- Tax compliance costs averages of about R15 000 per annum.

Abridged Business Financials (Tax Computation)

• Revenue	1 200 000
• Cost of Sales	(420 000)
• Gross Profit	780 000
• Government Grants	100 000
• Youth Labour Incentive	60 000
• Operating Expenditure	(250 000)
• Tax Compliance Cost	(15 000)
• Net Income Before Tax	515 000
• *Taxation Expense	(42 500)
• NET INCOME AFTER TAX	472 500

**Taxation Calculation ($R15\,500 + 6\% \times R450\,000$)*

Implementation Risks and Mitigation Measures

1. The current loss to the fiscus (tax gap – budgeted loss) – suggested increasing VAT rates on selected luxury items
2. Abuse of tax legislative incentives – increase SARS Audit capacity and capability to ensure incentives are not abused

Recommendations for SMMEs

- ☐ SMMEs should create a focus group to support each other with regard to:
 - Tax Education
 - Tax Administration
 - Cost reduction
 - Input into new Tax Legislation

- ☐ Business collaboration on Labour and customer issues(Similar to India)



Implementation Plan

Activity	Responsibility	Implementa-tion Date	Costs
Create a committee –candidates from ILDP Leadership Program	ILDP W&R SETA	30 April 2014	NIL
Create separate working committees for tax education, tax cost reduction, input into new legislation	ILDP W&R SETA Tax Practitioners SARS	30 June 2014	NIL
Constitute an SMME Business Collaboration Committee	Entrepreneurs – ILDP graduates	30 September 2014	NIL
Identify and implement projects/programs to achieve committee objectives	Entrepreneurs – ILDP graduates	Ongoing	TBD

Conclusion

- Although legislation is imperative to ensure the smooth functioning of the economy, SMMEs are still faced with huge challenges in the retail sector. We hope that we have highlighted whether the existing legislation is more of a hindrance than a help especially to the SMMEs.



Thank You.... Question Time?

