

TAX tutor

BY Claudia Padayachy

Lungelwa Simani's gone from collecting money for the SA Revenue Service (Sars) to helping small businesses stay on the right side of the taxman

What: Niche tax consultants

Where: East London

Funding: R70 000 start-up costs

Annual turnover: R1 million

While Simani enjoyed her 12-year stint at Sars, she was distressed by seeing so many small businesses failing. "I wanted to be part of the solution. Working as a tax assessor for the government, I couldn't be there in an advisory capacity for struggling small businesses. Seeing them going under got me thinking about what I could do to help them," she recalls.

She resigned from Sars in 2011 and, a month later, launched Kaizen Tax Consultants in East London, which offers small businesses and individuals with incomes exceeding R350 000 hands-on tax guidance.

"I used about R70 000 of my savings to set up my office, including buying laptops and furniture. I was strategic about my opening, as the tax season starts in July, so I was confident I'd have clients to service. I decided not to draw a salary for the first three months in order to gain some stability."

Just a month after opening her doors, Simani hired two young women to help her run the company. "It hasn't been easy," she says, "as for many black people, tax is a foreign concept. [There's also some gender prejudice among them], so – as a young-looking black woman – I've often had to convince clients that I'm experienced enough to deal with their complex tax issues."

Thanks to enthusiastic referrals from customers, her client base



has grown quickly. "Most of my business comes via word of mouth and we're very busy," she says. "But once the tax season ends in November, business tapers off, so I've had to become innovative in my offerings and marketing strategy."

Opening Kaizen Engineering, which offers business consulting to other companies, was a part of that strategy – and is paying off.

"We started on an ad hoc basis, approaching an automotive company and showing it how we could add value to its bottom line. We worked hard and increased its revenue by about 4,3% – and it was so happy with our work that we've since signed a contract with it for a permanent arrangement," she says.

In its third year of operations, Simani's company started breaking even and she aimed to increase revenue by a further 10%. Her plans paid off and by 2015, she was making over R1 million in turnover.

In 2014, she won an Eskom Business Investment Competition, which helped her launch a Gauteng branch. "I divide my time between East London and Johannesburg. It's been an exciting challenge," she says.

She's also been approached by the Eastern Cape Development Corporation to train other small business in sustainability – a cause she's passionate about.

"In addition, I've offered our services to government departments. I want to run workshops for them – free of charge – teaching small businesses the basics, from managing their books to the importance of being tax-compliant. This is a way for me to give back and it will provide lots of exposure for my company.

"By helping small businesses succeed, we stimulate the economy and everyone benefits."

“
I WAS STRATEGIC ABOUT
MY OPENING, AS THE TAX
SEASON STARTS IN JULY,
SO I WAS CONFIDENT
I'D HAVE CLIENTS TO
SERVICE. I DECIDED NOT
TO DRAW A SALARY
FOR THE FIRST THREE
MONTHS IN ORDER TO
GAIN SOME STABILITY.
”

Talking tax

Simani offers guidelines to help small businesses and individuals overcome simple tax problems

For the small business-owner:

PROBLEM: NO PROPER RECORD-KEEPING, LEADING TO TAX PAYABLE BY THE TAXPAYER

REMEDY: Eliminate the need for detailed record-keeping and apply for "turnover tax". The turnover tax rates are significantly lower than those under the standard tax system.

PROBLEM: VAT (LATE REGISTRATION)

REMEDY: If turnover is R1 million and above for any 12-month period, it's compulsory to register to avoid 200% penalties for non-compliance. If turnover is between R50 000 and R1 million, registration is voluntary.

PROBLEM: TAX CLEARANCE DECLINED

REMEDY: Submit your annual return on the online Companies & Intellectual Properties system (www.cipc.co.za)

Follow up on your company tax compliance every two months, ensuring that you submit all outstanding returns and pay outstanding taxes prior to the expiry of the clearance.

For individuals:

PROBLEM: TRAVEL EXPENSES DISALLOWED BY SARS

REMEDY: Submit an accurate logbook, as well as the purchase contract of the vehicle.

PROBLEM: RECURRING ADMINISTRATIVE PENALTIES FOR LATE SUBMISSION

REMEDY: Sars charges additional penalties of up to R60 000 per month for late submissions. Ensure you submit your tax return between 1 July and 30 November each year.

PROBLEM: REFUND PAYMENT DELAYED

REMEDY: Ensure your bank details are up to date before submitting a return.