

Why the new BBBEE codes are good for your business

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8 Apr 2015

Many entrepreneurs find the BBBEE Codes of Good Practice overwhelming and confusing, so they've been ignoring them until now. As the new codes come into effect, however, it's worth your while to get your head around how they will affect your business, and what the possible benefits are. **Changing thresholds**

Werksmans Attorneys notes that under the current codes, exempted micro-enterprises (EMEs) are deemed to have a Level 4 BBBEE status, while start-up enterprises (those that are in the first year of formation or incorporation) are measured as EMEs. Under the amended codes, the threshold for qualifying as an EME has increased from R5 million (or less) to R10 million of the total annual income. This is good thing for small businesses - many more may now qualify for Level 4 status than previously.

When it comes to their BEE status, qualifying small enterprises (QSEs) could previously choose to be measured on four of the seven areas of BBBEE. These areas have been reduced to five elements and QSEs will now be measured on all elements. Their statuses will also be automatically downgraded if they fail to meet the new minimum requirements. While that sounds tough, the good news is that the threshold for being classified as a QSE has increased from having an annual income of between R5 million and R35 million, to between R10 million and R50 million.

BEE statuses and verification

While QSEs that are not 51% or more black owned will find it harder to achieve higher BEE statuses than under the current codes, EMEs and QSEs that are 100% black owned will now be given automatic Level 1 BBBEE status, and EMEs and QSEs that are 51% black owned will be rated Level 2. Another positive change for both EMEs and QSEs is that they won't have to get a certificate from a BBBEE verification agent to confirm their status. All they will need to provide is an affidavit certifying their total annual income and level of black ownership. This will save time and costs.

Long-term benefits

The intentions behind the codes are brilliant (it's the execution and abuse that sometimes causes problems). If you take the long view, however, you'll understand that if the principles of BBBEE are rolled out successfully, it will be a good thing for business and for South Africa's growth.

The five areas of BBBEE are: ownership, management control, skills development, enterprise and supplier development, and socio-economic development. Many of these are areas you should be working on as a business owner anyway, BEE aside. For example, staff training is core to your business's success. Ensuring that you offer all staff skills development

opportunities is important, and if you're doing it, you can earn points for it. It may be as simple as formalising your process and policies and documenting all the training you do.

The new codes offer many opportunities for complying fairly easily with the BBBEE points requirements for management control, skills development, enterprise and supplier development, and socio-economic development. Once your business is operating sustainably and you've built its value, you can put more thought into ownership and finding a good BEE partner.

Catalyst for 'auditing' your business

The new codes can be seen as a chance for you to take stock of where your company is at - what's working and what needs to change - both in terms of BEE and in terms of total business health. For example, if you're at the point of looking for a BEE partner, you need to be confident your business is in good enough shape that it can attract the right calibre of partner. There are enough good BEE partners out there. If you can't find one, it may be because you have a junk proposal, or even junk business. Rushing into business with the first and only BEE partner you find is, of course, often going to end in tears. BBBEE is first and foremost a business transaction and needs to be managed accordingly.

Get cracking

Don't ignore BBBEE because you think it's complicated. Do your research and ensure you're informed, otherwise you risk hurting your business prospects. There are many reputable consultants out there who can help you if you get stuck, but start with the low-hanging fruit within your own business and put your focus on building value into your business. A prod towards things like socio-economic development and skills development is not a bad thing.

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