

Treasury paper shines light on small business

Treasury is finally taking new business growth in South Africa seriously. The economic policy paper released by Finance Minister Tito Mboweni recommended measures for promoting small businesses in the country could potentially be the most positive development for this sector in recent years.



Tertius Troost, tax manager, Mazars

The small and medium enterprise (SME) sector in South Africa has not seen much meaningful progress in South Africa since 2016. "It has long been recognised that SMEs have the potential to make a significant contribution to the country's economic growth, but there has so far been a conspicuous lack of actual incentives or plans to stimulate further development of this sector," says Tertius Troost, tax manager at Mazars.

He points to the fact that only 30% of registered small businesses have access to finance, and that red tape is discouraging new businesses from entering the market. "Added to this, SMEs that do business with the public sector are routinely subjected to late payments that have a crippling effect on their ventures. The minister's call to reduce red tape, adding interest to late payments on government contracts, and increasing opportunities to access development financing, is definitely a step in the right direction."

Troost notes that the proposal has already been rejected by certain labour unions. "However, if these labour unions cannot provide an alternative solution, their objections are pointless.

“Furthermore, unlike previous documents, this paper proposes certain adjustments and is open to public comment. Treasury is not declaring it has the perfect answer, and is open to public and labour union consultation,” he adds.

South Africa is in desperate need of economic growth, with forecasts showing a growth rate south of 1% for 2019. The proposed paper sets out clear mechanisms to grow the SME sector, therefore growing the tax base, and finally increasing tax revenue.

Troost believes that in addition to government incentives, boosting South Africa’s SME sector also depends on the provision of funding and expertise. “As a firm that does extensive work with some of South Africa’s most promising SMEs, Mazars is extremely happy to see Treasury finally putting forward very clear and well-informed plans to evolve this sector. Now we hope that Parliament will take these suggestions to heart.”

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