

Starting & Running A Business



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INTRODUCTION

South Africa faces many challenges as it continues to infiltrate the global market arena. Two such challenges include sustainable economic growth and the significant reduction of unemployment within the country.

Development of the small business sector is vital to this country and to vast numbers of its economically active population. This dynamic sector has emerged as the driving engine for gaining ground on economic growth and increasing employment opportunities.

Given the importance of the country's small business sector and the daunting task that faces individuals when starting small businesses, this useful booklet is centred on guiding prospective entrepreneurs through the fundamentals of launching and operating a small business enterprise in South Africa today. It is not designed to provide comprehensive answers to business-related questions, but rather offers an insight into the various aspects and assists in giving an overview of procedures.

QUESTIONS ON STARTING A BUSINESS

In order to make a success of a business, one must be driven by particular aims and objectives. It is therefore important to start an enterprise for the right reasons and with realistic goals in mind.

Before committing oneself to such an endeavor, it is useful to ask and answer a range of questions. Although this does not necessarily guarantee business success, it is only with this clarification that one can be sure about taking the first steps towards entrepreneurship and enterprise.

- ***Why do I want to start my own business?***

When answering this, be honest about establishing the true reason for wanting to see your self in an independently run business.

- ***What kind of business would I like to operate?***

This is entirely dependent on your having the knowledge and skills necessary and relevant for the operation. (Experience may have been gained by working with someone else in a particular industry.) Note that any planned accommodation establishment would need to be graded by the Tourism Grading Council, a process that would impact on the type of facility needing to be developed and the kind of services that would be offered to tourists.

- ***What are the general requirements needed to run a business?***

Intense self-analysis should be undertaken once you have ascertained that you have the required knowledge, training and certificates. It is important to have the interest, the correct attitude and the freedom to undertake a particular business.

- ***Is there a market for the products or services I wish to deliver?***

A brief market survey conducted in the relevant area will assist in determining market needs.

- ***Is location important?***

It is imperative that you have a clear idea of the desired location, as this plays an important role in determining business success. The process of purchasing or leasing land or property should be fully understood, with a reputable estate agent consulted.

- ***Is it possible to operate a business from home?***

If the business type is such that you need not operate from formal business premises, expenses can be saved. In order to work from home, the by-laws of the local council need to be determined.

- ***When should I take the first step to launching my business?***

Never rush into the launching of a business without meticulous prior planning.

- ***When could I expect to begin delivering products or services?***

Establish exactly when your business will be fully operational and plan to meet this critical deadline.

- ***Does every business require a partner, manager and employees?***

Staff requirements will vary. Potential employees who will complement you and your business should be interviewed and carefully selected.

- ***Do I need any knowledge of accounting and bookkeeping?***

You may wish to contract a bookkeeping/accounting firm to assist with the financial records of the business.

- ***How do I acquire supplies?***

You need to establish a firm relationship with prospective and reliable suppliers.

- ***What from will my legal structure take?***

Obtain advice from a firm of attorneys and an accountant about trading as a sole proprietor, close corporation, company or partnership.

- ***How do I combine my business operation with my personal life?***

Since starting a business requires personal sacrifices, family and friends need to be made aware of the implications.

- ***How much money do I need to start a business?***

Financial requirements are determined from the total costs for equipment, stock and working capital. Additionally, determine the level of self-funding you can afford and how much loan finance would be required.

- ***Whom should I approach for financial assistance?***

Financial institutions such as Ithala and certain commercial banks will provide professional advice.

OPERATING AND MANAGING A BUSINESS

Several factors have considerable impact on the success (or failure) of a business.

IMAGE, APPEARANCE AND QUALITY ASSURANCE

Projecting a professional image in all the aspects of running a business is vital for building up and maintaining a client base. Premises should be clean and attractive, product displays should be well organized and tidy, and high traffic flow areas should be used effectively.

All written communications to customers should contain the company logo and slogan, with clear contact details supplied. Courtesy calls and after sales follow-up always helps to make a good impression and improve relationships. For tourism businesses, in particular, it is important to maintain standards from a facility and service point of view, leaving all tourists with a favorable impression and pleasant experience.

CONTROL

Fraud and theft are common occurrences in business today – regular stocktaking is consequently an effective method of controlling such problems. Without keeping a check and control on a business, net profits may be adversely affected, eventually resulting in business failure.

MARKET TRENDS

A business should aim at moving with the times in order to capture and maintain its potential market share. A proactive approach that stays up to date with the latest technology developments will enhance the success of the business. On the other hand, neglect in this regard could result in the loss of turnover and, ultimately, failure.

Branding and marketing of tourism products and services need to be addressed through proper market research, undertaken to meet the demands of targeted markets.

OPPOSITION ACTIVITY

An astute business owner will remain constantly aware of the opposition's activities in order to remain in front and on top. Products, promotions, marketing strategy and attendance at exhibitions should all be noted.

MERCHANDISING

If stock and sales trends are monitored correctly, slow moving products may be discontinued while those that are selling fast may be promoted more extensively. This tactic of using popular sellers to replace less accepted products could be effective in preventing loss of profit and thus increase turnover.

PURCHASING

In order to survive in a competitive market, a business owner needs to shop around for the best prices from suppliers. This could not only retain profit margins but also even enhance them.

PROMOTION

The promotion of new lines, products and even stock that needs to be cleared should be carried out in conjunction with suppliers. This forms a vital part of any business procedure. New products could possibly be taken on consignment so that they may be returned if they do not prove to be good sellers.

CREDIT CONTROL

Financial sense dictates that buying for cash and selling to clients on credit should be avoided. However, the opposite approach could be greatly beneficial to the entrepreneur. Goods should accordingly be obtained over 90 days and sold for cash.

When selling on credit is unavoidable, strict control measures should be implemented to ensure that outstanding debt is paid timeously.

CUSTOMER SATISFACTION

While maintaining all such controls is essential to ensure success in business, none of it may be of any use if customers leave the place of business dissatisfied. Customer needs should be researched, noted and applied constantly. Friendliness, polite treatment and attention to detail can ensure that customers return regularly, since without such customers there can be no business.

BUSINESS TYPES

ENTREPRENEURSHIP: *The pursuit of opportunity without regard to resources currently controlled.*

Entrepreneurship is synonymous with the application of innovation and the bearing of risk. Entering any business inevitably carries a degree of risk. This may be offset through an understanding of the problems and constraints associated with entrepreneurship. Entrepreneurial behavior accordingly encompasses the following:

- Taking the initiative
- Organizing and reorganizing social and economic mechanisms to turn resources and situations to practical account
- Acceptance of possible failure

Business types fall into three general categories. In identifying which business type to pursue, it is necessary to evaluate your knowledge, skills and interests within a particular business environment.

MANUFACTURING BUSINESS

A manufacturing business involves the processing of raw materials and the production of finished goods or other forms of raw material. An advantage of such business is that occasionally certain government incentives are made available, provided the necessary requirements are met.

When establishing a new manufacturing business an entrepreneur must face and overcome a range of constraints. Access to capital is one such constraint. Other issues include the availability of an appropriate site, suitable premises, the supply of adequate raw materials, appropriate infrastructure, distance from supplies and markets, and the necessary production expertise.

TRADING BUSINESS

A trading business involves the buying and selling of goods already manufactured to the benefit of end-user customers. Very few special government incentives are made available to entrepreneurs active in this sector.

The advantage of operating a trading business lies in the fact that detailed technical knowledge is unnecessary, although an above-average general knowledge of products is vital. Establishing a trading business is generally considered as less complex than the launching of a manufacturing concern.

SERVICE BUSINESS

A service business is any business concerned with the supply of a service to customers and includes the provision of advice based on some specialist knowledge. This is normally the simplest and most inexpensive business to launch, comprising such activities as business consulting, bookkeeping and accounting, plumbing, carpentry and the like.

Tourism businesses that supply a service involve high risk and are highly sensitive, being dependent on people's perception, experiences and likes or dislikes.

BUSINESS ENTITIES

These are essentially four business entities in South Africa, each with its own characteristics.

SOLE PROPRIETORSHIP

A sole proprietorship is a business owned and operated by a single person. This is the easiest, least costly and least regulated type of business to access. The proprietor has sole responsibility and control but is personally liable for all claims, taxes and debts against the business, as well as for injuries caused by or to employees during their employment. This business entity may expose the individual to litigation and is normally selected only by smaller business types.

PARTNERSHIP

A partnership is an incorporated business owned and operated by two or more people. This number is limited to 20 persons (natural or juristic). Exceptions comprise those partnerships of certain recognized professionals such as accountants and attorneys, where up to 50 people may be incorporated.

A partnership may be formed by way of a verbal agreement between the parties concerned. As is the case in a sole proprietorship, partners are responsible for any debts involving the partnership. It is important to be aware that each or any partner may be held personally liable, as is the case of a proprietorship, as well as being taxed in a personal capacity. No other statutory provisions govern partnerships. There are no separate legal entities, with no registration formalities existing in relation to partnerships. Individuals may also conduct business as sole proprietors.

CLOSE CORPORATION

A close corporation may be formed by at least one but not more than 10 members. The only persons qualified to become members of such a corporation are the following: natural persons, a trustee of a testamentary trust who is not a juristic person, trustee, administrator and executor or curator for a member who is insolvent, deceased, mentally disordered or otherwise incapable of managing his or her affairs. The close corporation is governed by the Close Corporation Act of 1984, which provides for a simpler, inexpensive business entity for the single entrepreneur or a few participants.

The close corporation has a legal identity distinct from its members. Each member stands in a relationship of faith/trust to the corporation and may become liable to the corporation for losses suffered as a result of a breach of faith. However, unless the members have signed deeds of surety, they cannot be sued in their personal capacities for the cc's debts and would thus not be liable for such debts. When borrowing money, however, most financial institutions would require the members to sign surety for the debt. The members may enter into a membership agreement to govern relationships between them.

A close corporation offers several advantages:

- Easy formation
- Limited liability for members
- Separate taxation from that of member
- Retaining of a separate legal entity from members

The disadvantages of a close corporation should also be noted:

- Membership limit of not more than 10
- Requirement of sureties by financial institutions from each member before the granting of a loan

COMPANIES

All companies are required to register with the Registrar of Companies and to comply with the provisions of the Companies Act. A company is treated as a separate and distinct unit from its shareholders.

A company may enter into contracts and may sue or be sued in its own name. A company is treated legally as an artificial person with own rights and duties. While this business is usually the most costly to form, audited financial statements are also required.

Again, advantages may be listed for establishing a company:

- Limited liability for shareholders
- Continuity in that there is transferability of shares and thereby ownership
- Sound credibility, with easy raising of capital
- Flexibility in that business functions may be separated into different companies

The disadvantages of running a company entail the following:

- Expense in launching and maintaining
- Cumbersome legal formalities
- Numerous controls and regulations
- Possible liability of shareholders

A PRIVATE COMPANY, by its articles, restricts the right to transfer its shares and prohibits any offer for the subscription of any shares or debentures to the public. Such a company also limits the number of its shareholders (other than its employees) to 50. Private companies are recognized by the terminology (Proprietary) Limited Or (Pty) Ltd.

A PUBLIC COMPANY is not subject to the same restrictions as those of a private company and may offer shares to the public. It must have at least seven shareholders (unless wholly owned) and at least two directors. The name of a public company ends with the word 'Limited'.

A BUSINESS TRUST, generally speaking, is not a legal personality but is rather represented by the trustee who embodies it and holds title. Such a trustee deals with the property in which trust rights exist. The trustee is responsible for contracts with regard to the rights and property affected by trusts and is liable for them. Acting not as an agent or representative of another, the trustee acts for himself/herself, but with fiduciary obligations to others. A business trust differs from a corporation or partnership in that the former is a legal person, while the latter is an association of individuals united for transaction of business.

A COOPERATIVE is a form of business that is voluntarily owned and controlled by its users and is operated by them on a cost basis. Examples of cooperative businesses are found in the sectors of farm supply, financial purchasing, health, day care and housing.

BUSINESS PLAN

A business plan is a document that provides a detailed programme outlining all the aspects that will impact on a business, including the environment in which it operates. To a certain degree, a business plan may serve as a selling or promotional tool, since it may certainly be used to present an idea to potential investors or banking authorities. The description contained within such a plan accordingly needs to be as attractive as possible.

Devote sufficient time to conduct adequate research and to compile the business plan. Proper preparation and formulation can ensure the following:

- Ideas and thoughts are presented in logical order
- Possible pitfalls may be addressed in the early planning stages
- Performance may be measured against set targets
- Financial assistance may be more forthcoming
- Effective decision-making may be facilitated

(Note that not all the steps clarified below may be applicable to every proposed business)

Step 1 – COVER AND CONTENTS PAGES

The cover page should be well presented, business-like, neat and professional. It should indicate the following information:

- Name of business
- Type of business

- Name(s) of owner(s)
- Address and telephone number(s) of owner(s)

The contents page should contain headings that are clearly detailed and numbered/bulleted.

Step 2 – **INTRODUCTION AND BACKGROUND INFORMATION**

The introduction should be brief, concise and interesting, addressing the following requirements:

- Brief description of what you intend to produce, sell or offer
- Where the business is situated
- Intended launch date
- Substantiation of the viability of the business
- Short, medium and long-term business goals

Step 3 – **LAND/PROPERTY NEEDS**

With all factors ascertained, the acquisition of a site should be indicated. When dealing with communal land, the handling of the numerous challenges and complexities need to be stipulated.

Step 4 – **PURCHASING ARRANGEMENTS**

With suppliers determined and relationships developed, the following points need to be addressed:

- Explanation of material/products that need to be purchased
- Listing of suppliers from whom such purchase will be made, with highlighting of lead times between placing of order and delivery thereof
- Listing of credit terms suppliers are prepared to offer, if any
- Highlighting of reliability of individual suppliers as regards ability to deliver

Step 5 – **PRODUCTION/SUPPLY PROGRAMME**

It is necessary to document exactly how you propose to manufacture or supply a product. While detailing the facilities available and the resources required, the following points need to be addressed:

- Brief step-by-step explanation of production/supply process
- Graphic floor layout of factory/shop/office/tourism facility
- Workflow diagram of processes involved in programme
- Listing of all required equipment, clearly detailing production output of such machinery/equipment
- Explanation of costing and pricing of products/services to be manufactured/sold

Step 6 – **MARKETING STRATEGY**

Prior to deciding whether to invest or not, potential investors usually examine this section of a business plan very closely. Since sales figures are the most difficult to forecast accurately, these are the most important to justify. Several issues need to be considered to enable an owner of a business to quantify the market in terms of annual sales figures for the first year.

It may be necessary to consult the local council or Central Statistical Services for certain information, demographics and figures. When determining the target market, establish who the customers are and where, when and why they buy. When considering competitors, determine where they are, how long they have been in business, how much of the market they enjoy, and what their strengths and weaknesses are.

Accordingly, ensure that the following points are covered:

- Explanation and substantiation of specific target market and customer base, broken down into geographical areas, income groups, and age and sex groupings, while additionally stating what market share you expect to capture and why
- Explanation of any differences between your products/services and those of competitors
- Clarification of method of packaging, selling and promoting products, detailing the distribution networks

Step 7 – **FINANCIAL MANAGEMENT**

One of the most important aspects in starting a business is the preparation of financial forecast. A sound management structure would comprise the following:

- Detailed income statement for a projected period of 12 months
- Monthly cash flow projection for the business
- Breakdown of financial requirements into categories such as building, equipment and working capital
- Reflection of amount of owner's contribution/funds available for investment in the business
- Levels of security or collateral available, with an estimate of market values (eg. fixed deposits, fixed property, life policies with surrender values, endowment policies)
- In the case of an existing business, complete set of financial statements reflecting a minimum of the past two years

Step 8 – **PERSONNEL POLICY**

Staff members must have the necessary skills and experience if the business is to be successful. In adequately assessing personnel, the following points should be covered and indicated:

- Number of staff to be employed
- Job designations and functions within the business
- Educational qualifications, previous work experience, and training courses attended by the owner
- Personnel remuneration packages, incorporating provisions for leave pay, annual bonus and the like
- Plans for expanding staff complement in the short term, plus corresponding salary increased
- Remuneration requirements of owner(s), with consideration of personal commitments

Step 9 – **CONCLUSION**

While the introduction should be interesting, the conclusion of a business plan should be positive and inspiring. The following points should be emphasized:

- Summary of reasons substantiating the success of this business plan
- Motivation for approval of finance

SOURCES OF INFORMATION

For the purposes of researching much of what is required for a business plan, the following serve as valuable resources:

- Ithala Development Finance Corporation Ltd
- Central Statistical Services
- Council for Scientific and Industrial Research (CSIR)
- National Productivity Institute (NPI)
- Department of Trade and Industry
- Chamber of Commerce
- KwaZulu-Natal Department of Economic Development and Tourism – Business (SMME) Development
- KwaZulu-Natal Manufacturing Advisory Centre (KZNMMac)
- Local councils
- Local business service centers
- Universities
- Libraries
- Magazines
- Competitors
- Personal experiences

BUSINESS FINANCE

Establish the financial requirements before launching a business. Adequate start-up capital is critical to any fledgling enterprise and it is essential to plan how much cash is required – failure to cater for this is a major cause of the failure of so many small businesses.

Initially, a financier is likely to ask the following questions:

- For what purpose is the money needed?
- What is the amount needed for this purpose?
- How and when will the loan be repaid?

With such questions as the focus, the owner of a business should also know whether the loan would cover unexpected developments. Other factors to consider include whether the cost of such borrowing can be afforded, and what the outlook is for business in general and your business in particular.

By carefully planning the financial projections, an owner will successfully negotiate a possible future situation involving shortage of funds. Money should be borrowed only when no over-extension is implied.

LEGAL ASPECTS

Starting a business means that the owner needs to ensure that the business does not transgress the law. Both owner and business should be registered with the following institutions:

- Inland Revenue (South African Revenue Services), with regard to provisional tax
- Inland Revenue (South African Revenue Services), with registration as a VAT vendor (if the business is to exceed R150 000 per annum)
- Workmen's Compensation Commission, if staff members are to be employed
- Department of Labour, for Unemployment Insurance Fund, if staff are employed
- Relevant district/local municipalities, Revenue-Levy Collections, Corporate Financial Services, regarding regional services and establishment levies
- Sampro, if music is provided within the business premises
- Any other councils or organizations within the particular industry

Legislation such as the Basic Conditions of Employment Act and the Employment Equity Act should be studied. As far as is practicable, professional legal opinion should be sought on all legal matters.

SOUTH AFRICAN REGULATORY ENVIRONMENT

The following important regulations have relevance for anyone wishing to start a business in this country.

COMPANIES

- Name approval and registration from Company and Intellectual Property Registration Office (CIPRO), at Department of Trade and Industry (DTI). (Required before opening of bank accounts, tax levy and import license registration)
- Companies Act of 1973 and Close Corporations Act of 1984
- **PRIVATE COMPANY:** Must include 'Proprietary' or 'Pty' at end of name, immediately before 'Limited' or 'Ltd'
- Registered office in SA
- Maintain statutory and accounting records; audited by registered accountant, with such annual audited financial statements produced
- **CC COMPANY:** Only an accounting officer required to prepare financial books

OPERATIONAL REGULATIONS

- Factories, Machinery and Building Work Act of 1941
- Harmful Business Practices Act 71 of 1988
- Foodstuffs, Cosmetics and Disinfectants Act of 1972
- Patents Act of 1978
- Trademarks Act of 1963
- Copyrights Act 56 of 1980
- Certain industry permits and licenses, from Department of Trade and Industry
- Code of Corporate Practices and Conduct – King Report

LABOUR REGULATIONS

- Labour Relations Act of 1995
- Occupational Health and Safety Act
- Compensation for Occupational Injuries and Diseases Act, with worker's compensation contributions to Department of Labour
- Unemployment Insurance Act, with UIF contributions to Department of Labour
- Basic Conditions of Employment Act of 1997
- Skills Development Act and Skills Development Levies Act, with contributions and reports from sectoral education and training authorities (SETAs)
- Employment Equity Act

MONETARY REGULATIONS

- Registration with South African Revenue Services – Receiver of Revenue from VAT and company and employee tax
- VAT Act of 1991
- Importing and exporting details from Customs Department of Trade and Industry
- Regional services levies
- Rates and tax payments
- Services payments such as electricity, water, etc

POLLUTIONS REGULATIONS

- Hazardous Substances Act of 1973
- Water Act of 1956
- Atmospheric Pollution Prevention Act 45 of 1965
- Prevention and Combating of Pollution of the Sea by Oil Act of 1971

PURCHASING AN EXISTING BUSINESS

The quickest and most direct way to enter the business environment is through the purchase of an established business. Thorough investigation is required, however, in order to avoid taking on the problems of such an establishment, and it is crucially important to consult attorneys. The extent of such an investigation will depend largely on the size and nature of the business, with the following issues closely examined before any sales agreement is finalized.

REASON FOR SELLING

Very few people sell their businesses if the enterprise is faring well. In the case of entrepreneurs with successful businesses, however, a sale may be forced because of age, ill health and other personal circumstance. Extra care should be taken should the investigation reveal that a business is being sold because of poor performance or location, a declining customer base, or similar problems.

SETTING A PURCHASE PRICE

Determine exactly what you are buying for the price you are paying. The many different assets that could be involved comprise equipment, machinery, stock, land and building.

Numerous factors should be considered before assessing whether the selling price is fair. One point of departure lies in closely examining audited statements covering a minimum of three years. Bank statements should also be considered, with these figures compared against tax return reports. Any discrepancies should be further pursued. A further step could involve interviewing some of the seller's employees, a process that could give a sound indication of the business situation.

Various formula may be used to calculate the fair value of a business and to verify a realistic figure. Most selling prices include aspects such as goodwill, pertaining to the difference between the book value of the assets and the selling price of the business. Consulting with an accountant, business broker or financier is recommended.

CHECKLIST

- Thoroughly check the stock items for age and/or damage.
- Confirm the asset register to ensure that all assets are properly accounted for, with possible use of a knowledgeable professional such as a business evaluator.
- Investigate existing creditors and debtors of the business.
- Establish whether there are any obligations such as guarantees, warranties, unfulfilled contracts, pending damage claims or lawsuits that would affect the business.
- Examine any lease agreements, including the expiry date and rental escalation clause.
- Check with local authorities regarding licensing requirements, permits and zoning, as well as the implementation of any new environmental standards that will affect the future of the business.
- Verify any existing agreements with employees or customers.

FRANCHISE OPTIONS

Franchising is a specific method of conducting business whereby the owner (or franchisor) of a proven business system grants the right by contract to an entrepreneur (or franchisee) to establish a similar business run according to strict quality standards and trademarks. The franchisee receives start-up training assistance, detailed work manuals, advice on equipment and raw material selection, and marketing support, with regular visits paid by the franchisor.

FORMS OF FRANCHISE

- **MANUFACTURER/RETAILER:** The manufacturer takes responsibility for production, marketing and national advertising, while the dealer accepts responsibility for sales levels in a particular area. (A prim example of such a franchise is the giant motor vehicle concern, Ford)
- **MANUFACTURER/WHOLESALE:** The manufacturer grants a franchise to a wholesaler who in turn sells to a retailer. (Coca-Cola serves as an example of a company that franchises syrup to wholesalers – these in turn bottle the product and sell it to retailers.)

- **VOLUNTARY CHAIN OR COOPERATIVES:** Retailers set up franchise cooperatives for the benefit of bulk buying and national advertising. (Good examples of this approach include Spar, as well as Link and Plus chemists.)
- **SERVICE/TRADE MARK:** This type of franchising is the most familiar to most people. It is also known as business format franchising, since the franchisor provides the entire business format, including product, store layout, clear manuals and standards, quality control and ongoing managerial support. (examples include Kentucky Fried Chicken, Steers, Supa Quick, Wimpy and the like)

FRANCHISEE APPLICATION REQUIREMENTS

Before a financial institution would consider financing a franchise, the prospective franchisee must have been screened and accepted by the franchisor. This transaction normally involves the franchisee having to pay an upfront franchise fee to the franchisor. Without this having been handled, most franchise companies will not consider approaching a financier about proposals, projections and costs.

A suitable trading site must be identified and accepted by the franchisor. (This procedure is conducted in terms of the geographical trading rights of other franchisees.)

A normal business viability study must also be completed, taking into account the business acumen of the franchisee, with the crux lying the potential turnover. Gross profit and expenditure details are normally available from the franchisor according to industry norms (which greatly assist the financier in completing projections). Success or failure depends ultimately on achieving the necessary minimum turnovers.

An owner contribution of not less than 20 percent would normally required from a franchise applicant.

GUIDE TO EXPORTING

Once registered with the SA Revenue Services, your company will receive a customs code number. You may also register with the Department of Trade and Industry in order to be able to utilize the incentives offered. When you are sure that your company can cope with local market demands and is ready to handle export, contact the local Chamber of Commerce for assistance or the DTI to advertise products in their trade magazines.

PROCEDURES

- **Role of CLEARING AGENT:** Determining correct tariff heading of goods being exported; Calculating import duties payable by importer in foreign country; Collecting payment from shipper for duties and taxes; completing customs Bill of Entry form; arranging customs clearance

- Role of FREIGHT FORWARDER: arranges transport services and documents for shipper, advising on most economical means of transport; acts as multimodal operator (equivalent of principal transporter), holding direct contractual responsibility for carriage of goods from door to door; acts as provider of specialist services in packing, container stuffing/destuffing, customs clearance and raising of insurance claims; arranges for export, customs clearance on behalf of shipper

FORMS REQUIRED

- BOP (balance of payment) forms
- Declaration of Exports (Form 178) or NEP form – must accompany all exported goods exceeding R50 000,00 in value (with exception of exports to countries falling within Common Monetary Area – Lesotho, Swaziland and Namibia)
- Proforma – invoice issued to purchaser before goods are shipped, enabling proof that transaction is in progress so as to secure foreign exchange and obtain necessary permits
- Form CCA1 – must accompany all cargo destined for BLNS countries, signed at border post to confirm that goods, in fact, have left country
- Certificates of Origin – required when requested by importing customs authority of importer in order to establish whether product has preferential duties or is subject to import quota. Standard certificate is issued and certified by recognized Chamber of Commerce; special certificate of origin – GSP (Generalized System of Preference) Form A (attested by Chamber of Commerce for Canada, Hungary, Japan, USA, Czech Republic)
- Form A – for products entering US African Growth and Opportunity Act (Agoa) attested by Chamber of Commerce; commercial invoice for clothing and textiles is stamped with visa stamp by SA Revenue Services: Customs

USEFUL CONTACTS

NEWCASTLE CHAMBER OF COMMERCE & INDUSTRY

PO Box 304, Newcastle, 2940

Tel: (034) 318-3031, Fax: 086-653-0837

Web site: www.newcastle-chamber.org

Email: manager@newcastle-chamber.org

KWAZULU-NATAL DEPARTMENT OF ECONOMIC DEVELOPMENT AND TOURISM

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