



More about



Running a business

Introduction

Running a business means handling many important tasks to keep things running smoothly. You need to manage employee salaries, keep track of money coming in and going out, set fair prices, and understand your costs. It's also important to plan for taxes and keep an eye on your profits. By staying organised and making smart decisions, you can help your business grow and succeed.

The information shared here may be more relevant to larger, more established businesses, but if you run a smaller informal business, expanding your knowledge of business operations is still incredibly valuable. Be sure to look out for the small business tips included throughout, as they may be especially useful for your current stage of growth.





1. How to manage cash flow

Managing cash flow is very important for your business's success. Good cash flow means you can pay all your bills, pay your employees, and invest in future growth.

1.1 What is cash flow?

Cash flow is the money coming in and going out of your business:

- Positive cash flow: More money is coming in than going out
- Negative cash flow: More money is going out than coming in – which can be a problem

Even businesses that make a profit can have cash flow issues if they don't manage their money well.

1.2 Tips to manage cash flow

- Forecast cash flow: Plan how much money you expect to come in and go out each month.
- Invoice quickly: Send out invoices as soon as you finish a job.
- Send payment reminders: Send out weekly reminders on overdue accounts, either via email, telephone call or in person.
- Keep track of expenses: Know when your bills need to be paid.
- Build savings: Try to save some money for emergencies.
- Get insurance: Shift risk to a third party by taking out insurance for your business.
- Review finances regularly: Check your income and expenses often to see if you are on track.

By comparing your forecasts with actual income and expenses, you can understand customer payment patterns and adjust your future plans accordingly.



Small business tips:

Separate personal and business finances:

Many informal businesses operate in cash, making it essential to clearly distinguish between personal and business money. Without this separation, you may unintentionally spend business earnings on personal needs, leading to cash shortages.

- Use a separate wallet or cash box: Keep business cash physically separate from personal cash. Use a dedicated cash box, wallet, or money pouch for all business transactions.
- Deposit business cash regularly: If possible, deposit daily or weekly earnings into a separate bank account that you use for your business. This prevents the temptation to use business money for personal expenses.

Keep your cash safe:

Handling cash comes with security risks, especially for informal businesses operating in high-traffic areas or unsecured locations. Protecting your cash is essential to avoid losses due to theft or mismanagement.

- Avoid keeping large amounts of cash on-site or on you: Only keep enough cash in your till or cash box to run the business for the day. Store the rest in a safe place or deposit it into a bank account as soon as possible.
- Use a safe or lockable storage: If banking daily isn't an option, invest in a small cash safe that is securely locked and hidden.
- Be cautious when handling large amounts of cash: If you need to carry cash to buy stock or make deposits at the bank, do so discreetly and during safe hours. Avoid traveling alone with large sums and consider using mobile banking options where possible.



More about



Running a business

Refer to the Business Finance Theme, sub-topic Finances and Business, for more about taking care of cash and keeping personal and business finances separate.

1.3 How to manage costs

A business cannot survive if it sells products or services for less than it costs to provide them. You need to make sure your prices cover costs and allow for profit.

1.3.1. Types of costs

- Fixed costs: These are costs that stay the same every month, like rent and salaries.
- Variable costs: These costs change based on how much business you do, like fuel for vehicles, telephone bills, water and electricity.

By understanding these costs, you can figure out how much money you need to earn each month just to break even (not making a profit but also not losing money).

Once you know your break-even point, calculate it for each product or service.



NOTE: Refer to the Business Finance Theme, sub-topic Finances and Business, for more about break-even points.

2. How to calculate salaries

Employees are very important for a business. They can help the business succeed or cause it to fail. As a business owner, you need to pay fair salaries, but you also need to make sure you can afford them. Paying high salaries that your business cannot support is not a good idea.

2.1 Steps to calculate salaries

- Identify jobs: List all the jobs in your business.
- Define roles: Write down what each job does and what responsibilities it has.
- Compare market salaries: Look at what other companies pay for similar jobs to see if your salaries are fair.
- Look at your budget: Make sure you have enough money in your budget to pay the salaries (consider a reserve for 3-6 months).
- Consider benefits: Think about extra benefits like medical aid or pension plans that you might offer.
- Calculate deductions: Remember to take out taxes, like Pay As You Earn (PAYE) and contributions to the Unemployment Insurance Fund (UIF), if applicable.
- Review salaries: Check and update salaries at least once a year.

3. How to calculate costs for products or services

- Determine raw materials: Find out what materials you need for each product or service.
- Estimate time spent: Figure out how long it takes to provide the product or service.
- Add overheads: Include other costs like fuel or utilities.

3.1 Pricing models

Finding the right price for your products or services is important. Here are some pricing models you can use:



More about



Running a business

- Cost-plus pricing: Add a mark-up to the total cost of each service. For example, say you run an appliance repair business. If a repair costs R500, charge R750 so all expenses are covered and you make a profit.
- Value-based pricing: Charge based on the value you provide. If your service saves customers a lot of money, price it according to that value.
- Competitive pricing: Look at what competitors charge for similar products or services and set your prices accordingly while covering your costs.
- One-third model: Multiply the cost of the product by three – one-third for the cost, one-third for overheads, and one-third for profit.

When setting prices, be flexible enough to offer discounts, promotions or different payment terms/options (like 30, 60 or 120 days credit options) to attract new customers, while still making a profit.

3.2 Regularly review your pricing strategy

Once prices are set, be sure to review them regularly. If costs change or new competitors enter the market, adjust your prices as needed. Listen to customer feedback to ensure they feel prices are fair and match the quality of what you provide. If production costs increase, then it would make sense to increase the product price.

3.3 How to determine profit margin

The profit margin is important for a business to succeed in the long run. It shows how much money you make after covering your costs.

3.4 Types of costs

Every product or service has two types of costs:

- Direct costs: For example, these are the costs for parts, materials, and labour needed for each repair.
- Overhead costs: These include rent, tools, marketing, and transport.

3.5 How to calculate profit margin

To find out your profit margin, use this formula:

 Profit margin = (Selling price - Cost price) / Selling price x 100

Example:

If you charge R1,000 for a repair that costs R700, your profit margin would be:

Selling price: R1,000

Cost price: R700

Profit margin = (R1,000 - R700) / R1,000 x 100 = 30%

By knowing both your costs and desired profit margin, you can set prices that keep your business profitable while staying competitive.



More about



Running a business

4. Managing cash flow

Good cash flow management is essential for your business to run smoothly. You need to keep track of the money coming in and going out to avoid problems.

4.1 Cash receipts journal and cash payments journal

4.1.1. Cash receipts journal

The cash receipts journal is used to document all cash inflows into the business as they happen. It provides a useful way to track all business income. This includes cash sales, collections from debtors, and any other receipts. By systematically recording these transactions, businesses can monitor their cash position and ensure that all incoming funds are accounted for.

Preparing the cash receipts journal

- **Date:** Record the exact date of each cash receipt.
- **Details:** Note the source of the cash, such as the customer's name or the nature of the transaction.
- **Receipt number:** Assign a unique identifier to each transaction for tracking purposes.
- **Amount:** Specify the exact amount received.
- **Account credited:** Indicate the ledger account that will be credited, such as 'Sales' or 'Accounts Receivable'.

Example:

Date	Details	Receipt number	Amount (R)	Account credited
2025-03-01	Sale to Mr X	001	R100	Sales
2025-03-02	Collection from debtor	002	R300	Accounts receivable

4.1.2. Cash payments journal

The cash payments journal is used to record all cash outflows out of the business as they happen. It provides a useful way to track all business expenses. This includes payments to suppliers, operating expenses, and any other cash expenditures.

Preparing the cash payments journal

- **Date:** Record the exact date of each cash payment.
- **Details:** Note the payee's name or the purpose of the payment.
- **Payment number:** If applicable, record the payment reference number.
- **Amount:** Specify the exact amount paid.
- **Account debited:** Indicate the ledger account that will be debited, such as 'Purchases' or 'Expenses'.

Example:

Date	Details	Payment reference number	Amount (R)	Account debited
2025-03-01	Payment to supplier A	101	R1,000	Purchases
2025-03-02	Spaza shop rent	102	R1,500	Rent expense



More about



Running a business

4.2 Cash flow statement

This is a financial statement that summarises cash inflows and outflows over a specific period. It is usually prepared after recording transactions in the cash receipts and cash payments journals.

Prepare a cash flow statement to outline expected cash inflows and outflows over a specific time, usually monthly.

- Cash inflows: This is money coming in from customer payments, say for appliance repairs you've done, or other income. For example, if you expect R15,000 in payments for the month, list that as inflow.
- Cash outflows: This includes all expenses like rent, salaries, tools, and transport costs. If your expenses are estimated at R12,000, note that as outflow.

4.3 Cash flow formula

Use this formula to find your net cash flow:

$$\text{Net cash flow} = \text{Total cash inflows} - \text{Total cash outflows}$$

Example:

Total inflows: R15,000

Total outflows: R12,000

Net cash flow = R15,000 - R12,000 = R3,000

This positive net cash flow means you have R3,000 left over as profit generated from your sales.

4.4 Cash flow forecasting

Cash flow forecasting means predicting future cash flow based on past trends and expected growth. Look at your previous months' performance to adjust your forecasts. For example, if you notice more repairs during festive seasons, include that in your estimates to prepare for possible cash surpluses or shortages.

It's good to forecast but you also need to monitor actual cash flow weekly against your forecast. This helps you spot problems quickly if expenses go up. For instance, if a supplier raises prices, you can look for alternatives or change your pricing strategy to stay profitable.



Small business tips:

- Keep a transaction log: Write down every sale and expense in a small notebook or on your phone. This helps track cash flow accurately, preventing unnecessary spending.



More about



Running a business

5. Managing debt responsibly

Borrowing money can help your business grow but be careful of where you choose to borrow from. It's important to manage debt wisely to keep your business financially healthy. In the case of a formal loan, you need to compare interest rates charged on the money you borrow from various lending institutions to find the one you will be able to pay back comfortably.

Make sure you understand your rights and responsibilities when taking a business loan from a formal institution.



NOTE: Refer to the Financially Smart theme, topic Navigating and Managing Debt, sub-topic Informal Lenders, for more about borrowing from informal lenders.

5.1 Types of debt

- Short-term debt: This includes loans for buying tools or covering everyday expenses. These debts need to be paid back quickly, often within a year.
- Long-term debt: This includes loans for bigger investments like buying a new vehicle. Long-term debts usually have lower interest rates and longer repayment periods.

5.2 Creating a debt management plan

Make a debt management plan and include it in your budget. List all your business debts with:

- Amount owed
- Interest rate
- Payment schedule

Having this information helps you see how much you need to pay each month and prioritise repayments. For example, focus on paying off high-interest debts first to save money over time.

5.3 Avoiding debt traps

While borrowing can help your business grow, falling into debt traps can put everything at risk. A debt trap happens when you borrow more than you can repay, leading to a cycle of borrowing that is hard to escape. Signs of a debt trap:

- High-interest loans
- Missed payments
- Relying on credit for daily expenses

5.3.1. Tips to avoid debt traps

- Compare lending options: Look at repayment conditions and interest rates.
- Create a realistic budget: Make sure your budget covers all expenses.
- Plan for emergencies: Set aside money for unexpected costs like machinery repairs or licenses.
- Research before borrowing: Ensure the debt will benefit your business.
- Say no to impulse purchases: Avoid spending money on things you don't need right away.



Small business tips:

- Exercise caution with informal lending - avoid high-interest informal loans that can lead to unmanageable debt. Instead, explore community savings groups or stokvels as alternative funding sources.



More about



Running a business

5.3.2. What to do when you are struggling to make repayments

- When you're struggling to make repayments, it's crucial to communicate proactively with your creditors.
- Reach out to discuss your financial challenges and explore alternative payment arrangements, such as reducing instalments temporarily and increasing payments as your profits improve.
- Open and honest conversations can prevent defaulting, protect your business, and maintain strong relationships with stakeholders who may be willing to support you during difficult times.
- Transparent communication is key to preserving trust and ensuring your business's long-term survival.

6. Business tax

6.1 How to register for VAT

A business needs to register for VAT if its taxable turnover is more than R1 million in a year. However, a business can also register for VAT if its income is below this amount. This can help the business financially because as a VAT-registered entity, your business can claim back the VAT paid on purchases and operating expenses, effectively reducing overall costs.

Before registering, gather these documents:

- Business registration documents
- A valid South African ID
- Bank account details for the business
- Proof of address, like a utility bill

Next, complete the VAT 101 form for registration. Make sure the following information is correct:

- The type of services you provide
- An estimate of your turnover
- Your contact information

You can submit the application online using the SARS eFiling system or by visiting a SARS branch.

Once SARS processes your application, you will receive a VAT registration number. This number is important for issuing tax invoices and filing VAT returns.



For more information on how to register for VAT, visit the SARS website. Contact details provided in the FSCA MMLS contact list.

6.2 Responsibilities after registering for VAT

If your business is registered for VAT, you need to:

- Charge 15% VAT (current value as at March 2025) on all products and services you sell.
- Keep detailed records of VAT received and paid.
- File a VAT return every two months with SARS.
- Pay VAT on time.



NOTE: You pay VAT when you issue an invoice, not when the customer pays. If you pay late, interest will be charged.

The VAT rate increases to 15.5% from 1 May 2025 and to 16% from 1 April 2026. Always refer to the latest VAT rate, which you can find on the SARS website.



TIP: Keep a separate account for VAT received because this money belongs to SARS, not your business.

6.3 Paying business tax

Businesses pay income tax on their profits. SARS requires businesses to register for tax and submit annual tax returns. You need to keep accurate records of your income and expenses throughout the year.

The tax rate for small businesses depends on how much profit you make. For the 2025 tax year, the rates are:

- Up to R95,750: 0% tax rate
- R95,751 to R365,000: 7% on the amount above R95,750
- R365,001 to R550,000: R18,848 plus 21% on the amount above R365,000
- R550,001 and above: R57,698 + 27% of the amount above R550,000

7. Filing tax returns

When tax season arrives, use the ITR14 form for companies to file your annual tax return. Fill out all financial details accurately and submit it via the SARS eFiling system.

After submitting your tax return, calculate how much tax you owe based on your profits.



NOTE: To avoid penalties or interest, make sure your tax is paid by the deadline.



TIP: Set aside a portion of your profits each month for tax payments, so you're not caught off guard.

7.1 Strategies to be tax efficient

Being tax-efficient can help your business save money. Here are some strategies:

- Claim business expenses: Keep track of all the costs related to running your business and claim them when filing your taxes.
- Vehicle expenses: If you use a vehicle for business, claim costs like fuel and maintenance.
- Equipment purchases: Any tools or equipment bought for the business can be claimed as tax-deductible.
- Home office deductions: If you run your business from home, you can claim part of your home expenses like utilities and internet based on how much space you use for work.

7.2 Tax incentives

SARS offers some tax incentives:

- Small business tax rate: Businesses with a turnover below R20 million qualify for lower tax rates.
- Research and development (R&D) tax incentives: If you innovate in your repair techniques, you might qualify for additional deductions.



TIP: Consult an authorised tax professional to help with your tax returns.

8. My business is inactive, what now?

If your business is inactive and will remain so, you must notify the relevant authorities to avoid ongoing tax and registration obligations. File any outstanding tax returns with SARS, deregister your business with the Companies and Intellectual Property Commission (CIPC) if applicable, and ensure you formally close any business accounts or VAT registrations to prevent penalties or compliance issues.



9. Mitigating business risks

Running a business comes with risks like property damage and liability claims. Without proper insurance, one incident could threaten your entire operation.

9.1 Types of business insurance

- **Public liability insurance:** This covers claims from customers or others who may get injured or have property damaged due to your business activities. For example, if a client slips and falls in your workshop, this insurance helps cover legal costs.
- **Professional indemnity insurance:** This protects against claims of negligence or poor service. If a customer claims that a repair was faulty, this insurance helps defend against legal action.
- **Property insurance:** This protects against damage from events like fire or theft. If your workshop is damaged, this insurance helps pay for repairs or replacements.
- **Business interruption insurance:** This covers lost income and ongoing expenses if your business cannot operate due to an insured event like a fire.



Small business tips:

- **Consider micro-insurance:** Micro-insurance is a modern insurance solution designed specifically for small businesses in South Africa. Tailored to address the unique challenges faced by entrepreneurs, it provides coverage options such as health, life, property, and agricultural insurance.
Note: While micro-insurance offers several advantages, it's important to note that the industry is still developing and may encounter regulatory and accessibility hurdles.

9.2 Short and long-term insurance (now referred to as non-life and life insurance)

When taking out insurance:

- **Assess your business risks:** Identify potential risks specific to your industry and operations. This understanding will help you select insurance policies that offer the necessary protection.
- **Understand policy inclusions and exclusions:** Thoroughly review what each insurance policy covers and, importantly, what it doesn't. Being aware of exclusions prevents unexpected surprises during claim times.
- **Compare policies and premiums:** Before choosing a policy, compare multiple insurers to find the best coverage at a competitive price. Don't just go for the cheapest option – lower premiums might mean less coverage or higher excess fees, so read the fine print carefully. Look for value rather than just cost by ensuring the policy provides the right protection for your business needs.
- **Know your rights and responsibilities:** You have rights when you purchase financial products, but you also have responsibilities. You cannot hold your service providers liable for all outcomes. Provide accurate and complete information when applying for insurance, understand your policy's terms, conditions and exclusions, and familiarise yourself with the claims process, including required documentation and timelines.
- **Consider legal requirements:** Some forms of insurance, such as workers' compensation, may be legally mandated. Ensure compliance to avoid legal complications.
- **Maintain continuous coverage:** Do not let your cover lapse. If you're struggling to pay your premiums, rather speak to an Authorised Financial Advisor or Authorised Financial Service Provider to reduce the cover and premium.
- **Regularly review and update coverage:** As your business grows and changes, so do its risks. Review your insurance coverage at least once a year to ensure continuous and adequate coverage.



Example:

In times of crisis, such as the 2020 July riots in South Africa, having adequate insurance, like riot or business interruption insurance, can be a lifeline for businesses. These policies cover damages caused by civil unrest, theft, or vandalism, helping businesses recover financially and rebuild operations. The riots highlighted the importance of being prepared for unforeseen events and the need for businesses to maintain comprehensive insurance to protect their assets and livelihoods.



TIP: Seek guidance from an Authorised Financial Advisor/insurance broker to make sure you're not over or under-insured.

10. Investing for your business

Investing for your business is a crucial step toward ensuring its sustainability and growth. Financial investments can provide additional income, protect your capital, and help your business expand. Understanding the right investment options for your business can improve financial stability and long-term success.

Reasons to consider investing for your business:

- **Grow capital:** Business investments can generate extra income and fund expansion.
- **Improve financial security:** Investments can act as a financial buffer during slow business periods.
- **Increase profitability:** Strategic investments can provide returns that supplement business revenue.
- **Diversify income streams:** Investing in different financial instruments reduces risk.

10.1 Investment options for your business

There are various investment options that can help you grow your business's finances. Let's look at some options to consider.

- **Fixed deposits:** A business can invest surplus cash in a fixed deposit account with a bank, earning a guaranteed interest rate over a set period. This is a low-risk option ideal for businesses looking to preserve capital while earning moderate returns.
- **Money market accounts:** These accounts provide businesses with higher interest rates than regular savings accounts, while maintaining easy access to funds. They are useful for businesses looking for short-term investment options.
- **Government bonds:** Investing in South African government bonds (such as RSA Retail Savings Bonds) offers businesses a secure way to earn interest while supporting national economic growth. Bonds typically provide predictable returns and are ideal for long-term financial planning.
- **Unit trusts and exchange-traded funds (ETFs):** These investment vehicles allow businesses to invest in a diversified portfolio of stocks, bonds, or other assets without needing in-depth market expertise. The Johannesburg Stock Exchange (JSE) offers various ETFs tailored for different risk levels.
- **Property investment:** If financially feasible, purchasing commercial or rental property can generate rental income and long-term value appreciation. Many South African businesses invest in office spaces, warehouses, or retail properties as a way to grow their asset base.
- **Shares and stocks:** Businesses can invest in shares of other companies on the JSE, potentially earning dividends and capital gains. This investment carries higher risk but can offer significant returns if managed well.



More about



Running a business

- Retirement and investment funds for employees: Setting up a retirement fund, such as a Provident Fund or Pension Fund, not only helps employees save for the future but also provides tax benefits for the business.



Small business tips:

- Participate in stokvels: Engage in community savings groups to pool resources for bulk purchasing or business expansion, fostering collective financial growth.

10.2 How to start investing

- Assess your financial position: Ensure that your business cash flow and working capital are stable before committing funds to investments.
- Set investment goals: Define whether the investment is for short-term liquidity, long-term growth, or risk diversification.
- Research investment options: Compare different investment instruments in terms of risk, return, and accessibility.
- Consult an Authorised Financial Advisor: Engage with an Authorised Financial Advisor to make informed decisions.
- Monitor and adjust investments: Regularly review investment performance and adjust strategies based on business needs and market conditions.



Small business tips:

- Start small: Begin with modest investments and gradually increase as you become more comfortable and knowledgeable about investment options.
- Seek financial literacy resources: Engage in local workshops or online courses to enhance your understanding of investment strategies suitable for informal businesses.

10.3 Investment risks and considerations

While investments can yield good returns, there are risks involved:

- Market fluctuations: Investments in stocks and unit trusts are subject to market risks.
- Liquidity concerns: Some investments, like property or fixed deposits, may lock in funds for a period, limiting access to cash.
- Inflation risks: The value of money can decrease over time, affecting real returns.

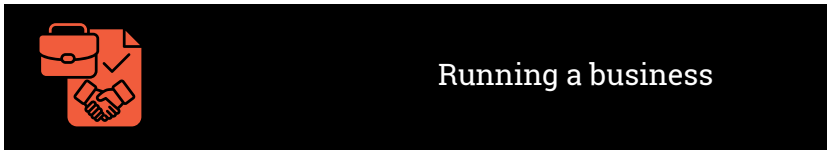


NOTE: Refer to the Financial Safeguard theme, sub-topic Investments, for more about investments.

Kindly note that the information contained herein does not constitute financial advice. To make informed decisions, you should consult a professional.



More about



© 2025 FSCA

Disclaimer

The information contained in this information booklet has been provided by the Financial Sector Conduct Authority (FSCA) for information purposes only. This information does not constitute legal, professional or financial advice. While every care has been taken to ensure that the content is useful and accurate, the FSCA gives no guarantees, undertakings or warranties in this regard, and does not accept any legal liability or responsibility for the content or the accuracy of the information so provided, or, for any loss or damage caused arising directly or indirectly in connection with reliance on the use of such information. Except where otherwise stated, the copyright of all the information is owned by the FSCA. No part of this information booklet may be reproduced or transmitted or reused or made available in any manner or any media, unless prior written consent has been obtained from the Financial Sector Conduct Authority's Office of General Counsel.

FSCA Contact Details

Riverwalk Office Park, 41 Matroosberg Road, Ashlea Gardens, Extension 6, 0181, Pretoria, South Africa | 012 428 8000 |
Share call number: 0800 20 FSCA (3722) | info@fsca.co.za | www.fsca.co.za