



**the dtic**

Department:  
Trade, Industry and Competition  
REPUBLIC OF SOUTH AFRICA

## **THE NATIONAL ASSEMBLY**

### **QUESTION FOR WRITTEN REPLY**

#### **QUESTION NO. 1005**

**Mr M K Montwedi (EFF) to ask the Minister of Trade, Industry and Competition:**

- (1) In light of how the Companies and Intellectual Property Commission has continued to deregister many closed corporations and private companies because of their failure to pay for annual returns, which are mostly companies owned by young black people in our communities who are trying to earn a living through registering the companies, what measures have been put in place to assist the specified companies to pay their annual fees if they have not traded for a financial year;
- (2) whether there are any measures in place to amend the Companies Act, Act 71 of 2008, to exclude all closed corporations and private companies that have not traded, from paying the compulsory annual fee; if not, why not; if so, what are the relevant details?NW1242E

#### **REPLY:**

The Companies and Intellectual Property Commission (CIPC), and the Department have advised me as follows:

- 1) The Companies and Intellectual Property Commission understands the importance of the registration of companies as a vehicle for economic access, the maintenance and growth of such business in the overall eco-system, the need for and impact of compliance of not just with the Companies Act, but other pieces of legislation on small businesses.

Annual Returns, in summary, can be seen as the annual renewal of the registration of a business. New company registration is not an indication of economic activity, but the filing of the annual renewal provides better insights in this regard. Annual renewals are also used as a compliance “check point” for businesses. For the efficient and effective maintenance of the company’s registry, this needs to occur annually. Due to this, many filings for example, director change and address change does not carry a fee. The annual renewal fee then covers the cost of maintenance of information submitted to the CIPC.

To this end, several compliance checks, for example, Beneficial ownership declaration, Financial Accountability Supplement/Audited Financial Statements, Compliance Checklist have been linked to the annual renewal. This has the added benefit for the small business owner that he or she can check in on an annual basis to comply with several obligations.

The annual renewal does not just hold value for the small business owner to confirm and update his or her information by the CIPC, but also information into the broader eco-system to build a reputable business environment that is governed, and attracts foreign investment and business opportunities. The information is also used to access the corporate landscape from a statistical perspective and better decision-making and application of national resources.

The CIPC also uses, deregistration especially if non-compliance with the annual renewal occurred, as a method to clean the company's registry. There is an assumption that if the annual renewal is not filed for two consecutive years, that the business is not doing business or will not be doing business in the near future, and therefore the deregistration process is started. Continued non-compliance with annual renewal will result in the final deregistration of the business. Again, an efficient and effective updated registry has a national benefit.

This also limits the abuse of dormant business for fraudulent activities. Unattended businesses run the risks of being abused by other persons, other than the business owner him/herself with dire consequences for themselves.

To make it easier to do business and access business information, CIPC over the past decades have made great strides to automate its services *inter alia* to make the registration of companies and compliance with annual renewals and other services as quick and efficient as possible. The CIPC also allow filings via multiple electronic channels depending on the need of the business owner.

- Walk in Centres/ Self Service Centres whereby the business owner access services face-to-face.
- BizPortal, which allows for fully automated services (no intermediary) and online payment.
- E-Services, which allows for a broader customer segment to access services.
- Mobile App, which allows certain fully automated transaction via a mobile device.

The CIPC also provides various channels for enquiries and/or support: -

- Social media platforms Facebook (Meta), Twitter (X), and LinkedIn.
- Call centre.
- E-mail or electronically lodged enquiries; and
- Walk in Centres also assist with enquiries.

These automated services, creates better access to services and decreased administrative burden (paperwork) and travel time and cost, and increases certainty that transactions occurred.

To support the awareness for timeous compliance, various other activities are undertaken by the CIPC: -

- Annual Return Reminder: Businesses with an active status are reminded in the month that the annual renewal will become due of such obligation via e-mail and SMS.
- Welcoming Letter: Upon registration of a business, a welcoming letter is issued indicating the main compliance obligations (including annual renewal), how to engage with CIPC, and free director training course.
- Social media: Marketing the services of the CIPC, creating awareness and reminding business owners of obligations.
- Webinars: Educating business owners of how the CIPC services function/requirements and reminding of obligations.
- Events, for example, the Rand Easter Show (2023), MusicEx (2024) and Innovation Summit (2023): Educating business owners of how the CIPC services function/requirements and reminding of obligations.
- Other campaigns: As and when radio and newspaper campaigns.
- Deregistration Notification: Notifications of placement into deregistration and pending final deregistration are issued to the active directors and active members via e-mail.

During the bulk deregistration of over 1.7 million companies and close corporation in January 2024, various communication activities were undertaken to create awareness of the duty to comply with annual renewals but also the importance of compliance with it and the consequences of non-compliances. Various webinars were held, posts on social media, and legal notices issued via e-mail to active directors and members. Only companies and close corporations with two or more outstanding annual renewals were finally deregistered. Some of these companies and close corporations have been outstanding with annual returns for more than 3 years! While in Annual Return Deregistration, and they complied with annual renewals the business's status was automatically changed back to in business. Unfortunately, many businesses did not answer the call for compliance and therefore were subsequently finally deregistered.

The CIPC further supports small businesses by issuing an SMS indicating collaborative partnerships with the Innovation Bridge and National Small Business Council for financial and non-financial support. The National Small Business Council in collaboration with CIPC, offers free membership to any registered business to support them through their business journey.

Annual renewal is a key topic in all CIPC marketing and Education and Awareness activities with the objective of encouraging timeous filing (before penalties are

incurred). Timeous filing therefore allows the payment of the minimum fee for the renewal of business per year, which is R100.00 which supports the integrity of the business environment and the benefit to the renewal to the business owner him/herself. Provision has been made in Companies Regulation 30(8) that a company may apply for exemption to the CIPC upon application, which is supported by financial statements indicating that the company had in fact no turnover during that financial year. Due to the automated nature of the annual renewal system, the fee will be deducted first upon filing and thereafter, application may be made for the fee to be credited back to the customer. The company MUST confirm that it had no turnover in the form of financial statements for the exemption to be granted.

The CIPC consciously encourages registration when there is an economic opportunity, the updating of correct contact details of directors and members (for them to receive notifications), timeous compliance with annual renewals and other obligations (to minimize the cost implication on them and the disruption of final deregistration), and to follow the CIPC on any of its electronic platforms.

- 2) There are currently no plans to amend the Companies Act to exclude Close Corporations and Private Companies that have not traded, from paying the compulsory annual fee. CIPC does have a process for de-registering companies that do not file annual returns irrespective of whether they are trading or not.

**-END-**