

# Seven BEE superpowers of the SME

It is important to fully understand and explore the various elements of BEE and the SME. There is no universal definition for what constitutes an SME (Small and Micro Enterprise) but for BEE-purposes most SMEs would be classified as EMEs (businesses with a turnover of below R10 million per annum) or QSEs (businesses with a turnover of a turnover of between R10 million and R50 million per annum). The good news is that if you are an SME owner, BEE is far simpler and less onerous to implement than you may think.



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According to LFP Group CEO, Louis Pulzone there are seven key elements to consider in terms of BEE for the SME and it's vital that companies start to align their initiatives from the early business stages. "Complying from the get-go and allowing BEE compliance to form part of your overall business strategy creates a positive image from the out-set and reduces your admin in the long run."

Pulzone notes that as these companies grow, more support will be needed but in the interim it's critical that we change business owners' mindsets on BEE compliance. "Gone are the days of BEE compliance being a costing exercise. BEE was implemented to promote an equal economy for all and is set to create a more competitive and inclusive landscape. By investing in people, we reap the rewards of a skilled workforce set to propel the economy."



## Deadline for employment equity submissions looms

14 Jan 2019



## Seven Superpowers

1. **Ownership:** When selecting ownership, it's important to consider structure. This is accounted for by the percentage of equity held by black people within a business. "There is still some resistance to this BEE element by some business owners and as such, government incentivises several additional elements. Depending on your business, it's important to consult with a BEE expert in this regard," Pulzone says.

2. **Management control:** This takes into consideration black participation at a top management level. A single appointee at this level can often have a significant effect on a BEE score. “It is vital that such appointments be 100% legitimate or you will be breaking the law.”
3. **Employment equity:** This refers to the percentage of black staff employed by a company. The implementation of an Employment Equity strategy is generally implemented as a long-term commitment to transformation. If you employ black people at any level, and especially black females, it is certainly worth including this on your BEE scorecard.
4. **Preferential procurement:** This refers to the BEE status of your suppliers. Although it is one of the most admin intensive ways in which to earn points, preferential procurement is a relatively easy way to score BEE points. It requires collecting the BEE certificates of every supplier. “The more empowered your suppliers, the more points you can earn on your scorecard.”



#### B-BBEE Commission cracks the whip on non-compliance

24 Jan 2018



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5. **Enterprise development:** Compliance with this element is relatively easy as it requires no restructuring. ED is designed to create sustainable small black-owned businesses. QSEs are required to contribute 2% of their net profits after tax towards ED beneficiary businesses.
  6. **Socio-economic development:** Socio-economic development (SED) is grassroots development that brings black people into the economy as active participants. QSEs are required to contribute 1% of their net profits after tax towards SED beneficiary businesses. To earn BEE points from making contributions to charities or similar organisations, black people must constitute at least 75% of the beneficiaries supported by the organisation. In order to avoid unnecessary admin and complications when being audited, make sure that the organisation that you support has been issued with a Beneficiary Analysis Certificate, which examines the demographic composition of beneficiaries.
  7. **Upskill to improve your BEE status:** QSEs need to spend a minimum of 2% of their annual wages on training. The BEE codes require strict adherence to labour legislation such as compliance with the Skills Development Act and registration with a SETA before earning points. Upskilling employed, unemployed and disabled persons will only benefit the economy and your business. “It remains one of the most cost-effective ways to earn maximum points,” concludes Pulzone.

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