



COST of NON-COMPLIANCE

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FAMILY BUSINESS TIPS

Business Regulation & therefore, Governance is a growing phenomenon worldwide. SA is no exception. Family Businesses must adhere to the same rules as non-family owned businesses. However, family businesses have more challenges and need "extra" governance to ensure a sound balance between the interest of the business and the family.

PITFALLS TO AVOID:

Allowing emotions to impact business decisions

The overall challenge to all family-owned business is to ensure a sound balance between the interest of the business and the interest of the family.

Furthermore, the family business must create structures that can ensure

emotions do not impact negatively on business decisions. The ideal TOOL (and best practice) is to compile a FAMILY BUSINESS CONSTITUTION to ensure:

- That the existing generation and the incoming generations agree (reach a consensus) on the VISION, VALUES & BUSINESS RULES.
- That the family adheres to business rules and do not allow emotions to overrule the family's business rules.
- That the business is safeguarded against the family!

THE COST OF NON-COMPLIANCE TO YOUR OWN RULES IS OFTEN MORE DEVASTATING THAN THE COST OF COMPLIANCE.

Remove uncertainty

Uncertainty creates underlying fears. Certainty about the future is vital.

The 1st step to remove uncertainty is the CONSTITUTION, as discussed.

The next vital step is to compile a proper SUCCESSION PLAN to ensure:

- That a successor, who is WILLING & ABLE, is identified ON TIME & PROPERLY PREPARED to take over the management responsibility.
- That successors understand their responsibility (especially financial obligations) to the outgoing generation
- That succession is done in a TAX-FRIENDLY MANNER to avoid paying SARS more than you should.

THE COST OF NON-COMPLIANCE TO A TAX-FRIENDLY STRUCTURE IS OFTEN MORE DEVASTATING THAN THE COST TO COMPLY WITH A TAX-FRIENDLY STRUCTURE.

Based on a recent report by Ponemon Institute the annual cost of non-compliance to businesses increased 45 % since 2011 & non-compliance costs 2.71 times the cost of maintaining or meeting compliance requirements

FABASA offers access to professionals that can assist you to ensure sound compliance.

