

February 23, 2022

BEE SPEND DEADLINE LOOMING FOR FEB FINANCIAL YEAR END



The BEE Act aims to achieve more equitable participation of Black South Africans in all aspects of business and the economy.

Broad Based Black Economic Empowerment (B-BEE) has commercial benefits for many companies with the added advantage of contributing to the economic growth in South Africa.

Companies that need to do a *BEE rating* based on the February 2022 financial year end have **only until 28 February** to finalise and make payments or contributions for them to meet the respective targets on the BEE scorecard in order to achieve the most excellent BEE level possible.

No payments or contributions outside a measured entity's financial year (measurement period) are allowed for recognition.

BEE SCORECARD ELEMENT: SKILLS DEVELOPMENT

Skills Development is a priority element on the scorecard. If an entity fails to meet at least 40% of the points (excluding the bonus points), the entity will be discounted by one BEE level. The following is a breakdown for the Skills development expenditure portion on the BEE scorecard:

o **GENERIC ENTITIES** ($\geq$ R50 million annual turnover)

Skills development expenditure on Black people (African, Colored, Indian and Chinese)

1. The target is **3.5%** of leviable amount (payroll). This is mainly expenditure on learnership programmes, and accredited training courses, but also includes informal/ in house training (informal training spend is capped at 25% of total training expenditure)
2. **2.5%** of leviable amount should be spent on Bursaries at Higher Education institutions for Black students (African, Colored, Indian and Chinese)
3. **0.3% of** leviable amount should be spent on Black employees with disabilities (the 0.3% target is included in the 3.5% target above).

o **QUALIFYING SMALL ENTERPRISES (QSEs)** ($\leq$ R50 million annual turnover)

These entities are required to spend a total of 3% of leviable amount (payroll) on accredited training, learnership programmes. The 3% target includes 0.15% which should be spent on accredited training for Black disabled people.

It is important to note that **an entity must submit a Workplace Skills Plan in order to obtain points on the Skills development element.*

BEE SCORECARD ELEMENT: ENTERPRISE DEVELOPMENT

Enterprise development can be defined as one of the “spend” elements. Entities can achieve full points for this indicator by means of contributing/ donating to a Black owned business that has at least 51% Black ownership. The Enterprise Development beneficiary must be an entity with less than R50 million turnover per annum.

- The target for Generic entities is 1% of net profit after tax (NPAT), provided that the NPAT is in line with the industry norm for that specific company.
- For QSEs the target is also 1% of NPAT, provided that the NPAT is in line with the industry norm for that specific company.

BEE SCORECARD ELEMENT: SUPPLIER DEVELOPMENT

Supplier Development is quite similar to Enterprise development; however, the contributions/donations are made to at least 51% Black owned suppliers only. The Supplier Development beneficiary must be an entity with less than R50 million turnover per annum.

- The target for Generic entities is 2% of net profit after tax (NPAT), provided that the NPAT is in line with the industry norm for that specific company.
- For QSEs the target is 1% of NPAT, provided that the NPAT is in line with the industry norm for that specific company.

BEE SCORECARD ELEMENT: SOCIO ECONOMIC DEVELOPMENT

Socio Economic Development, also known as CSI (Corporate Social Investment) refers to contributions/ donations that are made towards community upliftment in the form of organisations such as NGOs and NPOs where at least 75% of the beneficiaries are Black people- there must be a direct benefit to Black people. The contribution can also be made to a Black individual.

- The target for Generic entities is 1% of net profit after tax (NPAT), provided that the NPAT is in line with the industry norm for that specific company.
- For QSEs the target is also 1% of NPAT, provided that the NPAT is in line with the industry norm for that specific company.

*** Please note that the above “spend” elements are only for the Amended BEE Codes and NOT Sector specific codes**

IN CONCLUSION

The BEE scorecard elements discussed above are aimed at addressing the upskilling of previously disadvantaged individuals, assistance to Black owned businesses/ upcoming Black owned SMMEs into the economy as well as poverty-stricken communities in our country.

As SA’s leader in Legal Compliance and Transformation Solutions, SERR Synergy assists businesses to implement viable B-BBEE initiatives and ensure alignment of initiatives with the requirements of the B-BBEE Codes. By participating in *bursaries* and aligning *learnership programmes* to the BEE Codes, companies are eligible for maximum rebates and at the same time transforming SA's workforce. With regards to Socio Economic Development, SERR Synergy provides much needed assistance to a number of NPO’s and communities that are lacking basic services and through our initiatives we seek to improve quality of life by facilitation and access to sustainable social and economic opportunities.

About the author: Sherisa Hiralal completed her LLB at the University of South Africa (UNISA) and has worked in the B-BBEE industry since 2011. She started at SERR Synergy in 2015 and currently holds the title of Transformation Manager.

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