

# South Africa's proposed Startup Act to be revealed soon

On 16 September, startup ecosystem stakeholders will be revealing the latest findings and plans towards the development of a proposed [South African Startup Act](#) - a call to the president to unleash the growth and innovation inherent in the country's entrepreneurs and youth. These findings, gathered over the past six months via desktop research, focus groups and research contributed by the World Bank, provide a holistic overview of the problems affecting the ability of startups to establish, grow and scale in South Africa.



Source: [Unsplash](#)

The findings, which have been collated into a position paper, suggest that innovation-driven startups with a turnover of less than R100m be exempted from the limitations of existing policies and the red-tape that constrains their growth as well as their ability to contribute to job creation. Doing so will accelerate the socio and economic spillover of such startups to the rest of South Africa.

“The vast majority of new small and micro business enterprises that exist beyond the first three years of operations do not grow. Rather, it is the remaining balance comprised of a tiny portion of startups that are responsible for creating a disproportionate number of jobs. Such firms, with their high-growth potential, are the intended beneficiaries of the proposed South African Startup Act,” explains Stephan Lamprecht, founder of VS Nova.

Proposed interventions contained in the position paper are premised on the finding that immediate benefits can accrue to job creation, economic transformation and the competitiveness of the South African economy – all mainstays of the National Development Plan (NDP) - if barriers limiting the creation and impact of startups are removed. The findings advocate for a number of relaxations to current legislation and policies impacting on the growth of, and investment into

startups, including exchange controls and Capital Gains Tax.

Other relaxations include simplifying procurement policies with which to scale up the involvement of startups in the national economy; direct funding of startup businesses through automatic reinvestment of PAYE and VAT; and easing of labour and immigration laws to foster the availability of and access to talent. The findings also support the introduction of incentives to stimulate capital contributions from early-stage funding entities.



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Lamprecht explains that between 2013 and 2019, the contribution of small businesses to national Gross Domestic Product (GDP) has increased by almost 40%, eating into the share from large businesses, which has waned by 9% over the same period.

The South African Startup Act sets out to enable economic policy through an amendment or a standalone act. In addition to radically increasing the contribution to and impact on the national GDP by startups, the Act seeks to address the growth objectives outlined in the NDP. It also strives to leverage and grow the existing ecosystem so that more South African startups can become successful locally and globally. And to do this in a way that South African talented youth and entrepreneurs won't have to relinquish their country ties as a consequence of experiencing startup growth and success.

Simodisa vice-chairperson and South African Startup Act Steering Committee chairperson, Matsi Modise, concludes by saying that by removing the constraints that come with operating a South African startup business, the Act will maximise the value and impact of South Africa's startups and successful entrepreneurs for the benefit of the country and her people.

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