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How to Use AI to Improve Your Small Business

"The amount of work we can automate with AI is vastly larger than before. As leaders, it is incumbent on all of us to make sure we are building a world in which every individual has an opportunity to thrive." (Andrew Ng, Co-founder and lead of Google Brain)

Artificial Intelligence has come a long way very fast, and now every second app is claiming to be able to change your life using this ground-breaking technology. Many of these apps are simple software solutions designed to automate routine tasks, sometimes while mimicking a level of human interaction – as in chatbots, and the aim is to use them to free up human focus for more important, strategic or engaging activities, which cannot be mimicked. The truth is that many of these apps are only able to offer services at a fraction of the skill of a human new to the job, or still require significant human knowledge or input to get the most use out of them.

There are, however, some apps out there where this assistance is more than just a little valuable, particularly for a new company that may have no staff at all in a specific role, or where an entrepreneur may simply not have the time to do everything themselves. Here then, is a list of ways you can use current AI to improve your small business.

Customer service

Probably the most common use for Chatbots is the spreading of content marketing on social media. Many people are familiar with these fake profiles popping up to link to various services or leave comments defending various points of view. While at one time there may have been a benefit to such marketing this is rapidly reaching its climax as people become more savvy to the existence of these tools and online bots now seem to outnumber actual people online.

A far more interesting use has been in customer service where bots are being deployed as a first line of assistance to clear the bulk of customer questions before they take up the time of real members of staff. Sold as being capable of mimicking a human conversation, business owners should, nonetheless, never fool themselves that modern chatbots are coming across as real staff members. People are, however, becoming increasingly comfortable with having their questions answered by an automated service, and chatbots in this scenario can help free up time by becoming an interactive FAQ. The benefit to a small business owner is that their time is no longer cluttered with routine enquiries and response times to customers are now rapidly sped up, lowering frustration and improving real world relationships. They can also be set to send you notifications to alert you to serious cases, or issues that only humans can resolve.

Among the best AI chatbot programs are Netomi, WP-Chatbot, Microsoft Bot Framework and of course (the one getting all the media attention!) ChatGPT.

Cybersecurity

Cybersecurity is an increasingly important and regulated aspect of modern business. Doing business these days requires that companies have top of the line security with no flaws in order that they meet the legal requirements for protecting customer information and data. In the past, they would just ignore it and hope for the best, but fortunately this no longer has to be the case.

The days of constantly needing to upgrade and deploy security software, learning new skills and manually backing up servers to prevent malware, ransomware and phishing attacks could now be now a thing of the past. AI solutions save business owners time and give them peace of mind by handling all of that, ensuring companies are safer than they have ever been.

But it doesn’t stop there. In a world where hackers are able to bypass common virus protection programs with little effort, and the average ransomware pay out sits at around R2-million, AI security is also capable of analysing networks for weaknesses and vulnerabilities, and spotting abnormalities in user behaviour. These AI security systems are also capable of using their database of previous malware versions to predict and prevent future attacks based on patterns and commonalities.

These security solutions are also able to monitor staff behaviour on the company network, and over time learn normal patterns of behaviour. By identifying the usual patterns, it can quickly recognise if one of your staff members has an account that has been compromised and shut it down before it can be used to cause any damage. Just be careful of privacy concerns before implementing any such solution in the workplace.

All of this helps keep the small business up to date with regulations, and customers safe, while preventing costly downtime and giving owners peace-of-mind.

While there are literally dozens of useful and important security apps some of the best AI Cybersecurity solutions include IBM Security, Targeted Attack Analytics by Symantec and Tessian.

E-Commerce

Online shopping is only getting more embedded in our society and small businesses often have a long way to go to keep up with the Amazons of the world when it comes to their level of operations. Luckily, AI can now be used to automate or assist with a variety of tasks such as product recommendations (Clarifai), listing optimisation (Klevu) and inventory management (Inflow Inventory) while also analysing customer behaviour and personalising the shopping experience (Amazon Personalize). All of this can save the business owner time, and lead to a richer, more satisfying experience for customers, which in turn leads to improved sales and better client retention.

Financial Management

One of the most arduous, but also necessary, tasks for small business owners is the management of all financial affairs. Luckily, financial management software has been around for a while and the very best solutions are all incorporating AI to automate bookkeeping tasks, reconcile bank transactions and generate reports. While they are by no means a replacement for an accountant who can help with advice, compiling complete financials and assisting with tax savings, both Xero and Quickbooks, for example, have AI apps that can help ease the burden of your day-to-day, time-intensive bookkeeping tasks.

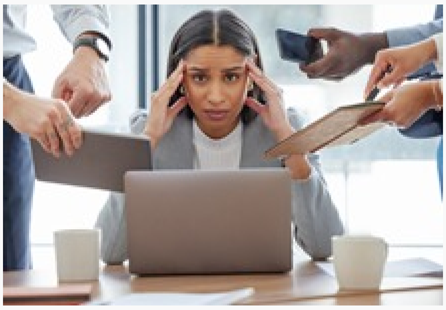
There are even apps that help small businesses stay up to date with regulatory requirements. Compliance.ai for instance will monitor and analyse regulatory changes, automate compliance tasks, and generate reports reducing penalties and other non-compliance risks – even in South Africa.

Take specific advice from your accountant!

Don't implement any AI solution without first running it past your accountant, particularly when it comes to the financial management aspect. There is still no substitute for specific (human) advice tailored to address your particular needs.

New Trustee Duties: More Admin, Impossible Deadlines and Hefty Penalties

"A trustee has a responsibility to guard the assets of others with a higher degree of care than he does his own." (John Ashcroft)



Onerous new duties have recently been imposed on all trustees of all trusts - by government through legislative amendments, and also by SARS - in addition to their existing fiduciary duty to act in the best interest of all the beneficiaries and "with the care, diligence and skill which can reasonably be expected of a person who manages the affairs of another".

The legislative amendments follow South Africa's grey listing by the global financial watchdog, the Financial Action Task Force, and the subsequent changes to the Trust Property Control Act (TPCA) and the Financial Intelligence Centre Act (FICA), among others.

The new trustee duties will require extensive and time-consuming additional administration, and have impossible deadlines, while non-compliance can result in hefty penalties. This makes professional trust administration assistance crucial for trustees, now and in the future.

Who is affected?

All trustees – not only independent trustees – are affected by the imposition of these new trustee duties.

In addition, all trusts are affected, regardless of the nature of the trust or the value of the assets in the trust, including family trusts, commercial and business trusts as well as public benefit trusts. Not even dormant trusts are specifically excluded.

The new regulations will also affect companies that provide services to trusts. Under FICA, the scope of 'accountable institutions' has recently been expanded to include trust service providers, company service providers, legal practitioners, crypto asset service providers, and clearing system participants, among others. These accountable institutions must conduct customer due diligence on their clients, including verifying identities, assessing the risk of illicit activities, and reporting suspicious activities. This will require significant resources, time and expertise from both trustees and accountable institutions.

What are the new duties and deadlines?

The legislative changes to the TPCA have given rise to trustee duties relating specifically to beneficial ownership registers and records of accountable institutions. In addition, SARS has issued new reporting requirements.

1. **Updated beneficial ownership registers** - trustees are now required to collect, record and maintain detailed information and specific records of the beneficial owners of the trust – who are now far more broadly defined to include founders, trustees, beneficiaries, donors and protectors. In addition, trustees must lodge a register of the prescribed information with the Master's Office, with only a trustee or a person with power of attorney allowed to use the Master's portal to do so.

2. **Updated records of interactions with accountable institutions** - trustees are now required to collect, record and maintain details pertaining to accountable institutions with which trustees have dealings, including, for example, accountable institutions acting as agents to perform trustee functions and accountable institutions providing any services to trustees. As noted, the definition of "accountable institutions" has also widened considerably.

3. **Submitting an IT3(t) for each beneficiary** - SARS recently issued a draft notice requiring trustees to submit an IT3(t), which provides details of any amount vested in a beneficiary including income (net of expenditure), capital gains and capital amounts distributed by the end of September so that beneficiaries' tax returns can be pre-populated.

What are the penalties?

Failure to comply with the obligations as contained in the TPCA is an offence and, on conviction, trustees are liable to a fine not exceeding R10 million, or imprisonment for a period of five years or both.

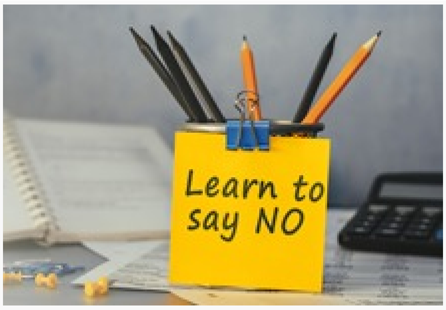
Trustees are already non-compliant with the TPCA, as the new regulations were published after business hours on Friday 31 March 2023 and became effective on the next day, Saturday 1 April 2023. This means that trustees were simply unable to comply with the regulations by the deadline, both due to the timing of the gazette and delays in establishing the requisite online electronic register on the Master's ICMS Web Portal.

SARS's IT3(t) deadline seems more doable, but in reality, the 30th of September is not that far away. Various stakeholders are submitting comments regarding the implementation of this requirement to submit an IT3(t) for each beneficiary, but probably no more than a delay could be expected.

Considering the extent of the new duties, the deadlines, and the hefty penalties involved, trustees are certainly well-advised to seek professional assistance to comply with these additional obligations and to ensure compliance.

When to Say No to an Opportunity (or a "Barnacle")

"The difference between successful people and really successful people is that really successful people say no to almost everything." *(Warren Buffet, Investor)*



Anyone who has ever started a business knows the feeling a new enquiry can generate. The excitement that things seem to be working, may make the new entrepreneur set aside their concerns and leap at any opportunity. The sad news is that this excitement to help anyone who asks could be diluting the brand, lowering the quality of output and even damaging the business's ability to grow. Here are the signs it may be time to say no to an opportunity.

When you don't have the capacity

Your hours are stretched as it is, but now a potential new client has come calling and you are determined to make it work. In the early days clients are a lifeline to a business, but there will come a point where taking on new responsibilities could see you dropping the ball when it comes to your other clients. With each new arrival, it is therefore important to carefully analyse your resources, and options and determine whether you can truly do justice to their needs, and those of your other clients, with the capacity you have. If you can't, and you try, then you will only end up damaging your reputation for good work and harming your business in the long run.

When you don't have the skills

Knowing what you can't do is as important as knowing what you can do. Don't assume you will learn as you go. Taking on work under your brand banner that you are incapable of delivering will be a death knell to your business.

When the long-term cost outweighs the short-term benefit

A new client has come in with a promise to pay you more money than you have ever seen for the next three months, but they need you to drop your other clients to do it. This is a perfect example of short-term gain being outweighed by long term benefit. Sure, these next three months will be good, but those clients you currently have won't come back and worse, will tell others that you dropped them. Six months down the line, the new client's money will be gone along with your original clients.

It's not making financial sense – saying no to "barnacles"

Traditionally, it is thought that loyal customers are the heartbeat of a business, but increasingly studies are finding that businesses need to ask their accountants to regularly evaluate the value versus effort that these loyal clients are bringing to the business. Harvard business review suggests that some "loyal customers" may in fact be using more of your resources for less of your profit, preventing you from servicing other potentially more lucrative clients. These customers who use up your resources, perhaps through continued complaints, returns for changes, or negotiations for better prices, are referred to as "barnacles" and like barnacles on a ship they can slow down your business growth. Sometimes it might be better to have a frank discussion with these customers to see whether your business still fits their needs rather than simply saying yes to everything they ask, because they have been loyal.

Can the R&D Tax Incentive Benefit Your Business?

"The government expects that, by encouraging companies to undertake R&D in South Africa, local companies will strengthen their capabilities of developing value-added products, technologies and services." (Department of Science and Innovation (DSI) - South Africa)

Research and development (R&D) is essential to boost innovation in the business sector, as it improves the capability to develop new products and processes and to improve existing ones. This is crucial for improving competitiveness and growth of the South African economy.

Section 11D of the Income Tax Act offers a R&D tax incentive to promote private sector R&D investment in South Africa. In the following paragraphs, you will find out what the incentive offers, which companies qualify, and the terms and conditions that apply.

What does the R&D incentive offer businesses?

Section 11D allows R&D spending to be considered when determining taxable income in two ways:

1. A deduction equal to 150% of expenditure incurred directly for R&D; and

2. An accelerated depreciation deduction (50:30:20) for capital expenditure on machinery or plant used for R&D.

According to the DSI, the tax deduction will help to reduce the cost of R&D, which will enable companies to finance their R&D and scale up or undertake R&D activities sooner than otherwise.

Which companies can benefit from the R&D incentive?

To be eligible, a company must be an incorporated entity and recognised as a company under the Income Tax Act. Individuals, non-profit organisations and trusts are not eligible.

As the aim is to encourage South African companies to invest in R&D, the incentive is available to businesses of all sizes and in all economic sectors.

Companies can also claim a deduction of R&D it outsources to another company, or to a South African university or science council. Companies in joint ventures (JVs) can claim to the extent that they fund the R&D. Prototypes and pilot plants created solely for purposes of R&D are also eligible.

However, where a company receives funding from government, a public entity or a municipality towards its R&D activities, this funding will be excluded when the R&D tax deduction is calculated.

What are the terms and conditions?

- The R&D activities must be approved by the Minister of Science and Innovation on recommendation by the R&D Tax Incentive Adjudication and Monitoring Committee that evaluates applications and reviews the annual progress reports that must be submitted.

- The R&D expenditure claimed should be incurred directly and solely for R&D undertaken in South Africa, and in the production of income and the carrying on of any trade.

- R&D expenditure claimed should be incurred after the date the application is submitted to the DSI.

- Applications awaiting approval should not be included in provisional tax calculations to avoid penalties. Where approval is received after a tax assessment has been finalised, a Request for Correction can be made.
- There is an extensive list of exclusions and limitations.
- Since last year, applications and progress reports can only be submitted via the new online automated system.
- According to the 2023 Budget Review, government is refining the R&D incentive to make it simpler to understand and administer.

Before claiming the R&D tax incentive against taxable income, and certainly before commencing any R&D activities in reliance on the tax incentive being allowed, ask your accountant to confirm that you can benefit optimally from this substantial incentive, while meeting all the requirements.

Your Tax Deadlines for June 2023

- 7 June - Monthly Pay-As-You-Earn (PAYE) submissions and payments
- 29 June - Excise Duty payments
- 30 June – End of the 1st Financial Quarter
- 30 June - Value-Added Tax (VAT) electronic submissions and payments & CIT Provisional payments where applicable.
