

Business Purchase Checklist: Key Considerations for Buyers

1. Signed Agreement

Before proceeding, ensure you have a copy of the signed Sales Agreement. This document outlines your rights, responsibilities, and obligations. It's essential to thoroughly review all terms and conditions to avoid surprises down the line. Engage a legal expert to help if necessary.

2. Lease Agreement

"No Lease – No Business" is an important rule to remember. If the business you're buying operates from a leased space, ensure the lease can be transferred to you. Many landlords require the tenant to be a registered business (such as a CC or Pty Ltd) due to the National Consumer Protection Act. It's also crucial to understand that landlords often hold more power in negotiations, so be prepared to meet their requirements.

3. Licenses and Permits

Certain businesses, like liquor stores or pharmacies, require specific licenses to operate legally. Make sure the business has all necessary, up-to-date licenses. If they aren't transferable, work with the consultants who helped the previous owner to secure these permits. Ignoring this can halt operations post-sale.

4. Bank Account Setup

Ensure you have a business bank account in the correct trading name before the sale is finalized. Modern businesses rely heavily on card payments, so you need to make sure the credit card processing machines are linked to your account before the takeover date.

5. Ownership Structure

Decide early whether you'll trade as a sole proprietor, partnership, Close Corporation (CC), or company (Pty Ltd). Note that landlords and banks often require personal sureties when negotiating leases or loans. Changes in legislation, such as the Consumer Protection Act, mean there's a growing trend toward using registered companies for business ownership.

6. Telephone Lines

For businesses that rely on phone calls for sales and customer inquiries, retaining or transferring phone numbers is critical. Make sure you arrange the transfer of these lines well before the takeover.

7. Staff and Employment Contracts

According to the Labour Relations Act, when you buy a business, you also inherit its employees under the same terms as before. To avoid disruptions, introduce yourself

properly to the team and clarify your expectations. Ensure all employment contracts are in order.

8. Deposits

Sellers typically require a deposit before handing over the business. Plan your finances carefully to ensure timely payments, as delays can lead to complications.

9. Cash Flow Management

During the transition period, it's common for business turnover to temporarily dip. Plan for this fluctuation and ensure you have sufficient cash flow to cover operational costs, including rental deposits (usually 2-3 months) and other immediate expenses.

10. Utilities Transfer

Ensure that electricity, water, and other utilities are transferred to your name. It's typical for utility bills to be paid in arrears, so verify the billing details with the property management team.

11. VAT Registration

If you're buying the business as a going concern and aren't already VAT-registered, SARS will charge 15% VAT on the purchase price. You'll need to get VAT-registered quickly to

avoid this. Work with an accountant to finalize the registration and ensure you have all necessary documents, such as:

- Purchase Agreement
- Lease Agreement
- Proof of Bank Account
- Proof of CIPRO registration (for CC or Pty Ltd)
- Your ID copy
- Previous VAT registration details (if applicable)

12. Advertise the Sale (Insolvency Act)

For your protection, advertise the business purchase in line with the Insolvency Act. This isn't mandatory, but it safeguards you from being held liable for debts the previous owner incurred. Most newspapers offer this service and can guide you through the process of getting it listed in the Government Gazette.

13. Stock Take

You need to physically count the stock on the day of transfer to avoid disputes later. If this isn't possible, negotiate a retention agreement to protect yourself from issues that might arise due to discrepancies in stock levels.

14. Equipment Inspection

Before closing the deal, inspect all equipment (especially electronics) to ensure everything is in working order. Request a signed statement from the seller confirming the condition of all equipment or note any issues to avoid post-sale disputes.

15. Insurance

Arrange for your business insurance to take effect from the day you take over. Ensure it covers all relevant aspects, such as equipment, stock, liability, and business interruptions. Review the existing policy to see if it meets your needs or if changes are required.

16. Seek Broker Advice

Each business has its own unique characteristics. Your broker is a valuable resource who can point out specific considerations and potential pitfalls that might not be immediately obvious. Always consult with your broker before finalizing the sale.