Special points of interest:

- VAT rate increase to 15% on 1 April 2018

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# Personal income tax and special trusts—Tax tables

<table>
<thead>
<tr>
<th>Taxable income (R)</th>
<th>Rates of tax</th>
<th>Taxable income (R)</th>
<th>Rates of tax</th>
</tr>
</thead>
<tbody>
<tr>
<td>R0 - R195 850</td>
<td>18% of each R1 taxable income</td>
<td>R0 - R189 880</td>
<td>18% of each R1</td>
</tr>
<tr>
<td>R195 851—R305 850</td>
<td>R35 253 + 26% of the amount above R195 850</td>
<td>R189 881 - R296 540</td>
<td>R34 178 + 26% of the amount above R189 880</td>
</tr>
<tr>
<td>R305 851—R423 300</td>
<td>R63 853 + 31% of the amount above R305 850</td>
<td>R296 541 - R410 460</td>
<td>R61 910 + 31% of the amount above R296 540</td>
</tr>
<tr>
<td>R423 301—R555 600</td>
<td>R100 263 + 36% of the amount above R423 300</td>
<td>R410 461 - R555 600</td>
<td>R97 225 + 36% of the amount above R410 460</td>
</tr>
<tr>
<td>R555 601—R708 310</td>
<td>R147 891 + 39% of the amount above R555 600</td>
<td>R555 601 - R708 310</td>
<td>R149 475 + 39% of the amount above R555 600</td>
</tr>
<tr>
<td>R708 311—R1.5mil</td>
<td>R207 448 + 41% of the amount above R708 310</td>
<td>R708 311 - R1 500 000</td>
<td>R209 032 + 41% of the amount above R708 310</td>
</tr>
<tr>
<td>R1 500 001 and above</td>
<td>R532 041 + 45% of the amount above R1 500 000</td>
<td>R1 500 001 and above</td>
<td>R533 625 + 45% of the amount above R1 500 000</td>
</tr>
</tbody>
</table>

## Rebates and tax thresholds

<table>
<thead>
<tr>
<th></th>
<th>2018/19</th>
<th>2017/2018</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Primary</strong></td>
<td>R14 067</td>
<td>R13 635</td>
</tr>
<tr>
<td><strong>Secondary</strong></td>
<td>R7 713</td>
<td>R7 479</td>
</tr>
<tr>
<td><strong>Tertiary</strong></td>
<td>R2 574</td>
<td>R2 493</td>
</tr>
<tr>
<td><strong>Tax threshold</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Below age 65</td>
<td>R78 150</td>
<td>R75 750</td>
</tr>
<tr>
<td>Age 65 and over</td>
<td>R121 000</td>
<td>R117 300</td>
</tr>
<tr>
<td>Age 75 and over</td>
<td>R135 300</td>
<td>R131 150</td>
</tr>
</tbody>
</table>

## SARS Interest rates

<table>
<thead>
<tr>
<th>Rate of interest (from 1 August 2017)</th>
<th>Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fringe benefits—Interest free or low interest loan (official interest rate)</td>
<td>7.75% p.a.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Rate of interest (from 1 November 2017)</th>
<th>Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Late or underpayment of tax</td>
<td>10.25% p.a.</td>
</tr>
<tr>
<td>Refund of overpayment of provisional tax</td>
<td>6.25% p.a.</td>
</tr>
<tr>
<td>Refund of tax on successful appeal or where the appeal was conceded by</td>
<td>10.25% p.a.</td>
</tr>
<tr>
<td>Refund after prescribed period or late payment of VAT</td>
<td>10.25% p.a.</td>
</tr>
<tr>
<td>Customs and Excise</td>
<td>10.25% p.a.</td>
</tr>
</tbody>
</table>
Transfer duty

Transfer duty remained the same and is payable at the following rates where property transactions are not subject to

<table>
<thead>
<tr>
<th>Property value (R)</th>
<th>Rates of tax</th>
</tr>
</thead>
<tbody>
<tr>
<td>R0 - R900 000</td>
<td>0% of property value</td>
</tr>
<tr>
<td>R900 001 - R1 250 000</td>
<td>3% of property value above R900 000</td>
</tr>
<tr>
<td>R1 250 001 - R1 750 000</td>
<td>R10 500 + 6% of property value above R1 250 000</td>
</tr>
<tr>
<td>R1 750 001 - R2 250 000</td>
<td>R40 500 + 8% of property value above R1 750 000</td>
</tr>
<tr>
<td>R2 250 001 - R10 000 000</td>
<td>R80 500 + 11% of property value above R2 250 000</td>
</tr>
<tr>
<td>R10 000 001 and above</td>
<td>R933 000 + 13% of property value above R10 000 000</td>
</tr>
</tbody>
</table>

Excise duty

The following rate increases were announced:

<table>
<thead>
<tr>
<th>Product</th>
<th>Current excise duty rate</th>
<th>Proposed excise duty rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Malt beer</td>
<td>R86.39 / litre of absolute alcohol (146.9c / average 340ml can)</td>
<td>R93.03 / litre of absolute alcohol (161.56c / average 340ml can)</td>
</tr>
<tr>
<td>Traditional African beer</td>
<td>7.82c / litre</td>
<td>7.82c / litre</td>
</tr>
<tr>
<td>Traditional African beer powder</td>
<td>34.70 / kg</td>
<td>34.70 / kg</td>
</tr>
<tr>
<td>Unfortified wine</td>
<td>R3.61 / litre</td>
<td>R3.91 / litre</td>
</tr>
<tr>
<td>Fortified wine</td>
<td>R6.17 / litre</td>
<td>R6.54 / litre</td>
</tr>
<tr>
<td>Sparkling wine</td>
<td>R11.46 / litre</td>
<td>R12.43 / litre</td>
</tr>
<tr>
<td>Ciders and alcoholic fruit beverages</td>
<td>R86.39 / litre of absolute alcohol (146.9c / average 340ml can)</td>
<td>R95.03 / litre of absolute alcohol (161.56c / average 340ml can)</td>
</tr>
<tr>
<td>Spirits</td>
<td>R175.19 / litre of absolute alcohol (R56.50 / 750ml bottle)</td>
<td>R190.08 / litre of absolute alcohol (R61.30 / 750ml bottle)</td>
</tr>
<tr>
<td>Cigarettes</td>
<td>R14.30 / 20 cigarettes</td>
<td>R15.52 / 20 cigarettes</td>
</tr>
<tr>
<td>Cigarette tobacco</td>
<td>R16.07 / 50g</td>
<td>R17.44 / 50g</td>
</tr>
<tr>
<td>Pipe tobacco</td>
<td>R4.56 / 25g</td>
<td>R4.94 / 25g</td>
</tr>
<tr>
<td>Cigars</td>
<td>R75.86 / 23g</td>
<td>R82.31 / 23g</td>
</tr>
</tbody>
</table>

UPLOADING OF YOUR 2017 CPD HOURS

Your 2017 CPD Hours needs to be uploaded and the applicable penalty paid by **28 February 2018**.

Non compliance will result in your membership being suspended.
Retirement fund lump sum withdrawal benefit

Retirement fund lump sum withdrawal benefits consist of lump sums from a pension, pension preservation, provident, provident preservation or retirement annuity fund on withdrawal (including assignment in terms of a divorce order). The tax table in respect thereof remained unchanged.

<table>
<thead>
<tr>
<th>Taxable Income (R)</th>
<th>Rate of tax</th>
</tr>
</thead>
<tbody>
<tr>
<td>0—25 000</td>
<td>0% of taxable income</td>
</tr>
<tr>
<td>25 001—660 000</td>
<td>18% of taxable income above 25 000</td>
</tr>
<tr>
<td>660 001—990 000</td>
<td>114 300 + 27% of taxable income above 660 000</td>
</tr>
<tr>
<td>990 001 and above</td>
<td>203 400 + 36% of taxable income above 990 000</td>
</tr>
</tbody>
</table>

Retirement fund lump sum benefits or severance benefits

Retirement fund lump sum benefits consist of lump sums from a pension, pension preservation, provident, provident preservation or retirement annuity fund on death, retirement or termination of employment due to attaining the age of 55 years, sickness, accident, injury, incapacity, redundancy or termination of the employer’s trade. Severance benefits consist of lump sums from or by arrangement with an employer due to relinquishment, termination, loss, repudiation, cancellation or variation of a person’s office or employment.

Tax on a specific retirement fund lump sum benefit or a severance benefit (lump sum or severance benefit) is equal to –

- the tax determined by the application of the tax table to the aggregate of the benefit plus all other retirement fund lump sum benefits accruing from October 2007 and all retirement fund lump sum withdrawal benefits accruing from March 2009 and all other severance benefits accruing from March 2011; less
- the tax determined by the application of the tax table to the aggregate of all

<table>
<thead>
<tr>
<th>Taxable Income (R)</th>
<th>Rate of tax</th>
</tr>
</thead>
<tbody>
<tr>
<td>0—500 000</td>
<td>0% of taxable income</td>
</tr>
<tr>
<td>500 001—700 000</td>
<td>18% of taxable income above 500 000</td>
</tr>
<tr>
<td>700 001—1 050 000</td>
<td>36 000 + 27% of taxable income above 700 000</td>
</tr>
<tr>
<td>1 050 001 and above</td>
<td>130 500 + 36% of taxable income above 1 050 000</td>
</tr>
</tbody>
</table>
Company car or car allowance

(Written by: Janeske du Toit, Chartered Accountant S.A)

To quote Hamlet: “Company car or car allowance that is the question”

(I am sure if he lived in the 21th century he would have asked it exactly like that)

This question of tax on fringe benefits is a difficult one. Do I choose a company car or do I go for a travel allowance or should I just reimburse the KM travelled?

The most important thing that any taxpayer must remember is how important a logbook is in all 3 situations above. I always tell my clients that the only way to prove your business kilometres is by completing a logbook. You will feel that it is a waste of your time, but at the end of the tax year you will save money.

TRAVEL ALLOWANCE

Actual Costs vs Deemed Costs

- Actual costs must be substantiated by a logbook as well as actual cost incurred on the vehicle. Actual costs include the following:
  - Fuel and Oil
  - Repairs and Maintenance on vehicle
  - Wear and Tear – over 7 years and cost is limited to R595 000
  - Insurance on Vehicle
  - Car tracker
  - Finance Lease payments

- Deemed Costs: Below are the new rates for calculating the travel allowance for your vehicle for the tax year 2019 (Effective 1 March 2018)

<table>
<thead>
<tr>
<th>Value of the vehicle (including VAT) (R)</th>
<th>Fixed cost (R p.a.)</th>
<th>Fuel cost (c/km)</th>
<th>Maintenance cost (c/km)</th>
</tr>
</thead>
<tbody>
<tr>
<td>0 - 85 000</td>
<td>28,352</td>
<td>95.7</td>
<td>34.4</td>
</tr>
<tr>
<td>85 001 - 170 000</td>
<td>50,631</td>
<td>106.8</td>
<td>43.1</td>
</tr>
<tr>
<td>170 001 - 255 000</td>
<td>72,983</td>
<td>116.0</td>
<td>47.5</td>
</tr>
<tr>
<td>255 001 - 340 000</td>
<td>92,683</td>
<td>124.8</td>
<td>51.9</td>
</tr>
<tr>
<td>340 001 - 425 000</td>
<td>112,443</td>
<td>133.5</td>
<td>60.9</td>
</tr>
<tr>
<td>425 001 - 510 000</td>
<td>133 147</td>
<td>153.2</td>
<td>71.6</td>
</tr>
<tr>
<td>Exceeding 510 000</td>
<td>153 850</td>
<td>158.4</td>
<td>88.9</td>
</tr>
</tbody>
</table>

- 80% of the travelling allowance must be included in the employee’s remuneration for the purposes of calculating PAYE. The percentage is reduced to 20% if the employer is satisfied that at least 80% of the use of the motor vehicle for the tax year will be for business purposes.

- No fuel cost may be claimed if the employee has not borne the full cost of fuel used in the vehicle and no maintenance cost may be claimed if the employee has not borne the full cost of maintaining the vehicle (e.g. if the vehicle is the subject of a maintenance plan).
Company car or car allowance (continued)

- The fixed cost must be reduced on a pro-rata basis if the vehicle is used for business purposes for less than a full year.
- The actual distance travelled during a tax year and the distance travelled for business purposes substantiated by a log book are used to determine the costs which may be claimed against a travelling allowance.

Reimbursive allowance
- Non-Taxable reimbursive allowance was increased to R 3.61 cents per km if employee does not travel more than 12,000 km per annum (Effective 1 March 2018)
- Taxable reimbursive allowance: If reimbursed more that prescribed rate and/or travelled more than 12,000 km per annum
- Taxable reimbursive allowance does not have to be included in the employee’s remuneration for PAYE purposes. To claim travel expenses against the taxable amount – normal travel allowance rules apply.

COMPANY CAR

Employer-owned vehicles
- Determined Value for fringe benefit:
  - Vehicles purchased before 1 March 2015: The cash cost incl VAT; Vehicles purchased after 1 March 2015: Retail Market Value
  - Taxed on 3.5% per month of the determined value of the vehicle less any consideration paid by the employee towards the cost of the vehicle
  - Reduced to 3.25% if vehicle is subject to a maintenance plan at the time the employer acquired the vehicle.
- 80% of the fringe benefit must be included in the employee’s remuneration for the purposes of calculating PAYE. The percentage is reduced to 20% if the employer is satisfied that 80% of the mileage will be for business purposes.
- No value is placed on the private use of a company owned vehicle if:
  - It is available to and used by all employees, private use is infrequent and incidental to the business use and the vehicle is not normally kept at or near that employee’s residence when not in use outside business hours (pool car)
  - The nature of the employee’s duties requires regular use of the vehicle for the performance of duties outside normal hours of work and private use is infrequent or incidental to business use or limited to travel between place of residence and place of work.

Employer-leased vehicles
- Where the vehicle is acquired by the employer under an operating lease the taxable value is the cost incurred by the employer under the operating lease plus the cost of fuel.
- This value can then be reduced for proven business use by using business kilometres travelled as a percentage of the total distance travelled.

CONCLUSION
It is always nice to get more out in a month, but at the end of the year it can cost you money. Structure you salary package so that you can save money on tax. If you are unsure about the tax consequences of the salary package, seek advice from your tax specialist.

The Income Tax Act requires the withholding of tax in certain circumstances. In some cases the applicable tax rate stated below may be reduced in terms of a tax treaty with the country of residence of a non-resident.

**Dividends Tax**

Dividends Tax is a final tax at a rate of 20% on dividends paid by resident companies and by non-resident companies in respect of shares listed on the JSE. Dividends are tax exempt if the beneficial owner of the dividend is a South African company, retirement fund or other exempt person.

The tax must be withheld by companies paying the taxable dividends or by regulated intermediaries in the case of dividends on listed shares. The tax on dividends in kind (other than in cash) is payable and is borne by the company that declares and pays the dividend.

**Royalties**

A final tax at a rate of 15% is imposed on the gross amount of royalties from a South African source payable to non-residents.

**Interest**

A final tax at a rate of 15% is imposed on interest from a South African source payable to non-residents. Interest is exempt if payable by any sphere of the South African government, a bank or if the debt is listed on a recognised exchange.

**Foreign entertainers and sportspersons**

A final tax at the rate of 15% is imposed on gross amounts payable to non-residents for activities exercised by them in South Africa as entertainers or sportspersons.

**Disposal of immovable property**

A provisional tax is withheld on behalf of non-resident sellers of immovable property in South Africa to be set off against the normal tax liability of the non-residents. The tax to be withheld from payments to the non-residents is at a rate of 7.5% for a non-resident individual, 10% for a non-resident company and 15% for a non-resident trust that is selling the immovable property.
Proposed amendments: Medical fees tax credit

The Income Tax Act (1962) provides a tax rebate (medical tax credit) for individuals consisting of two components, i.e.
- medical scheme fees for approved medical scheme contributions and
- additional medical expenses for out-of-pocket medical payments.

Government is concerned that some taxpayers may be excessively benefiting from this rebate, specifically in instances where multiple taxpayers contribute toward the medical scheme or expenses of another person (for example, adult children jointly contributing to their elderly mother’s medical scheme).

It is proposed that it is proposed that the medical tax credit be apportioned between the various contributors if taxpayers share contributions to a medical scheme and/or medical costs.

Proposed amendments: Bargaining Councils

Bargaining councils were consulted in 2017 regarding the correct tax treatment of:
- employee and employer contributions to bargaining funds; and
- payments from, bargaining council funds.

It became clear that the majority of existing funds can be accommodated by levying withholding taxes on contributions at the employer level.

Transitionary arrangements could be considered for a small minority of more complicated fund types to ensure smooth implementation.

Special economic zones

The Minister of Finance announced in the National Budget that six special economic zones will be approved to benefit from additional tax incentives. The Department of Trade and Industry is driving the overall policy approach that seeks to encourage investment in the manufacturing and tradable services sectors to support exports and economic growth, and create jobs.

The following zones will benefit from these incentives:
- Coega,
- Dube Trade Port,
- East London,
- Maluti-a-Phofung,
- Richards Bay and
- Saldanha Bay.

These benefits include a reduced corporate tax rate for qualifying firms and an employment tax incentive for workers of all ages. The legislation will be reviewed to ensure that the granting of these additional tax incentives does not create opportunities for local companies to shift their activities and reduce their tax liability.
Contributions to retirement funds situated outside South Africa

The Income Tax Act currently exempts all retirement benefits from a foreign source for employment rendered outside of South Africa from taxation.

The interaction of this exemption with double taxation agreements and other provisions of the Income Tax Act will be reviewed to ensure that the principle of allowing deductible contributions only in cases where benefits are taxable is upheld.

Aligning tax treatment of preservation funds upon emigration

Upon formal emigration an individual is able to withdraw the full value of their retirement annuity, after paying the applicable taxes.

Government will consider aligning the tax treatment of different types of retirement fund withdrawals in such circumstances.

Proposed amendment: Fringe benefits-interest rate on housing

In 2014, legislative changes were made to remove the fringe benefit that previously applied to employees with remuneration below R250 000 for the acquisition of low-cost housing with a value below R450 000.

In line with government policy to promote the provision of housing, it is proposed that the relief from this fringe benefit tax be extended to loans at preferential interest rates, which are solely for housing use, made to employees who satisfy the same remuneration criteria for loans with a value of less than R450 000.
VAT: Change in rate

It was announced in the 2018 National Budget that VAT will increase from 14% to 15% with effect from 1 April 2018. This has a significant impact on consumers but also on vendors as systems will need to be updated to reflect the new VAT rate. Furthermore, there may be existing contracts that will bridge over the change in use period.

Mandate to change rate

The VAT Act makes provision for the Minister to amend the rate as part of the National Budget Speech. The Minister of Finance can make an announcement in the annual national budget of a change in the VAT rate. In this instance the change is effective on the date determined by the Minister irrespective that it is not yet promulgated. If the new rate is not legislated within 12 months from the effective date, the VAT rate will revert back to the ‘old’ rate from that time. The relevant tax act must therefore be promulgated on or before 31 March 2019. [See section 7 (4) of the VAT Act]

The impact of rate change in specific supplies will be discussed below.

Fixed price contracts

In instances where a vendor entered into a fixed price contract before the announcement of the VAT rate increase, special transitional rules apply, for example where an accountant agreed to perform accounting services for the next year for R57 000 (inclusive of VAT).

In this instance, the first question would be whether the contract contains any clause dealing with change in VAT rate, if so, the wording of the contract would be followed on the basis that it is assumed that the parties reached consensus.

If the contract is silent on the impact of VAT rate change, the supplier is entitled to recover an amount from his customer equal to the tax now imposed. The supplier will be responsible to declare the “additional” output tax regardless of whether the VAT can be recovered from the recipient.

If the fee is determined as a percentage of consideration (that is, a tax inclusive amount), no adjustment is permitted except where the main supply is zero-rated or exempt.

Supply of goods

The delivery date of the goods will determine whether 14% or 15% VAT will apply to the supply of goods. If the goods are delivered or made available to the customer on or before 31 March 2017, 14% VAT will apply to the supply.

Rentals and progressive supplies

If the rental period ends on or before 31 March 2017, 14% VAT will apply (except in the case of residential property rental which is exempt from VAT). If the rental period spans 1 April 2018, the consideration for the rental must be fairly apportioned and the pre- and post rate will apply accordingly. For example, if a rental contract for office space makes provision for annual rental of R120 000 + 14% VAT is entered into on 1 January 2018, the rental can be apportioned on a time basis resulting in:

- 3 months @ 14% VAT
- 9 months @ 15% VAT

The additional 1% VAT will therefore only be levied on 1/3 of the contract value. The same principle will apply to successive supplies, i.e. 14% VAT will be applied to payments due before 1 April 2018.

Construction, repair & assembly contracts

VAT will be leviable at 14% to the extent milestones were reached and progress payments were due before 1 April 2018. To the extent the construction was carried out after 1 April and milestones are reached after this date, VAT will be leviable at 15%.

An exception to this rule is applicable in the case on residential property. If the agreement is concluded and signed before 1 April 2018, 14% VAT will apply to the contract irrespective of when the building is commenced.

It is not the strongest species that survive, nor the most intelligent, but the most responsive to change.

Charles Darwin
or completed. [See section 67A(4)] If the contracting parties agrees to any increase to the contract price on or after 1 April 2018, the increase will be subject to 15% VAT.

**Lay-by sales**

If goods are sold under a lay-by agreement or a lay-by deposit is forwarded and the agreement was concluded and deposit paid before 1 April 2018, the entire transaction (or forfeiture) will be subject to VAT at 14% irrespective of the date of later payments or delivery.

**Bad debts**

If a debt becomes irrecoverable on or after 1 April 2018, the VAT adjustment will be based on a VAT rate of 14% which applied in November 2017.

**Other services**

If services are rendered during a period which ends before 1 April 2018, the consideration is charged at 14% VAT, irrespective of the date of invoicing or payments.

If the period of rendering of services spans 1 April 2018, a reasonable apportionment must be made of the consideration due. To the extent the consideration relates to supplies/activities before 1 April 2018, 14% VAT will apply whereas 15% VAT will apply to services rendered on or after 1 April 2018.

For example, if an accountant entered into an agreement to perform bookkeeping services and complete a clients’ VAT returns for March 2018, a distinction needs to be made between services physically rendered before and after 1 April. If the bookkeeping services were performed during March this supply would be subject to 14% VAT.

The March VAT return will however only be compiled during April and therefore the VAT return preparation service would be subject to 15% VAT.

**Debit and credit notes**

Debit and credit notes must be processed at the VAT rate that applied at the time the original supply was made.

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**You miss 100 percent of the shots you don’t take.**

*Wayne Gretzky*
Proposed amendments: VAT

As part of the National Budget the following amendments to the VAT Act were proposed:

**Correction of tax invoices**

In some cases, a vendor may issue a tax invoice that includes incorrect information in addition to correct VAT, value and supply information.

As the document issued by the vendor does not qualify as a tax invoice, the recipient is unable to use it to deduct input tax. The recipient may request a new version with the correct information so that it qualifies as a tax invoice.

An amendment is proposed to clarify that, under the circumstances described above, a vendor that cancels the initial document and reissues an invoice with the correct information will not be committing an offence.

The amendment will also require the vendor to maintain a proper audit trail across the initially issued document, the manner of cancellation and the reissued invoice.

**Credit notes for supplies after sale of an enterprise as a going concern**

It is proposed that an amendment be made to clarify issuance of credit notes when an enterprise is sold as a going concern.

In this case the purchaser of the enterprise will be allowed to issue a credit note for goods supplied by the seller of the enterprise and returned to the purchaser.

**Special returns for VAT purposes to be retained by vendors and be available on audit**

An amendment is proposed that will require a vendor to retain relevant material instead of submitting special returns to SARS.

**Separate treatment of branches or divisions of a juristic person for VAT debt-collection purposes**

The VAT legislation allows a vendor to register branches or divisions of a juristic person separately.

**Extension of joint and several liability for VAT to members of a joint venture**

An amendment is proposed to provide legal certainty that the members of a joint venture may also be jointly and severally liable for the VAT debts of that venture.

**Cryptocurrency transactions**

Cryptocurrencies are subject to the existing provisions in South African tax law. Cryptocurrencies do however pose risks to the income tax system as they are extremely volatile and their sustainability is uncertain.

At the same time, the supply of cryptocurrency can cause administrative difficulties in the VAT system. To address these issues, it is proposed that the income tax and VAT legislation be amended.

**Electronic services**

It was announced in the 2017 Budget Review that regulations prescribing foreign electronic services subject to VAT would be broadened to include cloud computing and other online services.

Updated draft regulations prescribing foreign electronic services and supporting amendments to the VAT legislation will be published for public comment.
Proposed amendment: Diesel refund administration

It was announced in the 2015 Budget that a holistic reform of the diesel refund administration system was considered. The National Treasury and SARS published a discussion document for public comment in February 2017. Extensive comments were received and processed.

In 2018, the National Treasury and SARS will engage with affected industries and other role players as a next step in the reform process. These stakeholder-specific consultations will inform the design of the new diesel refund administration system, which will be announced in Budget 2019.

The reform will also separate the diesel refund system from the VAT system. The introduction of a separate diesel refund system will supersede provisions of the VAT Act that refer specifically to the diesel refund system.

It is proposed that section 16(3)(i) of the VAT Act be repealed with effect from the date at which the new diesel refund system commences.

Proposed amendment: Estate duty

In line with Davis Tax Committee recommendations, and in keeping with the progressive structure of the tax system, the 2018 Budget proposes to increase estate duty from 20 per cent to 25 per cent for estates worth R30 million and more.

To limit the staggering of donations to avoid the higher estate duty rate, any donations above R30 million in one tax year will also be taxed at 25 per cent. Both measures will be effective from 1 March 2018.

Proposed amendments: Environmental and health tax

Cabinet adopted the Carbon Tax Bill in August 2017, it is proposed to implement the tax from 1 January 2019 to meet its nationally determined contributions under the 2015 Paris Agreement of the United Nations Framework Convention on Climate Change.

The plastic bag levy is to be increased by 50 per cent to 12 cents per bag, effective 1 April 2018. The environmental levy on incandescent light bulbs will increase from R6 to R8 from 1 April 2018. The vehicle emissions tax will be increased to R110 for every gram above 120 gCO2/km for passenger vehicles and R150 for every gram above 175 gCO2/km for double cab vehicles, effective 1 April 2018.

Proposed amendments: Tax administration

Notification of commencement of an audit

It is proposed that a taxpayer be notified at the start of an audit as part of efforts to keep all parties informed.

Deregistration of non-compliant tax practitioners

An amendment is proposed to ensure that non-compliant tax practitioners are deregistered. If a tax practitioner has not complied on a continuous or repetitive basis and does not correct their behaviour after being notified by the SARS Commissioner, they will be deregistered as a tax practitioner.

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A VAT-registered vendor may deduct VAT previously charged on credit sales if the debt becomes irrecoverable and is subsequently written off.

If the vendor cedes or sells the debt that has been written off on a non-recourse basis for an amount that is less than the amount owing, then the sale of the debt is exempt from VAT and the vendor is not required to make any adjustments to the previous VAT deduction.

It has come to government’s attention that some vendors (such as collection agents or banks) that buy the book debt in terms of the above-mentioned arrangement attempts to claim a further VAT deduction if they write off all or part of this debt in future. This results in a double VAT deduction, which is against the intention of the legislation, as seen in the definition of “face value of a debt transferred” in the Explanatory Memorandum to the Taxation Laws Amendment Bill (1997).

To prevent this double VAT deduction, it is proposed that the term “face value of a debt transferred” be defined in the VAT Act to take into account the policy rationale explained in the explanatory memorandum.

The VAT Act was amended in 2015 to abolish the zero-rating of the supply of goods and services for government’s national housing programme, with effect from 1 April 2017.

In 2017, the legislation was amended to postpone the abolition date for a further two years to 1 April 2019, as both the National Treasury and municipalities were not ready to enforce this change.

Due to budgetary constraints, it is now proposed to postpone the effective date for this amendment indefinitely.

Once confirmed, the Minister of Finance will publish the effective date in the Government Gazette.

In 2015, the South African Revenue Service (SARS) Commissioner’s discretion in administering the Income Tax Act was reviewed and amended in anticipation of the move to a self-assessment income tax system.

In 2015, the Commissioner’s discretion on a doubtful debts allowance under section 11(j) of the Income Tax Act was deleted with effect from a date to be announced.

The intention of the deletion was that, in future, the allowance would be claimed according to criteria set out in a public notice issued by the Commissioner. However, no criteria have been formulated for the claiming of the allowance.

To provide certainty, it is proposed that the criteria for determining the allowance should instead be included in the Income Tax Act.
XBRL ROLLOUT BY CIPC

This is an announcement from CIPC regarding the XBRL Rollout for 2018.

The Companies and Intellectual Property Commission (CIPC) embraces international best practices and the impact of the use of XBRL when submitting Annual Financial Statements (AFS) online and in improving efficiencies. XBRL will make it easier for Companies to report their financial information in an electronic format. CIPC will mandate the digital reporting system for all qualifying entities on 1 July 2018.

XBRL is an Extensible Business Reporting Language for electronic communication of business information providing major benefits in the preparation, analysis, and communication of Annual Financial Statements.

The digital reporting will be in the form of XBRL and will assist companies with filing their Annual Financial Statements to egress from a PDF reporting format to a more structured format. This will ultimately reduce the burden of multiple submissions to different regulators.

XBRL Program Objectives are:

- To reduce the administrative burden on businesses when they report financial information to government for regulatory compliance. Achieving this goal requires reducing duplication and inconsistency in business information reported to various government agencies - thus, a national (local taxonomy becomes a necessity); and

- To achieve regulatory compliance to accomplish the mission of the government agency. The CIPC's primary mission is to provide business and financial information to investors for better transparency and to reduce the administrative costs of reporting businesses.

What are the benefits of using XBRL?

- Obtain data which can be entered automatically into systems without re-keying, re-formatting or other "translation" effort;
- Dramatically reduce costs by automating routine tasks;
- Quickly and automatically identify problems with filings;

For more information, please contact Mr. Joey Mathekga - (Program Owner) - email jmathekga@cipc.co.za, or Mr. Hennie Viljoen (XBRL Program Manager) - email HViljoen@cipc.co.za, or send a query to XBRL@cipc.co.za.

Dear James and the Mentor Family

We are indeed saddened by the news of the passing away of your Father. The Institute wishes the family strength and additional Blessings of the Lord during this time of bereavement.
Dividends and interest

The Income Tax Act provides relief in respect of dividends and interest subject to certain limitations and requirements.

Local dividends

Dividends received by individuals from South African companies are subject to 20% dividend withholding tax and generally exempt from income tax.

Dividends received by South African resident individuals from REITs (listed and regulated property owning companies) are subject to income tax. Non-residents are only subject to dividends tax in respect of REIT dividends.

Foreign dividends

Most foreign dividends received by individuals from foreign companies (shareholding of less than 10% in the foreign company) are taxable at a maximum effective rate of 20%. No deductions are allowed for expenditure to produce foreign dividends.

Interest

Interest earned from a South African source is exempt from Income Tax provided to the extent it is less than the following monetary thresholds:

- Individuals younger than 65 years — R23 800 per annum, and
- Individuals 65 and older, up to R34 500 per annum.

Interest earned by non-residents who are physically absent from South Africa for at least 181 days during the 12-month period before the interest accrues and the debt from which the interest arises is not effectively connected to a fixed place of business in South Africa, is exempt.

Medical and disability expenses

Individuals are allowed to deduct certain medical and disability expenses for purposes of determining their taxable income.

The following amounts may be deducted:

- monthly contributions to medical schemes (a tax rebate referred to as a medical scheme fees tax credit) up to R310 each for the individual who paid the contributions and the first dependent on the medical scheme and R209 for each additional dependent; and
- in the case of an individual who is 65 and older, (or if an individual, his or her spouse, or his or her child is a person with a disability)
  - 33.3% of the sum of qualifying medical expenses paid and borne by the individual and
  - an amount by which medical scheme contributions paid by the individual exceed 3 times the medical scheme fees tax credits for the tax year; or
- in the case of any other any other individual,
  - 25% of an amount equal to the sum of qualifying medical expenses paid and borne by the individual and
  - an amount by which medical scheme contributions paid by the individual exceed 4 times the medical scheme fees tax credits for the tax year, limited to the amount which exceeds 7.5% of taxable income (excluding retirement fund lump sums and severance benefits).
Good Governance and your business

Mervyn King in his foreword to the Report on Corporate Governance for South Africa comments that organisations operate in the triple context of the economy, society and the environment. [IODSA, 2016 (“King IV”) ] This is painfully evident when we consider the impact of reports issued by KPMG. KPMG has suffered financial loss, society has conducted a trial by media, and the profession which is naturally risk averse now thinks three times before acting.

Any business leader who does not acknowledge the impact of this triple context on its business or vice versa does so at its peril. King IV seeks to provide entities (“entities” is used here specifically because King IV is intended for a much wider audience – not just your listed companies) with a benchmark to aspire to. The bottom line: the exercise of ethical and effective leadership by the governing body (that would be the members of the CC, Directors of a company, trustees of a trust).

Typically, Corporate Governance terminology has been aimed at the large [listed] corporations, however the principles are applicable to all irrespective of their nature or size. The smaller entity will have a different emphasis as their governance structure is usually more condensed with shareholders, directors and management often comprising the same group of people. Even so, the concepts are valid. King IV is not meant to be a one size fits all. It is designed to be scaled to the organisation depending on the turnover, resources and complexity of its activities. The practical steps and mechanisms to achieve ethical and effective leadership will be different for each organisation, however every organisation should strive to achieve it.

Ethical and effective leadership

Rather than provide a definition, King IV provides characteristics which demonstrate ethical leadership. These are integrity, competence, responsibility, accountability, fairness and transparency. Importantly, ethical leadership considers the impact of its activities on the “triple context”. The effectiveness of leadership is gauged by the results of its activities – not only internally but also externally. These characteristics can be almost universally applied – it would be difficult for any governor to justify the opposite of any of these in his or her governance role whether that was in a non-profit, “Mom & Pops” business, or a large corporate.

The organisation in society, citizenship & integrated thinking

While the South African Constitution does not specifically mention Ubuntu, it is pervasive. This concept of humanness and community implies that we are all part of and are impacted by society. What we do has an impact beyond our business. The idea of identifying stakeholders in one’s business is not new. This concept goes much deeper. It acknowledges the interdependence of members of society. It also means we need to acknowledge our responsibility and accountability for the impact we have on society. The obvious example is the environmental impact our business has on air, noise or water quality, but what about the impact a new mobile app has on society?
Good Governance and your business

Sustainable development
Development is only sustainable if it does not compromise the ability of future generations to meet their needs. This is inextricably tied to the idea that we are citizens who are part of society. The survival and success of an organisation is tied to its current and future impact on the economy, society and the environment. As a businessman, the future of your business is tied to that of your profession as a whole, and to the way you impact the development of your profession. There is a clear, identifiable link between your business profitability and the amount of staff training you do – initially the training hurts - it costs time and money to invest in staff. Thereafter profitability rises. It is harder to connect the dots when it comes to the profession as a whole. I believe that is because we are not accustomed to measuring our impact on anything other than the income statement and balance sheet.

Stakeholder inclusivity
The shareholder is not paramount. Stakeholder inclusivity means that governors consider the interests and needs of all stakeholders. These needs and interests impact the decision making for the best interests of the organisation over time. As governor, you will need to balance these often competing and interdependent interests to promote the long term sustainability of the organisation. As an example, governors of a school when considering a change in language policy, should consider the impact such a change would have not only on the direct education of the pupils but the potential change in cultural and language mix within the community.

Integrated Reporting
Why would a non-profit or SME consider integrated reporting? Integrated reporting is essentially the outcome of integrated thinking. The nature and extent of this reporting will depend on the organisation, however it is important to acknowledge that “you get what you measure”. It is highly unlikely that governors will consider the triple context and the organisations impact thereon unless these are reported.

Conclusion
We impact the community and the community impacts us. Recognising this as directors, members, trustees and school governors is vital. How and the extent to which we implement these concepts is highly dependent on our organisation, its requirements, and the context in which each one operates. Ignoring the fact that we operate as part of a broader community is not an option.

Wayne Twigg CA(SA) is a member of SMEIG an advisory board to the International Accounting Standards Board. He is a member of the Institute of Directors of Southern Africa, and 2020 Innovation SA. His advisory practice assists SME’s and entrepreneurs grow their business by advising them on Taxation, Financial Reporting and Strategy. He can be contacted on 033 330 7333 or wayne@twigg.co.za.
## Welcome to our new members

### Independent Accounting Professional (Reviewer)

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### Technical Accountant

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### Technical Accountant / Certified Tax Practitioner

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### Academia Member

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<tr>
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### Students

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The Institute of Accounting and Commerce (IAC) is a professional accounting institute. Established in 1927, it is registered in South Africa as a non profit company (NPC). It is fully self-funded and conducts its business from its Head Office in Cape Town.

MISSION STATEMENT

It is the aim of the Institute of Accounting and Commerce to promote actively the effective utilisation and development of qualified manpower through the achievement of the highest standards of professional competence and ethical conduct amongst its members.

Urgent Reminder

2018 Subscriptions Overdue

Subscriptions not yet paid are overdue. The outstanding subscription fee plus penalty interest is payable. Interest will be levied as follows:

- 15% penalty interest if subscription is paid by the 28th February 2018;
- 25% interest will apply from 1st March 2018;
- 40% interest will apply from 1st April 2018;
- If subscription fees are still outstanding on 1 April, membership will be terminated.

Please note: Subscription fees will be adjusted to accommodate for the 1% increase in VAT as announced by the Minister of Finance on the 21st February 2018.

Retirement: Duncan Stark

Duncan joined the IAC 26 years ago and was responsible for the Institute’s IT Program as well as fulfilling the role of Finance Officer for many years.

At a blessed age of 73, Duncan is now retiring on the 28th February 2018, and the Institute expresses our sincere thanks and gratitude to him for his years of dedicated and loyal service to the Institute over the years.

We wish Duncan all the best into his retirement years.

God Bless you and your family.

Appointment of new IT Officer:
Tasriq Adams

Tasriq has joined the Institute on the 1st February 2018 and will be taking over Duncan’s portfolio as the IT Officer for the Institute. We trust that Tasriq will be able to match the years of service of Duncan, and wish him well with the challenges ahead.