

# The Professional

Volume 8, Issue 2

February 2017

## BUDGET 2017/18

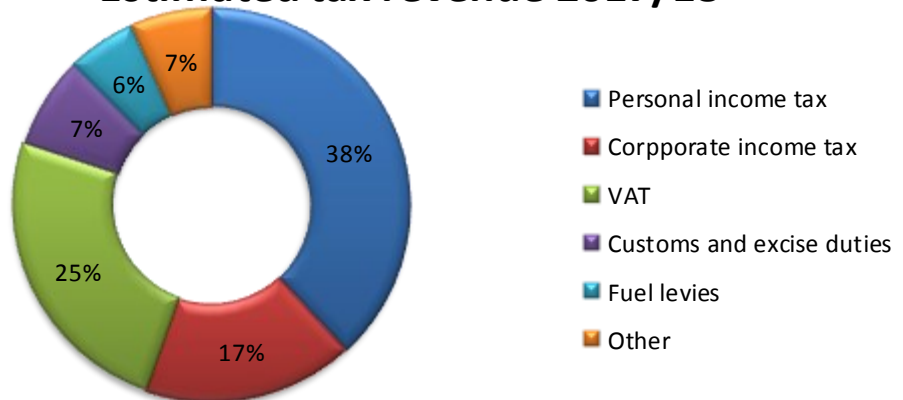
### Special points of interest:

- Dividends tax increases from 15% to 20% from 1 March 2017.
- Fuel levy increases by 30c per litre from 5 April 2017.
- Cap on annual contributions to tax free investments increases from R30 000 to R33 000

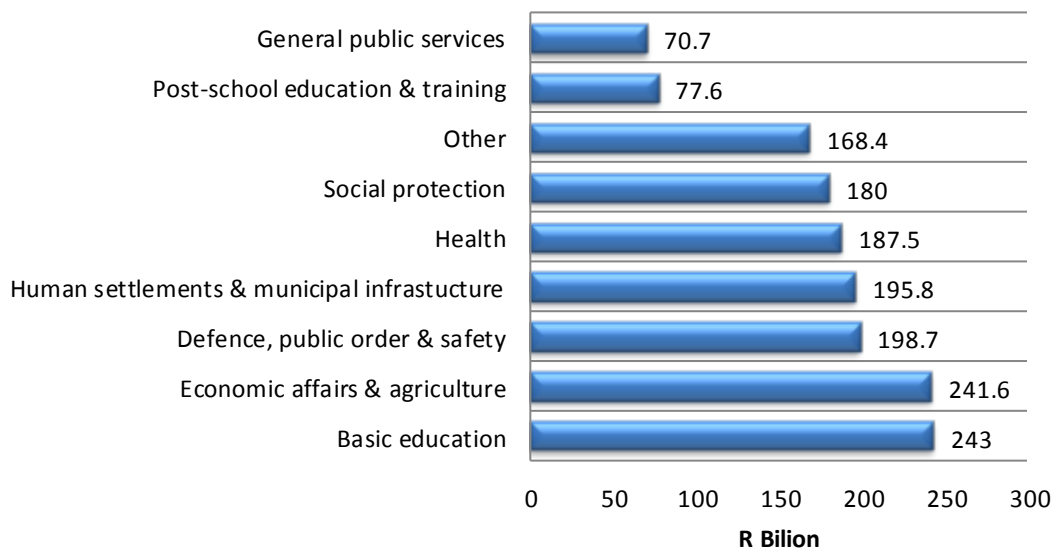
### Inside this issue:

Tax tables	2
Retirement	4
Travel allowance	5
Fringe benefits	6
Summary of taxes	7
Bargaining counsels	8
Foreign employment income	
Business incentives	10
VAT	11
IAC news	12

### Estimated tax revenue 2017/18



### National spending 2017/18



## Personal income tax and special trusts—Tax tables

2016/17		2017/18	
Taxable income (R)	Rates of tax	Taxable income (R)	Rates of tax
R0 - R188 000	18% of each R1	R0 - R189 880	18% of each R1
R188 001 - R293 600	R33 840 + 26% of the amount above R188 000	R189 881 - R296 540	R34 178 + 26% of the amount above R189 880
R293 601 - R406 400	R61 296 + 31% of the amount above R293 600	R296 541 - R410 460	R61 910 + 31% of the amount above R296 540
R406 401 - R550 100	R96 264 + 36% of the amount above R406 400	R410 461 - R555 600	R97 225 + 36% of the amount above R410 460
R550 101 - R701 300	R147 996 + 39% of the amount above R550 100	R555 601 - R708 310	R149 475 + 39% of the amount above R555 600
R701 301 and above	R206 964 + 41% of the amount above R701 300	R708 311 - R1 500 000	R209 032 + 41% of the amount above R708 310
		R1 500 001 and above	R533 625 + 45% of the amount above R1 500 000

## Rebates and tax thresholds

Rebates		Rebates	
Primary	R13 500	Primary	R13 635
Secondary	R7 407	Secondary	R7 479
Tertiary	R2 466	Tertiary	R2 493
Tax threshold		Tax threshold	
Below age 65	R75 000	Below age 65	R75 750
Age 65 and over	R116 150	Age 65 and over	R117 300
Age 75 and over	R129 850	Age 75 and over	R131 150

## Employee bursaries

### Increasing the fringe-benefit exemption for employer-provided bursaries

Government proposes to increase the income eligibility threshold for employees from R400 000 to R600 000, and the monetary limits for bursaries from R15 000 to R20 000 for education below NQF level 7

For NQF level 7 and above, the monetary limits will be increased from R40 000 to R60 000.

## Transfer duty

It was proposed that transfer duty rates be amended as follows:

2016/17		2017/18	
Property value (R)	Rates of tax	Property value (R)	Rates of tax
R0 - R750 000	0% of property value	R0 - R900 000	0% of property value
R750 001 - R1 250 000	3% of property value above R750 000	R900 001 - R1 250 000	3% of property value above R900 000
R1 250 000 - R1 750 000	R15 000 + 6% of property value above R1 250 000	R1 250 001 - R1 750 000	R10 500 + 6% of property value above R1 250 000
R1 750 001 - R2 250 000	R45 000 + 8% of property value above R1 750 000	R1 750 001 - R2 250 000	R40 500 + 8% of property value above R1 750 000
R2 250 001 - R10 000 000	R85 000 + 11% of property value above R2 250 000	R2 250 001 - R10 000 000	R80 500 + 11% of property value above R2 250 000
R10 000 001 and above	R937 500 + 13% of property value above R10 000 000	R10 000 001 and above	R933 000 + 13% of property value above R10 000 000

## Excise duty

The following rate increases were announced:

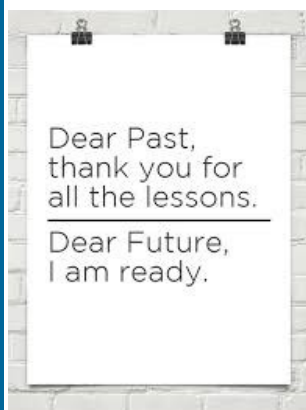
Product	Current excise duty rate	Proposed excise duty rate
Malt beer	R79.26 / litre of absolute alcohol (135c / average 340ml can)	R86.39 / litre of absolute alcohol (146.9c / average 340ml can)
Traditional African beer	7,82c / litre	7,82c / litre
Traditional African beer powder	34,70c / kg	34,70 / kg
Unfortified wine	R3.31 / litre	R3.61 / litre
Fortified wine	R5.82 / litre	R6.17 / litre
Sparkling wine	R10.53 / litre	R11.46 / litre
Ciders and alcoholic fruit beverages	R79.26 / litre of absolute alcohol (135c / average 340ml can)	R86.39 / litre of absolute alcohol (146.9c / average 340ml can)
Spirits	R161.47 /litre of absolute alcohol (R52.07 / 750ml bottle)	R175.19 / litre of absolute alcohol (R56.50 / 750ml bottle)
Cigarettes	R13.24 / 20 cigarettes	R14.30 / 20 cigarettes
Cigarette tobacco	R14.88 / 50g	R16.07 / 50g
Pipe tobacco	R4.16 / 25g	R4.56 / 25g
Cigars	R69.28 / 23g	R75.86 / 23g



## 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 the same as the 2016/17 year

Taxable Income (R )	Rate of tax
0—25 000	0% of taxable income
25 001—660 000	18% of taxable income above 25 000
660 001—990 000	114 300 + 27% of taxable income above 660 000
990 001 and above	203 400 + 36% of taxable income above 990 000



## 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 retirement fund lump sum benefits accruing before lump sum from October 2007 and all retirement fund lump sum withdrawal benefits accruing from March 2009 and all severance benefits accruing before severance benefit from March 2011.

Taxable Income (R )	Rate of tax
0—500 000	0% of taxable income
500 001—700 000	18% of taxable income above 500 000
700 001—1 050 000	36 000 + 27% of taxable income above 700 000
1 050 001 and above	130 500 + 36% of taxable income above 1 050 000



## Travelling allowance

Employers must include 80% of the travelling allowance 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.

### Variable and fixed costs

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 covered by a maintenance plan). 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.

### Distance

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. In instances where the distance travelled for business purposes does not exceed 12 000 kilometres per annum, no tax is payable on an allowance paid by an employer to an employee up to the rate of 355 cents per kilometre, regardless of the value of the vehicle. However, this alternative is not available if other compensation in the form of an allowance or reimbursement (other than for parking or toll fees) is received from the employer in respect of the vehicle.

### Travelling allowance

Taxpayers may use the following table to determine the allowable deduction against an allowance or advance where actual costs are not claimed:

Value of the vehicle (including VAT) (R)	Fixed cost (R p.a.)	Fuel cost (c/km)	Maintenance cost (c/km)
0 - 85 000	28,492	91.2	32.9
85 001 - 170 000	50,924	101.8	41.2
170 001 - 255 000	73,427	110.6	45.4
255 001 - 340 000	93,267	118.9	49.6
340 001 - 425 000	113,179	127.2	58.2
425 001 - 510 000	134 035	146	68.4
Exceeding 510 000	154 879	150.9	84.9



*The best and  
most beautiful  
things in the  
world cannot be  
seen or even  
touched - they  
must be felt  
with the heart.  
Helen Keller*

## Employer-owned vehicles

The taxable value is 3.5% of the determined value (the cash cost including VAT) per month of each vehicle. If the employer acquired the vehicle with a maintenance plan the taxable value is 3.25% of the determined value. In instances where the employer acquires the vehicle under an operating lease, the taxable value is the cost incurred by the employer under the operating lease plus the cost of fuel.

The employer must include 80% of the fringe benefit 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.

On assessment the fringe benefit for the tax year is reduced by the ratio of the distance travelled for business purposes (substantiated by a log book) divided by the actual distance travelled during the tax year. Further relief is also available for the cost of license, insurance, maintenance and fuel for private travel if the full cost thereof has been borne by the employee and if the distance travelled for private purposes is substantiated by a log book.





**Obstacles are  
those frightful  
things you see  
when you take  
your eyes off  
the goal.  
Henry Ford**



## Fringe Benefits and other allowances

### Interest fee/low-interest loans

The difference between interest charged at the official rate and the actual amount of interest charged, is regarded as a fringe benefit and must be included in gross income.

### Accommodation

The value of the fringe benefit to be included in gross income is the lower of the benefit calculated by applying a prescribed formula or the cost to the employer if the employer does not have full ownership of the accommodation.

The formula will apply if the accommodation is owned by the employee, but it does not apply to holiday accommodation hired by the employer

from non-associated Institutions.

### Subsistence allowances

A person is deemed to have incurred the following amounts in respect of subsistence if that person is required to spend at least one night away from his usual place of residence for business purposes:

#### Accommodation in South Africa

In the case where meals and incidental costs are incurred, R397 per day (previously R372 per day;

If only incidental costs are incurred, R115 per day.

#### Accommodation outside SA

If the person is required to stay at least one night outside South

Africa, the person needs to refer to the specific amount per country per day as set out on the SARS website.

The list includes the following daily rates:

Botswana: 826 Pula

China: \$127

France: € 129

Lesotho: R750

Namibia: R950

UAE: 699 Dirhams

United Kingdom: £102

USA: \$155

Other countries not listed in Government Notice of 1 March 2017: \$215

## Capital Gains Tax

Taxpayers are required to include capital gains on the disposal of their assets. A disposal can generally be triggered by a sale, donation, exchange, loss, death and emigration. There are however some exclusions, including:

- Disposal of a person's primary residence (R2 million);
- Most personal use assets;
- Retirement benefits;
- Payments in respect of origi-

nal long-term insurance policies

- Annual exclusion of R40 000 capital gain or capital loss is granted to individuals and special trusts. This exclusion if however increased to R300 000 in a person's year of death;
- Small business exclusion of capital gains for individuals (at least 55 years of age) of R1.8 million when a small business with a market value

not exceeding R10 million is disposed of.

The maximum effective rate of tax in respect of capital gains are:

- Individuals and special trusts 18%
- Companies: 22.4%
- Other trusts: 36%

## 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 however not subject to dividends tax if the beneficial owner of the dividend is a South African company, retirement fund or other exempt person.

Non-resident beneficial owners of dividends may benefit from reduced tax rates in limited circumstances. The tax is to 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.

## Other withholding taxes

### 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.

### Royalties

Royalty withholding tax is a final tax at a rate of 15% which is imposed on the gross amount of royalties from a

South African source payable to non-residents.

### Immovable property

This is a provisional tax which 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.

### Foreign entertainers

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.

### Tax agreements

Please note that the above mentioned rates may be reduced in terms of a tax treaty with the non-(SA) resident's country of residence.



## Other taxes

### Donations tax

Donations tax is levied at a flat rate of 20% on the value of the property donated. The first R100 000 donated by a person is however exempt from donations tax. In instances where the taxpayer is not a natural person, the exemption is limited to casual gifts not exceeding R10 000 per year.

### Estate duty

Estate duty is levied at a flat rate of 20% on property of residents and South African property of non-residents.

A basic deduction of R3.5 million is allowed in the determination of an estate's liability for estate duty as well as deductions for liabilities, bequests to public benefit organisations and property accruing to surviving spouses.

### International air travel

Tax on international air travel is levied at R190 per passenger departing on international

flights excluding flights to Botswana, Lesotho, Namibia and Swaziland. In the case of these countries the tax is limited to R100 per passenger.

### Securities transfer tax

This tax is levied at a rate of 0.25% on the transfer of listed or unlisted securities. Securities consist of shares in companies or member's interests in close corporations.

### Skills development levy

A skills development levy is payable by employers at a rate of 1% of the total remuneration paid to employees. Employers paying annual remuneration of less than R500 000 are exempt from payment of the skills development levy.

### Unemployment insurance contributions

A skills development levy is payable by employers at a rate of 1% of the total remuneration paid to employees. Employers

paying annual remuneration of less than R500 000 are exempt from payment of the skills development levy.

### Value-added tax

VAT is levied at the standard rate of 14% on the supply of goods and services by registered vendors.

A vendor making taxable supplies of more than R1 million per annum must register for VAT. A vendor making taxable supplies of more than R50 000 but not more than R1 million per annum may apply for voluntary registration. Certain supplies such as exports are subject to a zero rate. There are also some supplies that are exempt from VAT, including financial services and transportation of fare-paying passengers via road or rail.

**Success is not  
final, failure is  
not fatal; it is  
the courage to  
continue that  
counts.  
Winston  
Churchill.**







*The best  
preparation for  
tomorrow is  
doing your best  
today.*  
**H Jackson  
Brown Jr**

## Bargaining councils

Bargaining councils are required to deduct pay-as-you-earn (PAYE) from members. There are however instances where some bargaining councils did not deduct PAYE from a large number of members for holiday and end-of-year payments.

The tax treatment of sick-leave payments and income generated within the councils may also have been incorrect.

As a result, these funds have been non-compliant with tax legislation for an extended period of time. Some of the funds are at risk of closure or are likely to suffer severe finan-

cial distress from high penalties for non-compliance, and given the unique circumstances of this case, a certain level of relief will be considered.

The bargaining councils that have defaulted are expected to be fully compliant and will not be afforded relief in future.

## Foreign employment income

Many South Africans make use of lucrative employment opportunities offered by foreign employers. In many instances these persons do not pay tax in South Africa on the basis that they spend more than 183 consecutive days a year outside South Africa.

South African residents are taxed on their worldwide income. According to Treasury, the exemption in respect of foreign employment appears excessively generous. I

f a resident works in a foreign country for more than 183 days with no tax

payable in the foreign country, that foreign employment income will benefit from double non-taxation.

It is proposed that this exemption be adjusted so that foreign employment income will only be exempt from tax if it is subject to tax in the foreign country.

It is important to note that the proposed amendment is only in respect of South African residents. This term is defined in section 1(1) of the Income Tax Act. In many instances the "residency" of a person is however determined under a tax treaty between two con-

tracting states. It is therefore crucial for persons working outside South Africa to refer to the relevant treaty to determine whether their income may be subject to tax in South Africa.

These persons should seriously consider consulting with an experienced tax advisor to guide them through the process of determining their tax liability as the definition of "resident" is quite complex.

## Trusts

Treasury introduced anti-avoidance measure in 2016 which was aimed at curbing the tax-free transfer of wealth to trusts through the use of low-interest or interest-free loans.

This anti-avoidance measure deems any interest foregone in respect of low-interest or interest-free loans to a trust to be donations that are subject to donations tax at a rate of 20 per cent.

Some taxpayers have however attempted to circumvent the anti-avoidance measure by making low-interest or interest free loans to companies owned by a trust.

To counter abuse, it is proposed that the scope of this anti-avoidance measure be extended to cover these avoidance schemes.

It was also proposed that the anti-avoidance rule should not apply to trusts that are not used for estate planning, for example, employee share scheme trusts and certain trading trusts.





## Retirement reforms

### Benefits after retirement

Preservation of benefits after reaching normal retirement dates: In 2014, amendments were made to the

Income Tax Act to allow individuals to elect to retire, and the date on which the lump sum benefit accrued

to the individual depended on the date on which the individual elected to retire and not on the normal

retirement age. Currently, once the individual elects to retire, the Income Tax Act does not cater for the

transfer of lump sum benefits from one retirement fund to

another. It is proposed that transfers of retirement

interests be allowed from a retirement fund to a retirement annuity fund, subject to fund rules.

### Public sector build-up

Currently, the Income Tax Act makes provision for the tax-free transfer of pre-March 1998 lump sum benefits from a public-sector fund to a pension fund. It is proposed that subsequent transfers of these lump sum benefits to another pension fund be tax free.

### Umbrella fund

Existing employees who do not join a newly established employer umbrella fund have 12 months within which to join the fund, after which they are unable to join.

To encourage employees to contribute towards their retirement and remove practical difficulties, it is proposed that the 12-month limit be removed and that employees be allowed to join without time restriction. The removal of the time restriction will however be subject to the rules of the fund.



## Debt forgone—Dormant and business rescue companies

Paragraph 12A of the Eighth Schedule to the Income Tax Act provides relief in respect of debt that is cancelled, waived, forgiven or discharged in respect of loans between companies within the same group.

The intra-group relief does however not extend to section 19 of the Income Tax Act

which deals with debt used to finance tax-deductible operating expenditure. As a result, companies that used intra-group debt to finance tax-deductible operating expenses are required to recoup the debt.

In the case of dormant group companies or companies under

business rescue, lack of this relief is cumbersome as such companies would not have the resources to pay tax on the debt recouped. It is therefore proposed that the current relief for group companies available in paragraph 12A of the Eighth Schedule be extended to section 19.

*Try to be a  
rainbow in  
someone's  
cloud.*

**Maya Angelou**

## Artificial repayment of debt

Since the introduction of the current tax rules for debt forgiveness, it has come to Treasury's attention that creditors and debtors are entering into short-term shareholding structures that attempt to circumvent income tax resulting from a recoupment triggered by the debt forgiveness rules.

### Structuring

Under this structure, the creditor would subscribe for shares

in its debtor and pay the debt or for those shares.

The debtor then uses the subscription amount paid to settle its debt with the creditor.

Soon after the payment is effected, the original shareholder of the debtor will buy the shares that the creditor subscribed for at a slight premium.

This slight premium then covers the capital gains tax that

the creditor would be liable for in respect of the shares the debtor sold to the shareholder. This means SARS loses normal tax revenue on the recoupment and only receives the lower capital gains tax.

### Proposal

It is proposed that measures be introduced to prevent these structures.





## Contingent liabilities

The Income Tax Act provides for the tax-free transfer of assets for corporate restructuring purposes, subject to certain limitations on how the transfer is funded.

The only acceptable means of funding the transfer of assets is by obtaining shares in the buyer of assets or the buyer assuming the debts of the seller. Cash or other assets are not acceptable.

Currently, only unconditional obligations are catered for with respect to debt. However, a seller and buyer may negotiate a selling price after considering and taking into account some of the future contingent liabilities of the seller.

Where the parties agree that the buyer will assume some of the future contingent liabilities of the seller, there is a real economic effect on the sale as the seller will be freed from

future costs relating to those contingent liabilities.

### Proposal

It is proposed that the assumption of future contingent liabilities be considered

as an acceptable consideration under the corporate reorganisation rules.

*Thought is the  
wind,  
knowledge the  
sail and  
mankind the  
vessel.  
August  
Strindberg*

## Land reform

Amendments were made to the Income Tax Act in 2016 to provide for an exemption from donations tax and capital gains tax on land-reform initiatives, as outlined in Chapter 6 of the National Development Plan.

These changes provide for an exemption where full ownership of the land is transferred. As full ownership of the transferred land is not always envisaged in the National Development Plan, it is proposed that the current exemption be extended to allow partial ownership of land under appropriate circumstances.

## Business incentives

### International donor funding

South Africa receives official development assistance from international donor funding organisations.

Currently, the Income Tax Act provides special tax relief for these organisations. The tax treatment of these donor organisations is however not aligned. It is therefore proposed that changes be made in the Income Tax Act to align the tax treatment of international donor funding organisations.

### Venture capital

Government has gradually been making changes to the venture capital company regime to encourage investment in small and medium-sized enterprises. It is proposed that further

changes be made to the regime to remove impediments to investment, such as rules relating to investment returns and the qualifying company test.

### SMME

Qualifying micro businesses (R1 million turnover a year) and small business corporations (turnover less than R20 million a year) are eligible for preferential corporate income tax rates.

Micro businesses are taxed on turnover, while SMMEs are taxed on taxable income.

Currently there are no transitional measures for micro businesses that grow sufficiently to migrate into the small business corporation tax regime.

This can result in unforeseen tax liabilities and administrative

penalties. Government proposes to reduce associated administrative penalties so that businesses can transition smoothly.

### Treasury management

The Income Tax Act was amended in 2013 to make provision for qualifying domestic treasury management companies to be eligible for tax relief in respect of foreign currency gains and losses.

The qualifying criteria for domestic treasury management companies in relation to tax residence will be reviewed as they are overly restrictive.



## Foreign intellectual property

The Income Tax Act does not allow deductions for payments made to a foreign person in respect of the use or right to use tainted intellectual property. This is to prevent erosion of the tax base resulting from assigning South African intellectual property to foreign entities subject to lower effective tax rates in the foreign country, followed by the licensing of that intellectual property back to South African taxpayers.

As these anti-avoidance measures may affect legitimate commercial transactions and discourage the use of South African-based group infrastructure to further develop offshore intellectual property, relaxation of the policy will be considered without losing sight of the initial policy intent, which is to prevent tax base erosion.



## VAT proposals

South Africans were relieved to hear on Budget day that the VAT rate remains at 14%. There were however other VAT proposals which are discussed below:

### Electronic services

To address base erosion and profit shifting, businesses providing foreign electronic services to South African consumers have been required to register for VAT since 1 June 2014. The electronic services regulations are being updated to broaden the scope of electronic services that are subject to VAT and to remove some uncertainties and practical difficulties.

Taxable services will now include cloud computing and services provided using online applications. The proposed changes will be published for public comment during 2017.

### Fuel

It is proposed that the zero-rating on fuel be removed. This will be subject to consultation leading up to the 2018 Budget. To mitigate the effect on transport costs, government will consider combining this with either a freeze or a decrease in the fuel levy.

### Inter-warehouse sales

If goods are imported into

South Africa and entered for home consumption, the goods are subject to VAT. The VAT is calculated by taking into account the value for customs duty purposes, plus any customs duty levied thereon, plus 10 per cent of the value of the goods.

In instances where the goods are imported into the country and entered for storage in a licensed warehouse without being entered for home consumption and such goods are then sold from one warehouse to another, the value to be placed on such goods is the higher of the above calculation, or the actual amount in money paid, or the open market value of the goods.

This was determined in terms of a 2011 amendment to the VAT Act. Prior to 2011, the value was deemed

to be the lower of these amounts. The 2011 amendment was never implemented due to administrative and compliance complexities and it is proposed that it should be repealed with retrospective effect.

### International travel insurance

The zero-rating provision governing international travel be clarified to address instances

where insurance is supplied to a traveler while the person is in South Africa or not being transported in an exporting country, for example insurance cover provided while the traveler is staying in a hotel.

### Municipalities

Various municipalities were disbanded or merged during the 2016 municipal elections. Consequently, these municipalities were either required to deregister or apply for a new VAT registration. It was therefore proposed that transitional measures be provided to address this.

### Leasehold improvements

Currently, the VAT Act does not provide guidelines in respect of the VAT treatment of leasehold improvements effected by the lessee to the leasehold property during the period of a lease agreement.

It was proposed that amendments are made to the VAT Act to clarify the VAT treatment in respect of the time and value of supply of leasehold improvements on leasehold property.

### Housing programme

In 2015, amendments were made to the VAT Act to abolish the zero rating of the supply of goods and services for gov-

ernment's national housing programme, with effect from 1 April 2017. National Treasury and municipalities are however not ready to make the VAT amendments. It is proposed that the effective date for this amendment be postponed for two years.

### "Resident"

The definition of "resident of the republic" in section 1(1) is based on the definition of "resident" in the Income Tax Act. As a result a foreign company which is effectively managed from South Africa, will be regarded as a resident of South Africa. This implies that goods or services supplied by a South African company to the foreign company will be subject to VAT and no zero-rating provisions are applicable.

If the foreign company is not required to register for VAT but bears South African VAT because it is a resident, the VAT that is borne will become a business cost, as that company cannot deduct that VAT as input tax. The definition of "resident in the republic" in the VAT Act will be amended to provide for such situations.



## Membership fees are now overdue

Membership fees were payable in January 2017, but unfortunately various members have not yet complied. We therefore remind members of the fees as well as penalties that will be levied..

\* Includes public indemnity insurance of R3million.

All amounts are inclusive of VAT.

Membership category	Total fee for 2017
Close corporation as accounting officer	1,368.00
Financial accountant in commerce*	1,995.00
Financial accountant in practice*	5,416.70
Technical accountant	1,254.00
Certified tax practitioner*	3,153.80
Associate tax practitioner*	2,618.00
Students on learnership	1,065.90

Assessment fees for new members	
Accounting officer	2,422.50
Tax practitioner	1,083.00
Approved training centre	2,422.50

Penalties for late payment			
Payment date	1 Feb-17 (15%)	1 Mar-17 (25%)	1 Apr-17 (40%)
Financial accountant in practice	615.75	1,026.25	1,642.00
Financial accountant in commerce	262.50	437.50	700.00
Certified tax practitioner	318.00	530.00	848.00
Technical accountant	165.00	275.00	440.00
Associate tax practitioner	247.50	412.50	660.00

## Member covenant 5—9

As an IAC member, we agree to:

- Not attempt to sway the clients judgments to obtain commercial or pecuniary benefit for myself, associates or employer;
- Only accept that number of clients that I may effectively and professionally service.
- When requested or by law required to do so, to advise a client on the financial management of a company or business entity;
- Not act recklessly or maliciously injure, or attempt to injure, whether directly or indirectly, the professional reputation of another person or company;
- Not disclose any aspect of the business affairs of a client to a third party except as required by law or underwritten authority granted by the client;

**\*\*\* CPD DEADLINE FOR 2016 WAS 31 DECEMBER 2016 \*\*\***

The Institute, being affiliated with SAQA and registered with CIPC and SARS, requires all its members to comply with our Continued Professional Development (CPD) requirements. CPD refers to on-going post-qualification development aimed at refreshing, updating and developing knowledge and skills of professionals. Our members are required to be competent to carry out their duties and responsibilities and therefore have a duty to maintain a high level of professional knowledge and skills required to carry out their work in accordance with all relevant laws, regulations, technical and professional standards applicable to that work.

All accounting registered members must complete 40 hours of CPD per calendar year (1 January - 31 December) of which a minimum of 50% must be structured and the balance can be unstructured. (Technical Accountants only need to do 50% of the above requirements). Tax practitioners must log a minimum of 15 tax related CPD hours per calendar year, of which 60% must be structured and 40% unstructured. Structured CPD hours can be obtained by attending courses, seminars and lectures and by performing research and or writing technical articles. Attending the monthly IAC discussion groups also counts towards structured CPD hours. Unstructured CPD hours can be obtained by reading technical and business literature, including the IAC's newsletter.

**A breakdown of CPD hours for the various categories of membership:**

- **Independent Reviewers / Accounting Officer and Accountants in Commerce**  
40 CPD hours / annum (20 structured + 20 unstructured dispersed evenly into the various categories on the website) and if any of these members carry Tax Practitioner status they will need to complete 9 structured + 6 unstructured tax hours.
- **Accounting Technicians (only)**  
20 CPD hours / annum (10 structured + 10 unstructured hours dispersed evenly into the various categories on the website)
- **Tax Practitioners and Technical Tax practitioners**  
15 CPD hours / annum (9 structured tax hours + 6 unstructured hours)

**The Board further recommended that CPD hours need to be broken down into the following categories:**

- Accounting (i.e. IFRS)
- Taxation
- Company Law
- Auditing & Review Engagements
- Other (which is appropriate to the type of work undertaken by the member).

Members must log their CPD hours on the Institute's website.

**Please note that the following penalties will be levied if a member fails to meet the CPD requirements:**

First time offenders	R 2 000 and catching up on outstanding CPD hours
Second time offenders	R 5 000 and catching up on outstanding CPD hours
Third time offenders	R 10 000 and catching up on outstanding CPD hours and
More than 3 offences	IAC membership is cancelled.

## INSTITUTE OF ACCOUNTING AND COMMERCE

252 Rosmead Avenue  
Wynberg  
7780

Phone: (021) 761 6211  
Fax: (021) 761 5089  
info@iacsa.co.za

### INQUERIES

#### General:

Abeeda Busch  
info@iacsa.co.za

#### Membership

Soraya Busch  
members@iacsa.co.za

#### Compliance

Bronwyn Benjamin  
compliance@iacsa.co.za

#### Finance

Valencia Williams  
finance2@iac.co.za

#### Information Technology

Duncan Stark  
finance@iacsa.co.za

#### GM & Technical

Prakash Singh  
gm@iacsa.co.za

#### CEO & Technical

Ehsaan Nagia:  
ceo@iacsa.co.za

#### Office Hours:

Monday - Thursday  
08:00 - 16:00  
Friday  
08:00 - 15:30

**www.iacsa.co.za**



### A dynamic world-class professional accounting institute

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.

## IAC Technical Helpline

Phone: (021) 761 6211

Fax: (021) 761 5089

E-mail: Prakash Singh gm@iacsa.co.za  
Ehsaan Nagia ceo@iacsa.co.za

## Professional indemnity insurance

Please note that the VKN Financial Service's website is now on line for those IAC members who have Professional Indemnity Insurance. Please go to the VKNFS website and download your PI membership certificate and policy wording. Note that only members who have fully paid their subscription fees will be able to download their certificates. The process is as follows:

- Go to the website: [www.vknfs.co.za](http://www.vknfs.co.za)
- Click the "IAC tab" on the top of the website
- Enter your membership number e.g., 610123
- Enter your email address
- Press "request certificate"

Depending on how fast your internet is and what office version software you are using you should receive your PI certificate and PI policy wording within a minute.

Please contact Duncan Stark at our office (Tel: 021 7616211 or Email: [finance@iacsa.co.za](mailto:finance@iacsa.co.za)) if you have any queries in this regard