

Celebration Time

Special points of interest:

- Employer annual reconciliation starts on 18 April 2017
- IAC conference - 4 May 2017

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From the editor

No-one can ever say living in South Africa is boring. During the last week we saw a huge cabinet re-shuffling and a significant number of SARS policy documents were published. Many of these documents were published for public comment and we urge our members to contact the IAC office in order for the comments to be centralized and to be submitted as part of the IAC's submission. Members are however also welcome to submit their comments directly to SARS before the due date.

This newsletter contains summaries of the new SARS documents as well as news from the IAC office. As always we appreciate your input and suggestions. We look forward to hearing from you our members.



There are no secrets to success. It is the result of preparation, hard work and learning from failure.
Colin Powell



Transport services supplied to employees—BGR 42

Employers often provide employees with transport services from their homes to their place of employment either for no consideration or for a consideration which is lower than the actual cost of the service provided. Such transport service is a taxable benefit in the hands of the employee, but may attract no value where certain requirements have been met.

Due to some uncertainty on this matter, SARS issued Binding General Ruling 42 (BGR 42) on 22 March 2017.

Uncertainty—"Home"

The word "homes" is very specific and denotes a specific dwelling in which the employee resides or inhabits. The ques-

tion that arises is whether, from an interpretive perspective, the word "homes" should be restricted to the exact position of an employee's specific dwelling.

In practice, however, an employer may arrange for employees living within a certain radius to be collected from or dropped off at a common area or central point between the employees' homes and place of employment.

An employer may also provide transport services for only part of the trip between the employees' homes and place of employment.

Ruling

Transport services provided to employees to and from any collection or drop-off point en route to or from the employees' homes and place of employment is accepted to fall within the provisions of paragraph 10(2)(b). No value will, therefore, be placed on these transport services.

This BGR applies from date of issue until it is withdrawn, amended or the relevant legislation is amended.

Non-executive directors

SARS issued Binding General Rulings 40 and 41 (BGR 40 and BGR 41 respectively) which deals with employees tax and VAT in respect of non-executive directors (NED).

NED

An NED is not defined in the Income Tax Act but the King III report states that crucial elements of an NED's role are that an NED –

- must provide objective judgment independent of management of a company;
- must not be involved in the management of the company; and
- is independent of management on issues such as, amongst others, strategy, performance, resources, diversity, etc.

In this context, "independence"

simply means "the absence of undue influence and bias...".

For purposes of BGR 40, SARS considers an NED to be a director who is not involved in the daily management or operations of a company, but simply attends, provides objective judgment, and votes at board meetings.

BGR 40

This BGR provides clarity on the employees' tax consequences of income earned by an NED, as well as the effect those employees' tax consequences could have on the prohibition against deductions by office holders under section 23(m).

For purposes of determining whether an NED receives "remuneration", it is accepted that such NED is not a common law employee.

It is further accepted that no control or supervision is exercised over the manner in which

such NED performs his or her duties, or the NED's hours of work.

The director's fees received by an NED for services rendered as an NED on a company's board, are thus not "remuneration", and are not subject to the deduction of employees' tax.

It is further accepted that because the amounts received by an NED are not "remuneration", the prohibition under section 23(m) will not apply in respect of such fees.

This ruling does not apply in respect of non-resident NEDs.

BGR 41

This BGR deals with the VAT treatment of the activities conducted by NEDs and clarifies whether those activities fall within the ambit of proviso (iii)(aa) or proviso (iii)(bb) to the definition of "enterprise" in section 1(1).

Non-executive directors

The following VAT question arises as to whether NEDs should be regarded as –

- employees or deemed employees under the Fourth Schedule to the Act so that their income is subject to employees' tax; or
- independent contractors that may be liable to register for VAT if their fees for services rendered exceed the VAT registration threshold of R1 million in any consecutive period of 12 months; or
- being subject to both employees' tax and VAT.

It is concluded in paragraph 3.2 of BGR (Income Tax) 40 that an NED is not considered to be a common law employee. This is based on the view that the services must be supplied independently and personally by the NED.

Any director's fees paid or payable to an NED for services rendered in that capacity is therefore not regarded as "remuneration".

For VAT purposes an NED is treated as an independent contractor as contemplated in proviso (iii)(bb) to the definition of "enterprise" in section 1(1) in respect of those NED activities.

An NED that carries on an enterprise in the Republic is required to register and charge VAT in respect of any director's fees earned for services rendered as an NED if the value of such fees exceed the compulsory VAT registration threshold of R1 million in any consecutive 12-month period as provided in section 23(1).

This rule applies whether the NED is an ordinary resident of the Republic or not.



Personal service provider

A personal service provider means any company or trust if any service rendered on behalf of such company or trust to a client of such company or trust is rendered personally by any person who is a connected person in relation to such company or trust, and –

- the person would be regarded as an employee of such client if such service was rendered by such person directly to such client, other than on behalf of such company or trust; or
- those duties must be performed mainly at the premises of the client, such person or such company or trust is subject to the control or supervision of such client as to the manner in which the duties are performed or are to be performed in rendering such service; or
- more than 80% of the income of such company or trust during a year of assess-

ment from services rendered consists of or is likely to consist of amounts received directly or indirectly from any one client of such company or trust, or any "associated institution" as defined in the Seventh Schedule, in relation to such client.

A company that falls within the above definition of "personal service provider" will not qualify as an SBC. However, should that company, unless it employ three or more full-time employees (excluding holders of shares or members or any persons connected to the holders of shares or members) throughout the year of assessment and the employees are engaged in the business of the company in rendering the specific service.

Payments made to a personal service provider are subject to the deduction of PAYE. (For more information see interpretation note 35).

Only the following expenses incurred by a personal service provider may be claimed as a deduction:

- The amounts paid or payable to the employees of the personal service provider for services rendered that will comprise remuneration in the hands of those employees.
- Certain legal expenses.
- Bad debts, if certain requirements are met.
- Contributions to pension or provident funds, medical schemes or retirement annuity funds for the benefit of the employees.
- Refunds of amounts received or accrued for services rendered or for or by virtue of employment or the holding of any office that was included in taxable income of the personal service provider.

- Refunds by a personal service provider of any amount previously paid as remuneration or compensation for restraint of trade.
- Expenses for premises, finance charges, insurance, repairs and fuel and maintenance of assets, if such premises or assets are used wholly and exclusively for purposes of trade.





Labour brokers

A labour broker is any natural person who, for reward, provide clients with other persons to render a service to the clients for which such other persons are remunerated by the labour broker.

Employers are required to deduct PAYE from all payments made to a labour broker, unless the labour broker is in possession of a valid exemption certificate issued by SARS.

An exemption certificate will be issued by SARS to a labour broker if –

- the labour broker carries on an independent trade and is registered as a provisional taxpayer;
- the labour broker is registered as an employer; and
- the labour broker has, subject to any extension granted by the Commissioner, submitted all returns as are required to be submitted by the labour broker.

SARS will not issue an exemption certificate if –

- more than 80% of the gross income of the labour broker during the year of assessment consists of amounts received from any one client of the labour broker or any associated institution in relation to the client, unless the labour broker employs three or more full-time employees throughout the year of assessment who are engaged in the business of the labour broker on a full-time basis of providing persons to the clients and who are not connected persons in relation to the labour broker;
- the labour broker provides to any of its clients the services of any other labour broker; or
- the labour broker is contractually obliged to provide a specified employee of the labour broker to render service to the client.

The deduction of expenses incurred by a labour broker without an exemption certificate is limited to the amounts paid to the employees of the labour broker for services rendered that will comprise remuneration in the hands of those employees.

**Hard work
beats talent
when talent
doesn't work
hard.**

Tim Notke



Small businesses—Income tax

As soon as a person commences a business, whether as a sole proprietor, a partner in a partnership or as a company, the person is required to register as a taxpayer with the local SARS branch in order to obtain a reference number.

The person must register within 21 business days after becoming liable for any normal tax or becoming liable to submit any return.

Depending on other factors such as turnover, payroll amounts, whether involved in imports and exports etc., a taxpayer could also be liable for other taxes, duties, levies

and contributions such as VAT, PAYE, Customs, Excise, SDL and UIF contributions.

Year of assessment

The year of assessment for natural persons and trusts covers a 12 month period which commences on 1 March of a specific year and ends on the last day of February of the following year.

The year of assessment of a deceased person commences on 1 March and ends on the date of death. An insolvent person should submit two returns for a year of assessment, one for the period commencing on 1 March and ending on the

date preceding the date of sequestration, and one commencing on the date of sequestration and ending on 28 February.

A natural person ceasing to be a resident should submit a return for the period commencing on 1 March and ending on the day preceding the date that the person ceases to be a resident. Natural persons and trusts may be allowed to draw up financial statements for their business to a date other than the last day of February.

Companies are permitted to have a year of assessment ending on a date that coincides with their financial year-end.



Efiling

SARS eFiling is an online process for the submission of tax returns and related functions. This free service allows individual taxpayers, tax practitioners and businesses to register, submit tax returns, make payments and perform a number of other interactions with SARS in a secure online environment.

The following should be noted:

- A taxpayer must retain all supporting documents to a return for five years from the date upon which the return is submitted to SARS,
- SARS will do validation checks on the data submitted to ensure its accuracy, including validations against the electronic employees' tax certificates (IRP5s) submitted by employers to SARS.

since SARS may require these documents for audit purposes.

- SARS will generally issue assessments electronically.

For more information visit the SARS eFiling website at www.sarsefiling.gov.za.



What's new @ SARS?

Binding general rulings

- BGR 25(Issue 2) - Exemption - Foreign pensions
- BGR 42 - No value provision in respect of transport services supplied to employees

Draft documents

- Draft BGR - Supply of potatoes (Comments due 5/4/17)
- Draft Interpretation Note on the withholding tax on royalties (Comments due 21/4/17)
- Draft Interpretation Note 57 (Issue 2) - Disposal of an enterprise (Comments due 28/4/17)
- Draft BGR - Second-hand gold (Comments due 4/5/2017)
- Draft Interpretation Note on international and ancillary transport services (Comments due 4/5/2017)
- Draft Interpretation Note on section 24I - Gains or losses on foreign exchange transactions (Comments due 31/8/17)

Guides

- Tax guide for small businesses (2015/6)
- Tax guide for share owners (Issue 5)

Interpretation Notes

- Interpretation Note 5 (Issue 2) - Employees' tax: Directors of private companies—Repealed with effect from 1 March 2017
- Interpretation Note 95 - Deduction for energy-efficiency savings

Notices

- Notice 194 - Daily amounts in respect of meals and incidental costs
- Notice 195 - Fixing rates per kilometer for vehicles

*Hard work
doesn't
guarantee
success, but
improves its
chances.
B.J. Gupta*





Foreign pensions - BGR 25

Issue 2 of BGR 25 was issued on 16 March 2017. This BGR provides clarity on the interpretation and application of the words “from a source outside the Republic” in section 10(1)(gC)(ii) in relation to pension payments that are received by or accrue to a resident.

Section 10(1)(gC)(ii) exempts pension received by or accrued to a resident from a source outside the Republic as consideration for past employment outside the Republic.

According to BGR 25, the term

“source outside the Republic” refers to the originating course which gives rise to the pension income; that is, where the services were rendered.

The exempt portion of a pension due to services being rendered outside South Africa is calculated as follows:

$$\frac{\text{Foreign services/Total services}}{\text{Total pension received or accrued}}$$

Exclusion

Section 10(1)(gC)(ii) has been amended and, with effect from 1 March 2017, the exemption

will no longer apply to any lump sum, pension or annuity paid or payable by a “pension fund”, “provident fund”, “pension preservation fund”, “provident preservation fund” or “retirement annuity fund” as defined in section 1(1) (irrespective of where the services were rendered) other than to amounts transferred to such fund from a source outside the Republic.

If you focus on results, you will never change. If you focus on change, you will get results.
Jack Dixon

Energy efficiency deductions

SARS recently published Interpretation 95 which guidance on the deduction for energy-efficiency savings under section 12L read with the Regulations.

Section 12L, read with the Regulations, allows any person registered with South African National Energy Development Institute (SANEDI) to claim a deduction for energy-efficiency savings derived from activities performed in the carrying on of any trade, provided all the requirements of the section are met.

The term “energy efficiency savings” is defined in the Regulations as –

“the difference between the actual amount of energy used in the carrying out of an activity or trade, in a specific period and the amount of energy that would have been used in the carrying out of the same activity or trade during the same period under the same conditions if the energy savings measure was not implemented”.

Qualifying activities

Activities generating energy from combined heat and power

as well as those that involve the use of qualifying captive power plants are considered eligible activities.

A person generating energy through a captive power plant will, however, only qualify if the energy-conversion efficiency of the captive power plant is greater than 35%.

The term “captive power plant” is defined in paragraph 1 and means – “where the generation of energy takes place for the purposes of the use of that energy solely by the person generating that energy”.

Non-qualifying activities

The general rule is that energy generated from renewable sources (other than energy generated from combined heat and power) does not qualify. The term “renewable sources” is defined in paragraph 6(1) as energy generated from biomass; geothermal; hydro; ocean currents; solar; tidal waves; or wind.

The generation of energy from biomass is an exception to the general rule. If biomass is pro-

duced specifically to generate energy, any resultant energy savings will not qualify for a deduction under section 12L. However, should biomass be a waste product resulting from a particular industrial process, it may be considered under the definition of combined heat and power. Such waste can then be reintroduced into the process to improve the energy usage of the plant.

Combined heat & power

A deduction is allowed for energy that is generated from co-generation. Paragraph 6(1) describes co-generation as “combined heat and power”. Combined heat and power means – “the production of electricity and useful heat from a fuel or energy source which is a co-product, by-product, waste product or residual product of an underlying industrial process”.

The production of electricity from qualifying combined heat and power should, however, be from a single integrated process.



Energy efficiency baseline

Section 12L(3) provides that the energy-efficiency certificate must contain a baseline at the beginning of the year of assessment. This baseline is then compared to the consumption at the end of the year of assessment to determine the savings in energy usage for the year of assessment.

Baseline refers to “energy use representing conditions before the implementation of the energy-savings measures under a set of known energy-governing factors or relationships applicable at the time of the baseline measurement period to the activity in question, (or both)”.

In the first year of assessment in which the allowance is claimed for a greenfield project, the baseline must be determined by taking into consideration comparable data in the relevant sector as no actual energy data is available to establish an accurate baseline for a greenfield project.

The term “greenfield project” is defined as – “a project that represents a wholly new project which does not utilise any assets other than wholly new and unused assets”.

For other projects the baseline must be determined based on actual data collected during the year before the first year of assessment in which the allowance is claimed.

Allowance

The deduction under section 12L is granted for energy-efficiency savings derived over a period of 12 consecutive months. Thus, the beginning of this period need not be the first day of a year of assessment or the first day of a calendar year.

Since a deduction can be claimed only during the year of assessment in which the energy-efficiency savings are derived, it may be necessary to allocate the savings over two years of assessment. For example, if the savings for 12 months commence in the last four months of a year of assessment, the savings for those four months will be deducted in that year of assessment while the balance of the savings for eight months will be deducted in the next year of assessment. Two certificates must be obtained, one for the first four months and another for the remaining eight

months. When calculating the deduction, the taxpayer must use the amount reflected in the certificate as the savings for that particular year of assessment.

If multiple activities are combined on a single certificate, the aggregate of the savings certified by SANEDI for all of the activities should be calculated for each year of assessment.

The energy-efficiency savings for years of assessment commencing on or after 1 March 2015 must be calculated at 95 cents per kilowatt hour or kilowatt hour equivalent of energy-efficiency savings. The baseline as well as the marginal rate of tax must be taken into consideration when calculating the monetary value of the energy-efficiency savings



*Those who say
it can not be
done should not
interrupt those
doing it.
Chinese proverb*

Dividend withholding tax

The Dividend Withholding Tax rate has been increased from 15% to 20% with effect from 22 February 2017.

Previously, dividend income paid to shareholders was taxed at a rate of 15 per cent. After accounting for corporate income tax which is paid before the distribution of dividends, the combined statutory tax rate on dividends is 38.8 per cent.

The South Africa's combined statutory tax rate on dividend income currently fell below the Organisation for Cooperation and Economic Development (OECD) average.

To reduce the difference between the combined statutory tax rate on dividends and the top marginal personal income tax rate, government has increased the dividend withholding tax rate to 20 per cent. The exemption and rates for in-

bound foreign dividends were simultaneously adjusted in line with the new rate, effective for years of assessment commencing on or after 1 March 2017.





VAT—Transfer of a going concern

SARS published an updated draft of Interpretation Note 57 for public comment on 24 March 2017. Comments are due by 28 April 2017.

The Note sets out—

- VAT implications regarding the supply of an enterprise disposed of as a going concern;
- requirements for zero-rating the supply of an enterprise disposed of as a going concern; and
- VAT treatment of the supply of goods or services used partly for carrying on the enterprise disposed of as a going concern and partly for other purposes.

General rules

A vendor is liable to account for output tax at the standard rate of 14% unless one of the exceptions or exemptions apply. One such exception is created by section 11(1)(e) which allows a vendor to apply the zero-rate when the vendor transfers a going concern if the requirements of that section is met.

11(1)(e) requirements

The following requirements must be met in order for the supply to qualify for zero-rating under section 11(1)(e):

- The seller and purchaser must be registered vendors.
- The supply must consist of an enterprise or part of an enterprise which is capable of separate operation.
- The parties must agree in writing that the supply is that of a going concern.
- The seller and purchaser must, at the conclusion of the agreement for the dis-

posal of the enterprise, agree in writing that this enterprise will be an income-earning activity on the date of transfer of this enterprise.

- The seller must dispose of the assets which are necessary for carrying on the enterprise to the purchaser. •
- The parties must agree in writing that the consideration for the supply includes VAT at the zero rate.

Some of these requirements as set out in the draft Note are discussed in more detail below.

Purchaser must be registered vendor

Section 11(1)(e) requires that the supply must be to a registered vendor but does not stipulate the date on which the purchaser is required to be registered as a vendor. In terms of the time of supply rules in section 9(1), the purchaser is required to be registered as a vendor at the time the supply is deemed to take place, which is the earlier of the time an invoice is issued for the supply or payment of the consideration is received by the seller.

An “invoice” is defined in section 1(1) as a document notifying an obligation to make payment. Therefore, an agreement for the sale of an enterprise disposed of as a going concern will constitute an invoice, provided it does not contain any suspensive conditions. Once the agreement is signed by both the seller and the purchaser, the agreement will constitute an invoice and the time of supply will be triggered.

In this case the purchaser is required to be registered as a vendor before concluding the agreement for the sale of an

enterprise disposed of as a going concern in order to meet the requirements of section 11(1)(e).

Due to the risks associated with fraudulent refunds and illegitimate registrations, the Commissioner will not register a purchaser that is not in possession of a signed agreement evidencing the sale of an enterprise disposed of as a going concern.

In order for the supply of a going concern to qualify for the zero-rating, the supplier is required to obtain proof of the purchaser’s VAT registration (that is, the Notice of Registration) within a period of 90 days calculated from the time of supply being the date on which an invoice is issued (for example, the date on which the agreement is concluded) or payment is received, whichever is earlier.

Purchasers must ensure that they are registered as vendors with effect from the date on which the time of supply occurred.

In the event that the purchaser fails to obtain the Notice of Registration within the prescribed 90-day period, the zero-rating provisions of section 11(1)(e) cannot apply. The seller will be required to account for output tax on the supply of the going concern by effecting an adjustment. Under section 64, the purchase price is deemed to include VAT and as such, the output tax is calculated by applying the tax fraction to the consideration for the supply.

Income-earning activity

Owing to the fact that transfer of the enterprise only takes place in the future, there is no certainty at the time of signing the agreement that the enterprise will in fact be “income-

Don’t watch the clock; do what it does. Keep going.

Sam Levenson



VAT— Transfer of going concern

earning” when transfer takes place. This requirement indicates that at the time of concluding the agreement the parties must both have the intention that the enterprise will be income-earning when transferred.

At the date of transfer a further test must be applied to determine whether an income-earning activity has in fact been transferred. This requirement must be specifically stated in the agreement in order to clearly give effect to the intention of the parties that the enterprise will be an income-earning activity at the date of transfer.

In the event that the enterprise is not an income-earning activity, as agreed at the date of transfer, the zero rate will not apply. In addition, where it was never possible that the enterprise would be an income-earning activity at the date of transfer, the supply cannot be zero-rated irrespective of what the agreement provides.

The agreement must provide for the sale of an independent income-earning activity together with the necessary infra-

structure, and the purchaser must be placed in possession of a business which can be operated in that same form, without any further action on the part of the purchaser.

The parties must therefore agree that the enterprise will remain active and operating until its transfer to new ownership. The draft note provide further guidance in respect of the following types of activities:

- Farming activities;
- Leasing activities
- Fixed property sold to the tenant
- Sale and leaseback
- Business yet to commence
- Dormant businesses
- Sale of share block shares

Assets necessary for carrying on the enterprise

The assets which are necessary for carrying on the enterprise must be disposed of by the seller to the purchaser and the assets which are not necessary for carrying on the enterprise need not be disposed of with

the enterprise. The seller may, for example, decide to retain certain assets or the purchaser can decide not to purchase certain old stock or book debts without affecting the application of the zero-rating.

The phrase “disposed of”, within the context of section 11(1) (e), can be interpreted to include an outright sale as well as a lease or rental of the assets necessary for the carrying on of the enterprise. While the sale of the enterprise as a going concern can be a zero-rated supply, the lease or rental to the purchaser of the assets necessary for the carrying on of the enterprise will be a standard-rated supply.

The purpose of entering into lease or rental agreements in respect of assets must be to give effect to, and not merely to purport, the supply of a business which is a going concern and an income-earning activity.



**Coming
together is a
beginning,
keeping
together is
progress,
working
together is
success.
Henry Ford**

Going concern— invoicing

Generally, the sale of a business results in changes in the registered details of the business as the seller's VAT registration number cannot be transferred or allocated to the purchaser. This change in the purchaser's details must be communicated to its suppliers who require time to update their records. Accordingly, these suppliers may issue tax invoices bearing the incorrect details when making supplies to the new owner

Temporary relief

Sections 20(5A) and 21(8) provide for a transitional arrangement for a vendor that has acquired an enterprise from another vendor that has subsequently deregistered as a vendor.

In this regard, a tax invoice, debit or credit note issued by a supplier of goods or services may reflect the name, address and VAT registration number

of the recipient (the seller of the enterprise in this instance) for a maximum of six months from the date of the supply of the enterprise.

This transitional arrangement therefore allows a purchaser of an enterprise acquired as a going concern to deduct input tax despite the fact that the invoice or debit note reflects the details of the seller of the enterprise.





A successful career will no longer be about promotion. It will be about mastery.

Michael Hammer

Second-hand gold

SARS recently issued a draft BGR for public comment to address some of the uncertainties resulting from the amended definition of “second-hand goods” which became effective on 1 April 2016.

Background

Generally a vendor is not entitled to deduct input tax if the supplier is not a vendor and therefore did not charge VAT. There is however an exception where the vendor acquires “second-hand goods” from a non-vendor for enterprise purposes. This allows for the unlocking of part of the VAT on goods previously paid by final consumers as those goods re-enter the formal supply chain.

In 2014, changes were made in the VAT Act to amend the definition of “second-hand goods” to specifically exclude “gold” and “goods containing gold” from the definition and thereby denying the notional input tax credit on these goods.

The policy rationale for the 2014 amendments was to curb fraudulent notional input tax deductions on the acquisition

of gold and gold jewelry. The amendment was not intended to have a negative impact on legitimate transactions within the second-hand goods industry. In order to address the above mentioned concern, the 2014 amendments were revised to limit the extent of the exclusion contained in the definition of “second-hand goods” as contained in section 1(1). This amendment came into operation on 1 April 2017.

Amendment

The updated definition of second-hand goods distinguishes between three types of gold products; that is, goods consisting solely of gold, gold coins issued by the South African Reserve Bank (SARB) and goods containing gold.

Goods consisting solely of gold

Goods are regarded as consisting solely of gold if the gold content of the product is at least 99.5% (24 carat gold). These goods would qualify as “second-hand goods” if the item is supplied in the same state without further processing. The recipient may therefore not melt the gold

before on-selling it to another person.

Gold coins

Gold coins issued by the SARB are specifically excluded from the definition of second-hand goods and no notional input tax may therefore be deducted in respect thereof. This would include Kruger Rands, Natura, Protea and National Geographic gold coins.

Goods containing gold

Any goods containing gold which do not fall within the previous two categories will form part of this category. This would include 18 and 9k gold jewelry, computer components and foreign gold coins which consists of less than 99.5% gold. A vendor may deduct notional input tax in respect of these items if it is supplied in substantially the same state. This means that the item may be slightly altered, but not the gold contained therein. For example, the vendor may replace a precious stone in a ring but may not melt the ring to make another ring or other type of jewelry.

Employer reconciliations

The Employer Annual Reconciliation process starts on 18 April 2017 and employers have until 31 May 2017 to submit their Annual Reconciliation Declarations (EMP501) for the period 1 March 2016 to 28 February 2017 in respect of the Monthly Employer Declarations (EMP201) submitted, payments made, Employee Income Tax Certificates [IRP5/IT3(a)] and ETI, if applicable.

An updated version of e@syFile™ Employer will be available at that time. Information about the version that you should use will be published on the e@syFile™ page. Remember to backup your current information on your computer prior to installing a new version of e@syFile™ Employer.

You can submit your Employer Reconciliation Declaration (EMP501) and Employees Income Tax Certificates [IRP5/IT3(a)s] online via e@syFile™ Employer, or if you have less than 50 employees, via eFiling.

For more information, you can call the SARS Contact Centre on 0800 00 7277.



International transport services

The supply of international transport services qualifies for zero-rating under the VAT Act. In practice however more than one supplier and more than one stage may be involved. It is therefore crucial to determine exactly what the service is, who is rendering the service and where will the service be consumed.

Section 11(2)a)

The supply of international transport services of passengers or goods by any mode of transport is zero-rated under section 11(2)(a).

The domestic leg of an international passenger flight must be zero-rated under section 11(2)(b), to the extent that the supply constitutes "international carriage" as defined in the Convention. An example would be where a passenger flies from Cape Town to Johannesburg before flying to an international destination.

Section 11(2)(c)

Section 11(2)(c) zero-rates the domestic leg of the international transportation of goods, as well as any ancillary transport services rendered, where these

services are supplied by the same vendor who is contracted by the customer to provide the zero-rated international transport service. In order to qualify for the zero-rating under section 11(2)(c), the vendor contracted to provide the international transport service and domestic and/or ancillary transport services does not have to physically perform the domestic and/or ancillary transport services.

In the event that the international transport service and the domestic transport service or ancillary transport services are not contractually supplied by the same supplier, the domestic transport service and/or ancillary transport services do not qualify for the zero rate under section 11(2)(c) and is subject to VAT at the standard rate under section 7(1)(a), unless the provisions of section 11(2)(e) apply.

Section 11(2)(e)

The VAT Act makes provision for the zero-rate to be levied in certain instances under section 11(2)(e). A vendor that is not contract-

ed to supply an international transport service but is contracted to supply a domestic transport service or an ancillary transport service that is an integral part of or directly in connection with an international movement of goods, may zero-rate the supply of the domestic or ancillary transport service provided that these services are supplied directly –

- in connection with the
 - * exportation of goods from the RSA; or
 - * importation of goods into the RSA; or
 - * movement of goods through the RSA from one export country to another export country; and
- to a person who is neither a resident of the RSA nor a vendor, otherwise than through an agent or other person.



The tragedy in life doesn't lie in not reaching your goal, but in having no goal to reach.

**Benjamin
Mays**

Arranging of international transport services

A vendor who is contracted to arrange the international transportation of passengers or goods may zero-rate the supply under section 11(2)(d). The zero-rating of the arranging service in section 11(2)(d) will only apply if the international transport services being arranged are transport services to which any of the provisions of section 11(2)(a), (b) or (c).

Potatoes

SARS issued a draft BGR which sets out the factors that will be considered by the Commissioner in determining whether potatoes are being supplied as seed under Part A, (i.e. to be used or consumed for agricultural, pastoral or other farming purposes); or as vegetables under Part B, that is, the supply consisting of foodstuffs as well as the general VAT treatment of the supply of potatoes under Part A and Part B of Schedule 2 of the VAT Act.



***** 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.

2016 CPD Audit

Please note that 30% of our members have been selected to provide proof of their 2016 CPD hours which were uploaded on the IAC website. If you have been selected for review, please submit the required documents to Bronwyn at compliance@iacsa.co.za. The due date for submissions is 30 April 2017.



One Day Conference 2017

CTICC Cape Town

07h00 - 17h00

CPD 8 hours



THURSDAY 4TH MAY 2017

R1750 per delegate incl. parking, breakfast, lunch & refreshments

Early bird special R1550 extended until 26th April 2017

IFRS - Accounting Policies
Business Rescue
ISRS 4410 - Compilations
Taxation on Trusts
Capital Gain Tax
Ethics
Tax Administration Act

Dr Rashied Small
Dr Rashied Small
Prof Jansen
Mr Costa Divaris
Mr Costa Divaris
Mr Hashim Salie
Mr Tapie Marlie (CASA)
(Director PWC)

**RSVP and make payment before 28th April 2017
to wpcommittee@iacsa.co.za**

Banking details: IAC Western Cape Regional Association
Standard Bank Account 27 354 1358 Branch code 026 209
Reference: Name & Membership number

Recognised controlling body for Accounting Professionals, Tax and Business Rescue Practitioners

Membership fees due

We wish to thank all our members who paid their membership subscription timeously. 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.

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

Payment date	Penalties for late payment		
	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

Death Announcement

Mr Soontharasan Pillay
1957 - 2017

Mr Divesh Anop
1977 - 2017



We learned with regret of the deaths of two of our valued members, Mr Pillay and Mr Anop. They respectively passed away in January 2017 and March 2017.

We at the IAC would like to express our sincere condolences to the Pillay and Anop families. Please keep these families in your thoughts and prayers.

Welcome to our new members

Financial Accountant in Practice (Accounting Officer) / Certified Tax Practitioner

Practice Number	Surname	Name
AO655444	Yates	Kerry

Technical Accountant

Practice Number	Surname	Name
TA655457	Magodo	Nomash
TA655468	Matashu	Paradzai
TA655462	Pudikabekwa	Oscar

Technical Accountant / Certified Tax Practitioner

TA655456	Reddy	Samareshni
TA655453	Duffield	Justin - Lee

Associate Tax Practitioner

Practice Number	Surname	Name
ATP655460	Kutumela	Madimetja Jack

Approved Training Centre

ATC Number	Surname	Name
ATC009		DP Mungal & Co

Students

Membership No	Surname	Name
IAC655458	Gutsa	Kudakwashe
IAC655459	Moyo	Thembelani
IAC655465	Manyuchi	Ann
IAC655464	Ngwenya	Mbali
IAC655463	Chingozho	Astanslaus
IAC655466	Mthembu	Muzothule Mpendulo
IAC655469	Morake	Lerato Gloria
IAC655470	Mado	Nikita
IAC655471	Mpohlele	Akohona

INSTITUTE OF ACCOUNTING AND COMMERCE

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INQUIRIES

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Membership
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members@iacsa.co.za

Compliance
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Finance
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Information Technology
Duncan Stark
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GM & Technical
Prakash Singh
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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

Ethical decisions

The Institute of Administration and Commerce Code of Ethics and Professional Conduct is binding on all members of the Institute of Administration and Commerce. Violation of the principles and guidelines contained herein will lead to disciplinary action under this Code and the disciplinary powers contained under the Institute's Articles of Association and By-Laws.

Whenever a member makes a decision, ask the following four questions. If you can answer yes to all four, the decision is probably ethical and compliant with the core values, principles and guidelines within the Code. If not, there may be an ethical issues related to the course of action making it best to seek guidance.

- **Question 1 P = Policy and procedures**

Is the behavior I am considering permitted by the conduct provisions in the Code as well as other policies or procedures applicable to the situation?

- **Question 2 L = Laws and regulations**

Is it permitted by national laws and regulations?

- **Q 3 U = Universal values**

Do the universal values of my profession permit me to do it?

- **Q 4 S = Self**

Do my personal values - my own sense of trustworthiness and excellence – permit me to do it?

There might be times when members are uncertain about whether or not a decision they are making is consistent with the letter and spirit of the Institute of Accounting and Commerce Code of Ethics and Professional Conduct. In such situations members can contact the Office of the Chief Executive Officer of the Institute of Accounting and Commerce.