

# The Professional

Volume 10, Issue 2

1 June 2019

## Special points of interest:

- UWC accredits 3 degree courses to the IAC to register a qualification for learnership
- IAC events for June

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## **CEO Appointment**

### **Mr. Prakash Singh – 1 June 2019**



Dear IAC Members

It is with great pleasure that the IAC Board of Directors announce that **Mr. Prakash Singh** has been appointed the **CEO of IAC** as from the 1<sup>st</sup> June 2019.

Mr. Singh has served the Institute in the capacity of General Manager for the past 3 years, and has been Acting CEO of IAC for the past 5 months. The Board acknowledges the huge task that Mr. Singh has to fill with the retirement of Mr. Ehsaan Nagia in December 2018, who also served the Institute with distinction.

Mr. Singh has been a member of the IAC for 34 years as an Independent Accounting Professional and a Certified Tax Practitioner. He also brings vast experience from the Corporate Industry, in both Financial and Operational disciplines.

We would like to wish him well in his new position as CEO of the Institute and trust that he would grow the Institute as we go forward.

Yours Faithfully

**Mr. Andrew Wayne Bezuidenhout**  
IAC President

## SAVE THE DATE

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## Carbon Tax

The new Carbon Tax Act was promulgated on 23 May 2019 and comes into operation on 1 June 2019, less than 10 days after promulgation.

A taxpayer is liable to pay carbon tax in respect of a tax period if that person conducts an activity in South Africa which results in greenhouse gas emissions above the threshold set out in Schedule 2 of the Carbon Tax Act.

*Greenhouse gas* means gaseous constituents of the atmosphere, both natural and anthropogenic, that absorb and re-emit infrared radiation, and includes carbon dioxide (CO<sub>2</sub>), methane (CH<sub>4</sub>), nitrous oxide (N<sub>2</sub>O), hydrofluorocarbons (HFCs), perfluorocarbons (PFCs) and sulphur hexafluoride (SF<sub>6</sub>).

The carbon tax must be levied in respect of the sum of the greenhouse gas emissions of a taxpayer (in respect of a tax period) expressed as the carbon dioxide equivalent of those greenhouse gas emissions resulting from fuel combustion and industrial processes, and fugitive emissions in accordance with the emissions factors determined in accordance with a reporting methodology approved by the Department of Environmental Affairs. *Tax period* means

• The period between 1 June and 31 December 2019;

• 1 January to 31 December for each subsequent period.

The carbon tax rate is R120 per ton carbon dioxide equivalent of the greenhouse gas emissions by the taxpayer. This rate must be increased by consumer price inflation (CPI) plus 2% for the preceding tax period until 31 December 2022. From 2023 the rate tax rate must be increased by CPI for the preceding tax year.

The formula for calculating the amount of tax payable is set out on Section 6 of the Carbon Tax Act.

The Act also makes provision for allowances such as:

- Fossil fuel combustion;
- Industrial process emis-

sions;

- Fugitive emissions;
- Trade exposure;
- Carbon budget allowance; and
- Offset allowance.

Part III of the Act impose limitations on the allowances, i.e. in general, the sum of allowances should not exceed 95% of the taxpayer's total greenhouse gas emissions in respect of a tax period.

The taxpayer must submit annual environmental levy accounts and payments in the form prescribed by the Commissioner.

The Customs and Excise Act of 1964 was amended and assented to on 22 May 2019 to include provisions to the new carbon tax.

**When it is obvious that the goal cannot be reached, don't adjust the goal, adjust the action steps.**  
**Confucius**

## Sale of gift cards—IT 24510

The taxpayer carries on business as a high street retailer of clothing, comestibles and general merchandise. As part of the facilities offered to its customers, it 'sells' gift cards. These cards be redeemed for goods at any of the taxpayer's stores.

The question in this appeal is whether the revenue from the 'sale' of the taxpayer's gift cards during that year constituted part of its 'gross income' for the purposes of the Income Tax Act as soon as it

was received by the taxpayer (as contended by the Commissioner), or would become such only when the card was redeemed, or having not been redeemed, expired (as contended by the taxpayer).

The court considered the Consumer Protection Act as well as case law.

Ultimately, the court agreed with the taxpayer and held that the revenue from the sale of gift cards would not form

part of gross income until the cards are redeemed or expired.

On this basis the additional assessment raised by SARS was set aside.

For more information, please see

<https://www.sars.gov.za/AllDocs/LegalDoclib/Judgments/LAPD-DRJ-TC-2019-02%20-%20TC%20-%20IT%2024510%20-%2017%20April%202019.pdf>



## Electronic services

The Minister of Finance published the Regulations prescribing electronic services for the purpose of the definition of “electronic services” in section 1(1) of the Value-Added Tax Act on 18 March 2019 (Updated Regulations). These regulations came into effect from 1 April 2019.

### What is electronic services?

“**Electronic services**” refer to electronic or digital content that is supplied by electronic means, for example, via the internet, or other telecommunications service. It includes services which are dependent on information technology, is automated and involved minimal human intervention.

This includes:

- On-line shopping portals
- Web-based broadcasting
- On-line advertising or provision of advertising space
- Access or download of E-books
- Access to blogs, journals, web applications, social networking and webcasts
- Website hosting
- Download or access software
- Software applications (apps) downloaded on mobile devices
- On-line booking services
- Cloud computing

Electronic services should be distinguished from those services that, by their nature, are not electronic services, but the product has merely been delivered or communicated by electronic means. For example, if research was done outside of the Republic by a non-resident business, then the service concerned does not

become an electronic service merely because the final report was sent to the South African client by e-mail. Instead, the recipient will have to consider whether the research services acquired from the nonresident qualify as “imported services” or not.

### Purpose of updated Regulations

The original Regulations on electronic services was updated to substantially widen the scope of services that qualify as electronic services, so that all services supplied for a consideration (subject to a few exceptions), which are provided by means of an electronic agent, electronic communication or the internet, are electronic services and must be charged with VAT at the standard rate of 15%.

### Exclusions from electronic services

Specifically excluded from the Updated Regulations are –

- telecommunications services;
- educational services supplied from an export country (a country other than South Africa), which services are regulated by an education authority under the laws of the export country; and
- certain supplies of services where the supplier and recipient belong to the same group of companies.

### Intragroup supplies

A supply of services for a consideration by means of an electronic agent, electronic communication or the internet, by a company from a place in an export country (non-resident company), to a company being a resident of

South Africa (resident company), is excluded from the ambit of “electronic services” if –

- the non-resident and resident companies form part of the same group of companies; and
- the non-resident company itself supplies the services exclusively for purposes of consumption by the resident company (the word “consumption” in this context means that the resident company is the end-user of the services).

Services that are –

- procured by the non-resident company on behalf of, or for the benefit of resident companies; or
- acquired partially for consumption by the resident company, are not excluded from the ambit of “electronic services”.

### B2B and B2C

There is no distinction between B2B (Business to business) or B2C (Business to consumer) supplies as the South African VAT System does not fully subscribe to the B2B and B2C concepts.

### Non-resident conducting an enterprise

A non-resident supplier of electronic services is conducting an enterprise if the electronic services are supplied from a place in an export country and any two of the following three circumstances are present:

1. The recipient of the services is a resident of South Africa;
2. The payment for the services originates from a bank



*Our greatest  
glory is not in  
never falling,  
but rising every  
time we fall.  
Confucius*





## Electronic services

registered under the Banks Act 94 of 1990 (the Banks Act); or

3. The recipient of the services has a business, residential or postal address in South Africa.

### VAT registration

A foreign electronic services supplier that exceeds the VAT registration threshold and meets the above 2 out of 3 requirements will be required to register as a vendor and account for VAT only in respect of its electronic services supplied to South African customers.

From 1 April 2019, the foreign electronic services supplier or intermediary must register as a vendor at the end of any month where the total value of taxable supplies made by that supplier exceeds R1 million in any consecutive 12-month period.

The 12-month period is calculated from 1 April 2019 in respect of supplies of electronic services which became taxable from 1 April 2019 under the Updated Regulations. Newly affected foreign electronic services suppliers will therefore not become liable to register as a vendor before 1 May 2019.

Foreign electronic service suppliers that were liable to account for VAT on electronic services under the Original Regulations, will continue to be liable from the date that the registration threshold was exceeded, that is, between 1 June 2014 and 1 April 2019. (The rule before 1 April 2019 was that foreign electronic services suppliers were liable to register at the end of any month where the value of taxable supplies exceeded R50 000).

Foreign electronic services suppliers need to add the value of electronic services

supplied under the Original Regulations as well as the Updated Regulations in order to determine the liability date for VAT registration. They can also register voluntarily if they made taxable supplies exceeding R50 000 in a preceding period of 12 months

The foreign electronic services supplier (principal) that exceeded the registration threshold, but failed to register as a vendor, may be guilty of an offence, and remains liable to register and account for VAT on electronic services in the supplier's VAT return. This remains the case even if the VAT on those supplies has been accounted for on a return by an intermediary (agent).

Should the value of supplies made on behalf of non-VAT registered principals by an intermediary result in the intermediary exceeding the VAT registration threshold, that intermediary is liable to register and account for such VAT on its own VAT return. Failure by the intermediary to register as a vendor is an offence.

### Intermediary

An intermediary is a person that facilitates the supply of electronic services by a foreign electronic services supplier in circumstances where that person is responsible for:

- the issuing of invoices; and
- collecting payment in respect of the supply of electronic services.

An intermediary is also known globally as a "platform" or "electronic marketplace" that enables, by electronic means, transactions between buyers and sellers

### VAT returns

The intermediary is liable to account for VAT on supplies of electronic services made by the non-VAT registered principal until such time as the principal confirms that it is registered for VAT and the principal will commence accounting for such supplies on their own VAT return.

The time of supply is generally the earlier of the time an invoice is issued, or payment is received. Generally, for suppliers of electronic services, the issuing of the invoice and the payment will be on the same date. Output tax (that is, tax charged on the supply of electronic services) must be accounted for in the tax periods allocated to the vendor.

### Retention of records

A record of all the goods and services supplied by or to the vendor in sufficient detail to determine the rate of tax applicable to the supply, and the supplier or agents must be kept. This includes, for example, all invoices, tax invoices, credit and debit notes, bank statements, deposit slips etc.

Records must generally be kept for five years.

The records may be kept in electronic form. Records maintained in electronic form must be physically located in South Africa.

Approval may however be granted to allow the retention of the electronic documents at a location outside South Africa, subject to certain requirements. Refer to Public Notice 787 of 1 October 2012 for more detail.

*I hear, I know. I  
see, I  
remember. I  
do, I  
understand.  
Confucius*







## FOR A SUCCESSFUL PUBLIC SECTOR PERFORMANCE IN AFRICA

### THE INSTITUTE OF ACCOUNTING AND COMMERCE SUPPORTS ACOA2019-THE 5TH AFRICA CONGRESS OF ACCOUNTANTS SCHEDULED 19-21 JUNE, MARRAKECH, MOROCCO

THE INSTITUTE OF ACCOUNTING AND COMMERCE is an active and full member of the Pan African Federation of Accountants (PAFA), the continental body representing Africa's Professional Accountants and supporting Professional Accountancy Organisations to build capacity to play their role in influencing policies that enable the utilization of resources and socio- economic transformation for the benefit of all Africa's citizens.

The Pan African Federation of Accountants (PAFA) in conjunction with Royaume du Maroc, Ordre Des Experts-Comptables (OEC) will be hosting the fifth Africa Congress of Accountants 2019 (ACOA2019) from 19-21 June 2019 in Marrakech Morocco. It is anticipated that more than 1000 delegates from Professional Accountancy Organisations across Africa, Government and other stakeholders will attend ACOA2019. The Congress will explore many topics that will be facilitated by leading experts. The overall theme of the congress is FOR A SUCCESSFUL PUBLIC SECTOR PERFORMANCE IN AFRICA. For more details on ACOA 2019, please visit [www.ACOA2019.com](http://www.ACOA2019.com)

The Acting CEO of The Institute of Accounting and Commerce, Mr. Prakash Singh, said ACOA provides a unique opportunity for the accountancy profession and its stakeholders to engage and share experiences on how to shape and strengthen the profession in Africa in order to enhance its contribution in improving lives of Africans. The past four ACOAs have been instrumental to highlighting the critical role that South African Accountants must play in effectively contributing to national socioeconomic development. This year's ACOA will focus on driving success in public sector performance, which professional accountants in South Africa will continue to strive to improve as demonstrated through participation in such a conference.

The Institute of Accounting and Commerce hereby invites its members and key stakeholders to attend the 5th Africa Congress of Accountants (ACOA2019) on 19-21 June in Marrakech Morocco where we will share our experiences on shaping the accountancy profession in Africa. Register now to claim the early registration discounts through this link or visit <https://acoa2019.com/en/delegation/congress/international-congress-participant/>.

For further information on the congress kindly contact Ms. Jane Ohadike [janeo@pafa.org.za](mailto:janeo@pafa.org.za) or Ms. Naima Nasr [n.nasr@oec.ma](mailto:n.nasr@oec.ma).

Regards

PRAKASH SINGH  
CEO – Institute of Accounting and Commerce



## Employment Tax Incentive

The Employment Tax Incentive (ETI) is a temporary tax incentive that may be claimed by eligible employers and is aimed at encouraging employers to employ young employees between the ages of 18 and 29, and employees of any age in special economic zones and in industries identified by the Minister by notice in the Government Gazette.

Payment of the incentive is effected by eligible employers being able to reduce the employees' tax due by them by the amount of the ETI that they may claim, provided they meet the requirements of the ETI Act.

The ETI is administered by SARS through the employees' tax system that is deducted and withheld and accounted for to SARS (usually monthly) via the Pay-As-You Earn (PAYE) system.

As mentioned, the ETI is a temporary programme initially covering a period of three years. The Taxation Laws Amendment Act 23 of 2018 extended the ETI for a further ten years.

During this period an eligible employer may claim the ETI for a maximum of 24 months per qualifying employee. The ETI will be subject to continuous review of its effectiveness and impact in order to determine the extent to which its core objective of reducing youth unemployment is achieved.

The ETI commenced on 1 January 2014 and will end on 28 February 2029. It applies to qualifying employees employed on or after 1 October 2013 by eligible employers.

### Employee

The term 'employee' is specifically defined in the ETI Act, and therefore the definition of "employee" in paragraph 1 of the Fourth Schedule will not

apply for purposes of the ETI.

This definition was amended in 2018 to remove the requirement that the natural person works 'directly' for another person. 'Employee' now means a natural person who

- Works for another person; and
- Receives, or is entitled to receive remuneration from that other person, but does not include an independent contractor.

The change in the definition means that means that a person who is provided by a labour broker to render services to another person would meet the first requirement of the definition of "employee" but would still need to receive remuneration from that other person in order to be regarded as an "employee" of the other person for purposes of the ETI.

A person that renders services via a "personal service provider" as defined for employees' tax purposes would similarly meet the first requirement of the definition of "employee" but would still need to receive remuneration from that other person in order to be regarded as an "employee" of the person to whom the relevant services are provided for ETI purposes.

### Remuneration

The word "remuneration" is defined in the Fourth Schedule as any amount of income which is paid or is payable to any person by way of any salary, leave pay, wage, overtime pay, bonus, gratuity, commission, fee, emolument, pension, superannuation allowance, retiring allowance or stipend, paid in cash or otherwise and is not dependent on whether the amount is paid or payable for services rendered.

The definition is subject to a number of inclusions and exclusions.

### Qualifying employees

Generally, the employee must be aged from 18 to 29 at the end of the month in which the ETI is claimed. An employee will therefore be a "qualifying employee" in the month that the employee turns 18 years old and will cease to be a "qualifying employee" in the month in which the employee turns 30 years old.

No age limit applies if the relevant employee is employed by an employer operating through a fixed place of business located within a "special economic zone" (see below), or the employee is employed in an industry designated by the Minister.

The following six SEZs were designated by the Minister by notice in the Government Gazette<sup>36</sup> for purposes of section 6(a)(ii) effective from 1 August 2018:

- Coega Special Economic Zone
- Dube Transport Special Economic Zone
- East London Special Economic Zone
- Maluti-a-Phofung Special Economic Zone
- Richards Bay Special Economic Zone
- Saldanha Bay Special Economic Zone.

The Minister has not yet designated any industry for purposes of section 6(a)(iii).

Furthermore, the employee must:

- be in possession of either an identity card or a green identity book, an asylum seeker permit, or a refu-

*A productive employee who is kept busy working at his or her job is far more likely to be happy at that job and less likely to look for employment elsewhere.*  
**Zig Ziglar**



## Employment Tax Incentive

gee identity document

- not be a connected person in relation to the employer;
- not be a domestic worker as defined in section 1 of the Basic Conditions of Employment Act;
- be employed by the employer or an associated person on or after 1 October 2013;
- not be an employee for whom an employer is ineligible to receive the ETI; and
- receive monthly remuneration of less than R6 000.

Domestic workers are excluded as qualifying employees owing to the private nature of the cost of their wages. The definition of "domestic worker" does not include a farm worker. A farmer who is eligible and employs a qualifying employee will therefore be able to claim the ETI.

### Disqualification

An employer who is otherwise an eligible employer is nevertheless not eligible to receive the ETI if the wage paid to a qualifying employee is less than the prescribed minimum amounts (the actual prescribed minimum is dependent on whether the wage is paid under a wage regulating measure or not).

An employer that is not sub-

ject to a wage regulating measure will only be allowed to claim the ETI for an employee who is employed for more than 160 hours in a month if the wage paid to that employee for that month is at least R2 000.

If the employee works less than 160 hours in a month, the R2 000 needs to be apportioned accordingly.

The hours that should be taken into account in the 160 hours, are the ordinary working hours. Overtime hours or hours other than ordinary hours of work should not be included in the 160 hours.

An employer will not be eligible for ETI if it does not comply with all its tax obligations. For example, an employer will not be able to claim ETI in a month if the employer has any outstanding tax returns or any outstanding tax debt.

For purposes of ETI the following are not regarded as 'tax debt':

- an amount due under an instalment payment agreement or which has been compromised under the TA Act;
- any amount that has been suspended by a senior SARS official pending an objection or appeal; or
- an amount below R100.

### Displacement

An employee is deemed to have been displaced if –

- the resolution of a dispute, whether by agreement, order of court or otherwise, reveals that the dismissal of that employee constitutes an automatically unfair dismissal under section 187(1)(f) of the Labour Relations Act; and
- the employer replaces that dismissed employee with an employee for which the employer is eligible with the intention of unjustly benefiting from the ETI

An employer that is deemed to have displaced the employee is liable to pay a penalty of R30 000 to SARS for that displaced employee; and may be disqualified by the Minister from receiving the incentive.

### ETI amount

The eligible employer is required to perform a monthly calculation to determine the amount of the ETI that it may claim per qualifying employee. The calculation takes into account the monthly remuneration paid to the qualifying employee, the period for which the qualifying employee is employed and the amount or percentage that may be claimed. The employer must add any amounts rolled over from previous months to the amount of the ETI for the current month, but subject to the limitation.



*At the end of the day, the true value proposition of education is employment.*

**Sebastian Thrun**

### ETI amount

Monthly remuneration	ETI per month during the first 12 months in which the employee qualifies	ETI per month during the first 12 months in which the employee qualifies
R0 — R1 999	50% of monthly remuneration	25% of monthly remuneration
R2 000 — R3 999	R1 000	R500
R4 000 — R5 999	R1 000—[0,5 x (monthly remuneration – R4 000)]	R500—[0,25 x (monthly remuneration – R4 000)]



## Process for claiming the ETI

The fourth Schedule requires every employer to submit a monthly return to SARS declaring, amongst other things, the amount of employees' tax that was deducted or withheld from employees' remuneration during that month.

The return must be accompanied by payment of the employees' tax deducted or withheld. The return and payment must reach SARS by no later than seven days after the end of the month in which the employees' tax was deducted or withheld, or, if the seventh day falls on a Saturday, Sunday

or public holiday, the last business day before that Saturday, Sunday or public holiday.

In essence, the ETI is paid to the eligible employer through the employees' tax system by allowing the eligible employer to reduce the employees' tax that the eligible employer must pay over to SARS every month.

The ETI therefore allows for a deduction from the total employees' tax payable by the eligible employer for the relevant month – regardless of whether the employees' tax

was deducted or withheld from qualifying employees or non-qualifying employees.

The ETI does not affect the employee's remuneration or the employees' tax deducted or withheld.

The employer may roll over the ETI if it exceeds the employees' tax payable for a particular month.

**Success is getting what you want. Happiness is wanting what you get.**

**Dale Carnegie**

## ETI impact on other taxes

### VAT

The ETI amount retained by the employer from the total employees' tax liability is regarded as an appropriation, grant-in-aid subsidy or contribution transferred by a public authority as contemplated in the definition of "grant".

Consequently, any ETI claimed by an eligible employer that is a VAT vendor will be treated as consideration received in respect of a deemed supply

made to a public authority under section 8(5A).

The ETI grant amount will therefore be subject to VAT at the zero rate under section 11(2)(t) of the VAT Act to the extent that it is in respect of the taxable activities conducted by the enterprise and the vendor will be liable to declare this amount on its VAT return as part of zero-rated supplies.

### Income Tax

With effect from 1 January 2014, any amount of ETI received by an eligible employer under the ETI Act that reduces the employee's tax payable by that employer is exempt from Income Tax under section 10(1)(s) of the Income Tax Act.

## Allowances, advances and reimbursements

### Allowance

An allowance is an amount of money granted by an employer to an employee to incur business-related expenditure on behalf of the employer, without an obligation on the employee to prove or account for the business-related expenditure to the employer. The amount of the allowance is based on the anticipated business-related expenditure.

### Advance

An advance is an amount of money granted by an employer to an employee to incur business-related expenses on behalf of the employer, with an obligation on the employee to prove or account for the business-related expenditure to the employer. The amount of the advance is based on the anticipated business-related expenditure. The employer recovers the difference from the employee if the actual expenses incurred are less than the advance granted and

vice versa.

### Reimbursement

A reimbursement of business-related expenditure occurs when an employee has incurred and paid for business-related expenses on behalf of an employer without having had the benefit of an allowance or an advance, and is subsequently reimbursed for the exact expenditure by the employer after having proved and accounted for the expenditure to the employer.





## Advances and allowances—taxable income inclusions

All allowances and advances paid by a 'principal' to a 'recipient' must be included in the recipient's taxable income to the extent that they are not expended

- for travelling on business; or
- for accommodation, meals and incidental costs while such office holder or employee is obliged to spend at least one night away from his or her usual place of residence as a result of business or official purposes; or

- by reason of the duties attendant upon public office.

There are only limited instances where a reimbursement or advance must not be included in taxable income.

### 'Principal'

For purposes of section 8(1) (a), 'principal' includes

- the employer of the recipient of an allowance;
- the authority, company, body or other organisation in relation to which any office is held; or

- any "associated institution" as defined in the Seventh Schedule in relation to that employer, authority, company, body or organisation.

### Recipient

Within the context of section 8(1) the term "recipient" means the person who has been paid or granted an allowance, advance or reimbursement by a principal. Having regard to the meaning of the word "principal" in this section, a recipient refers to an employee or the holder of an office.



## Reimbursements and advances— exclusion from taxable income

Reimbursements or advances are excluded from taxable income if the

- reimbursement or advance was or must be expended by the recipient on instruction of the principal in the furtherance of the principal's trade;
- recipient must produce proof to the principal that the amounts were wholly

and actually expended for this purpose;

- recipient must account to the principal for the expenditure; and
- expenditure was or will be incurred to acquire any asset and ownership in that asset vests in the principal.

"Travel reimbursements" by an employer to an employee for the actual business kilometre-

travels travelled at an employer-agreed rate per kilometre are "exceptions" to this rule. The inclusion in respect of travel reimbursement in taxable income will be nil if the amount of the allowable deduction is equal to the amount of the reimbursement, but if the amount of the allowable deduction is less than the amount of the reimbursement, then a net inclusion in taxable income will be required.

*Give light and  
people will find  
the way.*

**Ella Baker**

## Travel allowance and reimbursements

'Remuneration' includes 80% of the travel allowance or advance. However, should an employer be satisfied that at least 80% of the use of the motor vehicle for a year of assessment will be for business purposes, only 20% of the travel allowance or advance is included as remuneration and is subject to employees' tax.

This does not mean that only a portion (80% or 20%, as the case may be) is subject to tax. The full allowance or advance is potentially taxable if the taxpayer is unable to claim a

sufficient deduction for business travel when submitting his or her income tax return. It is only for the purposes of employees' tax that 80% or 20%, as the case may be, is included in remuneration.

Employers must be satisfied that at least 80% of the use of the vehicle is for business purposes when assessing whether 80% or 20% of the travel allowance or advance should be included in "remuneration". This means that the employer must actively look into the facts of each employee's circumstances and

objectively weigh up and determine whether or not the employee should qualify.

This can be done by regularly reviewing employees' logbooks which detail business and private travel; and taking into consideration changes in the roles or functions of the employees.

From 1 March 2018, certain travel reimbursements are also included in remuneration, i.e. the amount of reimbursements paid in excess of the rate per kilometer specified in the simplified method. This rate is currently 361 cents per kilometer.

For more information, refer to

- Government Notice 170 of Government Gazette 41473 of 2 March 2018; and
- Interpretation Note 14 (Issue 4).



## Dividends and interest

### Domestic dividends

Dividends received by individuals from South African companies are generally exempt from income tax, but dividends tax at a rate of 20% is withheld by the entities paying the dividends to the individuals. Dividends received by South African resident individuals from REITs (listed and regulated property owning companies) are subject to income tax and non-residents in receipt of those dividends are only subject to dividends tax.

### Foreign dividends

Most foreign dividends received by individuals from foreign companies resulting from 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 from a South African source earned by any natural person

- under 65 years of age, up to

R23 800 per annum, and

- persons 65 and older, up to R34 500 per annum, is exempt from income tax.

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 from Income Tax.

*“To catch the reader's attention, place an interesting sentence or quote from the story here.”*

## Withholding taxes

### 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.

to be withheld from payments to the non-residents is at a rate of 7.5% for a nonresident individual, 10% for a nonresident company, and 15% for a non-resident trust that is selling the immovable property.

payable by any sphere of the South African government, a bank, or if the debt is listed on a recognised exchange.

### 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 nonresidents. The tax

### Royalties

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

### Reduced tax rate

In limited circumstances the applicable tax rate may be reduced in terms of a tax treaty with the country of residence of a non-resident.

## Estate duty and donations tax

### Estate duty

Estate duty is levied on property of residents and South African property of non-residents less allowable deductions. The duty is levied on the dutiable value of an estate at a rate of 20% on the first R30 million, and at a rate of 25% above R30 million. 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.

### Donations tax

Donations tax is levied at a flat rate of 20% on the cumulative value of property donated not exceeding R30 million, and at a rate of 25% on the cumulative value exceeding R30 million. The first R100 000 of property donated in each year by a natural person is exempt from donations tax. In the case of a taxpayer who is not a natural person, the exempt donations are limited to casual gifts not exceeding R10 000 per annum in total. Dispositions between spouses and South African group companies, and donations to certain public benefit organisations are exempt from donations tax.



## UWC—Accredited qualification for IAC learnership

On 11 May 2019, the University of the Western Cape accredited the Institute of Accounting and Commerce and agreed that the following degrees may be used as academic qualification to register the IAC Learnership as an Independent Accounting Professional, i.e. an Accounting Officer, as stipulated in Regulation 26(1)(d) of the Companies Act no. 71 of 2008.



UNIVERSITY of the  
WESTERN CAPE

Name of Degree	Core Subjects	ID Number	NQF
1. BCOM Accounting Degree (3 Year)	4 Compulsory subjects*	1021	7
2. BCOM Financial Accounting Degree (3 Year)	4 Compulsory subjects*	1175	7
3. BCOM Accounting (4 Year)	4 Compulsory subjects*	1753	7

\* The 4 core subjects noted in the table above refers to:

- 1) Financial Accounting 3
- 2) Auditing I or Internal Auditing 2
- 3) Company Law in SA Legislations
- 4) Taxation on SA Legislation

## Learnership allowance

In addition to the ETI discussed on page 4 and 5 of this newsletter, an employer may be eligible for a deduction of a learnership allowance during a year of assessment if the requirements of section 12H of the Income Tax Act are met. Section 12H provides additional deductions to employers for qualifying learnership agreements. These additional deductions are intended as an incentive for employers to train employees in a regulated environment in order to encourage skills development and job creation. Training contracts qualifying for these deductions are learnership agreements and apprenticeships registered with a SETA. These additional deductions consist of an annual allowance and a completion allowance. The amount of the allowance will depend on the NQF level held by the learner before entering into the learnership agreement.

The employer will qualify for the annual allowance if:

- during any year of assessment the learner is a party to a registered learnership agreement with the employer;
- the learner holds an NQF-level qualification from 1 to 10;
- the agreement was entered into pursuant to a trade carried on by that employer; and
- the employer has derived "income" as defined in section 1(1) from that trade.

The allowance applies only to a period during which a learner is a party to a registered learnership agreement with an employer. Thus an employer will not qualify for the annual allowance during any period in which:

- a learnership agreement is not registered, subject to the deeming provision of section 12H(2)(c) and (2A)(c); or
- a learner is not in employment.

### Annual allowance

The annual allowance is deductible in each year of assessment in which the learnership agreement is in force. If the agree-

ment is in force for 12 full months during any year of assessment, the annual allowance is equal to:

- R40 000 for a learner holding an NQF-level qualification from 1 to 6; or
- R20 000 for a learner holding an NQF-level qualification from 7 to 10.

If the agreement is in force for less than 12 months during the year of assessment, the allowance must be apportioned accordingly. If the agreement was, for example, in force for only 6 months in respect of a person with NQF 2, the allowance would be R20 000 ( $6/12 \times 40\,000$ ).

### Completion allowance

The completion allowance is granted once-off in addition to the annual allowance and is deductible in the year of assessment in which the learner successfully completes the learnership.

SARS requires sufficient proof of the successful completion of the learnership agreement. The allowance is

- For learners with NQF1-6, R40 000 x number of consecutive 12-month periods in the duration of the learnership.
- For learners with NQF7-10, R20 000 x number of consecutive 12-month periods in the duration of the learnership.

### Enhanced allowances

In order to encourage employers to develop the skills of persons with a disability, the annual and completion allowances are increased as follows for a learner who has a "disability" as defined in section 6B(1) at the time of entering into the learnership agreement:

- R20 000 for a learner holding an NQF-level qualification from 1 to 6; or
- R30 000 for a learner holding an NQF-level qualification from 7 to 10.



## Mr. John Duncan Stark

Dear Members

It is with great sadness and a heavy heart that I inform you of the passing away of Mr. John Duncan Stark.

He passed on yesterday the 13<sup>th</sup> May 2019 in the early parts of the morning. His demise has brought tears to our eyes and a hole in our hearts, with most of the IAC staff having spent many years with him.

Duncan retired 2 years ago from the Institute which he served for 26 years. His commitment and attitude to the Financial and IT positions he held was remarkable. He served no matter what the circumstances he faced at that time.

The one great Hope we have is that he is safe in the arms of Jesus. He served the Lord Jesus Christ, a faithful steward and stalwart of the Gospel of Jesus Christ. Blessed are the saints that die in the Lord, and Duncan died in the Lord, ran a perfect race, and deserves to be present with the Lord forevermore.

He will be sorely missed by all of us at IAC.

**Real knowledge  
is to know the  
extent of one's  
ignorance.  
Confucius**



## Free transport services supplied to employees—BGR50

### Background

Employers may provide employees with transport services from their homes to the place of their employment. These transport services are a taxable benefit in the hands of the employee, but may attract no value where certain requirements have been met.

There is uncertainty as to the application of the no-value provision as provided for in paragraph 10(2)(b) in terms of what is envisaged for transport services rendered by the employer, especially where the employer does not provide the transport service directly, but contracts another person to provide the transport service to employees.

### Ruling

It is accepted that transport services rendered by the employer to employees in general for the conveyance of such employees between their homes and the place of their employment, will fall within the provisions of paragraph 10(2)(b), if the following conditions have been met:

- 1) The transport service is rendered directly by the employer.
- 2) Where the transport service is not rendered directly by the employer (in that it is outsourced to a specific transport service provider), the employer makes it clear in the conditions under which transport service is provided, that –
  - the transport service is

provided exclusively to employees on the basis of predetermined routes or conditions;

- the employees cannot in any manner request such transport service from the service provider on an ad hoc basis; and
- the contract for providing the transport service is between the employer and the transport service provider, and the employee is not a party to the contract.

The provision of and access to general public transport will not be regarded as a transport service rendered by the employer and will therefore not qualify for the no-value provisions of paragraph 10(2)(b).

## Death announcement—Mr Sulaiman van Dyk

Mr Sulaiman van Dyk  
1947 - 2019

We learned with regret of the death of our valued member, Mr Sulaiman van Dyk. He passed away in April 2019.

We at the IAC would like to express our sincere condolences to the van Dyk family. Please keep the family in your thoughts and prayers.



## Congratulations to our new members

<u>Independent Accounting Professional (Reviewer)/ Tax Practitioner</u>		
<u>Membership Number</u>	<u>Surname</u>	<u>Name</u>
655109 (IAP) *	Germishuys	Nico
655199 (IAP) *	Furanzi	Douglas

<u>Financial Accountant in Practice /Certified Tax Practitioner</u>		
<u>Membership Number</u>	<u>Surname</u>	<u>Name</u>
655662 (FAP)	Awude	James Kofi Wolanyo

<u>Financial Accountant in Commerce /Certified Tax Practitioner</u>		
<u>Membership Number</u>	<u>Surname</u>	<u>Name</u>
655672 (FAC)	Msibi	Muziwandile Brian

<u>Certified Tax Practitioner</u>		
<u>Membership Number</u>	<u>Surname</u>	<u>Name</u>
655663 (CTP)	Cloete	Anton
058990 (CTP)	Thorpe	Gerald
655660 (CTP)	van Eeden	Adriaan
655657 (CTP)	Manhuwa	Kudzanayi

<u>Technical Accountant</u>		
<u>Membership Number</u>	<u>Surname</u>	<u>Name</u>
655670(TA)	Badenhorst	Marlise Magdalena
655668(TA)	Glanvill	Mark Robert
655665(TA)	Human	Menèt
655666(TA)	Oliphant	Rudy

<u>Technical Accountant /Certified Tax Practitioner</u>		
<u>Membership Number</u>	<u>Surname</u>	<u>Name</u>
655659 (TA)(CTP)	Barnard	Carol Marie
655667 (TA)(CTP)	Beukes	Hennie Savva

<u>Approved Training Centre (ATC)</u>		
<u>Membership Number</u>	<u>Surname</u>	<u>Name</u>
ATC011/655621		Dirk Myburgh Accounting

<u>Students on Learnership</u>		
<u>Membership Number</u>	<u>Surname</u>	<u>Name</u>
655671	Leverington	Sarah Jade
655664	Mohanlal	Kailash

**INSTITUTE OF  
ACCOUNTING AND  
COMMERCE**

252 Rosmead Avenue  
Wynberg  
7780

Phone: (021) 761 6211  
Fax: (021) 761 5089  
E-mail: Prakash Singh  
ceo@iacsa.co.za

**ENQUIRIES**

**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**

Tasriq Adams  
it@iacsa.co.za

**CEO & Technical**

Prakash Singh  
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**

**Vision**

To be a dynamic world class Professional Accounting Institute (incorporating related fields) at the forefront of technology and an integrated approach to the profession.

**Mission**

It is the aim of the Institute to be recognised as the pre-eminent Professional Body for Accountants and other related professionals by actively promoting the effective utilization and development of qualified professionals, through the achievement of excellence in standards of professional competence and socially acceptable ethical conduct amongst its members, through a dynamic integrated approach to the legislative and environmental arena.

**June events**

- 7 June
  - ◇ IAC CPD
- 11 June
  - ◇ SARS Western Province
  - ◇ Gauteng Forum
- 13 June
  - ◇ IAC Zimbabwe Board
  - ◇ IAC Zimbabwe AGM
  - ◇ Western Cape Forum
- 14 June
  - ◇ IAC Zimbabwe Graduation
  - ◇ Bloemfontein Practice Group
- 19—21 June
  - ◇ PAFA Conference
- 21 June
  - ◇ Bloemfontein Practice Group
- 22 June
  - ◇ Western Cape Practice Group
  - ◇ Pretoria Practice Group
  - ◇ Eastern Cape Practice Group



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