



Dear Client

Please find enclosed our BVSA for June 2017.

The content of this newsletter has been compiled especially for you and we hope you will enjoy this publication and find it informative.

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If you have any queries or would you like more information, please contact us by sending an email to info@bvsa.ltd.

Kind regards,

Pieter Wessels



Non-executive directors:
Employee tax and VAT
arrangements

Provisions in tax laws are constantly reviewed and amended. These changes in the laws can lead to our relief, but at other times it can cause some extra grey hair. The terms are often not laid out in black and white and therefor leaves room for interpretation.

From time to time, certain tax laws come under the spotlight and are reviewed thoroughly by SARS. For example, the status of skippers on the West Coast was examined in 2004 and they were strangely deemed to receive "remuneration", which meant that employee income tax had to be deducted from them. Their industry was simultaneously recognized as "businesses" who qualify for VAT purposes and therefor had to account for output VAT.

Changes made to the exclusions in the definition of "remuneration" in 2007 resulted in uncertainty as to whether PAYE should still be deducted from non-executive directors' compensation. While announcing the 2016 budget, the Minister mentioned that this issue would be addressed and during the last few months two Binding General Rulings (BGR) were issued in this regard: BGR40, which address the deduction of PAYE and BGR41 which addresses the charging VAT.

SARS regards a non-executive director as a director who is not involved in the day-to-day management or operations of a company, but merely attends board meetings, give their objective input and has voting rights.



Remuneration and deduction of employees' tax

The BGR40 states that a non-executive director is not regarded as an employee, but two statutory tests must both be met before such a person will be deemed as an employee and will be subject to deduction of PAYE. These tests are:

- The "premises test": Services must be delivered mainly, quantitatively measured > 50%, at the premises of the company, and
- The "control/supervision test". The company exercises control or supervision over
 - Either the way in which duties are performed
 - Either working hours

Directors who receive a remuneration are limited, by the Section 23(m) of the Income Tax Act, to make certain deductions from their remuneration to determine their taxable income. However, if a non-executive director is not deemed to receive remuneration, the normal rule applies to the deductibility of expenses and losses.

The employee taxation arrangement will apply from 1 June 2017.

The operation of an enterprise by a non-executive director

According to BGR41 a non-executive director who is not deemed to receive remuneration is considered an independent contractor who operates a business (per definition) for VAT purposes. This means that an independent director whose fees exceed the limit for compulsory VAT registration (currently R1 million in a 12-month period) must register as a VAT vendor or, if the limit is not exceeded, can register voluntarily. Furthermore (and this may be applicable in most cases), a person already registered for VAT must begin charging VAT on their directors' fees and start making payments to SARS from 1 June 2017.

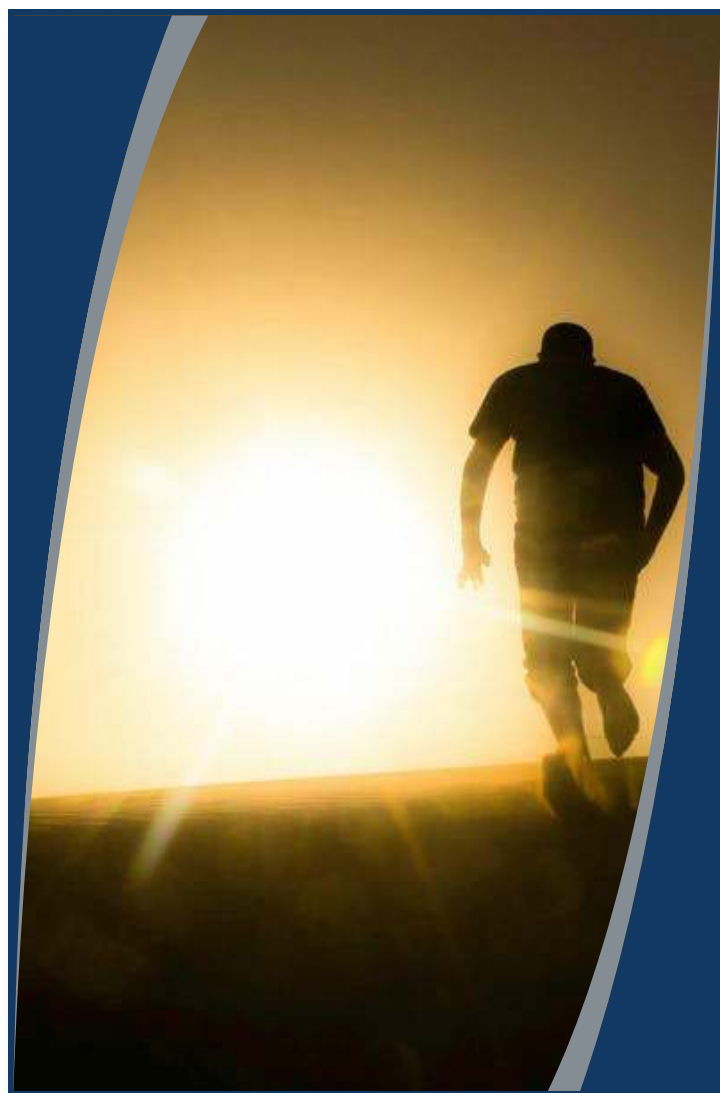
Article by Louise Smit

The dawn of the independent trustee

Sweeping new changes to the administration of trusts have been announced by the Chief Master of the High Courts by way of a directive number 2 of 2017, issued in March this year. Paramount to these, are the changes relating to the appointment of independent trustees.

As of 1 June 2017, the Master of the High Court requires the appointment of an independent trustee where a family business trust is registered for the first time. A trust will qualify as a family business trust if the following requirements are met:

- The trustees have contractual capacity;
- The trustees and the beneficiaries are synonymous; and
- The beneficiaries are directly or indirectly related to one another.



In practice, the majority of trusts created and registered with the Master of the High Court, are undoubtedly family business trusts. It is therefore imperative to make sure there is an independent trustee when setting up a family business trust. Failure to appoint an independent trustee will result in incomplete registrations, query sheets and delays at the Master's Office.

When choosing an independent trustee, the following requirements are advised by the Master of the High Court:

An independent trustee:

- Must not be a blood relative or have any family relation or connection to any of the existing or proposed trustees, beneficiaries or founder of the trust.
- Must not benefit from or have any interest in the trust property.
- Will enjoy preference over other trustees if he or she is an accountant, an attorney, fiduciary practitioner or any other member of a professional body or association that possesses the necessary knowledge and skill in the field of trust administration.
- Must fully comprehend the duties and responsibilities of accepting trusteeship.

Given the serious nature of these requirements and the direction in which trust administration on trusts in South Africa are heading, it is of utmost importance for all founders, trustees and beneficiaries of new or existing trusts, to appoint an independent trustee to avoid any interference by the Master of the High Court.

Our fiduciary team at Boshoff Visser Konsult (BVSA) has decades of experience in trust administration and is professionally equipped to assist you with any matters related to your trust. For further information on trust administration and especially the appointment of independent trustees, please contact any of our financial advisors for expert advice.

Article by Reghardt Draper CFP

A good reputation is the driver of business value

Most organisations continuously seek for viable solutions to standout from their competition and potentially gain more business. What is essential for every organisation is to understand the needs and expectations of its target audience, to ensure these needs are achieved and even exceeded. By understanding the principles of public relations, and employing them regularly, an organisation may enjoy a competitive advantage and business growth.

An organisation that dedicates its efforts to understand and instil public relations principles can derive tools which can cater solutions. Such will play a fundamental role in the growth of the organisation and place it in the driver's seat for long-term growth, competitive advantage and sales potential.

Public relations tools create opportunities for organisations to potentially shape their image. These opportunities in turn may determine the involvement and loyalty of stakeholders towards the organisation. The brand can therefore evolve in the minds and hearts of stakeholders and potential clients. This is an effective way to connect with the desired audience emotionally and such allows the organisation's brand to be distinct.



It is true that an organisation's accomplishments are based on the strategic processes it applies to ensure that productivity and success cultivates. However, it is incumbent upon an organisation to also stay abreast of consumer trends and communicate using specific up-to-date public relations channels to safeguard stakeholder relations. Diverse communication and public relations strategies should be applied to communicate effectively with the various internal and external publics.

Effective communication and public relations channels that organisations can utilise include:

- Online media, such as social media, websites and blogs
- Newsletters and e-Newsletters
- Marketing material, such as brochures, folders and company profiles
- Mobile platforms, including, apps, WhatsApp and messaging
- By applying these strategic communication activations, an organisation can derive a positive public image as well as leads and sales. A thorough public relations and communication strategy, with planned activations and proper measurement, can contribute to that success story at year end and yield an organisation to greater statures. Should you require public relations services please contact us.

Article by BVSA Communication



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