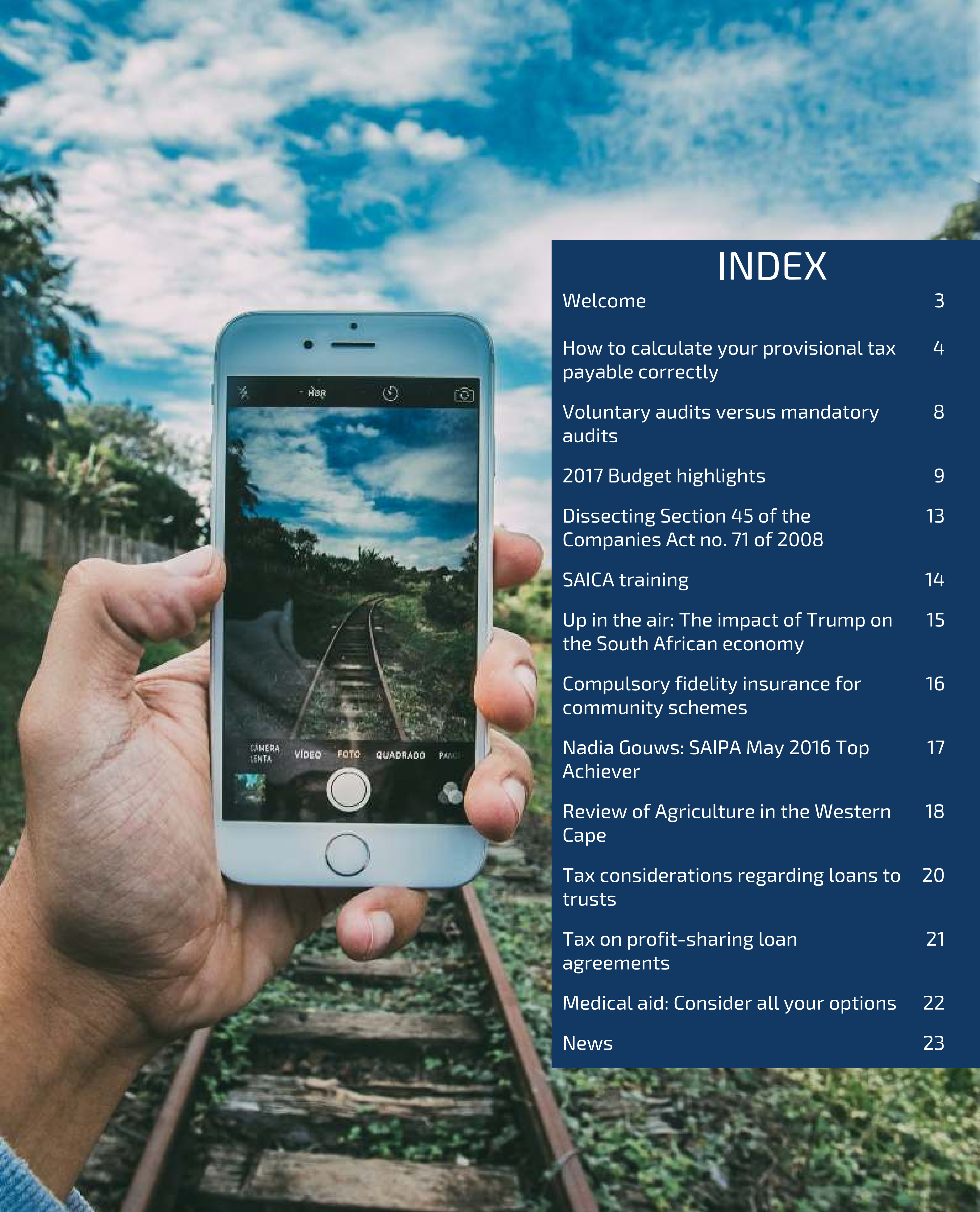
BOSHOFF VISSER

bvsa GROUP

bvsa PLUS 2017

Accountants & Financial Services



INDEX

BVSA Group is a dynamic accounting and financial services firm, supporting small and medium businesses for more than 25 years. With branches in several provinces, we provide a wide range of tailor made accounting and financial services at competitive prices.

WELCOME

Dear customer,

Welcome to the 2017 edition of BVSA Plus.
The content of this newsletter has been compiled especially for you and we hope you will enjoy this publication and find it informative.

The past year was a significant period for our company. You will notice that we have changed the annual newsletter's name from Boshoff Visser Plus, to BVSA Plus. It is a great pleasure to share the news that Boshoff Visser has entered a new era and will henceforth be known as BVSA (Boshoff Visser South Africa).

Due to the Group's rapid expansion, we realize that it will in future be in our best interest to present ourselves as a unified brand and identity. The decision was therefore taken to update Boshoff Visser's brand to embrace all our services, departments and branches, under one banner. Our new registered trademark is now BVSA.

This repositioning and identity change has already started early in 2017. The new brand (like our old brand) is built on quality, reliability, recognition and loyalty. In addition, there will be no changes to our management and quality service delivery. On the contrary, we are proud to announce that the Group has recently expanded in terms of service provision. Our new services include a communication-, public relations- and marketing department, as well as internal IT support. The company thus had a makeover to accommodate all branches and new services. We hope that we can still rely on your continued support.

We would like to thank you for your support over the past years. It is a privilege to provide our services to you and we appreciate your loyalty and the opportunity to do business.

Last but certainly not least, a sincere thank you to all our valued staff for all your hard work and dedication. Our BVSA family is this company's greatest asset!

If you have any queries, or would you like more information please contact us by sending an e-mail to info@bvacom.co.za.

Regards,

Pieter Wessels

DISCLAIMER

All articles contained in this newsletter should be considered as general information and should not be used or relied on as professional advice. No liability can be accepted for any errors or omissions nor for any loss or damage arising from reliance upon any information herein. Contact a BVSA director or financial adviser for specific and detailed advice.

bvsa

HOW TO CALCULATE YOUR PROVISIONAL TAX PAYABLE CORRECTLY

In January 2015, the South African Remuneration Services (SARS) introduced new penalty laws. Although it is difficult to understand some of these laws, Tax Practitioners have the added responsibility of **communicating** these new laws to their clients.

A 'provisional taxpayer' is:

- A person (other than a company) who earns income, other than remuneration or an allowance or advance as contemplated in section 8(1)
- A company; and
- A person who is notified by the SARS Commissioner that he/she is a provisional taxpayer.

The following are specifically excluded from the payment of provisional tax:

- Public Benefit Organisations (PBOs) approved by SARS
- Recreational clubs approved by SARS
- Any Body-Corporate, share block company or association of persons contemplated in section 10(1) (e)
- any natural person who does not derive income from the carrying on of any business, if in that relevant year of assessment -
    a. taxable income does not exceed the tax threshold; or
    b. the taxable income from interest, dividends, foreign dividends and rental from letting fixed property does not exceed R30 000;
- Non-resident owners or charterers of ships and aircraft who are required to make payments under section 33
- Any small business funding entity
- Deceased estates

Taxpayers have 3 opportunities to pay provisional tax - a first period, a second period and a voluntary third period.

ESTIMATES OF TAXABLE INCOME
Provisional taxpayers (other than a company)

The **first period** for which the payment of provisional tax becomes due, is the period ending six months from the start of the taxpayer's year of assessment. This means that for a year of assessment that starts on 1 March and ends on 28 February or 29 February, the first period for which provisional tax becomes due will be the period ending on 31 August.
The taxpayer will be required to estimate taxable income for that year of assessment and pay half of the estimated liability for normal tax.

- The estimated amount submitted by a provisional taxpayer shall not be less than the basic amount applicable to that particular estimate.
- The 'basic amount' is the taxpayer's taxable income assessed by the Commissioner for the latest preceding year of assessment **LESS**
    a. The amount of any taxable capital gain;
    b. Taxable portion of a retirement fund lump sum benefit or retirement fund lump sum withdrawal benefit or severance benefit other than any amount included under para (eA) of "gross income"); and
    c. Any amount, including any voluntary award received or accrued (para (d) of "gross income."

Company Provisional taxpayers

Company taxpayers may submit a return of an estimate of the total taxable income which will be derived by the company in respect of the year of assessment.
The basic amount is the taxpayer's taxable income assessed by the Commissioner for the latest preceding year of assessment **LESS** the amount of any taxable capital gain.

The amount of the first provisional tax payment is based on this estimate. ***The return must be submitted even if the amount of the provisional tax payment is nil.***

THE BASIC AMOUNT

The basic amount for all taxpayers must be increased by 8% of the basic amount per year if an estimate:
- Is made for a period that ends more than one year after the end of the latest preceding year of assessment, and
- The estimate is made more than 18 months after the end of that year of assessment.

HOW TO CALCULATE YOUR PROVISIONAL TAX PAYABLE CORRECTLY *(continued)*

The amount of the estimate cannot be less than the basic amount unless the Commissioner regards the circumstances of the case and then agrees to accept a lower amount.

How to calculate a first provisional payment:

First period	
Estimated income for the year	**RXXXXX**
Normal tax on estimated income	RXXXXX
Less: Primary, secondary & tertiary rebates under S6	RXXXXX
Less: Tax credit for medical scheme fees under 6A	RXXXXX
Less: Additional medical expenses tax credit under S6B	RXXXXX
Less: Foreign tax credit under S6quin	RXXXXX
Total tax payable	RYYYYY
Half: Total tax payable	RYYYYY/2
Less: Employees' tax deducted from remuneration for the first six months	RYYYYY
Less: Foreign tax credits under S6quat proved to be payable by the end of the 1st period	RYYYYY
First provisional tax payment	**RYYYYY**

The second period for which the payment of provisional tax becomes due, is the period ending on the last day of the year of assessment. This means that for a year of assessment which starts on 1 March and ends on 28 February or 29 February, the second period for which provisional tax becomes due will be the period ending on 28 February or 29 February, as appropriate.
The payment must be based on an estimate of the taxable income for the year. The following two tier models are in force:

- Taxable income less than R1 million – the estimate must be equal to the lesser of the basic amount or 90% of the actual taxable income;
- Taxable income greater than R1 million – the estimate must be equal to at least 80% of the actual taxable income.

How to calculate a second provisional payment:

Second	
Estimated income for the year	**RXXXXX**
Normal tax on estimated income	RXXXXX
Less: Primary, secondary & tertiary rebates under S6	RXXXXX
Less: Tax credit for medical scheme fees under 6A	RXXXXX
Less: Additional medical expenses tax credit under S6B	RXXXXX
Less: Foreign tax credit under S6quin	RXXXXX
Total tax payable	RYYYYY
Less: Employees' tax deducted from remuneration during the year	RYYYYY
Less: First provisional tax payment made if paid	RZZZZZ
Less: Foreign tax credits under S6quat proved to be payable by the end on the 1st period	RZZZZZ
Second provisional tax payment	**RZZZZZ**

The voluntary **third period** payment of provisional tax can be made to prevent interest. Payment must be made no later than seven months after the end of that year of assessment. This means that for a year of assessment which starts on 1 March and ends on 28 February or 29 February, the third provisional tax payment must be made by 30 September to reduce the provisional taxpayer's exposure to interest payable. The payment is commonly referred to as a **"top-up payment"** and is voluntary. Where a taxpayer doesn't have a February year-end, the payment must be made within six months or the financial year end.

HOW TO CALCULATE YOUR PROVISIONAL TAX PAYABLE CORRECTLY *(continued)*

How to calculate a third voluntary provisional payment:

Second	
Estimated income for the year	**RXXXXX**
Normal tax on estimated income	RXXXXX
Less: Primary, secondary & tertiary rebates under S6	RXXXXX
Less: Tax credit for medical scheme fees under 6A	RXXXXX
Less: Additional medical expenses tax credit under S6B	RXXXXX
Less: Foreign tax credit under S6quin	RXXXXX
Total tax payable	RYYYYY
Less: Employees' tax deducted from remuneration during the year	RYYYYY
Less: First provisional tax payment made if paid	RZZZZZ
Less: Second provisional tax payment made if paid	RZZZZZ
Less: Foreign tax credits under S6quat proved to be payable by the end on the 1st period	RZZZZZ
Third provisional tax payment (Top up payment)	**RZZZZZ**

PENALTIES

Two penalties are potentially levied in respect of the second period, namely –

- a penalty for the late payment of provisional tax; and
- a penalty for the underpayment of provisional tax as a result of underestimation.

Penalty for the late payment of provisional tax

A penalty of 10% will be imposed on the late payment of provisional tax for the first period. The penalty of 10% is calculated on the amount of provisional tax not paid.

Penalty for the underpayment of provisional tax because of underestimation

A penalty may be levied when the **actual taxable income** as finally determined is more than the **taxable income estimated** on the second provisional tax return. The calculation of the potential penalty depends on whether actual taxable income is more than R1 million or whether actual taxable income is equal to or less than R1 million.

The penalty may be levied even if the Commissioner has increased the estimate under paragraph 19(3). The **second estimate submitted** by the taxpayer, and not the increased estimate by the Commissioner, must be used to determine whether the estimate is less than the amounts.

The amount of the penalty is 20% of the difference between the lesser of –

- the amount of normal tax payable for the year of assessment on 90% of actual taxable income as finally determined; and
- the amount of normal tax payable for the year of assessment on the basic amount applicable to the second period.

Example: Penalty for late payment and underpayment because of underestimation of provisional tax

Statement:

Mr YZ is a provisional taxpayer who was required to submit provisional tax returns for the 2016 year of assessment. His basic amount for the 2015 year of

HOW TO CALCULATE YOUR PROVISIONAL TAX PAYABLE CORRECTLY *(continued)*

assessment is R370 520. His expected taxable income for the first and second period is R270 000.
On assessment Mr YZ's taxable income was determined as R350 000. Employee's tax was not payable during the 2016 year of assessment. The provisional tax paid during the year amounted to R42 391. Mr YZ is not a member of a medical scheme registered under the Medical Scheme Act, 1998; and he is 45 years old. The amount of R21 195, 75 for the second provisional tax period was paid after the due date. The example excludes interest calculations on the late payment of the second provisional tax period.

Solution:
Mr YZ's estimate of R270 000 is less than 90% of taxable income as finally determined
(R350 000 x 90% = R315 000) and less than the basic amount of R370 520. Mr YZ is liable for a penalty at the rate of 20% on the difference between the lesser of normal tax payable on:

- 90% of taxable income R315 000 = R283 500 (calculate tax on R315 000 using the tax rates for the year of assessment ending 29 February 2016 = R68 893 less tax rebate R13 257 = R55 636)
- Basic amount (calculate tax on R370 520 using the tax for the year of assessment for the year ending 29 February 2016 = R86 104, 20 less tax rebate R13 257 = R72 847, 20.

The provisional tax paid during the 2016 year of assessment is R42 391. The penalty payable for underestimation of provisional tax is therefore:
- R55 636 - R42 391 = R13 244 x 20% = R2 648.90

The penalty on the late payment of the second provisional tax period is 10% of the amount payable, i.e. R21 195,75 x 10% = R2 119,58

Therefore, the penalty on underestimation of the taxable income for the amount of R2 648, 90 (paragraph 20) must be reduced by the late payment penalty of R2 119, 58 (paragraph 27).

The final penalty on underestimation and late payment is therefore R2 648, 90 - R2 119, 58 = R529, 42.

Article by Heleen Brand

VOLUNTARY AUDITS VERSUS MANDATORY AUDITS

The main objectives of the Companies Act 71 of 2008 are to relieve companies, especially small and owner managed companies, of the strict and formal requirements of an audit.

A company, not required by law to have their financial statements audited, may elect to voluntarily have its financial statements audited.

Before a company considers a voluntary audit, they should take the following factors into consideration:

- Shareholders of a company (if not an owner-manager business) may require an audit.
- Financiers (or donors of a non-profit company like a charitable organization) may require an audit.
- The governing body to whom you company belong, may request an audit due to their own laws and rules (e.g. Law Society of SA or The Estate Agency Affairs Board).
- When a company depends on tenders for work it may be requested to perform an audit.
- If a company plans on selling their business, the potential buyers may request an audit.
- Foreign investors may request an audit.
- When considering an independent review, keep in mind that there may be certain costs involved if a full audit is required at a later stage.

When is an audit compulsory:

- Any state-owned companies, public companies and privately owned companies:
  - If, in the ordinary course of its primary activities, it holds assets in a fiduciary capacity for and the aggregate value of such assets held at any time during the financial year exceeds R5 million;
  - With a public interest score in that financial year that that is 350 or more.
  - With a public interest score in that financial year that is at least 100, but less than 350, if its annual statements for that year were internally compiled.

The public interest score is calculated as follow:

- 1 point is allocated for every individual who, at the end of the financial year, is a shareholder.
- 1 point is allocated for every employee of the company (The number of points allocated for employees equals the average number of employees of the company during the financial year)
- 1 point for every R1 million, or part thereof, in outstanding unsecured debt of the company held by third party creditors at the end of the financial year.
- 1 point for every R1 million, or part thereof, in turnover during the financial year.

Summary of the public interest score and engagement required:

- Any company with a score of 350+ is required to conduct an audit.
- Any company with a score of 100 – 350 and has its financial statements internally compiled – is required to conduct an audit.
- Any company with a score of 100 – 350 and has its annual financial statements independently compiled is required to conduct an independent review (only registered auditors may do the independent review).
- Any company with a score of van 1- 99 is required to conduct an independent review (only registered auditors as well as professional accountants, who qualified as accounting officers under the "old" Close Corporation Act, may do the independent review)
- Any owner-manager companies with a score lower than 350 are not required to conduct an audit or an independent review (every stakeholder of the company should also be a director). The company still need to compile financial statements.

Article by Heinrich Gillen

2017 BUDGET HIGHLIGHTS

Individuals

Personal income tax rate and bracket structure

2017		2018	
Taxable Income (R)	Rates of Tax (R)	Taxable Income (R)	Rates of Tax (R)
R 0 – R 188 000	18% of each R1	R 0 – R 189 880	18% of each R1
R 188 001 – R 293 600	R 33 840 + 26% of the amount above R 188 000	R 189 881 – R 296 540	R 34 178 + 26% of the amount above R 189 880
R 293 601 – R 406 400	R 61 296 + 31% of the amount above R 293 600	R 296 541 – R 410 460	R 61 910 + 31% of the amount above R 296 540
R 406 401 – R 550 100	R 96 264 + 36% of the amount above R 406 400	R 410 461 – R 555 600	R 97 225 + 36% of the amount above R 555 600
R 550 101 – R 701 300	R 147 996 + 39% of the amount above R 550 100	R 555 601 – R 708 310	R 149 475 + 39% of the amount above R 708 310
R 701 301 and above	R 206 964 + 41% of the amount above R 701 300	R 708 311 – R 1 500 000	R 209 032 + 41% of the amount above R 708 310
		R 1 500 001 and above	R 533 625 + 45% of the amount above R 1 500 000

2017 Rebates
Primary rebate R13 500
Secondary rebate R 7 407
Tertiary rebate R 2 466

Tax thresholds
Under 65 years R 75 000
65 years and over R 116 150
75 years and older R 129 850

Interest exemption
Under 65 years R 23 800
65 years and older R 34 500

2018 Rebates
Primary rebate R 13 635
Secondary rebate R 7 479
Tertiary rebate R 2 493

Tax thresholds
Under 65 years R 75 750
65 years and over R 117 300
75 years and older R 131 150

Interest exemption
Under 65 years R 23 800
65 years and older R 34 500

2017 BUDGET HIGHLIGHTS *(continued)*

Travel allowances

Without a logbook, no deductions may be claimed. 80% of the individuals fixed travel allowance is subject to monthly PAYE.

Cost of vehicle	Fixed	Fuel	Repairs
R	**(R p.a.)**	**(c/km)**	**(c/km)**
0 – 85 000	28 492	91,2	32,9
85 001 – 170 000	50 924	101,8	41,2
170 001 – 255 000	73 427	110,6	452
255 001 – 340 000	93 267	118,9	49,6
340 001 – 425 000	113 179	127,2	58,2
425 001 – 510 000	134 035	146	68,4
501 001 – 595 000	154 879	150,9	84,9
Exceeds 595 000	154 879	150,9	84,9
Alternative cost per km (Subject to certain conditions)		**2016/2017** 329 c/km	**2017/2018** 355 c/km

Use of company car

The % included in an employee's taxable income remains at 3.5% of the determined value of the vehicle. Where the vehicle is subject to a maintenance plan, at the time the employer acquired the vehicle, the taxable value is 3.25% of the determined value. 80% of the fringe benefit must be included in the employee's remuneration for purposes of calculating PAYE. The percentage is reduced to 20% if the employer is satisfied that at least 80% of the use of motor vehicle for the tax year will be for business purposes.

On assessment, the fringe benefit for the tax year is reduced by the ratio of distance travelled for business purposes substantiated by a logbook divided by the actual distance travelled during the tax year.

Retirement fund contributions

Amounts contributed to pension, provident and retirement annuity funds during a year of assessment is limited to 27.5% of the greater of remuneration for PAYE purposes or taxable income (both excluding retirement lump sums and severance benefits). The deduction is limited to a maximum of R350 000.

Medical expenses

In determining tax payable, individuals can deduct:

Monthly contributions to medical schemes (a tax rebate referred to as a medical scheme fees tax credit) up to R303 for the individual who paid the contributions and the first dependant on the medical scheme and R204 for each additional dependant; and in the case of:

- The Taxpayer being 65 or older, or if that person, his spouse or child is born with a disability, the following tax credit applies:
  33.3% of the sum of the medical aid contributions paid by the individual less 3 times the monthly tax credit for the financial year, plus all qualified medical expenses.
- Any other taxpayer, 25% of the sum of the medical aid contribution paid by the individual less 4 times the monthly tax credit for the financial year, plus all qualified medical expenses, limited to the amount which exceeds 7.5% of taxable income (excluding retirement fund lump sums and severance benefits).

Retirement lump sum benefits or severance benefits

2017	
0 – 500 000	0% of taxable income
500 001 – 700 000	18% of each R above R 500 000
700 001 – 1 050 000	36 000 + 27% of each R above R 700 000
1 050 001 and more	130 500 + 36% of each R above R 1 050 000
2018	
0 – 500 000	0% of taxable income
500 001 – 700 000	18% of each R above R 500 000
700 001 – 1 050 000	36 000 + 27% of each R above R 700 000
1 050 001 and more	130 500 + 36% of each R above R 1 050 000

2017 BUDGET HIGHLIGHTS *(continued)*

Companies

Company tax rates

	2016\2017	2017\2018
Normal income tax	0,28	0,28
Employment company	0,28	0,28
SA branches of foreign companies	0,28	0,28
Dividends tax	0,15	0,2

Small business corporations

The Tax rate:	2016\2017
0 – R 75 000	0
R 75 001 – R 365 000	0,28
R 365 001 – R 550 000	0,28
R 550 001 and more	0,15
The Tax rate:	**2017\2018**
0 – R 75 750	0% of taxable income
R 75 751 – R 365 000	7% of taxable income above R 75 750
R 365 001 – R 550 000	20 248 + 21% of taxable income above R 365 000
R 550 001 and more	59 098 + 28% of taxable income above R 550 000

Micro businesses

2017	
Turnover	**Tax liability**
0 – 335 000	0
335 001 – 500 000	1% of each R above R 335 000
500 001 – 750 000	1 650 + 2% of each R above R 500 000
750 001 – 1 000 000	6 650 + 3% of each R above R 750 000
2018	
Turnover	**Tax liability**
0 – 335 000	0
335 001 – 500 000	1% of each R above R 335 000
500 001 – 750 000	1 650 + 2% of each R above R 500 000
750 001 – 1 000 000	6 650 + 3% of each R above R 750 000

VAT

VAT registration is compulsory in the case of R1 million turnover.

Delinking the diesel refund system from the VAT system and limiting diesel refunds for land mining activities and the generation of electricity will be implemented.

Donations tax

The exemption on yearly donation tax for natural persons will stay on R 100 000 with a 20% rate.

Capital gains tax

Maximum effective rate of tax:	
Individuals and special trusts	0,18
Companies	0,224
Other trusts	0,36

The exclusion threshold for capital gains and losses for individuals and special trusts remains at R 40 000.

The annual exclusion for individuals in the year of death remains at R300 000. The primary residence exclusion for individuals is R 2 million.

The capital gains exclusion on disposal of a small business when a person is at least 55 years old, will remain at R1 800 000 when the market value of the active business assets does not exceed R 10 000 000.

Dividends tax

Dividends received by individuals from South African companies are taxed at a rate of 20% which is withheld by the entities paying the dividends to the individuals.

Transfer duty

Transfer duty rates changed for the 2018 tax year at the following rates:

Property value	Rate
0 – 900 000	0
900 001 – 1 250 000	3% of each R above R 900 000
1 250 001 – 1 750 000	10 500 + 6% of each R above R 1 250 000
1 750 001 – 2 250 000	40 500 + 8% of each R above R 1 750 000
2 250 001 – 10 000 000	80 500 + 11% of each R above R 2 250 000
10 000 001 and above	933 000 + 13% of each R above R 10 000 000

Estate duty

Estate duty is levied at a flat rate of 20% on property of residents and South African property of non-residents. A basic deduction of R 3.5 million is allowed in the determination of an estate's liability for estate duty as well as deductions for liabilities, bequests to public benefit organizations and property accruing to surviving spouses.

Security transfer tax

Tax is imposed at a rate of 0.25 of a per cent on the transfer of listed or unlisted securities. Securities consist of shares in companies or member's interest in close corporations.

Article by Yolandi Goosen

DISSECTING SECTION 45 OF THE COMPANIES ACT NO. 71 OF 2008

With the Companies Act No.71 of 2008 being effective from 1 May 2011, audit firms have placed the majority of emphasis on becoming compliant with Section 90 by the 1st of January 2014. Section 45, has however been somewhat forgotten or regarded as immaterial.

Section 45 prescribes stringent requirements to be adhered to when loans or other financial assistance is provided to prescribed officers, directors, shareholders, inter-related companies and related persons.

Section 45 also provides that financial assistance be issued in accordance with the company's Memorandum of Incorporation (MOI) and that the board is responsible for ensuring this compliance. However, despite any provision of the MOI, loans may only be granted if:

- it is pursuant to an employee share scheme; or
- a special resolution was previously passed and adopted by the shareholders (valid for two years) which approved the recipient(s) and type of assistance to be provided;
- the board agrees that immediately before and after providing the financial assistance, the company passes the solvency and liquidity tests;
- the board agrees that the terms of the financial assistance proposed is fair and reasonable to the company.

Once the resolution has been adopted regarding the financial assistance, written notice of the resolution should be provided to all shareholders (unless all the shareholders are directors) and trade unions representing the company's employees. The resolution should be distributed based on the following terms:

- If the total value of all financial assistance provided in the current resolution, together with previous resolutions passed during the financial year, exceeds one-tenth of one percent of the company's net worth at the time of the resolution, it should be distributed within 10 business days;
- In any other case, it should be within 30 business days after the end of the company's financial year.

Any resolution passed, which is not in accordance with the MOI and the Act, is considered to be void. Stakeholders could hold directors (which did not vote against the assistance) personally responsible to return the funds to the company, should the company face financial difficulty. Due to the current economic climate, this could become a very real remedy for stakeholders who want some recourse.

The non-compliance should be considered as a possible reportable irregularity and the repercussions of non-compliance should be evident enough as to highlight the importance of the section. Audit firms need to be particularly careful, because if an unmodified opinion is issued, where non-compliance exists, the financial statements include transactions which are void. As a result, the opinion issued might have been incorrect and the required notification not disclosed.

Article by Dominique Baartman

SAICA TRAINING

At BVSA, our staff are our company's greatest asset - they're our competitive advantage. We aim only to attract and retain the best; provide them with encouragement, stimulus, and make them feel that they are an integral part of the company's mission.
Currently our team has 250+ members in various provinces in South Africa and we are looking to expand. We employ people from different backgrounds in order to provide our clients with top-class service to fulfil their accounting needs.

Working for BVSA

We offer competitive salary packages and make sure that our staffs' welfare comes first. We support and encourage our staff to better themselves through the completion of their studies as well as internship programmes as follows:

- All staff, enrolled to further their studies, are given generous study leave;
- We provide financial assistance in the form of interest free loans to staff;
- We provide a bursary scheme where staff get a proportion of cash back for all subjects passed. This amount is capped at 75% of the total fees, leaving a well performing student with a minimal financial burden.

Our teams are highly functional and strive for excellence in all that they do. The team dynamic is instilled early in all staff and the individual's needs are always respected.

All staff members working at BVSA attend training on a regular basis to ensure their personal development.

Internship Programmes / Articles

Internship

We offer vacation work to young high school students to assist them in developing a healthy work ethic, as well as in making career choices. These are paid internships, taking place one to three weeks during the school holidays.

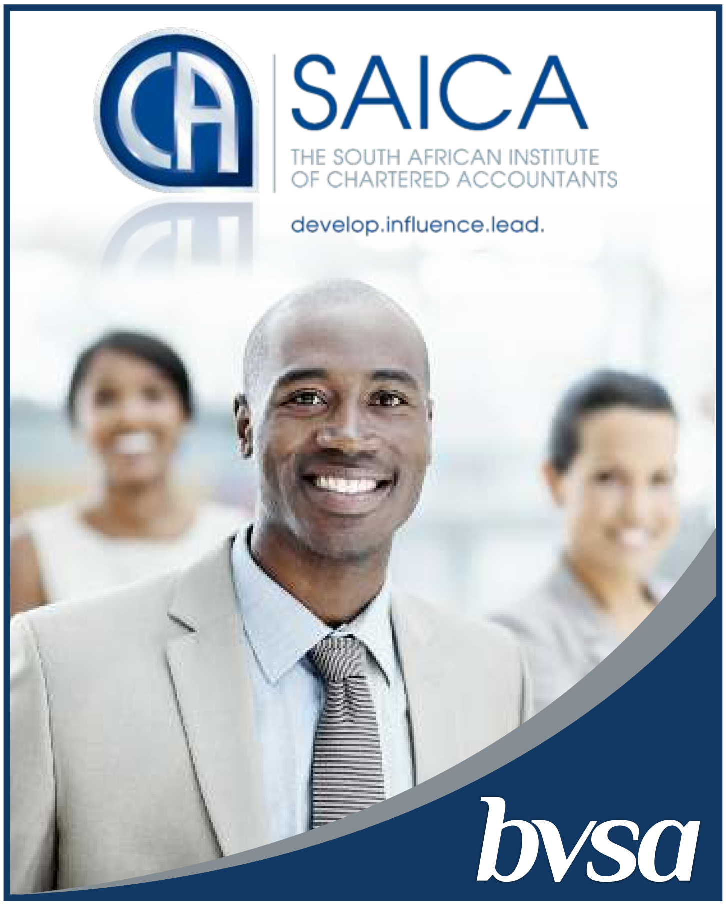
SAICA

BVSA Gauteng is a registered SAICA training office, offering the 2010 CA(SA) Training programme. The SAICA CA(SA) 2010 training programme has been approved by the Education and Training Requirements Committees as well as the Board of SAICA. The programme will deliver entry level CAs (SA) who are uniquely equipped to better meet market needs through broader skills acquisition and enhanced flexibility in the training process to truly deliver a high–performance CA(SA) of the future.

We are currently accredited for 10 articled clerks in this route and employ 6. With a growth in our business, this number will increase.

Should you wish to enquire further on employment at BVSA, please feel free to contact Toinette Werth at toinette@bvgroup.co.za.

Article by Graham Cornelissen



UP IN THE AIR: THE IMPACT OF TRUMP ON THE SOUTH AFRICAN ECONOMY

When Donald Trump announced that he would be running for President in June 2015, few people believed that he would in fact, become president of the United States of America.

In the 600+ days since that date, a lot has happened. Most notably, he won the Republican nomination and the general election in November 2016 to become the 45th President of the United States of America.

His often-controversial stances on issues such as illegal immigration, terrorism and the country's national health care system, has left people with strong emotions ranging from relief to anger. The effects are felt far and wide, and even in South Africa, people are following the news with bated breath.

The impact on the South African economy appears to have been marginal to date. Between August 24, 2016 and November 7, 2016, the Rand/Dollar exchange rate averaged R13,98. On the day of the announcement of his win in the U.S. Presidential election, the Rand weakened to R13,35 to the U. S. Dollar. The Rand then further weakened in the following weeks to R14.45 on 18 November 2016. The Rand has however since steadily recovered to R12,95.

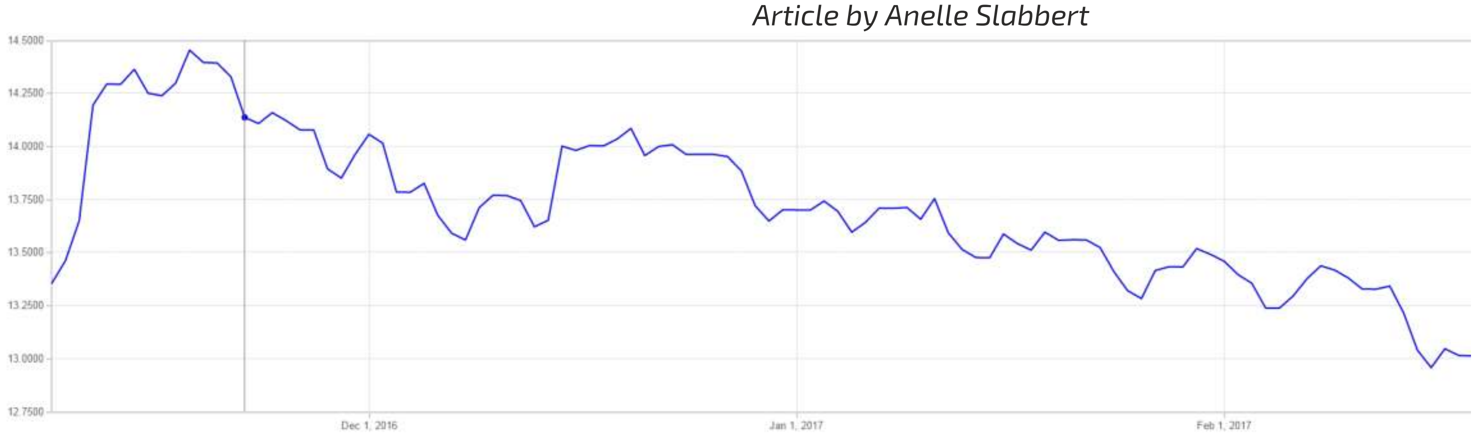
As far as trade between South Africa and the United States goes, the current largest and most influential agreement is The African Growth and Opportunity Act, or AGOA, which is designed to allow for a quota of duty free entry of certain items into the United States. Our own President Zuma received a phone call from President Donald Trump on 15 February 2017, the details of which were released in a statement by the White House:

"President Donald J. Trump spoke this week with President Jacob Zuma of South Africa to discuss ways to expand cooperation and trade between the United States and South Africa. President Trump highlighted the strong bilateral trade ties between the two countries and expressed interest in identifying new, mutually beneficial opportunities for trade. President Trump also suggested that the United States and South Africa do more to collaborate on shared security interests, including the fight against terrorism. Both leaders agreed to continue dialogue on these priorities and find ways to deepen the bilateral partnership."

Although the discussion revolved around trade between the two countries and security threats, the markets seemed to have been mostly unaffected.

We as South Africans are hoping that the ripple effects of President Donald Trump's campaign slogan to "Make America Great Again", will reach South Africa as well. The long-term effects of his Presidential term remain to be seen. For now, however, it looks like South Africans can breathe easily.

Article by Anelle Slabbert



Source: www.oanda.com Rand/ Dollar effect from Nov, 8 2016 to Feb 20, 2017

COMPULSORY FIDELITY INSURANCE FOR COMMUNITY SCHEMES

New legislation applicable to all Community schemes came into effect on 7 October 2016. It requires among other things compulsory Fidelity Insurance for all schemes regardless of whether it is a residential, commercial or industrial complex. Community schemes include among others the following: Time Shares; Home Owner Schemes; Property Schemes as well as any other scheme where communal use of properties is in operation.

The two laws that came into effect on 7 October 2016 are known as:
"Community Schemes Ombud Services Act" (CSOSA) The Ombuds Act,
"Sectional Titles Schemes Management Act" (STSMA) The Management Act.

Although Fidelity Insurance, for a limited insured amount, was previously included in policies, the new Legislation requires a minimum insured amount calculated according to a formula based on the investments and operational budget of the Community Scheme. This forces the institution to take out adequate Fidelity Insurance to protect the scheme against the loss of money by theft, fraud or dishonesty of employees, trustees or managing agents. If the managing agent has his own Fidelity Insurance, it is important for trustees of the scheme to make sure the cover is adequate in terms of the law.

The minimum insured amount required, is the total of:

i. The amount of the Community Scheme's investments and reserves at the end of the latest financial year plus

ii. 25% of the current financial year's operational budget (levies)

Fidelity Insurance is preferably organised on a blanket basis and not on a basis of a named person. Therefor the number of people involved (employees, trustees and managing agent employees) is of the utmost importance to the insurance company. The number of people involved together with the insured amount calculated according to the formula, determine the insurance company's exposure. This allows the insurance company to charge the appropriate rate for calculating the premium.

To ensure the insurance company acquires the relevant information for evaluation of the risk, it is required of the Community Scheme to complete a questionnaire provided by the insurance company. All material information as well as any losses already suffered by the scheme must be submitted to the insurance company.

At the moment Fidelity Insurance can still be acquired at reasonable premiums in the insurance market. The fact that Legislation is now forcing schemes to take out this cover for a minimum insured amount, indicates that there are concerns from certain quarters and might in future compel insurance companies to implement stricter underwriting requirements. Thus, the sooner schemes organise their cover, the more beneficial the premium might be in the long run.

Article by Boshoff Visser Financial services

NADIA GOUWS: SAIPA MAY 2016 TOP ACHIEVER

Nadia Gouws is the Accounting Manager at our BVSA Benoni branch.

Nadia didn't complete her CA articles and decided to write the South African Institute of Professional Accountants (SAIPA) Professional Evaluation Exam in May 2016, after having earned sufficient experience and recognition of prior learning as set out by SAIPA.

"I really enjoyed studying again and I was pleasantly surprised to find out that I was the top achiever in South Africa for the SAIPA May 2016 Professional Evaluation Exam. I have a passion for the work I do and I am very committed and hard working. When I put my mind to a goal, I give it my all and work as hard as I can to achieve it. Passing the exam was reward enough, but it is always very nice to get recognition for the hard work you put in."

All of this could not have been done without the support of her family. Her wonderful husband (Francois), two precious children (Zanco and Mienke) and both their grandmothers helped her find the time for her studies.

"When I came home with the two-awards I received from SAIPA (Top Achiever in Gauteng and Top Achiever in RSA), my daughter took one look at the awards and asked me: "Mommy, did you steal them?" My son, who was a bit older and wiser at the time, just said: "Wow, Mom. That is very good.""

"I have had the opportunity to meet and work with so many passionate and inspiring people, not only in our BVSA office, but also on my SAIPA journey last year. This just confirmed what I already knew, we can be very proud to work in the profession we do. Our ethics, values, skills and professionalism are remarkable and are deeply rooted within so many individuals in our field. It is a privilege and so inspiring to be a part of such a wonderful profession."

Nadia also won the BVSA Gauteng Employee of The Year award in 2016. Currently, she heads up our SAIPA training office in BVSA Gauteng.

SAIPA

Several of the BVSA branches located country wide are Accredited Training Centres (ATC) for SAIPA, offering the full SAIPA learnership programme. A SAIPA learnership is a sponsored form of study, whereby the Trainee is employed by an Accredited Training Centre (ATC) for a set period, so that he or she can gain workplace experience that will support their academic studies.

All learnerships are administered by the Department of Labour. The learnership initiative was introduced to South Africa to provide skills required by the labour market to previously disadvantaged individuals. SAIPA learnerships are backed by the South African Qualifications Authority (SAQA) and based on the SAQA qualifications 20391 and 20392 at Level 7 on the National Qualifications Framework (NQF.)

Should you wish to enquire further on employment at BVSA, please feel free to contact Toinette Werth at toinette@bvgroup.co.za.

Article by Nadia Gouws

REVIEW OF AGRICULTURE IN THE WESTERN CAPE

Agriculture has always been one of the Western Cape's most successful sectors and forms the backbone of most rural towns in the province. In the recent years, there were many challenges to overcome in this sector, but there were also many positive events that took place. Some of the biggest challenges were the drought, wildfires, black frost, hail damage, poor wine grape prices, dumping of low priced chicken from the United States and rising labour costs. Positive events include record grain and grape harvests and exceptionally good prices for citrus, fresh fruit, table grapes and rooibos tea. Producers should constantly try and make sensible decisions to overcome challenges and exploit opportunities within this volatile environment.

Drought:

The drought, affecting the Western Cape since last year, continues with dam levels that are alarmingly low. Producers have already done a lot to improve their water situation by drilling new boreholes, cleaning existing unusable boreholes, building new dams and cleaning and increasing the size of existing dams. Many streams have been replaced with pipelines, saving greatly on evaporation and water seeping away. Producers manage their irrigation much more scientifically resulting in savings in water consumption. Producers should remember that any new water recourses or storage capacity must be registered.

Wildfires:

Wildfires have been an issue for a while and have reached a crisis status this year due to the drought. The fires destroyed thousands of hectares of field and farmland and damages reaching millions of rands were suffered to pasture, orchards, vineyards and buildings. In some cases lives were lost.

In case a fire starts on a producer's land and a claim is laid against the producer, the producer should ensure that he has adequate insurance in place for liability and fire extinguishing costs. Leased land should also be covered, since the land user is held liable and not the land owner. Practical ways to reduce the risk of claims against the producer include preparing firebreaks, having fire-fighting equipment in place and joining the fire protection association.

Black frost and hail damage:

Fruit farmers in Ceres, Tulbagh, Breede River, Robertson, Montagu and table grape producers in the Hex Valley experienced a great deal of hail damage between 2012 and 2016. On 12 October 2016, the worst black-frost in history hit the Western Cape wine industry and caused at least fifty million rands in damages.

Harvest insurance can be taken out to cover damages to the crops caused by hail and black-frost. Hail nets can reduce the risk of hail damage while frost damage can be prevented with frost fans, overhead irrigation, burning tyres or mixing air with helicopters. All these precautions are, however, costly and often not feasible on a large scale. Each producer must decide whether it is economically viable.

Poor wine and grape prices:

Wine grape prices have stagnated with annual increases between 2% and 5% in the recent years, resulting in a negative increase to inflation. Back in 1997 some cellars received an average payment of R2000 per ton and now, twenty years later, some wineries still struggle to earn more than R3000 per ton.

Although more wine is exported, the wine industry does not respond as well to the weak rand such as other export industries does. Due to excise duty increasing yearly, urgent plans should be made to make the wine industry attractive again to producers.

Dumping of low cost chicken from the United States:

The poultry industry was hit very hard by the dumping of cheap chicken from the United States, pushing local prices down. Americans prefer the white meat portions of chicken (breasts) and they export the other parts (drumsticks and wings), at very low prices to developing countries where there is a high demand for cheap meat. Due to droughts, feeding prices have become very high, resulting in further pressure on the producer.

Poultry farming requires a large capital outlay to erect the cages and thus producers can't really afford to leave the industry. The only real solution would come if the government provide better protection against cheap imports.

Rising labour costs:

The minimum wage for farm workers has already increased by 52% a year after the strikes and unrest occurred on farms in 2013. The new proposed national minimum wage of R20 per hour, will again bring about a 30% increase from the current R15.39 per hour which became effective on 1 March 2017. There are rumours that agriculture will only have to pay 90% of the national minimum wage within the first year, but this still comes down to a 17% increase.

The wine industry has largely been mechanized with harvesters, summer trimmers, pruning machines, leaf breaking machines etc. which have replaced most of the manual labour. Fruit and table grape producers mechanize their packhouses while table grape producers plant cultivars that require fewer cutting-out and therefor need less manual labour. The grain and livestock producers are not as badly affected because their businesses are not as labour intensive.

Record grain and wine grape harvests:

The Overberg had an above average harvest for the fifth time in a row last year. This is partly due to better farming practices such as minimum or no tillage and better seed quality. Weather conditions also played a role, with good rainfall at the right times over the past few years.

Except for vineyards that were hit by hail and black ripe, wine grape producers had exceptionally good harvests in the last couple of years. As with the grain the good harvests can also be attributed to farming practises that have changed. When it comes to wine grapes, minimum pruning and mechanical pruning were applied, due to rising labour costs, and better plant material are used. Weather conditions also played a role with the drier winters leading to better root activity. Little or no rain in the critical periods for diseases such as powdery mildew and gray mold caused minimal crop losses.

Good prices for citrus, fruit, table grapes and rooibos tea:

The export industry is riding on the crest of the wave when it comes to the favourable prevailing exchange rates over the recent years.

Seven years ago, producers with mixed farming wanted to remove their citrus orchards. Now more citrus orchards are being planted and a lot of new entrants are seen in the industry. The outperformer of the citrus group is of course lemons, "suurlemoene" in Afrikaans, jokingly renamed by the farmers as "suurmiljoene".

The prices of export fruit have skyrocketed and apple, pear, plum and peach producers made very good profits in the recent years. They start to focus more on farming with export fruit and replaced wine grape vineyards and canning fruit orchards with export fruit cultivars. More fruit producers realise the added value of packing the fruit themselves and they use the profits they make to build and upgrade their packhouses and cold storages facilities.

Table grape prices increased from R60 per carton in 2014 to R110 per carton last year and the expected price this year is R100 or more per carton, although the rand strengthened between 25% and 30% from the record low levels in February last year.

The price of Rooibos tea also risen sharply the last 3 years from R 17 per kg in 2014 to R 28 per kg in 2015 and R 45 per kg in 2016. The sudden increase is due to a smaller harvest because of the drought, depleted stock, rising demand and the favourable exchange rate.

The past few years is a carousel ride for agriculture in the Western Cape, with just as many sweet as sour moments. Each producer must review their own situation, determine their strengths and weaknesses and identify the opportunities and threats within the industry in order to set up a long-term plan for the next 5 to 10 years. Thereafter a producer can go into more details regarding their annual planning and budgeting.

Article by Arnand Stofberg

TAX CONSIDERATIONS REGARDING LOANS TO TRUSTS

From **1 March 2017**, onwards, taxpayers must consider section 7C of the Income Tax Act when dealing with any loan, advance or credit, allowed by a natural person or a connected company at the request of the natural person, to a trust. This provision applies to any loan, advance or credit provided by a natural person, or connected company at the instance of the natural person, to a trust to which such natural person, company or their connected persons are connected.

This would essentially mean that a loan advanced to a trust by a person where such person or the person's family members are beneficiaries would be within the scope of section 7C.

If such a loan does not bear interest or bears interest at a rate lower than the official rate of interest (being the repurchase rate plus 1%), the difference between the interest charged (if any) and the interest that would have been charged at the official rate is deemed to be a donation by the natural person to the trust at the end of the trust's year of assessment.

This deemed donation is subject to donations tax at a rate of 20%. The annual donations tax exemption (currently amounts to R100 000), available to natural persons may be utilised against this donation).

Section 7C of the Income Tax Act will apply to both new and existing loans in place from **1 March 2017**:

The following should specifically be considered regarding section 7C of the Income Tax Act in force from **1 March 2017**:

- Loans involved in existing trust structures that may be affected by the provisions of section 7C, including loans arising from distributions;
- Consider whether any of the exclusions from the provision may be applicable in the taxpayer's circumstances. It is important to bear in mind that some of these exclusions exist since the transaction may have other tax implications.
- Additional tax cost of maintaining an interest-free loan structure as well as the impact of this cost on accumulated wealth in the long run. Tax implications and the impact on estate planning if the interest on loans are charged in an alternative way;
- Review existing trust asset holding structures and revise it if this is no longer the most efficient tax or commercial structure.

In conclusion, the commencement of section 7C of the Income Tax Act on **1 March 2017** will compel taxpayers to consider the following:

- Nature of assets transferred to trusts;
- Reason for which assets are transferred to trusts; and
- The way the trusts involved should be structured for the future.

Article by Erick Marx

TAX ON PROFIT-SHARING LOAN AGREEMENTS

The Income Tax Act section 8FA determines that the following are regarded as hybrid interest: if the amount of the interest is not determined with reference to a specified rate of interest or to the time value of money; or the amount is payable according to the extent that the company (borrower) profits increase.

Any hybrid interest paid by a company is not deductible for income tax in the hands of the company (borrower).

This will be deemed as a dividend in specie in the hands of the receiver (lender of funds). This prescribed treatment as a dividend in specie means that a liability for tax payment arises in circumstances where the lender is not a local company, but a natural person or a trust.

The "Binding Private Ruling 263" (BPR 263) issued by the South African Revenue Service (SARS) regarding a profit-sharing loan agreement, determines when hybrid interest is deemed.

BPR 263 is specifically applicable on an investor who grants an interest-bearing loan to a company (borrower). By entering this loan agreement, a portion of the profit that the investor will earn out of the interest of the loan will be based on the distribution of profits by the company (borrower). The amount of the profit share should be outlined in the profit sharing agreement.

The BPR 263 ruling indicates that the profit share applicable to the investor, should be regarded as interest that is not determined with reference to a specific interest rate, or time value of money and should be handled as hybrid interest under section 8FA of the Income Tax Act.

BPR 263 confirms the following:

- The profit share amount (hybrid interest) is deemed to be a dividend declared and paid by the company (borrower) and received by the investor;

- The deemed dividend is not deductible for income tax in the hands of the company (borrower); and
- The deemed dividend may be exempt from dividends tax if the necessary documentation (declarations and undertakings) is submitted to the company (borrower) by the investor (lender).

Borrowers should be aware of BPR 263, because any profit-sharing loan agreement can result in loan payments that are non-deductible for income tax.

Article by Erick Marx

MEDICAL AID: CONSIDER ALL YOUR OPTIONS

It is important to get the right medical scheme that suits your circumstances.

Medical Aid or Hospital Plan

What is the difference between a Medical Aid and a Hospital Plan?

- A Medical Aid is taken out to cover most the client's medical expenses.
  Costs include: Hospitalisation as well as out of hospital costs like doctor's fees, pathology, x-rays, optometry and medication.

- A Hospital Plan pays only in the event of the client being admitted to hospital.
  A Hospital Plan is a good option if the client is young and healthy, but remember the benefits are less than those of a Medical Aid.
  Most Hospital Plan options exclude internal prostheses (e.g. planned hip- and knee replacements) and are therefore not an option for older clients.

Check the following benefits when deciding on an option:

- What tariff does your medical aid pay out to Specialists in Hospital?
- Do you have to make use of a Network of Hospitals and Service Providers?
- Does your option have certain in-hospital surcharges?
- Are MRI/CT scans covered in or out of hospital? Is a limit or surcharge applicable?
- Check whether your chronic condition is covered on the plan.
- Are pregnancy benefits out of hospital available to you.
- If you move between medical aid schemes:

  1. Make sure which window-periods are applicable.
  2. How are you covered for emergencies during the window-period? Private or State?

Obtain additional information regarding the following:

a. PMB (Prescribed Minimum Benefits)
What are PMB conditions?
Prescribed Minimum Benefits are defined, per law, as a list of conditions and treatments which each medial aid must cover completely.
(Conditions with regards to designated service providers and medication apply.)
PMB include 270 serious health conditions, any emergency condition and 25 chronic diseases.

b. Gap Cover
How does a Gap arise?

- A Gap arises when your specialist in Hospital asks more than what is paid by the Medical Scheme, or when a client should make a co-payment for hospitalisation for a certain procedure.
- Gap is a short-term product.
- The client should register a claim after his medical procedure took place, and his medical aid made the payment to the service provider.
- Gap always pays the client, not the service provider.
- Legislation regarding Gap changes 1 April 2017 for all new clients.
- Existing Gap clients with effective date prior 1 April 2017 benefits remain unchanged until 1 January 2018.

Medical Schemes' plans change and premiums increase annually on 1 January.
Members of medical schemes must decide annually whether to stay with their current plan or to make changes to their plan. It is important to evaluate your medical aid each year.

Health Care is a very important component of the financial planning process.

If you and your family are healthy, the risk factors will automatically decrease in all the other components.

Ask different medical funds for quotes and get expert advice from an independent medical aid adviser.

Don't wait for an emergency, make a choice today!

Article by BVSA Financial services

bvsa GROUP

NEWS

We would like to share the following news with you:

BVSA Paarl

Goodbook Accounting Services merged with BVSA Paarl. Sean and Bev le Sueur are part of an expert team of four staff members who joined BVSA Paarl on March 1, 2016. The Goodbook practice specialized in accounting, tax and secretarial services. BVSA Paarl now generates approximately +/- 50% more funds than before, without any significant additional cost. The first year of the incorporation ended successfully. This merger brought to the fore new connections in Tzaneen, while also offering many new potentials to exploit.

BVSA Hermanus

Early in January 2017, Heinrich Gillens took over the reins from Mariska Koekemoer as branch director of BVSA Hermanus. Frontier Accounting also merged with BVSA Hermanus effective from February 1, 2017. Debra Martheze and her team joined the branch and will seek to expand the branch further - into a practice with more knowledge, staff and quality service.

BVSA Port Alfred

We are pleased to announce that effective from March 1, 2017 BVSA and M.R. Financial Services in Port Alfred have merged. We are joining forces with Amanda Roesstorff and her company, who has 13 years enhanced and expert experience in the industry.

BVSA Port Elizabeth

We are happy to announce our merger with Business Administration Services. This merger became official as of March 1, 2017 and the company will now go forward under the name BVSA Port Elizabeth. Danie Augustyn will still oversee the branch, as he has for the past 18 years.

With these new incorporations, BVSA will be able to expand our expertise and provide higher quality services to our clients.

Bredasdorp, Benoni, Hermanus, Roodepoort, Kuruman, Zastron, Strand, Stilbaai, Swellendam, Bellville, Aliwal-Noord, Worcester, George, Kathu, Bloemfontein, Malmesbury, Paarl, Riversdal

Your partner

for a range of comprehensive accounting & financial services

bvsa GROUP

www.bvsa.ltd