



md

ACCOUNTANTS
& AUDITORS

With Compliments

Have you seen our informative and cutting edge articles on our website at www.mdacc.co.za? We regularly include updates and current trends on taxation, company law, employment, financial processes and B-BBEE to help you manage your business and minimise your risks. We also have a dedicated B-BBEE blog at www.mdbee.co.za to help you maximise your B-BBEE scorecard levels.

You can also follow us on social media platforms where we regularly post interesting news to keep you up to date. We always proactively consider the latest legislation and how it may affect you!

MD House
Greenford Office Estate
Off Punters Way
KENILWORTH
7708

Tel: 021 683 4834
Fax: 086 541 2872
e-mail : newsletters@mdacc.co.za
Web site : www.mdacc.co.za



Forward email



In this Issue

Entrepreneurs: Help SAICA and Government Help You!

- *What is to be done? SAICA*
- *What is to be done? Government*
- *Good omens*

Payments to SARS – New Rules You Need To Know

Economic Behaviour 101: Human Behaviour Can Be Contrarian (A Lesson from Domestic Workers' Wages)

- *Conventional wisdom gets it wrong*
- *Over to you*

Kudos for Our Accounting Profession

South Africa: Did You Know?

Your Tax Deadlines For July

Subscribe

July 2014

ENTREPRENEURS: HELP SAICA AND GOVERNMENT HELP YOU!



“It’s about dialoguing with them [small businesses] to see where the challenges are” (Lindiwe Zulu, newly-appointed Small Business Development Minister)

We have raised the issue in past issues of the importance of small and medium enterprises (SMEs) in the economy. It is globally acknowledged that when SMEs thrive, economic growth and job creation follow.

In South Africa, GDP fell by 0.6% in the first quarter and unemployment is 36.1% amongst the youth. Yet SMEs find themselves confronting issues such as excessive red tape, restrictive labour laws, difficulty in accessing capital without onerous security and the lack of a mentor or incubator programme for fledgling SMEs. South Africa has one of the highest global business failure rates in the SME category – more than 70% fail in their first year.

What is to be done? SAICA

SAICA has just commissioned a comprehensive SME research project to try and understand what is required to make SMEs thrive in South Africa. Many readers will be involved in the SME category and if you haven’t already completed the survey, you can do so by going to this link: https://www.surveymonkey.com/s/SAICA_SME_Research

Note: the closing date for the survey is 11 July, and it will take you no more than 15 minutes.

The research will be used to lobby government to take concrete actions to address the concerns of SMEs. SAICA frequently engages government departments and has been successful in lobbying and working with government – for example in 2012 SAICA provided financial managerial assistance to Gauteng municipalities. For another example see “Kudos for our Accounting Profession” below.

In addition to lobbying government, SAICA will be ascertaining if there are any concrete steps or new programmes it can implement to further assist SMEs.

What is to be done? Government

The new cabinet announced last month included the appointment of a Small Business Development Minister – this is a new position in South Africa. It follows ongoing lobbying for this position to be created and the approval of the National Development Plan (NDP) by the cabinet in 2012. The NDP recognises the importance SMEs play in job creation - one of the prime goals of the NDP.

This new cabinet position has been widely welcomed. In recent years, efforts have been made to help SMEs in the form, inter alia, of improved tax breaks, streamlining loan financing and a Department of Trade and Industry business incubator program. However, there is no single clear government focus – this should be rectified by the new Minister and her department.

One area which has been frequently mooted is to give SMEs easier access to government tenders – where expenditure runs at R190 billion annually. This will

need to be coupled with better prompt payment terms to SMEs as cash flow is one of the prime reasons for business failure.

Good omens

Overall, the omens look more positive for SMEs. We should do all we can to assist SAICA with their research – as indicated above it is a quick easy process, the Minister has a good track record and there is a good chance she will listen and respond to sensible lobbying which is backed up by good research. Thus, the timing of SAICA's research is perfect.

PAYMENTS TO SARS – NEW RULES YOU NEED TO KNOW



If you have used a cheque lately, you will be shocked to see how much your bank charges to process the cheque. The security risks of making payment by cheque are also well known. Like telegrams and the Dodo, cheques are headed for extinction. SARS has recently announced that it is also reducing its exposure to cheques and as from 30 May, no cheques are being accepted -

- If the payer has “bounced” two cheques with SARS in the past three years,
- Unless the cheque is submitted with a SARS payment advice that is not older than 7 days from the date of the notice,
- Unless each tax type (PAYE, VAT etc) is an individual cheque and the payment limit is R50,000 per payment.

The limit is still R500,000 for donations tax, withholding tax on sales by “non-resident sellers of immovable property” and assessment of non-resident owners of aeroplanes and ships.

The cheque should be restrictively crossed and made to “South African Revenue Service” and not “SARS”.

It is also worth noting that payments and submissions for the following can only be made electronically (eFiling or Electronic Funds Transfer) -

- Retirement Fund Tax – this can only be paid via eFiling using credit push
- Securities Transfer Tax
- Transfer Duty
- If Employees’ Tax (PAYE) exceeds R10 million in any 12 month period, or realistically will go over the R10 million threshold in a 12 month period.

Don't forget SARS do not accept cash payments at their branches.

Finally, if you put a cheque into a SARS “Drop Box” outside their office, it must be dropped off by 3 p.m., otherwise it is deemed to be received the next day, **exposing you to penalties.**

ECONOMIC BEHAVIOUR 101: HUMAN BEHAVIOUR CAN BE CONTRARIAN (A LESSON FROM DOMESTIC WORKERS' WAGES)



Recent research into people's response to government raising the minimum wage for domestic employees highlighted some counter-intuitive responses. The economy benefited as there was no impact on employment and domestic employees' incomes rose sharply. This gives much food for thought whether

other similar initiatives in the informal sector could stimulate jobs and economic growth.

Conventional wisdom gets it wrong

In 2002, a minimum wage for domestic servants was set at R4.10 per hour. The average hourly wage at that stage was R3.67. At the same time the Department of Labour mandated that domestic workers needed to be registered with the Unemployment Insurance Fund (UIF). It was also announced that inspectors from the Department of Labour would conduct inspections to enforce the law.

Conventional wisdom at the time was that this would backfire as households would reduce their domestic labour requirements and there would thus be an overall loss of incomes and jobs to the domestic worker market.

In fact, the opposite occurred as average wages rose to R4.37 with no reduction in hours worked by domestic labour. In total their incomes rose by 20%. The number of workers registered for UIF also increased substantially whilst retirement funding (not required by these laws) tripled. So, in total, domestic workers were made considerably better off by these measures.

The other interesting fact is that inspections by the Department of Labour were almost non-existent and little or no coercion was applied to enforce the laws.

Researchers double-checked these figures and commissioned more research to see if there were any other extraneous factors that could have contributed to the situation. They found there was only one significant factor and that was that households followed the law. It was a pity they did not research the extent to which the absence of meaningful inspections contributed to the law being followed – in other words would heavy handed inspections have so annoyed households that they reduced their exposure to domestic labour?

Over to you

So it seems that a sensible proposal by the authorities will yield positive results if it appeals to citizens' better instincts without being forced upon them. Maybe you can think of a good idea in the informal sector and propose it to government?

KUDOS FOR OUR ACCOUNTING PROFESSION



The World Bank has benchmarked how our accounting and auditing profession have adopted international standards. The report found that not only is South Africa up to world class standards but we have contributed positively to the development of International Financial Reporting Standards (IFRS).

As many of you will know IFRS has become a widely used global standard and it is likely that financial statements for your business will either use IFRS or IFRS for SMEs.

In addition, the accounting profession has made significant transformation progress. Since 2002, the number of black chartered accountants has grown from 322 CAs to 2,811 by 2013, whilst coloured CAs have grown from 222 to 1,043 in the same period. This is mainly due to a joint venture bursary scheme founded by SAICA – the Thuthuka Bursary Fund. Thuthuka is a collaboration between, inter alia, SAICA, the Department of Higher Education and Training, universities and the auditing profession. So successful has this been that the accounting profession has not suffered the usual brain drain of other skilled professions.

Bursaries are given to students who have the ability to become a chartered accountant but do not have the funds to complete their studies. Many of the Thuthuka students outperform other students studying to be CAs.

Another indication of the success of this programme is that the World Economic Forum has rated South Africa as the best in auditing and reporting standards out of 144 countries for the past three years.

This is another indication that SAICA can work successfully with government (see SME research article above).

SOUTH AFRICA: DID YOU KNOW?



Did you know that South Africa ranks 7th in the world in the Economist's "Big Mac Index" which measures global purchasing power parity? A Big Mac is 42% cheaper in South Africa than in the USA and 62% less than in Switzerland.

Some other interesting facts and statistics -

- Our annual budget process is rated the second most transparent in the world.
- In regard to burden of Government regulation – 123rd out of 144.
- South Africa's **debt to GDP** ratio is 32% versus the USA 100%, Japan 200% and the UK 90%. The World Bank recommends a ratio of 60%.
- Looking at the total tax burden, we rate 54th out of 150 surveyed countries.
- We are in the top 20 countries for agricultural output. Despite all the problems we read about of violence against farmers, land claims and other challenges in the sector, agricultural output has increased by 32% since the early 1990s.
- South Africa is number 28 in terms of cars produced and 18th in terms of number of cars sold.

YOUR TAX DEADLINES FOR JULY

There are no significant deadlines for July.

Enjoy July!

Note: Copyright in this publication and its contents vests in DotNews - see copyright notice below.

© DotNews, 2005-2014 CA(SA)DotNews is a division of DotNews, proprietor Stanhope Trustees SA (Pty) Ltd, Reg. No. 1999/017337/07.
Web site: <http://www.dotnews.co.za>

Copyright notice: no part of this newsletter may be used, redistributed, copied, imitated or reproduced without prior written permission of the owner.

Disclaimer

"CA(SA)DotNews" is a general information sheet 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. Always contact your financial adviser for specific and detailed advice.

