ACCOUNTANTS
& AUDITORS

With Compliments

In the Budget on 22 February 2023, SARS announced even greater tax receipts than had been forecasted, due to their significantly enhanced systems and trained and qualified employees and consultants.

We have seen how SARS' queries and compliance has become much more onerous and focused on all taxpayers providing proof and rationale for the information submitted.

Even if your taxes are up-to-date and compliant, you can still be selected for verification by SARS as has been evidenced significantly in the last year.

Therefore, it is now even more important to have the right **Tax Risk Insurance** cover to protect yourself and your business, if you do not want to run the risk of having to incur costs to defend your tax position.

When you have insurance which **pays the cost** of your accountant and some of the best tax legal advisors during a claim, it makes perfect sense.

Contact us directly for further assistance.

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April 2023

Why (and How) to Submit Skills Development Reports by 30 April

"We need to give importance to skill development because this way we can end unemployment." (Narendra Modi, Prime Minister, India)

Since 1999, the Skills Development Levy (SDL) has served to fund skills development in the country. It encourages a planned and structured approach to skills development so employers, employees and the economy can benefit from a better skilled and more productive workforce.

All South African companies with a payroll exceeding R500,000 per year (that's just under R42,000 per month) - including salaries, wages, overtime payments, leave pay, bonuses, fees, commissions and lump sum payments, and with certain specific exclusions - are required to pay SDL of 1% of the total amount paid in salaries to employees each month. It is declared and paid by employers to SARS with the other monthly employee taxes (PAYE and UIF) via the Monthly Employer Declaration (EMP201) and is then paid over to the relevant SETA by SARS.

Employers can claim back more than half of the levies paid each year, but most miss the opportunity by not meeting the stipulated requirements. Depending on the size of a company's payroll, this could be a substantial amount. There are also other benefits that can be unlocked by meeting the requirements for claiming back the levies paid.

We briefly summarise below the benefits of claiming back the SDL paid, as well as how to do it in the most efficient way.

Benefits of claiming back levies paid

- Claiming ensures valuable revenue is not forfeited - up to 70% of SDL paid to SARS in the financial period can be claimed back through the mandatory grant and other avenues.
- 20% of the levy paid can be claimed via the mandatory grant, paid by the Seta every quarter, which is accessed as follows:
  - Appointing and registering a skills development facilitator (SDF)
  - Timeously submitting an approved Workplace Skills Plan (WSP)
  - Timeously submitting an Annual Training Report (ATR) based on the WSP.
- 50% of levies paid can be claimed in discretionary grants for learnerships, skills programmes, apprenticeships, workplace experience placements, internships and bursaries, and organisations can apply using the same requirements for claiming the mandatory grant.

- By offering SETA-accredited training, for example, mandatory training and registered learnerships, further tax rebates can be accessed.
- Successful submission of the required reports will earn your company points for the Skills Development priority element under the revised B-BBEE Codes.
- The WSP and ATR reports contain similar labour demographics information as the Employment Equity reports, facilitating improved employment equity management in the workplace.
- Skills development initiatives positively promote a better skilled and more productive workforce, as well as proper succession planning.
- Submitting the reports provides important sector information to the SETAs (Sector Education and Training Authorities), which informs the development of the SETA's sector skills plan (SSP) and ultimately the National Skills Development Plan.

How to claim back levies paid

- Appoint a suitably qualified and registered SDF to facilitate the training needs within the organisation and liaise with the SETA.
- Companies with 50 or more employees need to establish and consult with a Skills Development Committee before the submission of the skills report.
- Submit the Workplace Skills Plan and Annual Training Report for the period 01 April to 31 March via a registered SDF to the SETA with which the business is registered.
    - Workplace skills plans detail a company's skills needs and the skills development interventions to address these needs, providing access to mandatory grants.
    - Annual training reports reflect the actual training data of the previous year, showing how priority skills defined in the Workplace Skills Plan have been addressed.
- Keep records of all training provided, including attendance registers, invoices and all certifications.

Ask your accountant for help if you are uncertain about anything.

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5 Business Plan Mistakes to Avoid

"Proper business planning demands that you focus on the self-interest of the customer at all times." – (Brian Tracy, Author and Speaker)

Writing a business plan can feel like a daunting process, and making mistakes is part of the package, even if you follow the online guides and templates. To make this process simpler, we have made a short list of common errors that somehow keep creeping into these vital documents.

Making it too long

As Amazon founder Jeff Bezos once said, "You know the business plan won't survive its first encounters with reality. It will always be different. The reality will never be the plan." He did, however then go on to stress that writing a business plan is essential to understanding what will make your business tick. It's important to realise that your business plan will never be able to cover every contingency and every possible incident that can occur and should rather be focused on revealing the core business. Once you understand your core business implicitly, you will be able to write it down in a much more succinct fashion. A long business plan is therefore only evidence that you don’t yet understand what’s going on.

Understand your target market

No product is for everyone. Understanding who you are selling to and what will motivate them to buy is the first thing any investor will look for, and the most fundamental thing you will need to understand to be successful. It will shape who you hire, what your marketing looks like, and even what your startup's logo will be. Simply believing you will market to everyone is putting your business on the path to failure.

Ignoring competitors

It is extremely common for companies to exclude business competitors from their business plan. Many believe that their new product is so superior, cheap or well-supported that competitors won’t stand a chance once it is marketed correctly, or simply don’t have as much understanding of the market they are entering as they think they do. Having a sound, realistic competitor analysis shows investors you understand the market and know where your unique differentiators lie.

Neglecting a financial forecast

Many business plans ignore financial forecasts as they either don’t have the experience necessary or don’t believe they are important – of what use is guessing things that don’t exist? The truth is that a good financial planner or accountant should be able to help with these forecasts which need to include profit and loss, but also, essentially, cash flow and balance sheet. This area of the business plan will reveal to potential investors whether your plan has been carefully thought out, and takes realistic rates of growth into account, or whether it’s simply pie in the sky. No investor is going to work with someone who believes they will sell a million items in the first three months.

Being too strict

The business plan should always be viewed as a guide and not as a set of hard and fast rules. Any business plan that locks a business into a specific course of action is a bad one. You should always have the ability to pivot and make changes as necessary based on the latest feedback. Your ability to research new information and change direction will make it much more likely that your business will meet its long-term goals and needs.

UDZ Tax Incentive Extended: Could Your Business Benefit?

“…governments internationally have increasingly used tax measures to support efforts aimed at regenerating urban areas.” (SARS Guide to the UDZ Allowance)

The urban development zone (UDZ) tax incentive, provided for in section 13*quat* of the Income Tax Act (*the Act*), was introduced 20 years ago in 2003, as an *accelerated depreciation allowance* for property investments in certain central business districts. It aims to promote investment by the private sector in the construction or improvement of commercial and residential buildings, including low-cost housing units, situated within demarcated UDZs.

In the most recent 2023 Budget, this incentive was extended for another two years, to allow for the completion of a review of the incentive, which has yielded some successes, by motivating investment in South Africa’s cities. We briefly overview below what the tax incentive entails and the criteria that must be met, where it applies and other issues to take note of when deciding if it could benefit your business before it expires at the end of March 2025.

What the UDZ tax incentive entails

Individuals and companies investing in residential or commercial property in South Africa's urban zones from which to carry on a trade, should carefully consider the UDZ tax incentive before deciding where to buy.

This tax allowance, when deducted, can substantially reduce the taxable income of a taxpayer, and - because the allowance is not limited to the taxpayer's taxable income - can create an assessed loss.

However, five specific criteria must all be met before the allowance is granted. In addition, only certain costs can be considered for the purposes of the allowance. These are listed below, along with the UDZs listed by SARS, and some further issues to take note of.

Five criteria to be met

1. **Building requirement** – The building must meet certain requirements, and only the cost of the erection, extension, addition to or improvement of the building, covering either the entire building or a floor area of at least 1,000m^2 qualifies. Land costs are excluded.

2. **Urban development zone requirement** – The building must be located within a UDZ.

3. **Trade requirement** – A taxpayer will qualify for the allowance only if the relevant commercial or residential building or part of the building is used by the taxpayer solely for the purposes of trade, and only once the building has been brought into this use.

4. **Owner requirement** – The building or part of the building that was erected, extended, added to or improved must be owned by the taxpayer deducting the allowance. Where the building or part of a building was purchased directly from a developer within three years after completion, an allowance may be deducted, provided the developer did not deduct any allowance, among other criteria.

5. **Date requirements** – There are specified dates to which the allowance applies, including a commencement date requirement and a trade date requirement.

Costs that may be considered – and those that are not

- Construction work
- Architect and approval fees
- Sidewalks
- Parking for the building
- Landscaping as part of the development (including earthworks, greenery and irrigation)
- Drainage
- Security (fences, cameras and surveillance equipment)

Costs specifically *excluded* are the purchase price of the land, VAT and transfer duty, financing charges, agent's commission and transfer and related legal costs.

Where does the UDZ tax incentive apply?

- Buffalo City
- City of Cape Town
- Ekurhuleni
- Emalahleni
- Emfuleni
- eThekwini
- Johannesburg

- Mangaung
- Matjhabeng
- Mbombela
- Msunduzi
- Nelson Mandela Bay
- Polokwane
- Sol Plaatje
- Tshwane Metro

Source: ***SARS***

Other issues to take note of

- Depending on the type of development involved – new, improved or low-cost - the allowance is calculated at a different rate of depreciation, providing for 20 – 25% of the costs allowed to be deducted in the first year, and the remainder over one to ten years.

- When purchasing a building or part of a building from a developer, 55% of the purchase price of a new building, or 30% of the purchase price of a building improved will be allowed as costs for purposes of the UDZ incentive.

- The UDZ incentive is an *accelerated depreciation allowance*, and not an additional tax allowance. A taxpayer claiming a UDZ deduction may not claim any other deductions on that building or part of the building.

- For each building or part of a building on which the allowance is being deducted, you will need the necessary UDZ forms (UDZ 1, 2, 3 and 4 forms), as well as a location certificate and, where applicable, a certificate of occupation.

Taking advantage of this tax incentive, if it applies to you, could mean a difference of millions of rands to your future tax bill. However, this is a very complex tax incentive and there are many issues to be considered.

It is highly recommended that business owners consult with their accounting and tax practitioners to find out if they would qualify for the maximum allowance when investing in a UDZ, and to do so while still ticking all the compliance boxes.

Tips for Generating Customer Trust as a Start Up

"Consumers don't just buy products and services anymore; they buy experiences. This demands a new approach to marketing, sales, and services; one that hinges on winning customer trust." (Ben Jackson, Author "The Future of Commerce)

With customer trust being the most important element in attracting sales, contracts and clients, gaining that trust is an important step for any new start up. How can you make sales if you have no way to prove you are good at making sales? These tips should help any start up build that all important trust and make their first sales.

Make top level products

It may seem obvious, but whether you are offering a service, or selling products online, the first, and most critical thing you can do to develop as a company is to make sure your product is as high-quality as possible. Products that are easy for a customer to use, and that fulfil the client's needs will always win their loyalty.

Price your product accurately

Pricing a product isn't as easy as adding profit to cost. You need to price your product in such a way that you are covering all costs, making a profit, and pricing yourself correctly within the market. Getting this right will be crucial to finding, developing and retaining customers. Your accountant can help ensure no one feels cheated while you are also operationally effective.

Provide top level service in every way

The first few weeks and months of operation are absolutely critical when it comes to customer service. It may feel like nothing is coming in, but the day you receive an email it would be extremely wise for you to answer as quickly as possible. Handling enquiries politely, quickly and thoroughly will translate in the customer's mind to a business which is caring and paying attention.

Show them your humanity

The first inclination for any customer is to mistrust brands – they are money-making machines. We do, however, want to trust new people we meet. Because of this, it's a great idea to reveal the human face of your business early. Use the About Us page to introduce yourself and the team right from the start. Let people know your story, and how you came to establish your company. This allows you to imbue your brand with the real-life values you believe in and so establish the human connection in a way that only small brands really can.

Offer a free sample

People view free things as being risk-free interactions, and so are generally likely to take you up on the offer. By trading free samples or an hour of your work at no cost, in exchange for nothing but an email address, you give clients the chance to try your product or service and potentially even leave a review. You also get their email address, which is a good way to communicate with them and establish a genuine relationship.

Use testimonials

Whenever anyone compliments your business, you should think about asking them for a testimonial. According to studies, people these days trust online reviews and testimonials almost as much as they trust recommendations from friends. So, every review could be the difference between success and failure. If possible, make these videos. Video is increasingly important online, and the humanity showcased by a video of someone is a very strong incentive.

Have an easy return policy

If there is one thing that will make a customer take a chance on an untested brand, it's the knowledge that should something go wrong they can get their money back. A strong returns policy also sends a clear signal to potential customers that you believe in your product. Your returns policy should be clearly defined and easy to find on all of your media channels.

Handle all your reviews

Your reviews will influence new buyers' desire to interact with your company, so do not ignore them. Answer every one. It's easy to thank people for leaving good reviews (and you should), but it's how you handle the bad ones that will give people the most confidence. Apologise for problems openly and reveal what you will do to fix them. This gives new customers a clear indication that while problems do happen to everyone, you go out of your way to resolve them.

Offer a loyalty program

According to Annex Cloud, 65% of a company's revenue comes from repeat business from existing clients. Harvard Business Review says it can be up to 25 times more expensive to sell to a new client than a returning one. It's therefore a great idea to do everything you can to retain good customers. A loyalty program is a proven way to reward these clients and also give them an incentive to stick around. The Yotpo study on brand loyalty 2022 revealed that 83% of global respondents said belonging to a loyalty program influences their decision to buy again. Starting a worthwhile loyalty program will therefore impact the future performance of your company.

Promise only what you can deliver

It may be tempting as a newcomer to do everything you can for your customers, even if it's not part of your business or your core ideals. The worst thing you can do though is over promise and then not deliver. This can be the start of the business developing a bad reputation that it would be difficult to recover from.

Eradicate the trust eroders

Many small things can erode trust: a lack of social media, spelling mistakes on your website, a longer than necessary purchasing process, hidden costs, or a lack of information about the product. Ask friends to go through your website, buy a product, or call your service centre and mark down a list of snags, or things they are concerned about. Points that come up more than once must be attended to as a matter of priority.

Your Tax Deadlines for April 2023

- 1 April – Start of the 2022/23 Financial Year
- 6 April - Monthly Pay-As-You-Earn (PAYE) submissions and payments
- 26 April - Excise Duty payments
- 28 April - Value-Added Tax (VAT) electronic submissions and payments & CIT Provisional payments where applicable.

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