INSTITUTE OF ACCOUNTING AND COMMERCE

The Professional

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Special points of interest:

- Deadlines for submission of public comment on SARS policy documents
- IAC Forum meetings
- Compliance workshop 26 May 2016

Inside this issue:

Efiling: Tax compliance functionality

The South African Revenue Service (SARS) identified modernisation as a strategic initiative to ensure that technology is used effectively and efficiently. As part of this initiative, the Tax Clearance Certificate (TCC) application process was modernised over a period of time to transform the tax clearance process from a predominantly manual process to a taxpayer driven, self-help, and electronic process.

Previously all channels for taxpayers led into a SARS branch to obtain printed TCCs for good standing, tenders, emigration and foreign investment allowance.

Phase 3 of the project was implemented on 18 April 2016 and the following functionality will be available to the all users

- My Compliance Profile (MCP), whereby taxpayers can view and manage their compliance status for the tax types registered;
- The ability for taxpayers to submit a request to SARS to either fix their account or make a payment arrangement
- Challenge the compliance status reflected on the MCP
- Request a Tax Compliance Status in respect of Tender, Good Standing, Foreign Investment allowance and Emigration purposes
- Receive and manage a PIN that can be shared with third parties to enable third parties to verify/ confirm the tax compliance status of the taxpayer to whom the PIN belongs
- Print a TCC, should this be required
- Track all requests via the Tax Compliance Status dashboard
- The ability to verify or confirm the tax compliance status of the taxpayer by utilising the access PIN or TCC details received.
- The ability to submit supporting documents to SARS, if required, to support the request for TCS.

In order to make use of this facility, the taxpayer (or his representative) needs to login at www.sarsefiling.co.za.

Activating rights

eFiling administrators for tax practitioners and organisation profiles must ensure that the correct rights are allocated to users for tax compliance status access in order for the functionality to be available.

To set the applicable rights in order to gain access to the TCS or TCC verification functionality, select the option "Tax Compliance Status Verification" in the "update Group details" window. This will enable the administrator to verify the tax compliance status of taxpayers by using the PIN or the TCC details.

System activation

Once the rights are activated, the Tax Compliance Status System needs to be activated. This will allow the eFiler to view the My Compliance Dashboard. The MCP displays all tax types that the taxpayer is registered for; irrespective if the tax types are active on eFiling. It is critical that taxpayers with multiple tax types complete the "Merge Entities" function to ensure a complete compliance profile that is reflective of all the taxes that the taxpayer is registered for at SARS.

For more detailed information consult the SARS Guide available on www.sars.gov.za

(http://www.sars.gov.za/AllDocs/OpsDocs/Guides/GEN-ELEC-08-G01%20-%20Guide%20to%20the%20Tax%20Compliance%20Status%20functionality%20on%20eFiling%20-%20External%20Guide.pdf)

Land conservation — BGR 24

Section 37C incentivises the conservation of ecologically-viable areas by enabling taxpayers to claim various tax deductions for these activities.

The deduction as contemplated under section 37C(3) is linked to section 18A as the deductible amounts are deemed to be a donation paid or transferred to the government for which a receipt has been issued under section 18A (2).

Section 18A(2) expressly prohibits a deduction under section 18A(1), unless the claim is supported by a receipt issued in accordance with section 18A (2). Due to the uncertainty relating to whether the legislation requires a receipt as envisaged in section 18A(2) to be furnished to SARS, for purposes of a deduction as contemplated in section 37C(3) or not, BGR 24 was issued.

Ruling

An amount claimed under section 18A which is for purposes of section 37C(3) deemed to be a donation, will qualify for deduction notwithstanding the fact that a receipt as prescribed in section 18A(2) has not been issued. This ruling constitutes a BGR issued under section 89 of the Tax Administration Act No. 28 of 2011.

This BGR applies from 15 February 2016 until it is withdrawn, amended or the relevant legislation is amended.

The bad news is Time flies. The good news is You're the pilot.

Michael Altahuler

Interest on late payment of benefits — BGR 31

BGR 31 aims to clarify whether an amount constitutes interest or forms part of the lump sum benefit for purposes of the Second Schedule to the Income Tax Act. This BGR replaced General Note 32.

An amount that is calculated after receipt of notification of the claim form until the date that the fund is obliged to pay the benefit in terms of the rules of the fund is regarded to be part of the lump sum benefit.

An additional amount may become payable in circumstances where the fund fails to meet this obligation and is at fault for delaying the payment of the benefit.

Such an additional amount constitutes interest that is not part of the lump sum benefit. The fund must issue an IT3(b) to the member and send a copy to SARS.

This BGR applies from 4 March 2016 until it is withdrawn, amended or the relevant legislation is amended

Paying taxes

The Commissioner for the South African Revenue Service, Tom Moyane prescribed the new rules for the method to pay taxes in Government Notice 437 published in *Government Gazette* 39922 of 15 April 2016.

With effect from 1 May 2016, any payment made in respect of taxes collected in terms of a "tax Act" as defined in section 1 of the Tax Administration Act, 2011 must be made either –

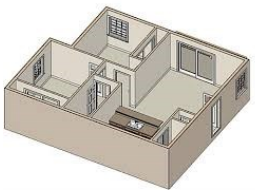
- electronically or
- at an approved financial institution

unless a SARS official, designated for this purpose by the Commissioner, having regard to the circumstances, directs otherwise.

This notice replaced Notice 415 published in *Government Gazette* 37690 of 30 May 2014.

Consequently, taxpayers can no longer pay their taxes at a branch office.

Accommodation provided to employees — BPR 229



Binding Private Ruling 229 was published on 14 April 2016 and clarified whether vacant stands to be acquired by qualifying employees from their employer will constitute "immovable property" as contemplated in paragraph 5(3A) of the Seventh Schedule to the Act.

The applicant is a South African mining company that, under the Mineral and Petroleum Resources Development Act No. 28 of 2002 (the MPRDA) and the Broad-Based Socio-Economic Empowerment Charter for the South African Mining and Minerals Industry (the Mining Charter), was required to improve the housing standards of employees.

The Applicant intends to sell vacant stands (stands) to certain of its employees (qualifying employees) on terms that, amongst others, oblige each qualifying employee purchaser to erect a house on the stand at the employee's own cost within a specified time period.. The purchase price of each stand will be less than the market value thereof.

Ruling

The stands constitute "immovable property" as envisaged in paragraph 5(3A) of the Seventh Schedule to the Income Tax Act.

No value will be placed on a stand so acquired by a qualifying employee if –

- the market value of the stand does not exceed R450 000 on the date of acquisition;
- the remuneration proxy of the employee does not exceed R250 000 in relation to the year of assessment during which the stand is so acquired; and
- the employee is not a connected person in relation to the Applicant.

This binding private ruling is valid for a period of 5 years from the year of assessment commencing 1 March 2015.

Maintenance orders — Interpretation Note 89

IN 89 aims to provide guidance and clarity on the treatment of maintenance orders and the tax-on-tax principles relating to maintenance orders that retirement funds pay while a member is still a contributing member and has not left the retirement fund. This IN also withdrew General Note 37 dated 31 October 2008.

A spouse claiming maintenance no longer needs to wait for the member to exit the retirement fund to claim the outstanding maintenance amount, but can approach the Pension Fund with the maintenance order. The maintenance deducted from the pension fund member's minimum individual reserve is deemed to be income in the member's hands.

A maintenance order paid by a retirement fund out of the member's minimum individual reserve is deemed to have accrued to the member on the day the amount is deducted from the member's minimum individual reserve in the fund.

The additional amount paid out of the member's minimum individual reserve to cover the employees' tax payable on the maintenance order results in the accrual of an additional deemed amount in the hands of the member.

The tax-on-tax formula can be used to determine the additional tax payable as a result of the tax-on-tax effect.

Failure is simply the opportunity to begin again, this time more intelligently.

Henry Ford

EMP501 returns

Government Notice 436 which was published in the *Government Gazette* of 15 April 2016 contained the Commissioner of SARS' determination of the date on which an employer must render the EMP501 return in accordance with paragraph 14(3)(a) of the Fourth Schedule.

According to the notice, an employer's return (EMP 501) for the period—

(a) 1 March 2015 to 29 February 2016, must be rendered on or before 31 May 2016; and
(b) 1 March 2016 to 31 August 2016, must be rendered on or before 31 October 2016.

Maintenance orders—Tax-on-tax formula

SARS accepts the following formula to calculate the tax-on-tax effect of each additional layer of tax:

a) Calculate the tax on the amount awarded under the maintenance order.

b) Multiply the tax determined in step (a) by 100 ÷ (100 – marginal tax rate applicable to the member).

c) Add the figure determined in step (b) to the amount of the maintenance award to obtain the grossed-up amount after iteration.

d) If the grossed-up amount after iteration as determined in step (c) falls within the same tax bracket as the amount awarded under the maintenance order, the calculations in steps (e), (f) and (g) are not required.

e) If the grossed-up amount after iteration as determined in step (c) falls into a higher tax bracket than the tax bracket that applies to the amount of the maintenance award, calculate the tax on the grossed-up amount after iteration from step (c).

f) Subtract the figure calculated in step (b) from the tax calculated in step (e).

g) Multiply the figure determined in step (f) by 100 ÷ (100 – marginal tax rate applicable to the member).

h) The taxable benefit derived by the member is equal to the result of step (b) plus the result of step (g) – if applicable. The taxable benefit must be added to the amount of the maintenance award to arrive at the member's income.

For more information, consult Interpretation Note 89.

If you want to succeed you should strike out new paths, rather than travel worn paths of accepted success.

John D Rockefeller

Maintenance orders — General

Maintenance is the obligation to provide another person, for example a minor or spouse, with housing, food, clothing, education and medical care, or with the means that are necessary for providing the person with these essentials.

This legal duty to maintain is called 'the duty to maintain' or 'the duty to support'.
A child must be supported or maintained by parents or grandparents and a maintenance order can be made to compel them to do so.

The following steps need to be followed to receive maintenance payments:

- Apply for a maintenance order at the Magistrate's Court (also called District Courts) in the district where you live.
- Complete and submit Form A: Application for a maintenance order (J101).
- You'll also need to bring the following: ID, birth certificates, proof of income (e.g. payslips, bank statements, proof of physical and work address, copy of divorce order (if applicable).
- If the respondent agrees to pay the maintenance as claimed, a magistrate will review the relevant documentation. He or she will then make an order, and may decide to do so without requiring the parties to appear in court.
- If the person who is allegedly liable to pay maintenance does not consent to the issuance of an order, he or she must appear in court, where evidence from both parties and their witnesses will be heard.
- If the court finds the person liable for paying maintenance, it will make an order for the amount of maintenance to be paid. The court will also determine when and how maintenance payments must be made.

The duty to pay maintenance continues regardless of the child's age, and lasts until the child is self-supporting, adopted or has died. Once the child reaches the age of 18 years, the responsibility is on him or her to prove how much maintenance he or she needs. If the child is self-supporting he or she cannot claim maintenance from any of his or her parents.

The duty to support a child ends at the child's death but not at the parent's death. However, in the event of the parent's death, the child may lodge a claim for maintenance against the deceased parent's estate.

Applying for a maintenance order is free.

Tax deduction for amounts refunded — IN88

A person may receive remuneration and other similar amounts which subsequently have to be refunded. The reason for the refund could for example include contractual obligations not having been fulfilled or an overpayment which was previously subject to tax.

These amounts can include, for example, paid maternity or sick leave benefits or retention bonuses, which are often refunded by the person in a subsequent year of assessment. It is important to note that a deduction in respect of these refunds may not be claimed under section 11(a) because the refund is not an expense incurred in the production of income.

The initial payment made to, for example, an employee, is taxable when it is received, yet the employee does not qualify for a tax deduction or an adjustment to remuneration when amounts are refunded.

Before the introduction of s 11 (nA), section 23(m) also limited the types of expenses an employee could deduct.

This overall result violated basic tax principles because the employee was effectively taxed, even though no net enrichment arose.

Section 11(nA) was therefore enacted to overcome this inequity. Section 23(m), which is a prohibitive deduction section, was also amended so as not to apply to deductions allowable under section 11(nA).

Section 11(nA) will apply where –

- any amount (including any voluntary award);
- received or accrued;
- in respect of services rendered or to be rendered;
- or by virtue of any employment or holding of any office;
- as was included in the taxable income of that person;
- is refunded by that person.

The deduction allowed under section 11(nA) is limited to amounts previously included in taxable income. If, for example, an amount of R50 000 (in the form of a sign-on bonus) was included in taxable income, but an employee is required to refund that amount and R2 000 interest charged by the employer, the amount of R2 000 will not qualify for deduction under section 11(nA). The deduction would thus be limited to R50 000. The deduction can only be claimed in the year in which it is actually refunded. It can create or increase an assessed loss and is not ring-fenced.

In order to substantiate the deduction in respect of the refund, SARS indicated that it is acceptable for an employer to provide a letter, similar to the sample included in Annexure A to IN88. Other acceptable documents include bank statements and payslips.

Should the amount be refunded over an extended period (for example, two or more years of assessment), the employer must provide two or more letters – one reflecting the amounts refunded in Tax Year A and another reflecting amounts refunded in Tax Year B, and so on.

Leaders don't create followers, they create more leaders.

Tom Peters

Year of assessment — IN 19 (Issue 4)

Interpretation Note 19 was updated and Issue 4 was published on 15 February 2016. This IN aims to provide guidance on the application of section 66(13A) and the discretionary power vested in the Commissioner to grant permission to a natural person or trust to submit accounts for a period (the "accounting period") which differs from the year of assessment ending on the last day of February.

Even though natural persons and trusts have a year of assessment for a period of 12 months which runs from 1 March of one year to the last day of February of the succeeding year, they may apply to the Commissioner to draw up accounts for their **business income** to another date. It is important to note that the "accounting period" is not necessarily the same as the year of assessment. "Year of assessment' is defined in section 1(1) of the income tax whereas "accounting period" is defined in IN 19 as a period ending on a date other than the last day of February which has been approved by the Commissioner under section 66(13A) for the drawing up of accounts by a natural person or trust.

The Commissioner may approve an application to draw accounts to a date other than the last day of February if satisfied that the whole or some

Interpretation Note 19 (continued)

portion of the taxpayer's income cannot be conveniently returned for any year of assessment, subject to any conditions as may be imposed.

Section 66(13A) deems the income for the accounting period to be the income for the year of assessment ending on the last day of February.

It is not required to apportion any income to fall into the year of assessment. The term "income" is not used in its defined sense as contained in section 1(1) but rather in the sense of "profit" or "taxable income". Such an interpretation is necessary in order to ensure that any deductions or allowances relating to an accounting period can be taken back or carried forward to a year of assessment.

A taxpayer with more than one source of business income may apply to have different accounting dates for each source of income. A separate application must be submitted for each business.

The Commissioner will consider the following before approving an application:

- An application to render accounts to a date other than the last day of February may involve negative tax implications for the fiscus. The early closing off of accounts may lead to the manipulation of the income or expenditure of a person, for example, the deferral of income derived during peak seasons. Approval will only be granted if the Commissioner is satisfied that the purpose for the request is not the obtaining of a tax benefit.
- Each application will be considered on its own merits by taking the specific circumstances of the taxpayer into account.
- Application for an accounting period must be in writing and reasons detailing the special circumstances to be taken into account must be furnished. Taxpayers must provide supporting information and documentation in order to enable the Commissioner to make an informed decision.
- The application must be submitted to a SARS Branch Office within a reasonable period before the end of February. Failure to submit an application within a reasonable period may result in approval not being granted before the end of the financial year. This will result in the taxpayer being assessed for that year on the basis that no application was submitted.
- A new application must be submitted if the circumstances of the taxpayer change.

If approval has been granted to a taxpayer to submit accounts to a date falling after the last day of February (that is, from March to September), the taxpayer may apply under paragraph 21(2) of the Fourth Schedule to make provisional tax payments in line with the closing date of the accounts. In the case of a partnership, each partner must apply, since the circumstances of each member of the partnership must be considered individually.

The Commissioner's decision is subject to objection and appeal.

Honesty and integrity are by far the most important assets of an entrepreneur.

Zig Ziglar

Disposal of shares — Capital or revenue

Interpretation Note 43 aims to provide clarity on the interpretation and application of section 9C, which deems the amount derived from the disposal of certain shares held for a continuous period of at least three years to be of a capital nature.

Section 9C provides taxpayers with certainty that if they hold equity shares for at least three continuous years the gains and losses on disposal will be of a capital nature regardless of the intention with which the shares were originally acquired.

Not all types of shares qualify under section 9C; for example, non-participating preference shares, shares in foreign companies (other than JSE-listed shares) and participatory interests in portfolios of collective investment schemes in property fall outside section 9C.

This section's provisions are mandatory and no election is required or even possible.

The wider ambit of section 9C has necessitated the inclusion of a number of anti-avoidance measures. The capital or revenue nature of shares disposed of within three years of acquisition will continue to be determined according to principles laid down by case law.

Limitations for unregistered tax practitioners

A person who is not registered with SARS and their professional bodies as a tax practitioner is known as a 'tax preparer' and is subject to the following limitations:

- They will not be able to submit ITR12s on behalf of a client; only a registered Tax Practitioner or the taxpayers themselves will be able to submit returns. It is therefore recommended that taxpayers get eFiling profiles with shared access and submission rights to submit prepared returns.
- They will not be able to submit or amend registration details on behalf of a client on eFiling.
- They will be able to prepare and save the return on eFiling, but will not be able to submit it. This will have to be done by the client, who is the registered taxpayer.
- If the client doesn't have access to eFiling, they will have to go into a SARS branch where they will be required to sign a signature pad before their return will be submitted with the assistance of a SARS agent.

Unregistered Tax Practitioners must use the RAV01 to apply for Tax Practitioner registration, and as part of the process they will need to select their applicable registered controlling body (RCB) from a drop-down list. They will only be seen as fully compliant and their status changed to "Registered" (from the current "Inactive" status) once their RCB has submitted their details to SARS.

Verifying a tax practitioner's status on SARS eFiling

Although a registered tax practitioner may complete and submit a client's Income Tax Return on their behalf, the taxpayer is ultimately accountable and they need to ensure that their return is completed honestly and accurately. If any administrative penalties are levied against the taxpayer because there are outstanding returns from previous years or for any other non-compliance, it will be the taxpayer, as the individual, who will be held liable and not the practitioner who was responsible for completing and submitting the return.

Taxpayers can easily check on SARS eFiling whether their tax practitioner is registered as such by following these easy steps:

- Ask the tax practitioner for his registration number
- Go to www.sarsefiling.co.za
- Click on:
  - ◊ "Quick links"
  - ◊ "Confirm Practitioner Registration Status"
- On the "Tax Practitioner registration status" page type the Practitioner registration number and enter security PIN before clicking on "search".

Start where you are.

Use what you have.

Do what you can.

Arthur Ashe

Tax practitioners vs tax preparers

Registered tax practitioner	Tax preparer
Registered with SARS & recognised controlling body	**Not registered with SARS and a registered controlling body**
May prepare tax return on taxpayer's behalf	May prepare tax return on taxpayer's behalf
May submit tax returns on taxpayer's behalf	**May not submit tax returns on taxpayer's**
May charge a fee for tax services	**May not charge a fee to taxpayer**

VAT: Use of an exchange rate — BGR 11

Binding General Ruling 11 was updated and published as Issue 2 on 23 February 2016. This BGR prescribes the foreign exchange rate that must be used when issuing tax invoices, debit notes or credit notes and determining the output tax due where the consideration for the standard-rated supply is in a foreign currency.

According to the BGR it will be acceptable to the Commissioner if vendors use one of the following options to determine the rand equivalent of the consideration for the supply:

i) The daily exchange rate on the date the time of supply occurs.

ii) The daily exchange rate on the last day of the month preceding the time of supply.

iii) The monthly average rate for the month preceding the month during which the time of supply occurs.

The options listed in (ii) and (iii) above may not be used during exceptional circumstances where the equivalent rand value is distorted due to the exchange rate used.

Examples include, but are not limited to, the collapse of a foreign currency or the fluctuation of a foreign currency of 10% or more within the month referred to in options (ii) and (iii) respectively.

In these instances, the option under (i) must be used as soon as the vendor becomes aware of the distortion.

- The exchange rate to be used by the vendor is the rate as published on the website of –
- the South African Reserve Bank;
- Bloomberg;
- the European Central Bank.

To the extent that this BGR does not provide for a specific scenario in respect of the use of a specific foreign currency, vendors may apply for a VAT ruling or VAT class ruling in writing by sending an e-mail to VATRulings@sars.gov.za or by facsimile to 086 540 9390.

Be so good they can't ignore you.

Steve Martin

Motor dealers: Acquisition of second-hand cars — BGR 12

Issue 2 of Binding General Ruling 12 was published on 25 February 2016. The purpose of this BGR is to make an arrangement relating to the amount motor dealers may deduct as "input tax" with regard to a second-hand vehicle traded-in under a non-taxable supply.

Motor dealers may, in certain instances, pay an amount to a customer for a second-hand motor vehicle in excess of the generally accepted trade-in market value reflected in the Auto Dealers' Guide.

The difference between this value and the amount actually credited or paid to the customer is referred to as an "over-allowance". The effect of paying an "over-allowance" is that the open market value is less than the consideration paid to the customer.

In terms of paragraph (b) of the definition of "input tax", input tax is limited to an amount equal to the tax fraction of the **lesser** of the consideration in money given or the open market value of the supply.

As a result, the notional input tax to which the dealer is entitled is limited to the tax fraction of the open market value of the vehicle traded-in.

An over-allowance is generally paid when the trade-in of a second-hand motor vehicle is an integral part of the supply of another vehicle to the same customer by the same motor dealer. In these circumstances, the overall position for the motor dealer is the same with regard to the VAT payable if –

- the generally accepted trade-in value (that is, the open market value) of the second-hand motor vehicle is paid and a discount is granted to the customer on the new vehicle; or
- a smaller or no discount is granted on the sale of a vehicle, and instead an over-allowance is paid to the customer on the second-hand motor vehicle traded in (in other words, the amount of the discount given on the new vehicle is reduced or not given so that a higher value can be given for the vehicle traded in).

In both instances, the value of the smaller discount combined with the over-allowance given for the traded in vehicle would equal the value of the discount given on the new vehicle.

Based on the above, an arrangement was made under section 72, allowing motor dealers to deduct input tax under section 16(3)(a)(ii)(aa) or 16(3)(b)(i) read with paragraph (b) of the definition of "input tax" as defined in section 1(1),

Motor dealers: Acquisition of second-hand cars — BGR 12

on the full consideration (including any over-allowance amount) paid or credited to the supplier for a second-hand vehicle traded in under a non-taxable supply.

This arrangement is however subject to the following conditions:

- The trade-in of the second-hand motor vehicle transaction is dependent on the supply of another motor vehicle by that same motor dealer to the same customer.
- The parties are trading at arm's-length and are not "connected persons" as defined in section 1(1).
- The over-allowance given by the vendor does not exceed the total discount that is permissible on the motor vehicle being sold.
- The required records as prescribed in section 20(8) must be retained, as well as:
  - * a detailed list of the second-hand vehicles traded in, and the subsequent sale thereof (where applicable);
  - * the details of the over-allowance; and
  - * the net accounting effect of the combined transactions involved (that is, the trade-in and sale).

This arrangement may not be applied by any motor dealer who fails to comply with any of the aforementioned conditions.

Short-term insurance: Intermediary services — BGR 14

Issue 2 of Binding General Ruling 14 was published on 18 March 2016. This BGR deals with various supplies in the short-term insurance industry, including the supplies made by intermediaries. An intermediary is defined as any broker or agent supplying intermediary services (as defined in the Financial Advisory and Intermediary Service Act 2002).

It is recommended that this BGR is read in conjunction with the VAT 421 – Guide for Short-Term Insurance which is currently open for public comment.

Invoicing

The Commissioner directed, under sections 20(7)(a) and 21(5)(a), that the document (generally known as a bordereau) issued by the intermediary to the insurer in respect of the supply of intermediary services does not have to contain the words "tax invoice", "VAT invoice", "invoice", "credit note" or "debit note", as the case may be, provided the bordereau reflects the other information required by sections 20(4) and 21(3) respectively.

Zero-rating

A VAT registered intermediary may apply the zero rate to services consisting of the arranging of –

- the insurance of goods or passengers transported internationally under section 11(2)(d); or
- Hull insurance in respect of a foreign-going aircraft or ship under section 11(2)(i)(ii) if the arranging service is supplied to a non-resident who is not a vendor (Refer to 2.4 of the BGR).

An intermediary arranging stock throughput insurance may however only zero rate the supply of intermediary services to the extent that the underlying stock throughput insurance qualifies for zero rating under section 11(2)(d).

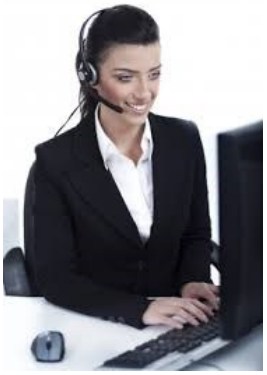
The zero rating of supplies contained in the BGR is conditional upon the intermediary (as applicable) obtaining and retaining the documentary proof as provided for under section 11(3) read with Interpretation Note No. 31 "Documentary Proof Required for the Zero Rating of Goods and Services" (Interpretation Note No. 31).

Failure to obtain and retain the required documentary proof within the required time period will result in the vendor being required to make the relevant adjustments as stipulated in Interpretation Note No. 31.

To the extent that this BGR does not provide for a specific scenario in respect of the supply of short-term insurance, vendors may apply for a VAT ruling or VAT class ruling in writing by sending an e-mail to VATRulings@sars.gov.za or by facsimile to 086 540 9390. In this regard a clearly motivated application complying with the provisions of section 79 of the Tax Administration Act, excluding section 79(4)(f) and (k) and (6), must be submitted.

Most people overestimate what they can do in one year and underestimate what they can do in ten years.

Bill Gates



Continuous Professional Development

The Institute, being affiliated with SAQA and registered with CIPC and SARS, requires all its members to comply with our Continued Professional Development (CPD) requirements. CPD refers to on-going post-qualification development aimed at refreshing, updating and developing knowledge and skills of professionals. Our members are required to be competent to carry out their duties and responsibilities and therefore have a duty to maintain a high level of professional knowledge and skills required to carry out their work in accordance with all relevant laws, regulations, technical and professional standards applicable to that work.

All accounting registered members must complete 40 hours of CPD per calendar year (1 January - 31 December) of which a minimum of 50% must be structured and the balance can be unstructured. (Technical Accountants only need to do 50% of the above requirements). Tax practitioners must log a minimum of 15 tax related CPD hours per calendar year, of which 60% must be structured and 40% unstructured. Structured CPD hours can be obtained by attending courses, seminars and lectures and by performing research and or writing technical articles. Attending the monthly IAC discussion groups also counts towards structured CPD hours. Unstructured CPD hours can be obtained by reading technical and business literature, including the IAC's newsletter.

A breakdown of CPD hours for the various categories of membership:

- **Independent Reviewers / Accounting Officer and Accountants in Commerce**
  40 CPD hours / annum (20 structured + 20 unstructured dispersed evenly into the various categories on the website) and if any of these members carry Tax Practitioner status they will need to complete 9 structured + 6 unstructured tax hours.
- **Accounting Technicians (only)**
  20 CPD hours / annum (10 structured + 10 unstructured hours dispersed evenly into the various categories on the website)
- **Tax Practitioners and Technical Tax practitioners**
  15 CPD hours / annum (9 structured tax hours + 6 unstructured hours)

The Board further recommended that CPD hours need to be broken down into the following categories:

- Accounting (i.e. IFRS)
- Taxation
- Company Law
- Auditing & Review Engagements
- Other (which is appropriate to the type of work undertaken by the member).

Members must log their CPD hours on the Institute's website.

Please note that the following penalties will be levied if a member fails to meet the CPD requirements:

First time offenders	R 2 000 and catching up on outstanding CPD hours
Second time offenders	R 5 000 and catching up on outstanding CPD hours
Third time offenders `	R 10 000 and catching up on outstanding CPD hours and
More than 3 offences	IAC membership is cancelled.

SARS—Draft documents for public comment

SARS often publishes documents for public comment before finalizing the relevant policy document. Tax practitioners should make use of this opportunity to give their input, especially from a practical point of view to highlight areas of concerns as well as recommendations.

The following documents are currently available for public comment:

- Draft Rates and Monetary Amounts and Amendment of Revenue Laws Bill 2016 (29 April)
- Draft Rates and Monetary Amounts and Amendment Laws (Administration) Bill 2016 (29 April)
- VAT421—Draft guide for short-term insurance (29 April)
- Draft Regulations for purposes of paragraph (b) of the definition of "international tax standard" in section 1 of the Tax Administration Act 2011 (3 May)
- Draft IN 16 (Issue 2) on exemption from income tax: foreign employment income (13 May)
- Draft IN 34 (Issue 2) on exemption from income tax: remuneration derived by a person as an officer or crew member of a ship (31 May)

SARS — New Interpretation Notes

The following new/updated Income Tax Interpretation Notes (IN) were published this year:

- IN 19 (Issue 4) — Year of assessment of natural persons and trusts (15 February 2016)
- IN 87— Headquarter companies (19 February 2016)
- IN 88 — Tax deduction for amounts refunded (19 February 2016)
- IN 89 — Maintenance orders and the tax-on-tax principle (1 March 2016)

SARS — New/updated Binding General Rulings

The following new/updated Binding General Rulings (BGR) were issued this year:

Income tax

- BGR 20 (Issue 2) - Interpretation of the term "substantially the whole" (20 January 2016)
- BGR 24 (Issue 2) - Section 18A(2) receipt for purposes of a deduction as contemplated in section 37C (3) (15 February 2016)
- BGR 30 - Allocation of direct and indirect expenses within and between insurer's funds (7 January 2016)
- BGR 31 - Interest on late payment of benefits (4 March 2016)

Value-added tax

- BGR 11(Issue 2) - Use of an exchange rate (23 February 2016)
- BGR 12 (Issue 2) - Input tax on the acquisition of a non-taxable supply of second-hand vehicles by motor dealers (25 February 2016)
- BGR 14 (Issue 2) - VAT treatment of specific supplies in the short-term insurance industry (18 March 2016)
- BGR 28 (Issue 2) - Electronic services (23 February 2016)
- BGR 32 - VAT treatment of specific supplies in the short-term reinsurance industry (18 March 2016)
- BGR 33 - VAT treatment of the supply and importation of vegetable oil (24 March 2016)
- BGR 34 - Management of superannuation schemes: Long-term insurers (14 April 2016)

If you can't fly, then run. If you can't run, then walk. If you can't walk, then crawl, but whatever you do, you have to keep moving forward.

Martin Luther King Jnr

IAC Western Province

Presents

Compliance Conference 2016

DATE: 26 May 2016

Venue: Cape Town Convention Centre

Topic	Speaker
• Compilation Engagements	Dr Rashied Small
• IFRS for SMEs	Dr Rashied Small
• Tax Administration	Tapie Marlie *(PWC Partner, Director Corporate Tax and Incentive Administration)* Yusuf Mohamed *CA(SA)* *(Ex Lecturer UWC)*
• Ethics	Hashim Salie *(Past Vice-Chairman SAIPA)*
• Tax Ombudsman	Advocate Hanyana Eric Mkhawane *(Chief Officer of Tax Ombudsman)*
• Value-Added Tax Update	Engela Wiid *CA(SA)* *(SARS: Legal & Policy Division)* Ryan Boise *(SARS: Legal & Policy Division)*

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Welcome to our new members

Financial Accountant in Practice (Accounting Officer) / Tax Practioner		
Practice Number	**Surname**	**Name**
AO655374	Raphasha	Mahlodi Dannis

Tax Practioner		
Practice Number	**Surname**	**Name**
IAC655397	Daniel	Deborah Johanna

Students		
Membership No	**Surname**	**Name**
IAC655396	Matanga	Siphilisiwe

Students on Learnership		
Membership No	**Surname**	**Name**
IAC655389	Adam	Shenaaz
IAC655390	Daniels	Warda

You don't have to be great to start, but you have to start to be great.

Zig Ziglar

Compliance Conference

The full agenda for the conference will be sent out soon. Attending the conference will result in 8 structured CPD hours. Registration will take place from 7:00 whilst the conference will commence at 8:00.

Investment: **R950**

(Due to popular demand, the early bird special was extended until further notice.)

Please download and complete the booking form on www.iacsa.co.za and email to wpcommittee@iacsa.co.za

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The Institute of Accounting and Commerce (IAC) is a professional accounting institute. Established in 1927, it is registered in South Africa as a non profit company (NPC). It is fully self-funded and conducts its business from its Head Office in Cape Town.

MISSION STATEMENT

It is the aim of the Institute of Accounting and Commerce to promote actively the effective utilisation and development of qualified manpower through the achievement of the highest standards of professional competence and ethical conduct amongst its members.

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SARS Workshop: Customs—Discussion Forum

SARS extends an open invitation to interested parties to attend a Discussion Forum on

Movement of new imported vehicles on own wheels

Date: 16 May 2016

Time: 10:00 – 13:00

Venue: Boardroom 6 Ground Floor, Khanyisa Building
281 Middel Street, Nieuw Muckleneuk, Pretoria (entrance in Bronkhorst Street)

RSVP: Mrs Aneesah Alli (AAlli@sars.gov.za)
By close of business on Monday, 9 May 2016

The following document will be discussed at the forum:

DRAFT AMENDMENT OF RULES

In terms of the Customs and Excise Act, 1964

Amendments proposed in terms of sections 64D and 120

The discussion will be facilitated by Customs Litigation

Only two representatives per company/organisation will be accommodated

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