



WITH COMPLIMENTS

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CA(SA)DotNews



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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.



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).

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.**

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!

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