



Accumulo House
11B Bedfordview
Office Park
3 Riley Rd
Bedfordview
2007

NEWSLETTER

Issue 1 - 2023

Accumulo House
11B Bedfordview
Office Park
3 Riley Rd
Bedfordview
2007

Tel: 011 450 1255

IN THIS ISSUE

December
Outreach
Pg 2

Accumulo
Departments
Pg 3

Tax Effects on
Assessed Loss
Pg 4

Cost of Ignoring
Loan Accounts
Pg 5

Testing of a
"Digital Rand"
Page 6

Changes to
Pensions
Pg 7

Oysters in Your
Bucket
Pg 8



There is something about the beginning of a new year that brings with it the promise of growth and exciting times ahead.

Hello 2023! We look forward to being of service as we journey through the forthcoming months together. As always our promise is to bring you *Calculated Excellence* when it comes to your accounting and corporate needs.

A new year is always a good time to get your affairs in order. Accumulo Consulting is here to help with any statutory registrations you might require and should you wish to create or update your Will, we do offer this service. You are welcome to make an appointment with us to discuss any requisites or urgent matters.

Our specially designed 2023 tent calendar was printed at the end of last year. The tax deadlines are clearly marked on it. If you haven't received yours yet, please feel free to contact our reception so that we can arrange to get some to you.

Haven't liked our Facebook page yet? Please do so. You will find interesting articles, updates and pertinent information on this platform, all designed to keep you in-the-know.

Enjoy the first 2023 edition of our newsletter. We had some special moments as we reached out to those in need within our community during the festive season and have shared some of the pictures of this on Page 2. An overview of our various departments and their roles within our organization can be found on Page 3. We have also included a variety of articles that we trust you will find interesting and informative.

Best wishes to our clients and team for a wonderful and prosperous year ahead. May 2023 bring you not only happiness and success but also see the fulfillment of your dreams and aspirations.

Kind regards

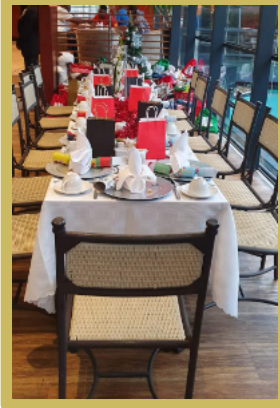
Roland & Ghabeen

December Outreach 2022

"The greatness of a community is most accurately measured by the compassionate actions of its members"
- Coretta Scott King



Make a Wish Come True Campaign



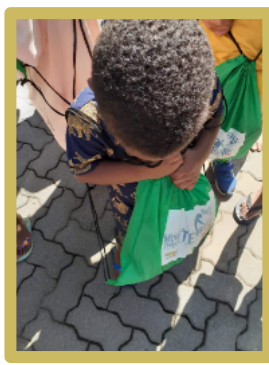
Solheim Retirement Home



Epworth Children's Home



Johannesburg Children's



Bookkeeping



Bookkeeping is the very start of the accounting process and the engine room at Accumulo. Bookkeeping involves keeping accurate records of accounts payable and receivable, fixed assets, payroll, inventory as well as ensuring that the bank reconciles to the accounting records. This information is then used to submit the VAT returns to SARS. The bookkeepers also ensure that all VAT queries, that SARS has, are dealt with timeously.

Corporate Tax



The completion and submission of all company's tax returns and directors of companies, Provisional tax returns, Queries with SARS, Providing tax advice, Tax clearance certificates, Declaration of Dividends tax, and Offshore tax clearance certificates are handled by this department.

Financials



All entities need Annual Financial Statements, besides being a legal requirement of the Company's Act, you may also need them for the Bank, SARS or applying for any form of credit. The financial statement department ensure that financials are compiled according to current accounting standards and will prepare a working paper file to verify the balances recorded on the financials.

Individual Tax



Also known as Tax Smart, this department assists clients with tax related matters (advise, calculations, submissions, queries, objections, audits, tax directives, foreign clearance & Emigration applications). SARS provides deadline dates for submissions that we ensure are met.

Internal Accounts



The internal department looks after Accumulo's own bookkeeping function and ensures that suppliers are paid and money due from clients is collected. In addition to this they keep the staff happy by making sure that stationery, coffee and milk are kept in good supply.

Payroll



Once our client's payroll information has been received, it is then processed onto the payroll system. Payslips are supplied and the EMP 201 balances are done every month. Client payments to SARS are also submitted to make sure they are on time.

Secretarial



There are many legal requirements that the Company's Act require to keep your business compliant. The secretarial, or statutory department ensure that this happens. This department attends to everything from CIPC annual returns to updating share registers and of course all amendments to the company, such as director and shareholder changes. In addition this department also prepares Last Will and Testaments and when the unthinkable happens, will take on the responsibility as Executor to complete the legalities to wind up an estate.

Services



The services team offer support to both our internal team and also our clients. Reception, deliveries and collections, cleaning and more are handled by Services.

Tax Effects on Assessed Loss Brought Forward Limitation

The carryforward of assessed losses by a company is regulated by section 20 of the Income Tax Act 58 of 1962.

Previously, a company could carry forward assessed losses indefinitely subject only to the requirement that the company continue to carry on a trade. When the assessed loss carried forward in a particular year of assessment exceeded the taxable income (before set-off of the loss) for the year, the taxable income could be set off in full against the assessed loss.

The Minister of Finance announced in the 2022 budget speech that there will be a limitation on the utilisation of assessed losses that were carried forward from previous years. The amendment will be effective for companies with years of assessment ending on or after 31 March 2023.

In the past companies were in most instances able to utilise 100% of their assessed losses against taxable income, resulting in no tax liability for that year. The amendment will limit the utilisation of assessed losses for companies to the higher of R1 000 000 or 80% of taxable income.

The impact is illustrated in the following examples:

Example 1

Assessed loss carried forward from previous year: R 3 000 000

Taxable income: R 2 000 000

Higher of R1 000 000 or $(R 2 000 000 \times 80\% = R 1 600 000)$

The company will be able to utilise R1 600 000 of the assessed loss against taxable income.

The remaining assessed loss of R 1 400 000 will be carried forward to the next year.

Example 2

Assessed loss carried forward from previous year: R 1 500 000

Taxable income: R 2 000 000

Higher of R1 000 000 or $(R 2 000 000 \times 80\% = R 1 600 000)$

The company will be able to utilise the full assessed loss of R1 500 000 against taxable income.

Example 3

Assessed loss carried forward from previous year: R 980 000

Taxable income: R 1 200 000

Higher of R1 000 000 or $(R 1 200 000 \times 80\% = R 960 000)$

The company may utilise the full assessed loss of R 980 000.

Companies who are in an assessed loss position for a specific year (before the utilisation of the assessed loss) will not be affected. The 80% limitation is only applicable where a taxable profit was made during the year.

Smaller companies that earn a taxable income of below R1 000 000 for a specific year will also not be affected.

We strongly advise taxpayers to consider the effect of this change when submitting future tax returns and especially when estimating their provisional tax liability.



The cost of Ignoring Loan Accounts

Article supplied by PSG Wealth

When I do estate planning for clients, I always ask about loan accounts owed to them by their businesses or trusts. I am no longer surprised by the response, which almost always is: "Don't worry about it. It is just a book entry." They are wrong. A loan account is not just a book entry. It may become a problem for them and the entities that owe them the loan, especially at death.

How are loan accounts created?

A client can lend money or sell their assets to their business or trust. If the business or trust is unable to pay for the assets, a loan account is created in terms of which the business or trust owes the client the money.

Clients typically lend money or sell assets on loan account, to enable their business to operate or to expand. In the context of trusts, they do this for estate planning purposes – i.e. to cap the value of their estate or to provide protection against creditors for themselves and future generations. There is usually no agreed repayment term for the business or the trust to repay the loan account. It's been on the books for years and it will remain on the books for years to come – therefore, it must be 'just a book entry'.

A problem waiting to happen

While clients are alive, the loan accounts may very well be 'just book entries'. However, these book entries become problematic at death. For example, the client transfers cash or another asset out of their estate to the business or trust, but replaces it with another asset of the same value, i.e. a loan account. This loan account remains an asset in the transferor's estate, and if not considered and properly dealt with prior to death, can create all sorts of problems for the transferor at death.

No protection against creditors

Clients often sell their assets to a trust because of the protection the trust offers against the claims of personal creditors. Whilst a trust does offer protection against creditors, the existence of a loan account or claim by the transferor against the trust exposes the trust to the creditors of that transferor.

Example:

The client sells his only major asset, worth R10 million, to his family trust. The purpose is to protect the asset against his creditors. The trust doesn't have the money to pay for the asset and creates a loan account to the value of R10 million. The client dies with no liquidity in his estate and no other assets to settle the claims of his creditors. The estate's creditors can 'attach' the loan account and demand payment from the trust. If the trust is unable to repay the loan account, trust assets can be attached to satisfy the claim and, in the process, the asset that the client so desperately sought to protect is lost.

Cash flow problems for the business or trust

As mentioned, the parties seldom agree to repayment terms of the loan. Failing such terms, the loan becomes payable upon demand or on the death of the party who advanced the loan, whichever occurs first.

Having to unexpectedly repay the loan account, often has a detrimental impact on the finances of the business or trust. Money must be borrowed from financial institutions at much higher interest rates and finance charges (that is, if they qualify for such credit in the first place), much-needed capital is removed from the business or trust, or assets must be sold to enable the business or trust to repay the loan account, making business operations even more difficult. This

is often problematic, not only for the client and his family (in the case of a family business), but also for third parties who are shareholders in the business.

Example:

The client was the initial founder of Company A. Over the years, he sold his shares in the company to third parties. By the time of his death, he held a 25% share in Company A, which shareholding was valued at R3 million. The parties entered into a buy-and-sell agreement in terms of which they had agreed to buy each other's shares at death. However, there was also a loan account of R2 million in his favour, which has now become payable.

The company cannot sell its assets, as these are needed for business operations. To repay the loan, the company applies for finance of R2 million, to be repaid over 10 years. The monthly instalments of R24 000 put severe pressure on the company's cash flow.

Bequeathing a loan account doesn't solve the problem

Especially with family businesses and trusts, it is common for clients to be advised to bequeath the loan account to the business or the trust. This, so the advice goes, addresses the cash flow problem, as the business or trust doesn't have to repay the actual loan. Unfortunately, the clients are never advised about the long list of conditions that must be met for these structures to be successful, resulting in it failing miserably.

The bequest is often not mentioned in the client's will, which effectively means that the bequest is not made at all. And even where the bequest is made in the will, the estate duty implications of such bequest are not considered and addressed in the estate plan.

Continued on Page 6

The loan account is an asset in the client's estate and is subject to estate duty and executor's fees. The fact that money doesn't have to flow from the business or trust to the deceased client's estate, doesn't change the fact that estate duty and executor's fees must still be paid by the deceased estate on the value of the loan.

Example:

The client is a high net worth individual. To reduce the size of his estate, he is advised to sell assets to the value of R30 million to his family trust, on loan account, and to bequeath the loan to the trust in the event of his death.

He dies a few years later with a substantial estate but no liquidity in the estate. The estate duty and executor's fees attributable to the loan, amount to R7 207 500. If these duties and costs are not paid, the bequest of the loan account to the trust will fail, and the trust will have to repay a portion of the loan account.

What is the solution?

We are not suggesting that clients shouldn't lend money or sell assets, on loan account, to their businesses or trusts. On the contrary, it is often required or advisable to do so. In such instances, though, it is important that the implications of having a loan account be considered, and that measures be put in place to ensure the client's goals are still achieved.

Possible solutions include:

- The use of the R100 000 annual donations tax exemption to reduce the loan, or to prevent it from increasing even more, due to section 7C of the Income Tax Act (where donations are made to a trust)
- The trust or business repaying the loan account as soon as possible
- The trust charging the client market-related rent for use of the asset sold on loan account, which rental is set off against the loan account
- Taking out personal life cover to

ensure sufficient liquidity in the client's estate to settle personal creditors' claims, eliminating the need for these creditors to attach the loan account

- The trust or business taking out loan account protection cover on the client's life. This will enable the trust or business to repay the loan account on the client's death. This will, in turn, create liquidity in the client's estate.
- Taking out cover on the client's life to provide for the estate duty and executor's fees payable on the value of the loan.

The opinions expressed in this article are the opinions of the writer and not necessarily those of PSG Wealth or Accumulo Consulting. The information is provided as general information. It does not constitute financial, tax, legal or investment advice. Please consult your qualified financial adviser, if needed.

Reserve Bank Testing 'Digital Rand' in South Africa BusinessTech - 19 January - Edited

The South African Reserve Bank (SARB) says it is still investigating and testing a central bank digital currency (CBDC) – however, it is trying to narrow down on a specific use case and isn't in a rush to be a global leader for the format.

Speaking on a panel at the annual World Economic Forum (WEF) meeting (18 January) in Davos, Switzerland, SARB governor Lesetja Kganyago said that South Africa would be "very fast followers" regarding the development and implementation of central bank currencies, learning from other countries that are ahead in development.

He said that the move to acknowledge and ready the SARB for digital currencies is a key step in its goal of modernisation. There is a digital economy developing, and central banks around the globe have to redefine their role, said the governor.

A CBDC is a digital version of a country's fiat currency issued and controlled by the country's central bank. They can potentially be used for cashless transactions,

increasing financial inclusion and providing a new way for central banks to conduct monetary policy.

Debate and studies continue to surround the use case of the new system. However, Kganyago pointed to the following two drivers for an investigation into the technology:

- The possibility to make national payments more efficient than the current real-time gross settlement (RTGS) system.
- Being able to deal with domestic market failures better.

Central banks – including the SARB – feel that the economic environment is changing; however, the demand side also needs to be considered.

South Africa is one of the most expensive G20 countries for cross-border payments, and making transactions more accessible and affordable has been on the cards for a while.

Changes to Pensions in South Africa in 2023 – What you Need to Know

BusinessTech Article - 14 January 2023 - Edited

An employer must pay benefit contributions to the pension funds to which they participate according to South African legislation, says employment law experts Imraan Mahomed and Tshepiso Rasetlola at legal firm Cliffe Dekker Hofmeyr.

In light of misconduct by employers not paying pension contributions, the Financial Sector Conduct Authority (FSCA) has found it necessary to safeguard the financial interests of employees with a new amendment in store for 20 February 2023 called the 'Conduct Standard 1 of 22: Requirements Related to the Payment of Pension Fund Contributions' (Conduct Standard).

Under section 13A of the Pension Funds Act, contributions must be made as provided in terms of the rules of the employer's fund.

The non-payment of pension fund contributions has been a long-standing issue the Financial Sector Conduct Authority (FSCA) has attempted to address over the years through various initiatives, the latest being the proposed repeal of regulation 33 in terms of section 36 of the Pension Funds Act.

Section 13A of the Pension Funds Act also ensures compliance with the fund's principal officer or any other person duly authorised by the board of trustees, being required to report the non-payment of contributions by an employer.

Regulation 33 is aimed to be used in conjunction with section 13A of the Pension Funds Act.

The FSCA has, however, uncovered flaws within regulation 33. According to the FSCA, there also needs to be a standardised manner and format for reporting by principal officers and authorised persons insofar as it relates to matters that fall outside the two governing regulations.

"It further identified that boards of trustees outsource their responsibility to recover outstanding contributions from an employer to an attorney or third party, which practice the FSCA has found to be undesirable."

"This is because it has been found that in many instances, attorneys make use of their trust accounts and would therefore earn interest on the amounts they recovered from an employer on behalf of a fund, whilst the amounts recovered are in possession of the attorney.

Planned changes

The 'Conduct Standard' is intended to replace Regulation 33 by providing for the following changes that are not adequately addressed and dealt with in Regulation 33:

- The minimum information to be furnished to a fund by an employer, with regards to payments of contributions made by an employer in terms of section 13A of the PFA;
- Set a standard format in which a fund must inform a participating employer of its duties and obligations under section 13A of the PFA;
- Set out the format in which a request by a fund to an employer, as referred to in section 13A(9) of the PFA, must be made;
- Prescribe the manner and format of reporting and notification by principal officers of pension funds or any other authorised persons and boards of a fund as referred to in section 13A(6) of the Act
- To the board of a fund regarding compliance with, or non-compliance with, the provisions of sections 13A(2)(b) and 13A(3)(a) of the PFA by an employer;
- Set requirements for a board a fund, and participating employers, when the board of a fund outsources the collection of outstanding contributions to attorneys; and the rate of interest payable on arrear contributions.



Oysters in Your Bucket Accumulo Consulting

If you cast your mind back to when you were very young, do you remember what you wanted to be when you grew up?

The world was your oyster. You could do anything you could think of, be a fireman, a doctor, a nurse, a judge or even a lawyer. Did you follow your youthful intentions and become what you thought you wanted to be, or have you chosen to follow another career path that has turned out to be just as gratifying to you.

Goals were set and by aiming to reach these you you have probably built a lifestyle of both material property and emotional fulfillment. Maybe you have reached all your objectives or maybe you are still chasing some of these ambitions.

During your journey, did you stop and re-asses your goals, your wants, your needs? Consider that previous targets may have become outdated and even irrelevant over the years. Checking-in and reassessing does not mean you failed, it means you have grown and can now change aspirations to ones that are more in alignment with your current age, responsibilities and newfound understanding of the world. What you would like to see in your future, what can you add to and possibly cross of your bucket list?

Without these goals, we can get easily distracted, spending carelessly on short-term pleasures, living from payday to payday, accumulating debt and sometime making bad financial choices. Asking yourself what you really want can change the way you spend your money. If your dream is to have a big house, and this really is your dream then by all means pursue it. However if your heart is set on

having a holiday home at the coast then purchasing a more modest house to live in and putting the extra money towards this second property, might just secure this reality.

So if you feel so inclined, bring out the feather duster of desire and spring clean your goals. Instead of that new fancy phone, go skydiving or if that doesn't blow your hair back, sip cocktails on the beach. Whatever you do, keep living this ordinary life in an extraordinary way.



IF BALANCING YOUR BOOKS IS GIVING YOU A HEADACHE

Call Accumulo consulting for:

Accounting
Confidential Payroll
Corporate Secretarial
Financial Statements
Corporate Taxation
Individual Taxation
Statutory Registrations



The Perfect Solution

