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E M Luiz Chartered Accountants (SA) Registered Auditors

Liz Luiz CA (SA), B Comm, Dip Acc, Dip Tax
Suite 4A, Mahogany Court, Redlands Estate, 1 George Macfarlane Lane, Pietermaritzburg, 3201, South Africa
PO Box 3143, Pietermaritzburg, 3200 Tel : +27 33 345 0282 Fax : +27 33 394 0746
Email : info@emluiz.co.za Website : www.emluiz.co.za

August 2018 Newsletter

Land Rights – An international perspective

The land question is foremost on all South African minds, with debate raging across all spectrums. To put the land issue in perspective the following extract from the International Growth Centre policy brief on unlocking land rights for urban development highlights that the land issue is not unique to South Africa. Over above that a serious business case can be motivated for ensuring legally enforceable land rights.

“For cities to be productive and liveable places, urban land needs to be used efficiently and intensively. Well-functioning cities typically cluster firms and people together around productive central business districts and manufacturing centres that form the city’s employment engine. By contrast, many low-income cities are failing to use their land efficiently, instead growing outwards through sprawling self-built informal settlements.

Inefficient land use and insufficient investment, both in private properties and in public infrastructure, is often underpinned by weak land rights. In many cities, land is gridlocked in a web of competing ownership claims and overlapping tenure systems. This inhibits the private sector from either making substantial investments on land or transferring it to a more productive user. It also prevents governments from coordinating a virtuous cycle of infrastructure provision, co-ordinated land-use planning and land taxation to fund these investments.

Given the politically challenging nature of reforms to land tenure, inertia has been a common policy response across many developing cities. However as demonstrated by experiences from Rwanda to Thailand, decisive public policy, backed by strong political support, can prevent these patterns of low investment and inefficient land use.

Secure land rights encourage owners to invest in improving their properties. Legally enforceable land rights enable governments to tax and plan land use. Marketable land rights allow land to be transferred to its most productive use.”

Reimbursive travel allowance

A reimbursive travel allowance is where an allowance or advance is based on the actual distance travelled for business purposes (that is excluding private use). Such an allowance is subject to a prescribed rate per kilometre of R3.61 per kilometre with effect from 1 March 2018. Historically this allowance was limited to 12 000 km per annum, whereas it is now unlimited subject to actual business kilometres travelled.

Some key points to note:

- Where the reimbursive allowance does not exceed the prescribed rate per kilometre AND no other compensation is paid to the employee, the amount is not subject to employees' tax, but the full amount must be reflected on the IRP5 certificate.
- Where the reimbursive allowance does not exceed the prescribed rate per kilometre however other compensation is paid to the employee, the amount is not subject to employees' tax, but the full amount must be reflected on the IRP5 certificate.
- Where the reimbursive allowance exceeds the prescribed rate per kilometre (irrespective of the kilometres travelled), the full amount above the prescribed rate is subject to employees’ tax.
- Where the reimbursive allowance exceeds the prescribed rate per kilometre (irrespective of the kilometres travelled) and other compensation was paid (travel allowance), the full amount above the prescribed rate is subject to employees’ tax.

Should you have any queries regarding reimbursive travel allowances please do not hesitate to contact us for professional advice.

Department of Trade and Industry (DTI) Incentives and Grants

the dti
Department:
Trade and Industry
REPUBLIC OF SOUTH AFRICA

The DTI provides financial support to qualifying companies in various sectors of the economy. Financial support is offered for various economic activities, including manufacturing, business competitiveness, export development and market access, as well as foreign direct investment.

DTI Incentive Schemes include:

12I Tax Allowance Incentive (12I TAI): offers support for both capital investment and training for new industrial projects that utilise only new and unused manufacturing assets, as well as expansions or upgrades of existing industrial projects.

Automotive Investment Scheme (AIS): designed to grow and develop the automotive sector through investment in new and/ or replacement models and components.

People-carrier Automotive Investment Scheme (P-AIS): which provides a non-taxable cash grant of between 20% and 35% of the value of qualifying investment in productive assets.

Capital Projects Feasibility Programme (CPFP): a cost-sharing grant that contributes to the cost of feasibility studies likely to lead to projects that will increase local exports and stimulate the market for S.A. capital goods and services.

Critical Infrastructure Programme (CIP): aims to leverage investment by supporting infrastructure that is deemed to be critical, thus lowering the cost of doing business and stimulating investment growth.

Export Marketing and Investment Assistance (EMIA): aims to develop the export market for South African product and services and encourages new foreign direct investment into the S.A. but partially compensate exporters for costs incurred in respect of activities aimed at developing export market.

Film Incentives: a package of incentives to promote the film production and post-production industry. These include:

- Foreign Film and Television Production and Post-Production incentive.
- South African Film and Television Production and Co-Production incentive.
- The South African Emerging Black Filmmakers incentive.
- Manufacturing Investment Programme (MIP): a reimbursable cash grant for local and foreign-owned manufactures who wish to establish a new production facility; expand an existing production facility; or upgrade an existing facility in the clothing and textiles sector.

Sector Specific Assistance Scheme (SSAS): a reimbursable cost-sharing incentive scheme whereby financial support is granted to organisations supporting the development of industry sectors and those contributing to the growth of South African exports.

If you think your business could be eligible for any of these incentives, please do not hesitate to contact us for professional advice in this regard.

Outsourcing Your Business Needs

“If you deprive yourself of outsourcing and your competitors do not,
you're putting yourself out of business"
- Lee Kuan Yew

It is important, as a business owner, to be able to delegate and outsource.

It is often difficult to admit that you cannot do everything yourself, however, the secret to be a successful business owner, is not to persist in doing something that you are bad at, and mistake it for determination, but rather to re-focus on what you do best.

This may mean outsourcing the non-strategic functions in your business, or re-looking at your existing internal resources, which, with a little tweaking, may end up working better than you thought they would.
There is a growing trend to outsource certain functions to outside experts, and the benefits of doing so can be enormous. Given the effectiveness and reach of today’s desktop technology, it does seem to make more and more sense to do so.

The outsourcing process does take some time and effort to get right, and it would make sense to have a framework to benchmark yourself against:

- Alignment: Is outsourcing the right move for your business?
- Business case: have you taken all costs into consideration?
- Culture: can you bridge the cultural difference between your business and the outsourced service provider? Outsourcing will involve building a working relationship with the outsourced service provider and allowing your in-house staff to adjust to the new processes.
- Delivery: how will you define success?

It is important not to outsource operations that define the core mission of your business, and that are strategic functions. It may also not be a good idea to outsource projects that would involve team interaction or brainstorming. Self-contained tasks or projects are more suited to outsourcing.

It is also very important to remember that when you do outsource, you are outsourcing functions and not accountability. It is therefore important that responsibility is allocated to someone in your business - for follow up and liaison with the outsourced service provider.

Sincerely,

E M LUIZ
Chartered Accountants
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