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October 2018 Newsletter

Medium Term Budget Policy Statement (MTBPS)

Nhlanhla Nene is the first victim of the "State Capture Enquiry". Just two weeks before presenting a critical MTBPS, he resigned after a massive public backlash regarding his initial non-disclosure regarding his meetings with the infamous Gupta family.



His replacement, Tito Mboweni, has been well received by the markets and public in general. It would appear that his appointment will be positive for South Africa's economic recovery, and we look forward to his budget speech presentation on the 24th October. While it appears a short time for him to pre-prepare, Treasury has a contingent of experts who have prepared the necessary budgets in line with government policy. Minister Mboweni should slot in with ease!

Fast facts on Tito Mboweni

- Born on 16 March 1959
- Master of Arts degree in Development Economics
- Minister of Labour from May 1994 to July 1998
- Governor of SA Reserve Bank: August 1999 to November 2009
- International adviser of Goldman Sachs International 2010 to date
- Various honorary professorships and doctorates from SA Universities

Minister Mboweni is clearly up for the challenge and we look forward to his maiden speech on the 24th October. Key issues that should be dealt with on the 24th should include inter alia:

- President Ramaphosa's economic stimulus package
 - Reprioritising R400 Billion of existing budget
 - More detail on the spend and its impact on growth
- National Health Insurance Funding
- Education Funding
- Implementation of Carbon Tax

We will review the MTBPS shortly after its delivery and inform you of any key issues.

President Ramaphosa's Economic Stimulus Package

President Ramaphosa recently announced measures to stimulate economic activity. While acknowledging the tough economic environment we are faced with, he appears very clear on the direction we need to take in order to revitalise our economy albeit over a period of time. The desired outcomes were outlined as follows:



- Ignite economic activity
- Restore investor confidence
- Prevent further job losses while creating new jobs
- Address urgent challenges faced by vulnerable groups

Areas of economic activity that impact youth, women and small business will be prioritised, focussed mainly townships and rural areas. Key industries include inter alia:

- Tourism
- Telecommunications
- Health
- Agriculture

South Africa Infrastructure Fund

The stimulus and recovery plan prioritise infrastructure spending as a critical driver of economic activity. Infrastructure expansion and maintenance has the potential to create jobs on a large scale, attract investment and lay a foundation for sustainable economic expansion.

To this end a South Africa Infrastructure Fund will be set up, which will fundamentally transform governments approach to the rollout, building and implementation of infrastructure projects. In essence, the consolidation of infrastructure spend will ensure more efficient and effective use of resources.

As part of the reprioritisation of spending, additional infrastructure funding will be directed as follows:

- provincial and national roads
- human settlements
- water infrastructure
- schools
- student accommodation
- and public transport

We look forward to more detail and clarity in Minister Mboweni's Medium Term Budget Policy Statement. South Africa needs a positive force to turn around its economic woes, and for government to achieve the difficult task of creating a more equitable and just society. Our presidents call for South Africans to come together and forge a new path of growth, jobs and transformation needs to be heeded for South Africa to succeed. By the same token government needs to create an enabling environment.

Enhancements to The Income Tax Returns for Trusts (ITR12T)

On 17 September 2018, SARS implemented several changes to the Income Tax Return for Trusts (ITR12T) in respect of the year of assessment ending on 28 February 2018. If you saved or submitted your 2018 ITR12T prior to the implementation of the latest changes, none of the new fields will be presented for completion. The contents of the return are fully customisable, based on answers to certain questions presented to you for completion.



Some important changes to the ITR12T include:

- The Trust Type will be pre-populated on the ITR12T. If the Trust Type is Special Trust Type A or B, validation questions will be presented for response, and based on the answers provided, the Trust Type may change;
- Certain fields on the Income from Local Farming Operations (IT48) and Income from Local Partnership Farming Operations (IT48V) will be pre-populated, and certain fields will now auto-calculate;
- The Income from Local Farming Operations (IT48) and Income from Local Partnership Farming Operations (IT48V) will now cater for negative currency to be captured;
- The Trustee will be able to select one or both of the options Vested and Discretionary, if this is applicable to the Trust;
- A new question pertaining to Imputed Income from Controlled Foreign Companies has been added to the ITR12T wizard. If this is applicable to the Trust, the ITR12T form will display a new container to be completed; and
- The following fields have been added to the IT12T and ITA34T:
 - Reduction in Debts (s19).
 - Cash contributions to a Rehabilitation Trust Fund (s37A).
 - Amounts in respect of certain (tainted) intellectual property (s231).

Supporting documentation and additional information

The following documents (at a minimum) are needed in order to complete the Income Tax Return for Trusts (ITR12T) on eFiling:

- Financial statements and/or administration accounts
- All certificates and documents relating to income and deductions
- Proof of any tax credits claimed
- Particulars of assets and liabilities
- Details of persons/beneficiaries to whom income, capital and/or assets were distributed/vested.
- Remember to keep all supporting documents for five years. SARS may request the documents if verification is required.

For professional assistance in completing your trust tax return do not hesitate to contact us.

Tax Season

Season closes on 31 October for non-provisional taxpayers and for those provisional taxpayers who opt to file at a branch. Provisional taxpayers ordinarily have until 31 January 2019 to file on eFiling only.



To date, SARS is close to reaching the 3-million mark in tax return submissions for the current year of assessment. This is approximately a 4% increase compared to the same time last year. Of these returns, 51% have been submitted through eFiling.

Administrative penalties will be applied to late filing of tax returns and range from R200 to R5000. In accordance with the Tax Administration Act No. 28 of 2011 (TAA), and specifically Section 234 (d), it is a criminal offence not to submit a tax return for any of the tax types a taxpayer is registered for.

SARS has clamped down on outstanding tax returns to improve compliance, with 18 taxpayers prosecuted this year for not filing a return. These taxpayers, who were publicly named, had ignored SARS' reminders that they were due to file a return, and now possess a criminal record. Fines ranging from R2000 to R20 000, as well as admission of guilt fines were handed down by the courts, while some were imprisoned.

To ensure you comply with legislation do not hesitate to contact our offices for professional advice in this regard.

Sincerely,

