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February 2019 Newsletter

Budget 2019 - What can we expect

In the past few years we haven't been sure who would present our budget speech let alone predict what was to be presented! While there are huge expectations that Minister Mboweni's maiden full budget speech will deliver answers to all our problems, political and financial constraints will come into play. So, what are some of the key issues:



Economic Stimulus

Every political party is lobbying for support on the basis that they will provide the economic growth required to provide jobs and a better life for all. The reality is that Treasury has little room to play with and it will be interesting to see what is tabled.

Election Year

Elections are scheduled for the 8th May 2019. We can't expect the government to table a budget that in any way impinges on the poor, who represent the majority of voters in SA. So, VAT hikes are unlikely, while some basic food stuffs may well be zero rated. It is an ideal opportunity to increase taxes on the wealthy, so while there appears to be little room for more taxes to be levied let's see what the budget brings.

Eskom

Eskom is in serious trouble, we are experiencing that on a daily basis. So, while President Ramaphosa has put a plan of sorts on the table, big money needs to come from somewhere. Is government going to borrow more, or will taxes be raised for further bailouts.

Minister Mboweni will table his Budget on the 20th of February. We will review his proposals and keep you informed of any issues that may affect you.

Load Shedding Your Business

It seems that load shedding is back, resulting in decreased productivity and financial losses for business, especially small businesses.



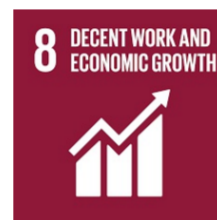
Although Eskom seems to have a planned schedule of load shedding notifications, changes to the stages of load shedding are sent just a few hours before the event, or even during the event, leaving the employer at a loss in terms of planning ahead.

There are some steps that can be taken to alleviate the impact that load shedding has on your business:

1. Where you are aware of a scheduled load shedding period, ensure that you have planned ahead, and can allocate work for the three to four hours where you can – work that does not require an electrical supply, such as filing, team building exercises, customer contact, and meetings.
2. Install an Uninterruptible Power Supply (UPS) system, which works as both a back-up battery for the computers and regulates the amount of power it receives. Install power surge plugs, and where viable, a generator.
3. Protect your data. If the business is computer based, ensure that back-ups are done regularly, and ensure that your data is kept safe.
4. Take out insurance on your server and data, so that if your server crashes or your data is lost due to the power interruption, you will be covered.
5. Ensure that you do not contravene the labour law when it comes to load shedding. In terms of South African labour and common law, an employer has a duty to pay remuneration to an employee if the employee is available to work despite his inability to work due to load shedding. Should an employer wish to treat the load shedding period as a lunch break, he must remember that he has to pay employees for any lunch break in excess of 75 minutes (in terms of the Basic Conditions of Employment Act 75 of 1997 ("BCEA")), unless the employee lives on the premises. Some industries have specific agreements in place (for example, the metal and engineering industries) relating to load shedding. Should the employer request that the employee returns to work after hours to make up for the time lost, the normal provisions relating to overtime provided for in the BCEA will apply. Employers and employees may, however, agree to changes in working hours or shift structures in.

Sustainable Development Goal (SDG) 8: Decent work and economic growth

In his recent SONA, President Ramaphosa described a scenario of building an all-inclusive economy and providing decent jobs for the unemployed youths. A lot of what he is proposing is aligned to the United Nations (UN)SDG's. Below is an extract from the UN SDG's 8 (there are 17 in total)



"The SDGs promote sustained economic growth, higher levels of productivity and technological innovation. Encouraging entrepreneurship and job creation are key to this, as are effective measures to eradicate forced labour, slavery and human trafficking. With these targets in mind, the goal is to achieve full and productive employment, and decent work, for all women and men by 2030."

Global Targets

- Sustain per capita economic growth in accordance with national circumstances and at least 7 per cent gross domestic product growth per annum in the least developed countries.
- Achieve higher levels of economic productivity through diversification, technological upgrading and innovation, including through a focus on high-value added and labour-intensive sectors.
- Promote development-oriented policies that support productive activities, decent job creation, entrepreneurship, creativity and innovation, and encourage the formalization and growth of micro-, small- and medium-sized enterprises, including through access to financial services.
- Improve progressively global resource efficiency in consumption and production and endeavour to decouple economic growth from environmental degradation, in accordance with the 10-year framework of programmes on sustainable consumption and production, with developed countries taking the lead.
- By 2030, achieve full and productive employment and decent work for all women and men, including for young people and persons with disabilities, and equal pay for work of equal value.
- By 2020, substantially reduce the proportion of youth not in employment, education or training.
- Take immediate and effective measures to eradicate forced labour, end modern slavery and human trafficking and secure the prohibition and elimination of the worst forms of child labour, including recruitment and use of child soldiers, and by 2025 end child labour in all its forms.
- Protect labour rights and promote safe and secure working environments for all workers, including migrant workers, in particular women migrants, and those in precarious employment.
- By 2030, devise and implement policies to promote sustainable tourism that creates jobs and promotes local culture and products.
- Strengthen the capacity of domestic financial institutions to encourage and expand access to banking, insurance and financial services for all.
- Increase Aid for Trade support for developing countries, in particular the least developed countries, including through the Enhanced Integrated Framework for Trade-Related Technical Assistance to Least Developed Countries.
- By 2020, develop and operationalize a global strategy for youth employment and implement the Global Jobs Pact of the International Labour Organization.

So, in reading the UNSDG 8 global targets, we see that our problems are a subset of a global problem. The call by president Ramaphosa to work together to rebuild our nation is a call that is universal – we need to take heed to make South Africa work.

Special Economic Zone (SEZ)

In his recent State of the Nation speech President Ramaphosa made mention of regenerating industrial hubs with an assortment of incentives to incentivise investment in inter alia rural economies. We have a number of existing SEZ's and it is worth revisiting these to explore the incentives available.



Benefits of operating within an SEZ

A number of incentives are available to ensure SEZs growth, revenue generation, creation of jobs, attraction of Foreign Direct Investment (FDI) and international competitiveness.

These SEZ incentives include:

Preferential 15% Corporate Tax

Businesses (prescribed in section 24(4) of the SEZ Act) that are located in a Special Economic Zone may be eligible for tax relief, including the reduced rate of corporate income taxation. In addition to satisfying the requirements of the SEZ Act, further criteria for some of the available tax incentives are stipulated in the Income Tax Act, 1962 (Act No. 58 of 1962.)

Building Allowance

Businesses and Operators (prescribed in section 1 of the SEZ Act) operating within a Special Economic Zone may be eligible for tax relief, including the building allowance, subject to requirements contained in the Income Tax Act.

Employment Incentive

Businesses and Operators operating within a Special Economic Zone may be eligible for tax relief, including the employment tax incentive subject to requirements.

Customs Controlled Area

Businesses and Operators located within a customs-controlled area of a Special Economic Zone will be eligible for tax relief as per the Value-Added Tax Act, 1991 (Act No. 89 of 1991), the Customs and Excise Act, 1964 (Act No. 91 of 1964), the Customs Duty Act 2014 (Act No. 30 of 2014) and the Customs Control Act, 2014 (Act No.31 of 2014).

12I Tax Allowance

The 12I Tax Incentive is designed to support Greenfield investments (i.e. new industrial projects that utilise only new and unused manufacturing assets), as well as Brownfield investments (i.e. expansions or upgrades of existing industrial projects). The new incentive offers support for both capital investment and training.

The bulk of existing Industrial Development Zones have SEZ's within their perimeters. If you looking to expand or introduce a new business that may well benefit from these incentives do not hesitate to contact us for professional advice in this regard.

Sincerely,

