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Compliance & Legislation Update

Presenter: **Lettie Janse van Vuuren CA(SA), RA, CBA(SA)**

*Stay informed on the multitude of
Compliance and Legislation Updates over the last 2 months...*

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Presenter

Lettie Janse van Vuuren CA(SA), RA, CBA(SA)

- Lettie joined SA Accounting Academy in November 2017 as Head of Technical. She is a Chartered Accountant, Registered Auditor and Certified Business Accountant.
- She is a **professional trainer and webinar host**, and with her relaxed and humorous presentation style, she is able to hold the attention of an audience. She has a unique ability to communicate with delegates at their respective levels of knowledge and experience. Over the last 20 years, she has trained thousands of partners, managers, trainee accountants and other professionals.
- She is responsible for our MCLU (Monthly Compliance and Legislation Updates).
- She was the Professional Development Manager at SAICA for 4 years and in charge of accrediting new training offices and monitoring existing ones (including the moderation of training offices and trainee assessments).
- Lettie is passionate about improving the efficiency and standardisation at practices. She has extensive experience on a variety of technical and practical topics which she consults on, including: SAICA re-accreditation assistance and preparation, IRBA inspection assistance and preparation, audit file reviews (post-issuance monitoring and EQCR), Quality control implementation, other office-specific manuals, and FASSET skills development facilitation.



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What's on the Agenda?

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Regulator News	: 18 items
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Quote

*The only thing you can be
sure of, is that things **WILL**
change.*

- **Unknown**

ACCOUNTING UPDATE

Accounting Update

The following items are dealt with here:

1. IFRS Bi-Monthly News Summary

IFRS News Summary

- **January 2020**
 - 4 items, including:
 - IASB clarifies requirements for classifying liabilities as current or non-current
 - The amendments clarify, not change, existing requirements, and so are not expected to affect companies' financial statements significantly
 - Effective date = January 2022
- **February 2020**
 - 4 items
- *Refer to Webinar Material for detail and links to explanatory material on the IFRS website*

AUDITING UPDATE

Auditing Update

The following items are dealt with here:

- Nothing New during this period

COMPANY SECRETARIAL UPDATE

Company Secretarial Update

The following items are dealt with here:

1. Notice 1 of 2020 – Disparity of registration numbers and incorporation dates
2. Notice 4 of 2020 – Discontinuation of 3rd party model
3. Notice 5 of 2020 – Compulsory Name Reservation for Co-Operatives
4. Notice 6 of 2020 – Expansion of mobile services
5. Notice 9 of 2020 – Companies Compliance Checklist on e-Services: **CIPC confirms that this only applies to companies that are audited/independently reviewed, and the Compliance Year is clarified**

Notice 1 of 2020

Disparity of registration numbers and incorporation dates

- Date published = 6 January 2020
- *1-page document*
- You may find that the registration number of your application submitted last year is 2019 and the incorporation date (or registration date) is 2020. This is due to the automation of CIPC's system.
- CIPC assigns the year of registration as the year within which the application was received, while the incorporation date is the actual date that the company was registered.

➤ *This Notice is available to you as a Source Document*

Notice 4 of 2020

Discontinuation of 3rd party model

- Date published = 3 January 2020
- *1-page document*
- CIPC will be discontinuing the Third Party Model as a transactional channel.
- This means that no new 3rd parties will be registered on the CIPC website.
- Support to existing 3rd parties that have registered with CIPC will be ended by 30 September 2020
- thirdparties@cipc.co.za

➤ *This Notice is available to you as a Source Document*

Notice 5 of 2020

Compulsory Name Reservation for Co-Operatives

- Date published = 31 January 2020
- *1-page document*
- ❑ As per Notice 60 of 2019, before a Co-Op can be registered, the name of the Co-Op must be approved first.
- ❑ CIPC have noticed the practice that Co-Op applications are files with CR5 and not an approved name as prescribed in the Act.
- ❑ Effective from 1 April 2020, an approved name (CoR 9.4) must be attached and accompany an application to the registrar for registration of a new co-op or name change. *Otherwise, your application will be rejected.*
 - An approved name is valid for 6 months from date of approval.

➤ *This Notice is available to you as a Source Document*

Notice 6 of 2020

Expansion of mobile services

- Date published = 14 February 2020
 - *1-page document*
 - ☐ CIPC launched Short Standard Private Company Registration and B-BBEE certificate (affidavit) on CIPC Mobile (available on the Android version only)
 - ☐ Can still do: Name reservation, Disclosure certificate & Annual returns on CIPC Mobile
- *This Notice is available to you as a Source Document*

Notice 9 of 2020

Update on Companies Compliance Checklist on e-Services

- Date published = 3 March 2020
- *2-page document*
- CIPC confirms that this **only applies to companies that are audited/independently reviewed (*both mandatory & voluntary*)**
- The Compliance Checklist now contains a **comment box** for each question, should companies wish to explain their specific answers given to the CIPC.
- **Compliance Year** is clarified = is aligned to the anniversary date of a company's incorporation

➤ *This Notice is available to you as a Source Document*

EMPLOYMENT LAW UPDATE

Employment Law Update

The following items are dealt with here:

- I. Amended Regulations in terms of the Basic Conditions of Employment Act
 - New summary must be displayed in the workplace

Amended Regulations in terms of the BCEA – new summary to be displayed in the workplace

- On 22 January 2020 the Minister of Employment and Labour amended the Regulations in terms of the Basic Conditions of Employment Act.
- One of annexures affected is annexure BCEA 1A, the summary of the BCEA to be kept by the employer which must be displayed in the workplace.
- The new summary now provides for 'parental leave', 'adoption leave' and 'commissioning parental leave'.
- **Employers should obtain copies of the new summary**
- *Refer to Source Document setting out which info must be in the new summary*

OTHER LAWS & REGULATIONS

Other Laws & Regulations

The following items are dealt with here:

1. SAICA Legal Update Volume 15 Issue 1
2. SAICA Legal Update Volume 15 Issue 2
3. SAICA Legal Update Volume 15 Issue 3
4. Expat tax kicked in on 1 March 2020 – Here's what you need to know

- ❑ Covers new relevant National laws up to 20 January 2020.

The Big 5 in issue 1 include:

1. The Companies Act (Annual return compliance checklist) – *Dealt with in Company Secretarial section;*
 2. The Constitution of the Republic of South Africa (Draft Amendment Bill);
 3. The Income Tax Act (Amendment Acts);
 4. The Public Administration Act (Draft regulations); and
 5. The Occupational Health and Safety Act (Ergonomics regulations)
- *This SAICA Legal Update document is available to you as a Source Document, and contains all the relevant summaries and one-liner reminders*

- ❑ Covers new relevant National laws up to 3 February 2020.

The Big 5 in issue 2 include:

1. The Basic Conditions of Employment Act (Summary to be kept by an employer) – *Dealt with in Employment Law section;*
2. The Constitution of the Republic of South Africa (Comment deadline extension);
3. The Foodstuffs, Cosmetics and Disinfectants Act (Reduction in sodium levels);
4. The National Environmental Management Act (Environmental assessment practitioner registration); and
5. The Special Investigating Units and Special Tribunals Act (Investigations)

- *This SAICA Legal Update document is available to you as a Source Document, and contains all the relevant summaries and one-liner reminders*

- ❑ Covers new relevant National laws up to 17 February 2020.

The Big 5 in issue 3 include:

1. The Auditing Profession Act (Amendment Bill 2020);
2. The Competition Act (Buyer power and price discrimination);
3. The Competition Act (Draft guidelines automotive aftermarket industry);
4. The Foodstuffs, Cosmetics and Disinfectants Act (Maximum pesticide residues); and
5. The Special Investigating Units and Special Tribunals Act (Masters offices)

➤ *This SAICA Legal Update document is available to you as a Source Document, and contains all the relevant summaries and one-liner reminders*

Expatriate Tax Exemption

Expatriate tax kicked in on 1 March 2020 – Here's what you need to know

- Fin24 article published on 11 February 2020
 - **South Africans working overseas (but still a tax resident in SA) will now only be exempt from paying tax on the first R1 million they earn elsewhere**
 - The rest of their earnings – including all fringe benefits, like housing, education and flight allowances – will now be taxed according to the normal tax tables for the year, which can go up to 45% in some cases
 - "The expatriate tax exemption has always been there, it is now just being capped
 - **Effective date = from 1 March 2020**
- *Full details have been included in the Webinar Material*

TAXATION UPDATE

Taxation Update

The following items are dealt with here:

- **Guides (new, updated & issued):**
 1. Draft guide to building allowances (Issue 2)
 2. List of qualifying physical impairment or disability expenditure – From 1 March 2020
 3. Guide on Venture Capital Companies
 4. Tax Guide for Share Owners (Issue 7)
- **Interpretation Notes (updated & issued):**
 1. IN67 (Issue 4) – Connected persons
 2. IN16 (Issue 3) – Exemption from income tax: Foreign employment income
 3. IN75 (Issue 3) – Exclusion of certain companies and shares from a "group of companies" as defined in section 41(1)
 4. IN44 (Issue 3) – PBOs: Capital gains tax
 5. Draft IN – Doubtful debts and accompanying documents
 6. Draft IN – PBOs: Provision of residential care for retired persons

Taxation Update *(continued)*

The following items are dealt with here *(continued)*:

- **Binding Rulings (Private/Class/General) issued:**
 1. BPR 337 – Amalgamation transactions involving the assumption of liabilities only
 2. BPR 338 – Donations of money made to a public benefit organisation at a fundraising event
 3. BPR 339 – Transfer of listed shares to a collective investment scheme in exchange for participatory interests
 4. BPR 340 – Share buy-back at nominal value
 5. BGR 9 (Issue 4) – Taxes on income and substantially similar taxes for purposes of South Africa's tax treaties
 6. Draft BGR – Unbundling of unlisted company: Impact of non-qualifying shareholders

Taxation Update *(continued)*

The following items are dealt with here *(continued)*:

- **Notices and other publications issued:**

1. Notice 37, amending the definition of "determined value" in paragraph 7(1) of the Seventh Schedule to the Income Tax Act, 1962, on the retail market value in respect of right of use of motor vehicle
2. Explanatory Memorandum on the Taxation Laws Amendment Bill, 2019
3. Final Response Document on the 2019 Draft Tax Bills – 21 January 2020
4. Updated Table 3 of interest rates: Rates at which interest-free or low interest loans are subject to income tax
5. Section 12I Tax Allowance Programme – DTI – Publication of decisions to approve, not approve or withdraw approval of applications received
6. Section 8(1) relating to daily amounts in respect of meals and incidental costs, and rate per kilometre in respect of motor vehicles – effective 1 March 2020
7. Taxation proposals during the 2020 National Budget Review on 26 February 2020
8. Draft 2020 Rates and Monetary Amounts and Amendment of Revenue Laws Bill

Taxation Update *(continued)*

The following items are dealt with here *(continued)*:

- **Tax Court cases:**
 - 9 published during the period
- **High Court cases:**
 - 10 published during the period
- **Supreme Court of Appeal cases:**
 - Only 1 – CSARS v South African Breweries (Pty) Ltd

Draft guide to building allowances (Issue 2)

- Date published = 14 January 2020
- *27-page document*
- The guide provides general guidance on building allowances available to owners and lessees of buildings.
- The Guide has been updated to take into account legislative amendments, clarification on certain aspects and the fact that some of the sections are now the subject of separate Interpretation Notes.
- Due date for comments was 28 February 2020
- *The Draft Guide is available to you as a Source Document*

List of qualifying physical impairment or disability expenditure

- Date published = 16 January 2020
- *10-page document*
- Expenditure prescribed by SARS and which is necessarily incurred and paid for by the taxpayer in consequence of a physical impairment or disability is a qualifying medical expense under section 6B of the Act, subject to specified limitations.
- See also the [Confirmation of Diagnosis of Disability Form \(ITR-DD\)](#)
- **Effective date = 1 March 2020**
- *The List is available to you as a Source Document*

Guide on Venture Capital Companies

- Date published = 18 February 2020
 - *53-page document*
 - Section 12J has requirements at the level of the VCC and at the level of the “qualifying company” whose shares are held by the VCC. A VCC is taxed as a company and does not enjoy any special tax concessions because of its VCC status.
 - This guide provides users with general guidance on venture capital companies and investments in such companies.
- *The Guide is available to you as a Source Document*

Tax Guide for Share Owners

- Issue 7
 - Date published = 21 February 2020
 - *55-page document*
 - This guide provides general guidance on the taxation of share owners.
 - This guide summarises some of the key aspects holders of shares need to be aware of in computing their liability for income tax and CGT. It is primarily aimed at resident individuals who own shares in their own names. However, many of the principles covered apply equally to companies and trusts, and when appropriate the more obvious differences in the treatment of these entities have been highlighted.
- *The Guide is available to you as a Source Document*

IN 67 – Connected persons

- Issue 4
 - Date published = 28 January 2020
 - *48-page document*
 - *40 examples*
 - Purpose = This Note provides guidance on the interpretation and application of the definition of “connected person” in section 1(1).
 - Deals with Section 1(1) – definition of “connected person”
 - **NB = Annexure B** – Diagram illustrating the rule for determining persons who are related within the third degree of consanguinity
- *The Interpretation Note is available to you as a Source Document*

IN 16 – Exemption from income tax: Foreign employment income

- Issue 3
- Date published = 31 January 2020
- *20-page document*
- *5 examples*
- Purpose = This Note discusses the interpretation and application of the foreign employment remuneration exemption in section 10(1)(o)(ii).
- Deals with Section 10(1)(o)(ii)
- Due date for comments was 28 February 2020
- *The Interpretation Note is available to you as a Source Document*

IN 75 – Exclusion of certain companies and shares from a "group of companies"

- Issue 3
 - Date published = 11 February 2020
 - *8-page document*
 - *2 examples*
 - Purpose = This Note provides guidance on the application of the proviso to the definition of “group of companies” in section 41(1)
 - Deals with Sections 1(1) and 41(1)
- *The Interpretation Note is available to you as a Source Document*

IN44 – PBOs: CGT

- Issue 3
- Date published = 21 February 2020
- *17-page document*
- *9 examples*
- Purpose = This Note provides guidance on the application and interpretation of paragraph 63A which deals with the disregarding of a capital gain or capital loss on the disposal of an asset by a PBO; and
- **NB = must be read with IN 24 “Income Tax: PBOs: Trading Rules – Partial Taxation of Trading Receipts”.**
- Deals with Paragraph 63A of the Eighth Schedule
- *The Interpretation Note is available to you as a Source Document*

Draft IN – Doubtful debts

- Date published = 18 February 2020
- *18-page document*
- *5 examples*
- This draft Note provides guidance on calculating the section 11(j) doubtful debt allowance. Taxpayers should pay attention to the accompanying document outlining the application process, the requests for information (RFIs) and the excel-based Loss Allowance Models
- Refer to 4 accompanying documents – links available in Webinar Material
- ☐ Due date for comments = 31 March 2020
- *The Draft Interpretation Note is available to you as a Source Document*

Draft IN – PBOs: Residential care for retired persons

- Date published = 21 February 2020
- *19-page document*
- *3 examples*
- The draft IN discusses the requirements of the public benefit activity (PBA) contemplated in paragraph 3(c) in Part I of the Ninth Schedule to the Income Tax Act 58 of 1962 (the Act). PBA 3(c) provides for residential care to be provided to retired persons.
- An organisation carrying on that PBA as its sole or principal object may apply for approval as a public benefit organisation under section 30(3) of the Act, and if approved by the Commissioner, obtains preferential tax treatment under section 10(1)(cN), if all of the prescribed requirements are met.
- Due date for comments = 30 April 2020

➤ *The Draft Interpretation Note is available to you as a Source Document*

BPR 337

Amalgamation transactions involving the assumption of liabilities only

- Date issued = 9 January 2020
 - *3-page document*
 - Deals with Section 44
 - This ruling determines the income tax effect of an amalgamation transaction for consideration involving the assumption of liabilities only
- *The BPR is available to you as a Source Document*

Donations of money made to a public benefit organisation at a fundraising event

- Date issued = 17 January 2020
 - *2-page document*
 - Deals with Section 18A
 - This ruling determines the tax treatment of payments made to the applicant, a public benefit organisation (PBO) approved under section 30, at a fundraising event
- *The BPR is available to you as a Source Document*

Transfer of listed shares to a collective investment scheme in exchange for participatory interests

- Date issued = 21 February 2020
- *3-page document*
- Deals with:
 - Sections 9C and 42 of the Act, and
 - Section 8(1)(a)(i) of the STT Act
- This ruling determines the tax consequences of a transfer of listed shares to a collective investment scheme (CIS) in exchange for participatory interests in that CIS

➤ *The BPR is available to you as a Source Document*

Share buy-back at nominal value

- Date issued = 27 February 2020
- *4-page document*
- Deals with:
 - Sections 1(1) – Definitions of “Dividend” and “Gross Income”, 55(1), 58(1) and
 - Paragraphs 11(1)(a), 11(2)(b) and 38(1) of the Eighth Schedule to the Act
- This ruling determines the income tax and donations tax consequences of a share buy-back at nominal value pursuant to a proposed cancellation agreement

➤ *The BPR is available to you as a Source Document*

Taxes on income and substantially similar taxes for purposes of South Africa's tax treaties

- Issue 4
 - Date issued = 30 January 2020
 - *3-page document*
 - This ruling identifies the taxes administered by SARS which in its opinion constitute taxes on income or substantially similar taxes for purposes of South Africa's tax treaties.
- *The BGR is available to you as a Source Document*

Unbundling of unlisted company: Impact of non-qualifying shareholders

- Date issued = 13 February 2020
 - *4-page document*
 - Deals with Section 46
 - The draft BGR provides clarity on what constitutes an unbundling transaction under section 46(1) of the Income Tax Act 58 of 1962 when an unbundling company having non-qualifying shareholders unbundles shares in an unlisted unbundled company.
 - A non-qualifying shareholder is a shareholder of the unbundling company that does not form part of the same group of companies as the unbundling company.
 - Due date for comments was 31 March 2020
- *The Draft BGR is available to you as a Source Document*

Notice 37

- Date published = 17 January 2020
- GG 4296 I
- *4-page document*
- Amending regulations under items (a) and (c) of the definition of "determined value" in paragraph 7(1) of the Seventh Schedule to the Income Tax Act, 1962, on the retail market value in respect of right of use of motor vehicle, as initially published by Government Notice R.362 of 28 April 2015
- = The price of acquisition of the motor vehicle paid by the employer (incl VAT) or where the motor vehicle was acquired at no cost = the market value of that vehicle
- **Effective date = 1 March 2020**
- *The Notice is available to you as a Source Document*

Memo on TLAB 2019

Explanatory Memorandum on the Taxation Laws Amendment Bill, 2019

- Date published = 21 January 2020
- *70-page document*
- Sets out each change with:
 - Background
 - Reasons for change
 - Proposal
 - Effective date

➤ *The publication is available to you as a Source Document*

Response to 2019 Draft Tax Bills

Final Response Document on the 2019 Draft Tax Bills

- Date published = 21 January 2020
 - *62-page document*
 - This response document includes a summary of the key written comments received on the 2019 Draft Rates Bill, 2019 Draft Income Tax Amendment Bill, 2019 Draft TLAB and 2019 Draft TALAB released for public comment as well as other key issues raised during the public hearings held by both the SCoF and SECoF on 10 September 2019
- *The publication is available to you as a Source Document*

Update Table 3 of Interest

Updated Table of interest rates: Table 3 – Rates at which interest-free or low interest loans are subject to income tax

- Date published = 31 January 2020
- *3-page document*
- **Official rate decreased from 7,5% to 7,25%**
- **Effective date = 1 February 2020 (until change in the Repo rate)**
- *The publication is available to you as a Source Document*

Section 12I

Section 12I Tax Allowance Programme – Department of Trade and Industry – Publication of decisions to approve, not approve or withdraw approval of applications received for the tax allowance programme under section 12I(12)(a)(i)(aa) and (19)(d)

- Date published = 7 February 2020
 - GG 42999 Notices 50, 51 & 52
 - 13 decisions published – each with their own implementation date
- *Refer to Webinar Material for details & hyperlinks*

Notices 270 & 271

Income tax notices, scheduled for publication in the Government Gazette, under section 8(1) relating to daily amounts in respect of meals and incidental costs, and rate per kilometre in respect of motor vehicles

- Date published = 6 March 2020

Subsistence:

- Incidental costs only = R139 per day
- Cost of meals & incidental costs = R452 per day
- Travel outside RSA – refer to Notice 268 effective from 1 March 2019

Reimbursive **rate per km** = R3,98 (and refer to table for fixed, fuel & maintenance costs)

☐ **Effective = 1 March 2020**

➤ *The 2 Notices are available to you as Source Documents*

Budget Proposals 2020

Taxation proposals as tabled by the Minister of Finance during the 2020 National Budget Review on 26 February 2020

- Date published = 26 February 2020
 - *6-page document*
 - Sets out items with Rate of Excise Duty
- *The publication is available to you as a Source Document*

Draft 2020 Rates Bill

Draft Bill – Draft 2020 Rates and Monetary Amounts and Amendment of Revenue Laws Bill

- Date published = 26 February 2020
- *19-page document*
- National Treasury published the Draft 2020 Rates and Monetary Amounts and Amendment of Revenue Laws Bill as supporting information to the 2020 Budget proposals. *It is expected that the actual Bill will be introduced later in the year.*
- Due date for comments was 30 March 2020
- *The publication is available to you as a Source Document*

Tax Court Cases

1. IT 13798
2. IT 13931
3. TAdm 4294
4. VAT 1390
5. IT 24819
6. VAT 2063
7. TAdm 00052/2018
8. TAdm 24643
9. VAT 1610

➤ *Details are available in the Webinar Material, with links to the case files*

High Court Cases

1. Dragon Freight (Pty) Limited and Others v CSARS (82686/19) [2019]
2. Siphayi and Another v CSARS and Others (34975/2019) [2019]
3. Glencore Operations SA (Pty) Limited v CSARS (11696/18) [2019]
4. Flordis South Africa (Pty) Limited v CSARS (61689/2015) [2019]
5. Gold Kid Trading CC v CSARS (2016/31842) [2018]
6. Agricultural and Industrial Mechanisation (Pty) Ltd v CSARS (21164/2017)
7. Peter v CSARS (3158/2018)
8. Brits and 3 Others v CSARS (2017-44380)
9. Canyon Resources (Pty) Ltd v CSARS (68281/2016) [2019]
10. Medtronic International v CSARS (33400/19) [2020]

➤ *Details are available in the Webinar Material, with links to the case files*

SCA Cases

- I. CSARS v South African Breweries (Pty) Ltd (442/2017) [2018]
 - Classification of products for determination of excise duty rate
- *Details are available in the Webinar Material, with links to the case file*

REGULATOR NEWS

Regulator News

The following items are dealt with here:

- **IRBA News & press releases:**

1. IRBA foresees audit reforms will regain confidence in profession if audit firms follow suit
2. IFIAR issues Report on the 2019 Global Inspections Findings Survey
3. New Process: Online Submission of Assurance Work Declaration and Firm Related Information 2020

- **SAICA press releases & other publications:**

1. SAICA Guide in Respect of the Duties of the Commissioner of Oaths (Revised January 2020 – Version 4)
2. SAICA's Top Tips for SMEs

Regulator News *(continued)*

The following items are dealt with here *(continued)*:

- **Companies Tribunal:**
 - 6 Decisions reached on cases heard (1 Name disputes, 1 AGM, 3 Exemptions from SEC, 1 Directorship dispute, 0 Reviews)
- **FIC Advisory & Guidance:**
 1. PCC 42: Disclosure of Facts or Information Regarding the Contents of Section 29 Reports
 2. PCC 43: Dealing with customer due diligence (CDD) in relation to shared clients
 3. Call for comments: Draft PCC 109 on the Commencement and Enforcement of the FIC Act as amended by the FIC Amendment Act
 4. Call for comments: Draft PCC 107 on the Use of an Automated Transaction Monitoring System for the Detection and Submission of Regulatory Reports
 5. Call for comments: Draft PCC 106 on Item 1 of Schedule 1 to the FIC Act

Regulator News *(continued)*

The following items are dealt with here *(continued)*:

- **CGSO & National Consumer Commission:**
 1. CGSO Quarterly Newsletter
 2. NCC notes with concern attempted bribery of its officials by suppliers
- **FSCA publications & press releases:**
 1. Intergovernmental FinTech working group publishes a report on its 2019 workshops
 2. Press Release on 36ONE Asset Management (Pty) Ltd
 - 10 Warnings issued to the public against fraudulent FSPs
- **SARS media releases:**
 1. SARS wins 10-year battle against non-compliant taxpayer
 2. Tax fraudsters sentenced in high court

Audit reforms to restore confidence

IRBA foresees audit reforms will regain confidence in profession if audit firms follow suit

- IRBA has welcomed government's support for reform of the audit profession and the backing of its legislative amendments, which formed part of the budget speech
- Independence of the audit regulator which will give the public confidence in the strength of oversight, and that the regulator will act in the best interest of the public and investors
- At the heart of the expectation gap is the fact that not every business failure is an audit failure. Auditors are not trained to detect fraud.
- If the profession in South Africa wants to get serious about restoring trust in its corporate sector, it will have to face the fact that changing the audit product to narrow the gap is becoming a necessity

➤ *Refer to Webinar Material for detail*

IFIAR issues 2019 Global Inspections Findings Report

IFIAR = International Forum for Independent Audit Regulators

IRBA: IFIAR issues 28-page Report on the 2019 Global Inspections Findings Survey

- This 7th Survey is based on IFIAR's 54 member regulators individual inspections of audit firms affiliated with the six largest global audit firm networks
- 33% of audit engagements inspected had at least 1 significant deficiency reported, compared to 37% in the 2018 survey and to 47% in the first survey capturing this percentage (2014 survey)
- *Refer to Webinar Material for detail & links to download the Survey and the press release*

IRBA: New Process: Online Submission of Assurance Work Declaration and Firm Related Information 2020

- The IRBA is introducing a new online process, on the IRBA website, for submission of the assurance work declaration and firm related information.
- The new functionality is linked to an RA's profile and is available when RAs log onto the IRBA website
- Please note that no email submissions will be accepted
 - **The deadline for submission is 31 March 2020**

➤ *Refer to Webinar Material for detail*

SAICA Guide in Respect of the Duties of the Commissioner of Oaths (Revised January 2020 – Version 4)

- Updated guide was released in January 2020
 - *16-page document*
 - Deals with those aspects related to the powers of Commissioners of Oaths and the administering of an oath or affirmation
 - Also includes some information on the certification of documents
 - Refer to Table of Contents
 - **NB – Appendix I: Examples of Wording**
- *This Revised Guide is available to you as a Source Document*

SAICA's Top Tips for SMPs

SMPs = Small & Medium Practices

- Two IESBA webinars to explain proposed revisions to international independence standards
- Change to practice on sanctions for improper conduct
- Ten improvements in data quality provided by the internet of things
- The blue book of co-branding for CA(SA) and AGA(SA) members
- Client newsletter CA(SA)DotNews

➤ *Refer to Webinar Material for detail & links to supporting articles*

Companies Tribunal: Cases

January & February 2020: **6** Cases

re **1** Name dispute, **1** AGM, **3** Exemptions from SEC, **1** Directorship dispute, **0** Reviews

The following information is provided in a summary table:

- Case number
- Main Party/ies (applicant)
- Case type
- Decision Status
- Date of Decision
- Short description of the case

➤ *A summary table is provided in the Monthly Webinar Material with links to the Case file documents – already downloaded for your convenience*

FIC: PCC 42

FIC = Financial Intelligence Centre

PCC = Public Compliance Communication

Disclosure of Facts or Information Regarding the Contents of Section 29 Reports

- General notice Issued on 28 February 2020
 - PCC = 12 pages
 - FIC has issued PCC 42 which provides clarity where certain supervisory bodies are allowed access to facts or info re reports submitted in terms of section 29 of FICA
 - PCC 42 further explains the process that must be followed by all supervisory bodies should they request section 29 reports or information contained in these reports from the reporting entity (including AIs, RIs and other persons)
- *Full details are included in the Webinar Material, and the notice & PCC is available to you as a Source Document*

FIC = Financial Intelligence Centre

PCC = Public Compliance Communication

Dealing with Customer Due Diligence (CDD) in relation to shared clients

- General notice Issued on 27 February 2020
 - PCC = 8 pages
 - The PCC 43 provides guidance to accountable institutions on how to apply the principles of the withdrawn exemptions 4, 8 and 9, using assistance from third party accountable institutions for the collection of CDD documentation and information
- *Full details are included in the Webinar Material, and the notice & PCC is available to you as a Source Document*

FIC: Draft PCC 109

FIC = Financial Intelligence Centre

PCC = Public Compliance Communication

Call for comments: Draft PCC 109 on the Commencement and Enforcement of the FIC Act as amended by the FIC Amendment Act

- General notice Issued on 27 February 2020
 - PCC = 5 pages
 - The Draft PCC 109 clarifies that all the obligations as brought about by the FIC Amendment Act, which commenced on 2 October 2017, applies in respect of the accountable institution's entire client population
 - Call for comments by 20 March 2020
- *Full details are included in the Webinar Material, and the notice & Draft PCC is available to you as a Source Document*

FIC: Draft PCC 107

FIC = Financial Intelligence Centre

PCC = Public Compliance Communication

Call for comments: Draft PCC 107 on the Use of an Automated Transaction Monitoring System for the Detection and Submission of Regulatory Reports

- General notice Issued on 31 January 2020
 - PCC = 6 pages
 - The draft PCC 107 provides guidance on requirements as per Directive 05 of 2019 which relates to the use of an Automated Transaction Monitoring System (ATMS).
 - Directive 05 of 2019 places certain obligations on accountable and reporting institutions and other persons who use an ATMS to enable them to monitor client transactions and activity in order to identify suspicious and unusual transactions.
 - Call for comments by 21 February 2020
- *Full details are included in the Webinar Material, and the notice & Draft PCC is available to you as a Source Document*

FIC: Draft PCC 106

FIC = Financial Intelligence Centre

PCC = Public Compliance Communication

Call for comments: Draft PCC 106 on Item I of Schedule I to the FIC Act

- General notice Issued on 24 January 2020
 - PCC = 6 pages
 - The Legal Practice Act has replaced the Attorneys Act. Item I of Schedule I to FICA lists a practitioner who practices as defined in section I of the Attorneys Act as an accountable institution.
 - Draft PCC 106 sets out guidance on the interpretation of Item I of Schedule I to FICA, in line with the changes as brought about by the Legal Practice Act.
 - Call for comments by 14 February 2020
- *Full details are included in the Webinar Material, and the notice & Draft PCC is available to you as a Source Document*

CGSO = Consumer Goods & Services Ombud

CGSO Quarterly Newsletter

- Published in January 2020
- 7 pages
- Contents (some highlights):
 - Call centre statistics (including Analysis of Complaints received)
 - Coming Soon: CGSO SMS Short Code – Consumers will be able to dial 48030, and we'll call them back
 - Case Study – **Do consumers have any recourse for goods bought on auction?**
 - **Answer** = They don't, but that doesn't mean that auctioneers can act with impunity

➤ *This Newsletter is available to you as a Source Document*

NCC concern re Bribes

NCC = National Consumer Commission

NCC notes with concern attempted bribery of its officials by suppliers

- There have been attempts of bribery by certain suppliers in the textile industry who do not want to comply with the Consumer Protection Act (CPA).
- The NCC is mandated by law to investigate any suspicious contravention of the Act.
- Investigators are empowered by the CPA to investigate consignments that get and in particular every consignment that is detained by custom officials to verify whether it meets the requirements
- While Government encourages people to start their own businesses, the NCC will never tolerate acts of bribery by unscrupulous suppliers

➤ *Refer to Webinar Material for detail*

FSCA = The Financial Sector Conduct Authority

Intergovernmental FinTech Working Group (IFWG) publishes a report on its 2019 workshops

- The report highlighting discussions held during its financial technology (fintech) workshops in 2019
 - The themes for the 6 workshops were (i) artificial intelligence; (ii) central bank issued digital currencies; (iii) cybersecurity; (iv) digital identity; (v) innovation for economic growth; and (vi) open banking
- An innovation hub will be launched during the first half of 2020
- *This press release is available to you as a Source Document, and details have been included in the Webinar Material with a link to the Report*

FSCA: 36ONE Asset Management

FSCA = The Financial Sector Conduct Authority

Press Release on 36ONE Asset Management (Pty) Ltd

- The Financial Services Tribunal has dismissed an application by 36One Asset Management (Pty) Ltd (36ONE) to have a decision taken by the (FSCA) that 36ONE had solicited investment into unapproved funds set aside.
 - The FSCA imposed an administrative penalty of R350 000 on 36ONE, which the tribunal upheld
- *This press release is available to you as a Source Document, and the Webinar Material contains a link to access the full order*

FSCA: Warnings issued

FSCA = The Financial Sector Conduct Authority

FSCA issued Press release to warn the public against fraudulent FSPs

1. **FSCA warns the public against Moneyweb Private Bank**
 - MoneyWeb Corporate Bank has numerous branches
 - Moneyweb Private Bank is fraudulently using the logo of Moneyweb – a South African media company, to solicit investments from the public
 2. **FSCA warns the public against Mr Tom Zambon**
 - There is another Mr Tom Zambon who was employed by Ashburton in Jersey in the past.
 - This one uses social media to solicit funds from the public in SA
- *The press releases are available to you as Source Documents, and the detail has been included in the Webinar Material*

FSCA: Warnings (continued)

3. **FSCA warns the public against Mr Martin Sethole and Nadex Investments**
 - Mr Sethole is encouraging members of the public to invest in a binary options strategy with Nadex Investments and promises high returns within 48 hours.
 - He alleges that Nadex Investments is a subsidiary of AIP Capital Management (Pty) Ltd, an authorised FSP. AIP Capital Management have confirmed that it does not own any subsidiaries and has no relationship with Nadex Investments or Mr Sethole
4. **FSCA warns the public against fraudulent FSCA correspondence**
 - Fraudulent email messages from entities impersonating the FSCA (from 'FSCA COMMUNICATIONS') are misleading customers or offering them opportunities to receive financial services provider (FSP) licences
 - Emails from fscacommunications@gmail.com contact customers on suspicion of operating pyramid schemes due to irregular activity they have observed on their bank accounts. The recipient is then threatened with legal action or freezing of bank accounts, unless a fine of R200 000.00 is paid and the licence application is received

FSCA: Warnings (continued)

5. FSCA warns the public against **Tradefarm (Pty) Ltd**
 - Tradefarm claims to be an authorised FSP, taking funds from the members of the public to invest on their behalf
6. FSCA warns the public against **Blue Alpha Alliance Group**
 - The FSCA received information that there is a person soliciting funds from people, purporting to act for a company named Blue Alpha Alliance Group. Blue Alpha Alliance Group offers share investments in the “Uber and Taxify business”.
7. FSCA warns the public against **Financial Services Board impersonators**
 - The public is warned against a company called Western Loan Finance
 - The company falsely uses the now defunct Financial Services Board (FSB) name
 - The impersonators use the ‘FSB’ name in a deceitful manner to offer loans to the public and request an enclosure fee in order to release the loan

FSCA: Warnings (*continued*)

8. FSCA warns the public against **Zoom Executive Investments (ZEI)**
 - ZEI is using Numus Capital (Pty)(Ltd)'s FSP licence number 43348 and is portraying itself as a registered FSP
 9. FSCA warns the public against **Marlvern Trading CC**
 - Marlvern issued guarantee policies to municipalities, and the FSCA imposed an administrative penalty of R25 million on Marlvern for contravening the STIA
 10. FSCA warns the public against **GKF (Pty) Ltd t/a Royal Sureties**
 - GKF issued guarantee policies to municipalities, and the FSCA imposed an administrative penalty of R5 million on GKF for contravening the STIA
 - Mr. Matangadura, Mrs. Matangadura and Ms. Masiu have been debarred for a period of 10 years from providing or being involved in the provision of financial services
- *The press releases are available to you as Source Documents, and the detail has been included in the Webinar Material*

SARS wins after 10 years

SARS wins 10-year battle against non-compliant taxpayer

- Against Mr Gary Van der Merwe and various entities he controls after a 10-year court battle which ended up in the Constitutional Court
- SARS investigation originated from a FIC report regarding a suspicious transaction, involving the amount of approximately \$15-million (R142-million)
- On 5 February 2020, the Constitutional Court of SA dismissed Mr Van der Merwe's application for leave to appeal an eviction order requiring him to vacate his home, which is held by Zonnekus Mansion (Pty) Ltd
- The Sheriff has evicted Mr Van Der Merwe from the property and placed it under the control of the liquidators, who can now finally sell the remaining property in order to recover the outstanding tax debt

➤ *Refer to Webinar Material for detail*

Tax fraudsters sentenced in high court

- 2 Cape Town businesspersons were sentenced to 16 and 17 years respectively direct imprisonment in the Cape High Court.
- They were found guilty on 487 counts of VAT fraud + alternative charges such as racketeering, money laundering and corruption in terms of the POCA
- R115 million VAT fraud scheme
- Deducted PAYE from employees, but never registered as employer or paid over to SARS
- They had enlisted the services of a SARS accountant to assist them with authorisation of refunds and get the refunds paid out fast
- The case against the SARS employee has been postponed, although Messieurs Fernandes and Warner have agreed to testify against him

➤ *Refer to Webinar Material for detail*

GENERAL ANNOUNCEMENTS & NEWSY ARTICLES

General Announcements

The following items are dealt with here:

- I. New perks which could be widely introduced at South African companies

New perks – in SA???

New perks which could be widely introduced at South African companies

The most popular “new ways of working” reported SA companies polled, included:

- Remote working solutions (54% of companies);
- In-house catering at company expense (25%);
- Flexible hours (54%);
- Purpose-designed engaging workspaces – including pause-and-rest areas, sleeping pods, ergonomic furniture, and green spaces (36%);
- Physical and mental wellness options (29%).

Other interventions include: Relaxed dress codes; Extended/non-traditional leave policies; International secondments; Study options for employees and families; Sabbatical for long tenure; On-site childcare

Non-financial incentives can make a difference!

➤ *Refer to Webinar Material for detail*

QUESTIONS?

Formal Q&A Session

We will now take a **quick comfort break** before we discuss some questions received during the webinar.

Remember: A Q&A summary will also be uploaded to your profile

If you would like to e-mail a question please use:

technicalquestions@accountingacademy.co.za

E-mail general comments to info@accountingacademy.co.za

**Thank you for your
participation!**

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