

MCLU

Monthly Compliance & Legislation Update

Presenter: **Lettie Janse van Vuuren CA(SA)**

24 MARCH 2021



*Stay informed on the multitude of
Compliance and Legislation Updates*

This webinar covers changes during the month of February 2021

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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**Happy New
Financial Year!**

ACCOUNTING UPDATE



Accounting Update

The following items are dealt with here:

1. IFRS Monthly News Summary

- nothing really new or important, *except numbers 2 & 5 covered below*

2. IFRS improves accounting policy disclosures

- IASB amends IFRS Standards to improve accounting policy disclosures and clarify distinction between accounting policies and accounting estimates

➤ *Refer to Source Document*

3. ASB issues updated FAQs on the Standards of GRAP

- Focus on issues that are of interest to public entities, constitutional institutions, municipalities, municipal entities, Parliament and the provincial legislatures, trading entities and Public Further Education and Training Colleges collectively called “entities” in the FAQ document (unless indicated otherwise)

➤ *Refer to Source Document*

Accounting Update *(continued)*

4. IFRS Foundation publishes educational material to support companies in applying going concern requirements

- Companies preparing financial statements using IFRS Standards are required to assess their ability to continue as a going concern. In the current stressed economic environment arising from the COVID-19 pandemic, deciding whether the financial statements should be prepared on a going concern basis may involve a greater degree of judgement than usual.
- To support companies, the educational material brings together the [requirements in IFRS Standards relevant for going concern assessments](#)

5. IASB proposes to extend support for lessees accounting for COVID-19-related rent concessions by 1 year

- to cover rent concessions that reduce only lease payments due on or before 30 June 2022

➤ *Refer to Source Document*

AUDITING UPDATE



Auditing Update

The following items are dealt with here:

Standards:

1. IRBA Standards and Ethics related IRBA pronouncements which have a December 2020 or 2021 effective date

- Table sets out Date of issue, Effective date & link to pronouncement
- *Refer to Source Document*

Legal/Ethics:

2. IESBA issues Ethical and Auditing Implications arising from Government-Backed COVID-19 Business Support Schemes

- *Refer to Source Document*
- The guidance sets out important ethical considerations for professional accountants who are called upon to assist their employing organizations or clients in applying for and using COVID-19-related funding or financial support.
- For compilers, independent reviewers and auditors

Auditing Update *(continued)*

Legal/Ethics:

3. IESBA proposes holistic approach to defining a PIE

➤ *Refer to Source Document*

- The proposed revisions broaden the definition of a public interest entity (PIE) to include more categories of entities, given the level of public interest in their financial condition, for the purposes of additional independence requirements to enhance confidence in their audits

4. IESBA issues guidance documents on Fraud & Money Laundering

➤ *Refer to Source Documents*

- Evolving risks from Money Laundering, Terrorist Financing and Cybercrime Info
- Heightened Risks of Fraud and Other Illicit Activities during COVID-19
 - LJ presenting Ad-hoc on 13 April 2021

Auditing Update *(continued)*

5. IAASB published plans for a separate standard on the Audits of Less Complex Entities

- Focusing on the effective and consistent application of our standards, the IAASB has published a new communique detailing its next steps to address:
 - complexity, understandability, scalability, and proportionality, including in the audits of financial statements of less complex entities

COMPANY SECRETARIAL UPDATE



Companies and Intellectual
Property Commission

a member of **the dti** group

Company Secretarial Update

➤ *Each notice is available to you as a Source Document*

The following items are dealt with here:

1. Notice 6 of 2021: Business Rescue Mailboxes

- provides the Business Rescue Mailboxes that should be used for applications and document submissions.
- This is as a result of the volume of non-application documents and e-mails to the various business rescue processing mailboxes which have increased over the past years

CIPC Update *(continued)*

- 2. Notice 7 of 2021:** Clarification on requirement for letter of no objection from the Department of Public Works on company and close corporation re-instatements
- provides clarification on requirement for letter of no objection from the Department of Public Works on company and close corporation re-instatements (form CoR40.5).
 - It confirms that the Department of Public Works should only be contacted for such “no objection letter” in terms of practice note 8 of 2017 where the company or close corporation has immovable property registered in its name, as reflected on the Multiple Deed Search (for all 10 regional deeds offices)

CIPC Update *(continued)*

- 3. Notice 8 of 2021:** New registration system called K2 (automated processes)
 - This includes Name Reservation, Co-operative and Private company registration in a fully automated environment as a first phase
- 4. Notice 10 of 2021:** Name Reservation E-Service Process
 - CIPC is moving its services to the new e-service system in a phased approach as per the notice published on 09 February 2021.
 - The rollout of name reservations has already been implemented

CIPC Update *(continued)*

- 5. Notice 11 of 2021:** New E-Service: New Company Registration (Short Standard Profit (Cor15.1a) and Non Profit Company without Members (CoR15.1C)
 - CIPC launches the Automated New Company Registration EService platform.
 - The automated service will form part of the current e-services transactional website of CIPC and will allow customers to process company registration directly with same day approval without attaching supporting documents
- 6. Notice 14 of 2021:** Discontinuation of primary co-operatives manual submission
 - Effective from the 1 April 2021, CIPC will no longer be accepting manually completed primary Co-operative registrations submitted through email (Cooperativesonline@cipc.co.za) or post. Primary Co-operative registration applications completed and submitted via these channels will on or after this date be automatically rejected without further communication to the customer

CIPC Update *(continued)*

7. Notice 15 of 2021: Solvency and liquidity test

- CIPC identified non-compliance with Section 4 of the Companies Act. Requesting companies to voluntarily disclose Solvency and Liquidity test performance in AFS
- The notice issued by CIPC in this regard recaps on the entities that should disclose the solvency and liquidity test in their AFS
- CIPC recommends that entities disclose in their annual financial statements that they have performed a solvency and liquidity test as prescribed in terms of the Companies Act, for transactions mentioned in the notice
- CIPC proposes that the Directors' Report should include a statement in the AFS, and have provided an example in this Notice.
- It is an offense to disclose false information in the annual financial statements, CIPC is legally obliged to investigate such matters in terms of the Companies Act

COVID-19 UPDATE



COVID-19 Update

The following items are dealt with here:

Practical guidance / New Announcements:

1. CMS issues Circular 12 of 2021: COVID-19 Financial Reporting
 - *Refer to Source Document*
 - The CMS has issued guidance on the submission of COVID-19 related financial information
 - *CMS = The Council for Medical Schemes*

EMPLOYMENT LAW UPDATE



Employment Law Update

The following items are dealt with here:

1. UIF launches online certificate system

➤ *Refer to Source Document*

- The new and innovative system replaces the old application process of manually completing and submitting a form, sworn statement and SARS tax clearance certificate via email
- Effective from 1 February 2021, clients can visit www.uifcompliance.labour.gov.za or www.labour.gov.za and click on “UIF e-Compliance Certificate” under the “Online Systems” tab to register and apply
- Benefits are outlined in the notice
- Companies and entrepreneurs will also be able to apply for potential business opportunities faster, including government tenders, as the UIF compliance certificate is often one of the requirements for doing business with the government

Employment Law *(continued)*

2. New Legal opinion on trainee severance pay due to COVID-19

➤ *Refer to Source Document*

- SAICA obtained an opinion on severance pay payable to trainees who may be retrenched for reasons resulting from the COVID -19 pandemic, as well as a guideline for use by South African Institute of Chartered Accountants ("SAICA") training offices on severance pay for trainees
- The legal opinion concludes that employers must pay all employees, with longer than 12 months' service, severance pay. The entitlement to severance pay is not dependent on the employee's employment. A fixed term employee, employed for longer than 12 months, would nevertheless be entitled to severance pay
- Annexure A to the legal opinion sets out how severance pay is calculated, by providing guidance as well as an example

OTHER LAWS & REGULATIONS



Other Laws & Regulations

The following items are dealt with here:

1. SAICA Legal Update **Volume 16 Issue 2 & 3** – *up to 22 February 2021*
 - **The Big 5:**
 - 1) The Basic Conditions of Employment Act: Earnings threshold;
 - 2) The Disaster Management Act: COVID-19 Regulations and directions;
 - 3) The Immigration Act: Draft critical skills list;
 - 4) The National Health Act: Draft regulations relating to standards for emergency medical services; and
 - 5) The National Environmental Management Biodiversity Act: Alien and invasive species regulations

Other Laws & Regulations

(continued)

2. Legislative Amendments to Retirement Funds

- *Refer to <https://www.sars.gov.za/Pages/Whats-New.aspx>*
- On 1 March 2021 several amendments to retirement funds were promulgated and became effective.
- The amendments are concerning the following:
 - Annuitisation of the Provident Fund, Free Portability of Retirement Funds, Emigration Withdrawals, Retirement Annuities, Commutation of living annuity for terminating Trusts, ROT [SR1] Enhancement, Request for Previously issued Directives for Individuals ad Tax Practitioners

3. PAIA Manual: extension of submission deadline

- *Refer to Source Document*
- The PAIA manual submission deadline for certain private bodies has been extended until 30 June 2021

Other Laws & Regulations

(continued)

4. New laws affecting provident funds

- *Listen to the interview by clicking on the following link:*
<https://www.702.co.za/articles/406207/retirement-funds-in-sa-are-changing-new-laws-come-into-effect-on-1-march>
- Currently, provident fund members can take their entire retirement benefit in cash upon retirement – they do not have to "buy" a pension.
- Pension fund members must use a minimum of 66% of their retirement benefits to "buy" a pension upon retirement.
 - From 1 March 2021, however, provident fund members will also be compelled to buy a pension with at least 66% of their benefits.
 - Contributions to provident funds made before March 2021 – plus all growth – can still be taken in cash upon retirement.
 - Provident fund members older than 55 remain unaffected by the changes as long as they remain with the same fund

Other Laws & Regulations

(continued)

5. National minimum wage increased – effective from 1 March 2021

- The Minister of Employment and Labour has determined the new minimum wage to be R21,69 for every ordinary hour worked.
- The amount is less for domestic workers for whom the minimum is set at R19,09 an hour

COIDA Update:

1. Extension of 2020 Return of Earnings (ROE) deadline

- The Department of Labour extended deadline for submission of 2020 ROE to 31 May 2021 and the portal will be opened as of 01 April 2021 - 31 May 2021

2. New Employee earnings threshold effective from 1 March 2021

- With effect from 1 March 2021, the BCEA earnings threshold will increase to R211 596.30 per annum (approximately R17 633.00 per month)

TAXATION UPDATE



Taxation Update

➤ *Each item in this section is available to you as a Source Document*

The following items are dealt with here:

Guides (new, updated & issued):

1. Guide released on new SARS eFiling Browser

- purpose of this guide is to assist taxpayers and traders to easily download the new SARS eFiling Browser in order to successfully view, complete and submit SARS forms that have not been migrated to Hyper Text Markup Language (HTML5) on eFiling

2. Published guide: Estate Duty Implications on Key Man Policies

3. Update to Tax Compliance Status guide

- Compliance Request form (TCR01) has been changed from Flex form to web-based form

Taxation Update *(continued)*

Interpretation Notes issued:

- Draft Interpretation Note 59 (Issue 2) – Tax treatment of the receipt or accrual of government grants
- Draft interpretation note – Deductions in respect of improvements to land or buildings not owned by a taxpayer
- Interpretation Note 12 – Recoupment: Assets in a deceased estate
- Interpretation Note 47 (Issue 5) – Wear-and-tear or depreciation allowance

Binding Rulings (Private/Class/General) issued:

- BGR 7 - Updated Schedule of write-off periods acceptable to SARS
 - ❑ SARS have updated and issued BGR (Binding General Ruling) 7 on Wear-and-Tear Allowances, including the Schedule of write-off periods acceptable to SARS

Taxation Update *(continued)*

Notices and other publications issued:

1. SARS MobiApp Enhancements
2. Income tax notices 173 & 174 – effective 1 March 2021
 - Fixing of rate per kilometre in respect of motor vehicles – section 8(1)(b)(ii) and (iii)
 - Determination of the daily amount in respect of meals and incidental costs for purposes of section 8(1)
3. Employers annual reconciliation declarations
4. 2021 Budget
 - Refer to summaries on the [Treasury website](#) and on the [Budget webpage](#)

Taxation Update *(continued)*

- **SARS Scams**

- [SMS with Letter of Demand link](#)

Court cases published during the period:

- 1 Tax Court case

- [SARSTC VAT 1940 \(VAT\) \[2020\] \(Cape Town\) \(26 November 2020\)](#)

- 2 High Court cases

- [Medtronic International Trading SARL v CSARS \(33400/2019\) \[2020\] ZAGPPHC \(15 February 2021\)](#)
- [PriceWaterhouseCoopers Inc and Another v Minister of Finance and Another \(25705/2019\) \[2021\] ZAGPPHC \(2 February 2021\)](#)

- 0 Constitutional Court case

- 0 SCA case

REGULATOR NEWS



Regulator News

The following items are dealt with here:

IRBA press releases & other publications:

1. Annual IRBA firm assurance work declaration due by 31 March 2021
2. IRBA 2020 Public Inspections Report
 - This was already covered by Caryn in the February MCLU
 - *Webinar already presented by Lettie: 16 March 2021*

SAICA press releases & other publications:

1. SAICA Updates Code of Professional Conduct

Regulator News *(continued)*

- **Companies Tribunal:**

- 5 Decisions reached on cases heard
- 3 AGM, 2 Name Disputes, 0 Exemption from SEC
- <http://www.companiestribunal.org.za/decisions-orders/>

- **CGSO:**

- Latest Stakeholder Newsletter
- *Refer to Source Document*

- **Information Regulator of SA:**

- Information Regulator issues Guidelines for the development of Codes of Conduct effective 1 March 2021
- *Webinar Series on POPIA presented by Lettie: 8 April, 6 May, 3 and 24 June 2021*

Regulator News *(continued)*

IFAC:

- New International Standard Support Resources re ISRS 4400 (Agreed-Upon Procedures)
 - *Refer to Source Documents:*
 - Agreed-Upon Procedures (AUP) Engagements: A Growth and Value Opportunity (the AUP Publication)
 - Choosing the Right Service: Comparing Audit, Review, Compilation, and Agreed-Upon Procedures Services (the Brochure)
- IFAC publishes an overview of the parts and sections in the IESBA Code
 - *Refer to Source Document*
- Exploring the IESBA Code - The Building Blocks Installment
 - *Refer to Source Document*
 - *Last webinar in this series will be presented by Lettie on 7 April 2021*

Regulator News *(continued)*

FSCA publications & press releases:

1. FSCA imposes penalty on SAFAS Holdings and Mr Ryno Delpont
 2. FSCA current position on Contingent Business Interruption Insurance
 3. FSCA's Press Release re Crypto health warning
- ❑ *12 Warnings issued to the public against fraudulent FSPs*

➤ <https://www.fsca.co.za/Pages/Media-Releases.aspx>

Regulator News *(continued)*

- **LPFF:**

- LPFF issues communication on Legal Practitioners' trust accounts:
 - ❑ banks that have banking arrangements with LPFF;
 - ❑ trust interest paid to incorrect bank accounts;
 - ❑ payments of unknown or unclaimed trust monies; and
 - ❑ interest accrued in terms of section 86 trust accounts

➤ ***Refer to these 4 Source Documents for detail***

GENERAL ANNOUNCEMENTS & NEWSY ARTICLES



Media articles

COVID-19 and deductions resulting from your motor car in the 2021 tax year

- This article deals with the potential impact of the lockdown on company car fringe benefit tax and travel allowance deductions.
- Currently 80% of travel allowances are subject to the deduction of PAYE. When submitting tax returns for a tax year, employees may make deductions against the allowances based on log books proving business travel.
- For the 2021 tax year the annual “tax bonuses” are likely to disappear and potentially transform into tax debts to SARS. The reason for this is the likelihood of low actual business travel during the lockdown period.
- Whether or not your company car is parked in your garage and never used, fringe benefit tax remains payable on the employer provided motor car on the basis that you had the right to use the vehicle.
- If the vehicle was parked unused in the garage for the entire tax year, there is no relief as there would be no business travel to take into account.
- <https://tuffiassandberg.co.za/2021-year-of-assessment/>

QUESTIONS



Formal Q&A Session

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

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for your participation!