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Through our VAT & Tax Optimisation Services, MaxProf donates 1% of its annual revenue towards uplifting the communities in which we operate.



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# Director's Foreword

As we approach MaxProf's financial year-end, it is imperative that we remember that it is also our client's financial year-end. Receiving much-needed support from suppliers, service providers and our clients is a welcome resource in achieving your objectives.

The past year has had unpredictable interest rates, increasing petrol costs, traveling costs, costs of living and other societal issues. Dealing with these challenges on a daily basis can often leave us feeling isolated and underappreciated. However, I want to show my gratitude to our clients and stakeholders who have stuck with us during this difficult time. We hope that you can see that we too, have stuck by you in troubling times, such as with AG & SARS queries, compliance matters, and contributing to your AFS reports where our expertise have been required. We remain committed to distributing bursaries within your municipalities and reinvesting into our communities.

The state of the country, potholes, electricity, the #FeesMustFall movement, youth unemployment, to name a few, have demonstrated a dire need for citizens to pull up their sleeves and become part of the solution. Keeping this in mind, the upcoming municipal elections are vital to this cause. It is now more important than ever to recognise the importance of registering to vote, especially among the youth who have the power to change our future. There is a song by Whitney



Houston that says, "I believe the children are our future" and, although many of us felt an immense amount of pressure bestowed upon us through this song, this statement is truly a reflection of the power in our hands.

Much like the youth in the 1976 uprisings against Bantu education, we cannot leave change to chance. We have to put ourselves in the line of fire even if it is at the risk of our own comfort. Remember that we all have what it takes to make a difference.



**Ms. Andiswa Matutu, CA(SA), MBA**  
MaxProf Director

# WHY CHOOSE US:

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- MaxProf is South Africa's leading VAT recovery, compliance and advisory specialist.
- We have successfully recovered funds for 100% of our clients.
- We help you navigate the complexities of VAT legislation in South Africa.
- All our clients are now VAT compliant.
- We have mediated with SARS on our clients' behalf and successfully reduced their outstanding tax debt.
- Included in our service offering are various tax optimisation services.
- In delivering our specialised services, MaxProf is supported by a team of knowledgeable professionals with combined expertise in excess of 100 years.
- We have improved clients' cash flow by expediting receipt of their historic SARS refunds.
- MaxProf is an ISO 9001:2015 accredited VAT service provider.



# A CEREMONY, THE FIRST OF ITS KIND - MADIBENG LOCAL MUNICIPALITY



Only one hour's drive from Pretoria, the town of Brits is situated along the busy N4. With metropolitan cities such as Pretoria and Johannesburg neighbouring this small town, jobseekers can seek employment without the trouble of relocating due to long commute times. The town is saturated with multiple industries such as agriculture, manufacturing, and mining as a predominant industry in the region; with a third of the world's chrome originating from the Madibeng Local Municipality's jurisdiction area. In this developing town it is important that the youth receive a tertiary education to attain employment and or start a small business that will build the community's economy.

MaxProf's objective of educating the youth through EST Sourcing was welcomed by the Executive Mayor of Madibeng Local Municipality, Cllr Douglas Maimane, at the Bursary Award Ceremony on 8 February 2023. Three students residing within the municipal jurisdiction area were awarded bursaries which included tuition fees, accommodation, laptops and data packages to the value of R109,000, which will give them the freedom to start their tertiary education with peace of mind.

Bongiwe Ndimande has enrolled to study BSc Information Technology at Richfield College. At the award ceremony she expressed her appreciation for this opportunity as it

will allow her to achieve her long-term goals in becoming a Software Engineer. She promised to plough back into her community after she graduates and dreams of giving her peers the same opportunity that has been granted to her.

In addition, Kedibone Modipi mentioned that MaxProf's generosity has improved her chances in fulfilling her childhood dream of becoming a teacher and meaningfully giving back to her community through education. She believes that this bursary programme empowers young people who may be set back due to circumstances that are beyond their control and expressed how grateful she was for the financial aid she has received to complete her Bachelor's in Education at North West University.

Kgomotso Selwadi indicated her gratitude and expressed hope that MaxProf will continue to offer her peers opportunities such as this, as she pursues a Bachelor of Arts at UNISA.

Maimane, in his keynote address, mentioned that the current corporate culture is of materialism and disinterest, not caring for those less-fortunate in the community. He therefore commended MaxProf for differentiating themselves from the status quo and instead intervening in a meaningful manner by providing an issue that many



Madibeng Local Municipality Executive Mayor Cllr Douglas Maimane awarding the bursary with tablets, bursary award letters and gifts.

university students face - tuition fees. The Executive Mayor expressed his sincere gratitude, as he articulated that this ceremony was the first of its kind in the 15 years of him being in office. He proceeded to ask each of the members of the Mayoral Committee if they had previously attended such a ceremony. He anticipates that the contribution MaxProf has made will go a long way and hopes that this initiative will run even beyond his time as the Executive Mayor.

Ms Regina Mokgethi Molapo, a representative from the Department of Education, also expressed her elation at the woman in power who represented the company's at the ceremony and who has empowered the three young girls to reach such heights.



MaxProf's Director, Ms. Andiswa Matutu, addressing the students.



Two bursary recipients acknowledging the Municipality and MaxProf for the bursary opportunity as well as the Executive Mayor addressing the students.

# MAXPROF SHARES THE LOVE ON VALENTINE'S DAY 2023



Previously known as Moshaweng Local Municipality, and meaning "Place of Sand", the Municipality was renamed to Joe Morolong Local Municipality in honour of the late Mr Joe Morolong and his work in liberating many South Africans. Mr Morolong was a well-known equality activist born at Ditshipeng Village in the Northern Cape. He fought for equal rights for all South Africans and played an integral part in South Africa's democracy and the drafting of the freedom charter. The bursary programme that MaxProf has implemented at the Municipality speaks to the morals and pursuits of Mr Morolong; this programme will afford disadvantaged students the opportunity to further their studies and work towards financial freedom.

Two candidates from Joe Morolong Local Municipality had a Valentine's Day to remember. MaxProf was able to spread the love by awarding two deserving learners, Basetsana Mories and Karabelo Monnapula, with bursaries worth R33,000 each, which was accepted by their parents on their behalf.

The recipients' parents expressed their gratitude to MaxProf and thanked God for this opportunity that has been bestowed upon their children. The chance for their children to further their education and acquire workplace skills will ensure a bright future for them.

The Executive Mayor, Cllr Dineo Leutlwetse, reiterated the importance of education and the opportunities that MaxProf is providing to the youth of Joe Morolong Local Municipality. Cllr Leutlwetse motivated the learners to



The municipal officials of Joe Morolong Local Municipality.

remain focused on their studies and to not let distractions derail them from their dreams and goals. Cllr Leutlwetse brought to light that after learners complete their matric, they are not confident to apply at universities. She therefore acknowledged the councillors' effort in assisting the learners in applying for bursaries and enrolment at tertiary institutions, such that they can have a future to look forward to. It is important that councillors and the respective parties involved with the students support them throughout their tertiary studies to ensure that the learners make the most of the opportunity that has been granted to them.



***This programme will afford disadvantaged students the opportunity to further their studies and work towards financial freedom.***

# MAXPROF INVESTS IN THE WESTERN TVET COLLEGE

“MaxProf is a godsend by holding the municipality’s hand in terms of community development”  
- Cllr Nozuko Best.

Merafong City Local Municipality treated their top achieving 2022 matriculants to a celebratory gala dinner held at the Carletonville Civic Center. The office of the mayor invited teachers and management from various schools, as well as parents that have contributed to the success of the Matriculants up to the last year of their high school journey. MaxProf and EST Sourcing were invited to identify candidates that could possibly be beneficiaries of our bursary programme.

After much deliberation between the Executive Mayor’s office and EST Sourcing, it was opted to invest in a local college, Western TVET College, impacting a higher number of students, thereby making the most of the investment MaxProf had pledged. A total of 10 candidates studying various national diplomas and national vocational certificates were awarded bursaries at a ceremony held at the Municipal offices on the 9th of March 2023. In their testimonials, the parents and students expressed their gratitude and promised to work hard so that they can continue to see the youth of Merafong City benefit from corporate social investments by companies such as MaxProf.

Western TVET College Principal, Mr T. Ngcobo, addressed the challenges that exist within Merafong City Local Municipality whereby the mining town produces few qualified engineers due to youth rather opting for management assistant courses. EST Sourcing vowed to enforce solutions to this challenge in collaboration with the Municipality.

During her keynote address, Executive Mayor, Cllr Nozuko Best, recognised MaxProf and EST Sourcing’s contribution to the mayoral bursary project that her office was in the process of initiating. She urged the bursary recipients to represent the municipality well by excelling academically to encourage MaxProf to continue to offer bursaries within this municipality. She encouraged the learners to be inspired and, in the future, start small businesses that will create employment in the community, therefore stimulating Merafong City’s economy. Cllr Best reiterated that “MaxProf is a godsend by holding the municipality’s hand in terms of community development and by working with the office of the Mayor to enforce solutions in line with current challenges.”





# URBANISATION OF DR RUTH SEGOMOTSI MOMPATI DISTRICT MUNICIPALITY THROUGH EDUCATIONAL INITIATIVES



Municipal officials of Dr Ruth Segomotsi Mompoti District Municipality as well as the Bursary recipients and MaxProf representatives.

Dr Ruth Segomotsi Mompoti District Municipality is the largest district in the province of Northwest, and subsequently is an underdeveloped and rural geographical area with the agricultural industry as the second source of economic activity. This suggests that most of the population in the district is living in poverty and have a high dependence on government welfare and grants as a form of household income. With such a reality it is important that for the future of the district, the youth are given opportunities to educate themselves and increase the chances of being employed and less dependent on social welfare.

At the Bursary Award Ceremony, held on the 16th of March 2023, the Executive Mayor, Cllr Motseokae Maje, elaborated on the nature of the district, highlighting that there is a high number of unemployed youth and that there are inherent social challenges that the residents of the municipality are faced with. To fight these challenges and have the district in a position where it is sustainable, educating the youth becomes imperative. The office of the Mayor has therefore implemented programmes that focus on providing financial support to top achieving disadvantaged learners to enrol at higher education institutions, with the aim that learners will not have to be dependent on future generations to sustain them as per the current situation. Cllr Maje believes that investing in the youth will allow for the urbanisation of the district.

The Executive Mayor was elated when MaxProf proposed implementing a bursary programme as a social partner, as this will offer relief to the limited budget that the district had allocated to the Mayoral Bursaries. Cllr Maje encouraged unity and said, "It is a lesson that if we are to put our efforts together, if we are to work together, we can create a much better society in the future; a society that will be sustainable. And the only way to build such a society is through education. We so wish that we will

have social partners such as MaxProf who realises the need to invest in human capital." He thanked MaxProf for implementing its bursary programme and uplifting the community in which MaxProf operates. He further stated that through this partnership with MaxProf, learners from Dr Ruth S. Mompoti District Municipality will one day become leaders and move the Municipality forward. It was reiterated that it does not suggest by any means that MaxProf is well-off; they actually minimised their profits to invest in education and the students have the added responsibility to make a meaningful contribution as MaxProf has.

*It is a lesson that if we are to put our efforts together, if we are to work together, we can create a much better society in the future.*

Six learners from Vuselela College, Taung Campus and one learner from the University of Pretoria studying a Bachelor's Degree in Medicine, had the honour of receiving bursaries worth a total of R100 000 to assist them with their tuition fees, as well as accommodation close to the campus. The Head of Admin at the Taung Campus, Ms Mpho Kgadubane, was in support of the recipients, and pleaded with the bursary recipients to make the most of this opportunity as it is not easy to come by, especially for those living in rural areas. All the recipients gave heartfelt speeches filled with gratitude to MaxProf and the Municipality for ensuring that they will be able to focus on their studies for the 2023 academic year without the burden of tuition fees.



# MAXPROF'S PLEDGE TO LOCALISATION AND ENTERPRISE DEVELOPMENT

MaxProf was honoured to be hosted at the Proudly South African Inaugural Buy Local Summit Localisation Dinner on 28 March 2023, which took place at the Sandton Convention Centre in Johannesburg, Gauteng. We presented a video showcasing how MaxProf has contributed to job creation and the upliftment of the economy through our localisation efforts. To learn more about our commitment to ESD and localisation, watch the video on our Youtube page. <https://www.youtube.com/@maxprofsa>.

At the event, MaxProf CEO, Mr Pratish Ramdas, accepted a certificate from South Africa's Deputy President, Mr Paul Mashatile, and Minister of Trade, Industry and Competition, Mr Ebrahim Patel. The certificate symbolises MaxProf's pledge to "growing the economy and creating jobs through localisation".



MaxProf CEO, Mr. Pratish Ramdas accepts a certificate from South Africa's Deputy President, Mr. Paul Mashatile, and Minister of Trade, Industry and Competition, Mr. Ebrahim Patel.



## Here is our commitment to patriotism:

MaxProf is committed to the highest patriotism through its business endeavours. As a service-based company operating in the financial services space, we aim to fully understand the socio-economic conditions of the environment that we operate in. Our aim, in its most basic form, is to assist municipalities, SOE's and corporates to increase their operating capital to enable them to fulfil their mandates and for the business to operate at the maximum capacity. Since MaxProf's inception in 2001, we recovered more than R14 billion for our clients through our specialised VAT and Tax optimisation services.

We also give back to the communities that we operate in by investing 1% of our revenue to corporate social initiatives. To date, MaxProf has donated R5,204,148.00 towards food packages, school uniforms, building refurbishments, and more recently, bursaries and learnerships. Skills shortage is one of the drivers of unemployment and poverty in our communities. By ensuring that the youth are equipped with the tools to

be contributing members of society, we are hoping to reduce the severity of these challenges in society.

In 2021, we partnered with our sister company, EST Sourcing, who assists MaxProf in establishing our Corporate Social Investment footprint. We also tasked their organisation with the responsibility of partnering with our clients to source students, distribute bursaries, and partner with local learning facilities to register students at tertiary institutions.

Through this, MaxProf supports local establishments by hosting and procuring relevant bursary launch materials in their communities. In one of our recent partnerships with a municipality on the outskirts of the Free State, the Mayor exclaimed that by offering bursaries to 17 students in the area, we had helped to keep a TVET college open when they had otherwise considered closing down because of a lack of income.

We also assist local businesses in the hospitality industry by housing

our auditors in their establishments during their site visits in the different municipalities in all nine provinces. That is, for the past 10 years, MaxProf has contributed over R8,500,000.00 to approximately 250 municipalities in South Africa.

MaxProf is committed to localisation, and community and enterprise development in the different touchpoints throughout our business. For MaxProf, it is not enough to only talk about change, but rather to be about change. In the past year, as a relatively small business employing 60 professionals, we have committed ourselves to becoming a B-BBEE Level 1 service provider. We deliberately made changes to our procurement policies, management structures, ownership and earning structures to accurately represent the South African demographic and the changing economic landscape. This intentional change earned us an ISO 9001: 2015 accreditation which we intend on maintaining for at least another 22 years.

# VAT ON INDEMNITY PAYMENTS

It is imperative for VAT vendors to distinguish between a trade payment and an indemnity payment as the VAT treatment for the two suppliers differ. A trade payment is a payment under a contract of insurance by an insurer to a third-party supplier to replace or refund the insured goods that may have been lost, damaged or destroyed. An indemnity payment is where an insured person is paid out a monetary claim under a contract of insurance because of a loss suffered in the vendor's business.

## The VAT Act

According to section 8(8) of the VAT Act, a payment is considered to be consideration for a supply made by the vendor in the course or furtherance of the vendor's VAT enterprise to the extent that it relates to a loss incurred in the course of carrying on a VAT enterprise, when a vendor receives any indemnity payment under an insurance contract, or is indemnified under an insurance contract by the payment of any amount of money to another person.

The time of supply will be triggered when the amount is received by the insured or the third party. The value of the supply will be the actual amount received.

According to section 1(1) of the VAT Act, insurance is defined as a guarantee against loss, damage, harm, or risk of any sort, whether made in accordance with a contractual obligation or not. Reinsurance is included in the definition. It further states that a contract of insurance includes a policy of insurance, insurance cover and a renewal of a contract of insurance.

According to the first proviso of section 8(8) of the VAT Act, section 8(8) does not apply to any indemnity payments that were received when the provision of the insurance services was exempt from VAT under section 7(1)(a) of the VAT Act.

According to the second proviso of section 8(8) of the VAT Act, no output tax is due on an indemnity payment made to a vendor under an insurance contract if the payment is for the full replacement cost of goods that were stolen or damaged beyond repair, and an Input VAT deduction was denied when the goods were purchased under section 17(2) of the VAT Act.

## SARS Guidance

The VAT 421 Guide for Short-Term Insurance addresses the legal provisions relating to both the insurer and the insured regarding trade payments and indemnity payments.

An insurer will make a trade payment to a provider of goods or services to repair or replace insured products that have been misplaced, damaged, or destroyed. These payments will be incurred by the insurer in the course and promotion of its enterprise. When claiming Input VAT under section 16(3)(a) or (b), the insurer must have a valid tax invoice and is entitled to the VAT, provided that it does not relate to a zero-rate or exempt supply.

When it comes to payment of indemnity payments in terms of a contract of insurance, the insurer is also entitled to an Input VAT deduction if the insurance provided was a taxable supply. The insurer is not entitled to any deduction if the person indemnified was not a South African resident at the time, or if the supply of the goods was outside South Africa. Where the payment relates to interest and ex gratia payments, there are also no deductions allowed for the insurer.

To the extent that the loss suffered relates to the insured enterprise, section 8(8) of the VAT Act states that when an insured vendor receives an indemnity payment in cash under a taxable insurance contract, the payment is deemed to be consideration received for the supply of services by the insured vendor. The insured is required to account for Output VAT by applying the tax portion of 15/115 to the amount received, as consideration is deemed to include VAT.

In cases where the indemnity payments relate to insurance services which are exempt, out of scope or are linked to non-enterprise activities, then there are no Output VAT implications for the insured. The same will apply where the indemnity payment relates to reinstated goods where the Input VAT was denied when the goods were initially purchased, e.g., motor vehicles and goods that relate to entertainment.



## Examples of Indemnity Payments Received

### Example 1

**A vendor receives an insurance claim of R500,000 relating to money stolen by a previous employee. What are the VAT implications?**

Insurance losses due to employee fraud are closely related to a company's operations. Output VAT is payable on  $R500,000 \times 15/115 = R65,217.39$ .

### Example 2

**A vendor receives an insurance payment from its insurance company in the United Kingdom for R500,000 for trading stock stolen in South Africa. What are the VAT implications?**

There are no VAT implications as the contract of insurance was not subject to RSA VAT.

### Example 3

**A vendor receives a notification from its insurance company that it has made an indemnity payment to the insurance company of a third party for damages caused by the vendor. The third party was paid R100,000 and the vendor was paid the VAT of R15,000. What are the VAT implications?**

The vendor is liable for the full Output VAT of R15,000.

### Example 4

**A financial institution, which makes 85% taxable supplies, receives a business continuity claim due to COVID-19 of R200,000. What are the VAT implications?**

Output VAT is only payable to the extent that the vendor makes taxable supplies, so only 85% of the R200,000 will be subject to Output VAT. Output VAT of  $R200,000 \times 85\% \times 15/115 = R22,173.91$  is payable.

### Example 5

**A vendor receives an indemnity claim of R100,000 for a single cab bakkie and R200,000 for a Honda Ballade which were stolen from his paper factory. What are the VAT implications?**

As Input VAT on the Honda Ballade was denied on acquisition because it is a passenger car, no Output VAT will be payable on it. Output VAT of  $R100,000 \times 15/115 = R13,043.47$  will be payable on the bakkie.

### Example 6

**A vendor receives a R100,000 payment for a third-party indemnity claim. The vendor is not the insured and the payment relates to stock damages incurred on the other company's premises. What are the VAT implications?**

Because the vendor is not the insured, the receipt does not fall within the ambit of section 8(8) of the VAT Act and the vendor is therefore not liable for any Output VAT.

### Example 7

**A vendor exports rice to Malawi. During the transport of the goods to Malawi, the consignment of rice is damaged, and the vendor receives an indemnity payment of R100,000 from his local insurance company. What are the VAT implications?**

There is no provision in the VAT Act that zero-rates a section 8(8) deemed supply of a service, therefore the vendor will be liable for Output VAT of  $R100,000 \times 15/115 = R13,043.47$ .



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André van Wyk, MaxProf Audit Manager

# EASTER CELEBRATIONS PHOENIX CHILD WELFARE

On the 5th of April 2023, MaxProf visited one of its long-standing charity partners, Phoenix Child Welfare, for an early Easter celebration. We also distributed brand-new backpacks to the deserving children.

The Vice Chairman, Dr. Koobal exclaimed that "MaxProf makes the biggest contribution from the corporate sector towards Phoenix Child Welfare". The Chairman closed by saying, "Thanks a million to MaxProf for sharing the day with our children. Thanks for the bags and magnanimous contribution of R2000 per month (for the past two years)". MaxProf is proud to make a difference in the lives of our future leaders.



# GIRLS & BOYS TOWN BACKPACK DRIVE



On the 11th of April 2023, MaxProf visited the Girls and Boys Town in Magaliesburg and Randfontein to deliver a total of 120 backpacks and stationery sets. The children and management of the centres expressed their gratitude for MaxProf's generosity. An additional 80 backpacks and stationery sets will be delivered to the head office in Auckland Park, Johannesburg, which will bring the total to 200 backpacks and stationery sets that has been donated. MaxProf also donated an additional 150 smaller backpacks to the Girls and Boys Town which the children can use to store toiletries and other personal items.

It was heart-breaking to learn that the centre management must loan backpacks to students to ensure that the items last longer and are used sparingly. To offer the children an opportunity to have bags of their own is a small gesture that we hope will go a long way.

*A message of hope was relayed to the boys, encouraging them to take control of their lives and become meaningful members of society. The girls were trickling in from their holidays but were excited to receive the donation. MaxProf trusts that the items will provide the children with the tools to write their own fate.*



MaxProf at Girls & Boys Town Heaf Office in Aucklandpark.



Learners from Girls & Boys Town pictured with their backpacks in Randfontein.



Learners from Girls & Boys Town pictured with their backpacks in Magalies, Gauteng.

# UMGUNGUNDLOVU DISTRICT MUNICIPALITY LEADING THE CHARGE BY OPENING DOORS TO HIGHER EDUCATION



uMgungundlovu municipal officials, the bursary recipients as well as MaxProf and EST representatives.

uMgungundlovu District Municipality acquired its name from the historic settlement of King Dingane kaSenzangakhona, who established his royal kraal at uMgungundlovu in the early 19th century. The kraal was located near the present-day town of Eshowe, which is now outside the jurisdiction of uMgungundlovu District Municipality. EST Sourcing and MaxProf travelled to Pietermaritzburg, the capital city of KwaZulu-Natal which is considered as the second largest city in the province. Maritzburg, as colloquially termed, the main economic hub of the district is known to produce aluminium timber and dairy products and is also home to great international events such as the Comrades Marathon, the Duzi Marathon and the Midmar Mile.

The Municipality's economy is diverse, with agriculture, manufacturing, and tourism being some of the major sectors. The uMgungundlovu District Municipality is also home to a number of educational institutions, including the University of KwaZulu-Natal where all three of MaxProf's bursary beneficiaries are currently enrolled. The Municipality assisted EST Sourcing by providing deserving students from disadvantaged backgrounds with opportunities to receive bursaries and scholarships. The Municipality recognises that education is an essential tool for unlocking the potential of young people and seeks to make it accessible to all.

Andiswa Gcabasha, Lindokuhle Mkhize and Nosipho Hlongwane were awarded bursaries at a ceremony held at the Municipal offices on the 18th of April 2023. The beneficiaries are studying towards their Bachelor of Social Science, BSc Marine Biology and BSc in Electrical Engineering degrees, respectively. Although Mr Mkhize and Ms Hlongwane could not attend the award ceremony due to academic commitments, the presence of their parents were appreciated and exhibited the support that these candidates have which will aid them in reaching their goals.





A bursary recipient expressing her appreciation for the opportunity.

In attendance at this prestigious ceremony were various stakeholders who have partnered with the Municipality to implement youth development programs. These stakeholders were the Kwazulu-Natal Department of Education, Non-governmental Organisations like the KZN Christian Council, South African Youth Council and private companies such as MaxProf and EST Sourcing. The programs are designed to promote social cohesion, civic engagement and economic empowerment among young people.

Mr Siyanda Biyela, from the South African Youth Council, elaborated on the plight of unemployment that graduates from the Municipality are currently experiencing. Mr Biyela plead with the Executive Mayor to prioritise job creation for graduates so that they can contribute to the economic growth of the Municipality.



Executive Mayor Cllr Zuma and Bishop Myaka.

Bishop Nkosinathi Myaka from the KZN Christian Council expressed the safety concern teachers are faced with across the district as the number of attacks on teachers have increased. This could subsequently impact the quality of education in schools. It is important that the conspirators are dealt with, without hindering the opportunity for others to receive an education. The Bishop further highlighted that the district has many talented youth and exemplified a student making it to the provincial sports teams from within the uMgungundlovu District Municipality however, these learners are not able to participate in tournaments due to lack of funding.

The Executive Mayor, Cllr Mzi Zuma, reiterated that “education is a societal matter”. The mission is to stretch available resources, whereby tertiary education is made accessible to the youth of uMgungundlovu District Municipality. The Executive Mayor recognized MaxProf’s enthusiasm to support the Municipality in terms of community development by instituting a bursary program. It is evident that MaxProf is setting a benchmark as he encouraged everyone doing business with the Municipality to support education and youth development programmes. “Education is important; it will change their lives, that of their families as well as that of their community”, said Cllr Zuma, who further promoted unity by encouraging parents, students and communities to work together to make the district work effectively. The increase in pass rates at schools of disadvantaged areas, illustrates the potential of the youth of uMgungundlovu District Municipality.

*Education is important; it will change their lives, that of their families as well as that of their community.*

**Cllr Zuma**

EST Sourcing’s Director, Ms Renusha Ramdas, humbly requested students to take care of their university as she was once in their shoes; also as a bursary recipient at the UKZN. She felt obliged to pay it forward encouraging students to do the same when possible, promoting social cohesion.



# COMBAT LOAD-SHEDDING THROUGH SARS TAX INCENTIVES



In the advent of unprecedented stages of load-shedding, most businesses and households have resorted to alternative sources of power for their day-to-day requirements. Given the astronomical initial capital investment in either Renewable or Non-Renewable sources of energy, it would be prudent to afford tax experts like MaxProf the opportunity to assist you in maximising on all the tax incentives meant to cushion business from this crisis.

## Accelerated Depreciation Allowance

As from 1 March 2023, Section 12B of the Income Tax Act allows individuals and companies to claim a 125% depreciation allowance on the cost and installation of any renewable energy. This means the taxpayer will save up to 27% of their initial cost of their power source through a reduction of their taxable income. Should the company have made a loss, the tax benefit can be carried over to the next financial year as a deferred tax asset.

A company procures a solar system for R230,000 (VAT inclusive); as from 1 March, they are entitled to the following:

- 15% input VAT = R30,000 (provided they are registered for VAT)
- Tax deduction of 125% = R250,000
- Income tax saving of R67,500

## Solar Panel Incentive for Individuals

This incentive allows individuals to claim a rebate to the value of 25% of new and unused solar photovoltaic panels, up to a maximum of R15,000.

If a taxpayer purchases 15 solar panels at R3,000 each (total cost R45,000), they would be able to claim 25% of the cost, which is R11,250. If the taxpayer had purchased 25 panels (total cost R75,000) their claim would be limited to R15,000.

## Diesel Rebates

In his budget speech of 2023, the Minister of Finance announced an extension of the diesel refund scheme to the food-processing sector as a form of relief from load-shedding. The extension will apply from 1 April 2023 to 31 March 2025 and will be granted to taxpayers who meet the following requirements:

- The food-processor must be a registered VAT vendor.
- The food-processor must be registered for diesel refunds.
- The fuel purchase must be an "eligible purchase".

It was an expectation that a similar rebate to the existing "diesel rebate" would be extended to the manufacturers of foodstuffs but the draft amendments ONLY allow for 80% refund of the RAF levy.

## Conclusion

It is important to note that these incentives are subject to change, and it is always a good idea to consult with a tax professional or financial advisor for advice when claiming tax deductions or other incentives.



**Author:** Cedric Mataka, MaxProf Regional Manager in Eastern Cape

# MAXPROF ASSURING BRIGHTER FUTURES FOR YOUTH OF UMFOLOZI LOCAL MUNICIPALITY



MaxProf's CEO Pratish Ramdas, KZN Branch Manager Sanjivan Bisnath, Executive Mayor Cllr Bhengu and the bursary recipients.

The town of KwaMbonambi within the uMfolozi Local Municipality region is situated alongside one of the country's major highways, which runs from Cape Town to the Mozambican border, and carries both tourist and business traffic. The municipality is a vibrant and diverse community, with a rich cultural heritage and a range of natural attractions including a World Heritage Site, the St Lucia Estuary in its vicinity. The economy of uMfolozi Local Municipality consists of various sectors contributing to its growth, namely: manufacturing, trade, agriculture, forestry and fishing. With these thriving sectors, the municipality must invest in skills that will be most beneficial to their growth and development. MaxProf's mission to continue their commitment to social responsibility drives the company to be the change they would like to see by providing bursaries to underprivileged youth.

Four students were sourced from the municipality for the opportunity to receive a MaxProf bursary and to alleviate them from the burden of tuition fees. The students include Nothile Mncube, who is studying an Advanced Diploma in Mechanical Engineering at UNISA, Nontobeko Mthethwa, who is studying Electrical Engineering at Inhlokomo Trading Institution, Sanele Khumalo, who is studying a Bachelor's in Education at UNISA and Winisani Sithole, who is studying a Bachelor in Optometry at the UKZN. MaxProf invested a total of R65,000 in bursaries which were awarded on the 11th of May 2023 by MaxProf's CEO, Mr Pratish Ramdas, and uMfolozi Local Municipality Executive Mayor, Cllr Xolani Bhengu, in the council chamber at the municipal offices.

Mr Ramdas thanked EST Sourcing for making MaxProf's brainchild i.e., the bursary programme, a success. Mr Ramdas further elaborated on MaxProf's corporate social responsibility strategy, focusing on educational initiatives through strategic partnerships that will result in sustainable development of the communities which MaxProf operates in. He encouraged the four deserving beneficiaries to embrace this opportunity with open arms and make the sacrifice now to reap the rewards later.

In his keynote address, Executive Mayor Cllr X.M Bhengu, expressed honour to host the bursary award ceremony which celebrated and recognised the beneficiaries' hard work and dedication to achieve academically. The bursaries that MaxProf provided will not only benefit the beneficiaries, but will further contribute to the growth of the municipality. The municipality aims to produce educated individuals that will essentially put the jurisdiction at the forefront.

The Executive Mayor gladly expressed his gratitude for the meaningful partnerships between MaxProf and the municipality, which aims to form a lasting solution for the development needs of the municipality. Cllr Bhengu quoted the Chinese philosopher Lao Tzu stating, "If you give a man a fish, you feed him for a day. If you teach a man to fish, you feed him for a lifetime." This quote speaks to the initiative that MaxProf has embarked on; by giving youth a platform to attain an education and making a meaningful impact in the community in the future.

*"Hold your studies to heart and don't allow distractions to get in the way of your intended achievements."*

Cllr Bhengu encouraged the beneficiaries to fall in love with their books as they will reap the rewards, uttering the words: "hold your studies to heart and don't allow distractions to get in the way of your intended achievements". He encouraged them to not let the status quo limit their level of success, but instead they should believe that their capabilities are beyond their imagination and current circumstances. The Executive Mayor further wished the students luck and expressed his excitement for their foreseeable graduation.



# PHOENIX CHILD AND FAMILY WELFARE – CHILDREN’S HOME OPENING



MaxProf does a lot to invest in less fortunate communities. Through its partnership with EST Sourcing, many bursaries have been awarded to students from various municipalities throughout the country. MaxProf also donates to several charitable organisations during the year. One of those is Phoenix Child and Family Welfare in KwaZulu-Natal.

Prior to sharing how MaxProf has contributed, it is important to understand the purpose and history of the organisation,

## THE BIRTH OF PHOENIX CHILD WELFARE

In 1976, the initial group of inhabitants settled in the Phoenix area. The period during 1976 and 1980 saw the fledgling community beset with numerous socio-economic problems, underlined by undeveloped infrastructure, and limited facilities. Community volunteers and activists identified the need to establish a Welfare organisation to serve the indigent families. The founding members, who were members of the civic organisations, became members of local committees of the Verulam Child and Family Welfare Society.

Over the years, the area and the population grew rapidly and by December 1980, the workload had increased to such an extent that Verulam Child and Family Welfare Society could not cope. The South African National Council for Child and Family Welfare, together with the Verulam Child and Family Welfare Society and volunteers from the Phoenix community, took the necessary steps to form an autonomous Child and Family Welfare Society in Phoenix.

At a public meeting held in Phoenix under the auspices of Verulam Child and Family Welfare, The Phoenix Child and Family Welfare Society was inaugurated on 8 March 1981.

Since those initial days, The Phoenix Child Welfare has grown to become one of the ten largest welfare organisations in the country. The society is affiliated to Child Welfare South Africa and is a member of Ubuntu Community Chest.

Phoenix Child and Family Welfare has grown into a haven for those in need. The sad reality of our society is that there is a growing need for these types of establishments due to the increased cases of GBV, abused mothers and abandoned and abused children. The Phoenix Child Welfare has taken

the responsibility of assisting anyone from any background throughout KwaZulu-Natal. Their doors have always been open, and their staff volunteers are fully committed and passionate about the future of these kids and the safety of victims of GBV.



Phoenix Child Welfare Director, Aroona Chetty, with businessman and philanthropist, Vivian Reddy, Dave Dipooa, President of Phoenix Child Welfare, Sharm Maharaj and Senior Social Worker, Nadia Munsamy.

They require approximately R8 million per annum to ensure that the organisation runs effectively. They receive 50% of this amount from government and the balance is funded through donations and other fundraising events.

MaxProf is one of the few consistent contributors to the organisation. We donate R2,000 every month and have recently donated 50 school bags for pre-school children.

On the 21st of May 2023, The Phoenix Child Welfare opened a new Children’s Home and MaxProf was invited to be part of the opening ceremony. It was both a humbling and inspirational event that highlighted the help needed in our communities. The organisation thanked and expressed their appreciation towards MaxProf for their contribution and support.

It is important for us at MaxProf to stop and take a moment to acknowledge and realise that masses of our country live in much worse conditions than we do, and MaxProf as a company should be proud of the contributions that are made to these organisations.

Management and staff should all be encouraged and invited to visit the organisations we contribute to. It is an eye opener, encourages and promotes the spirit of giving to those less fortunate and instills a sense of pride for us to be part of a company like MaxProf.

For more information about the Phoenix Child Welfare, visit their website on <https://pcw.org.za/>.

# MAXPROF CELEBRATES SOWETO DAY 26 MAY 2023

On the 26th of May 2023, MaxProf employees based at the head office in Pretoria, headed to Soweto for an insightful and cultural experience. Our journey started at Vilakazi Espresso opposite the Hector Pieterson Memorial Site. It is there that we met our tour guide, Tebogo, who narrated South Africa's apartheid history.

One particular event which shaped Soweto was the 1976 uprisings against Bantu education during Apartheid. Hector Pieteron, who lost his life during the march, was famously pictured in a fellow student's arms, Mr Mbuyiseni Makhubo, alongside his weeping sister, in his last moments. A museum in Soweto has been built in his honour and others who suffered his same fate. We saw the chilling scenes of the massacre, and it made us think of the prevalent issues which exist in education today, such as #FeesMustFall and more recently issues related to reading with comprehension at Grade 4 level.

Soweto is a vital part of South Africa's history against Apartheid. Several of our historical leaders during the struggle for democracy lived in Soweto - leaders such as former President Nelson and Winnie Mandela, Archbishop Desmond Tutu and more.

As such, our tour included a walk through the streets of Orlando where we visited Nelson Mandela's house on Vilakazi Street, surrounded by robust business stalls which sold African regalia and fashion accessories and vibey restaurants such as Sakhumzi which caters traditional African food and has served many international tourists. We passed by the Archbishop's house, and walked down to Mama Winnie Mandela's 22-room mansion in Dube, Soweto, also called the "Beverly Hills" of Soweto. It is here that Mama Winnie took her last breath, forever close to the people she cared deeply for.



Waiter at Soweto Brewing Company preparing our tasting beers.



MaxProf staff in front of Hector Pieteron grave site in Soweto.

*Soweto is a vital part of South Africa's history against apartheid. Several of our historical leaders during the struggle for democracy lived in Soweto, leaders such as Nelson and Winne Mandela, Archbishop Desmond Tutu and more.*



June 16 Memorial wall with school shoes of children who lost theirs while running from apartheid police.



MaxProf staff in front of Nomzamo informal settlement in Orlando, Soweto.



MaxProf employees in front of the Nelson Mandela House.



African dancers outside Chaf-Pozi.



Plaque recognising Arch Bishop Desmond Tutu's house as heritage site.

We then visited the Ubuntu Kraal in Dube Soweto, where we had the opportunity to taste four delicious South African beers, including the coveted Soweto Gold.

After the delicious beers and much-needed rest stop we took taxis to Nomzamo Informal Settlement where the tour guide hoped to draw a contrast about the different classes of people that reside in the large township of Soweto. In comparison to the 'Beverly Hills' locations, Nomzamo was a heartbreakingly impoverished community. The houses made of corrugated iron sheets are erected close to one another, and residents bump electricity off of nearby supplies and obtain water from a community oasis. The toilets are across the street and in the evening it may be unsafe to go alone. We hope to go back to Nomzamo to contribute to the well-being of the community members.

Our final stop was the Soweto towers, where the Orlando Power Station used to be. The decommissioned coal-

fired power station in Soweto, South Africa, served Johannesburg for over 50 years. The towers now serve as an adventure location for bungee jumping, free-falling, and other activities. It is also here that we were met by seTswana traditional dancers, who amazed us all. We dined at Chaf-Pozi for a classic Chesa Nyama lunch of braaied meat with pap, seshebo and salads, like true South Africans and enjoyed lovely beverages before returning to Pretoria.

The levelling of playing fields post-Apartheid is one issue which MaxProf wishes to tackle, especially at an educational level. It is for this reason that we continue to distribute bursaries and our motivation to remain steadfast in our endeavours. We were inspired by the determination and drive by the students of 1976 to pursue a better education for themselves and we say that the fight is not over.



# UNDERSTANDING ZERO-RATING ON INDIRECT EXPORTS

Company A (VAT vendor in SA), a mining supplies company, supplies coal to Company B (VAT vendor in SA). Company B sells and exports the coal to Company X (non-vendor, situated outside SA).

## Scenario:

Can Company A levy VAT at zero rate on supplies to Company B, because Company B will export directly to Company X? Company A must declare output tax when the invoice is issued to Company B, but only receives payment from Company B once the goods are delivered and accepted by Company X, which can take between 120 to 150 days. This causes cashflow constraints for Company A. Company A further maintains that they qualify for zero rating as per the Indirect Export regulations and the "Flash Title" transaction.

Any person (local or foreign) who wishes to export goods from South Africa must register as an exporter. Any foreign exporter who applies as an exporter must nominate a registered agent located in South Africa prior to the foreign exporter being registered. The registered agent will assume full liability for the acts of the foreign principal in relation to any customs business activities.

## Definitions: Exported

"Exported", in relation to any movable goods supplied by any vendor under a sale or an instalment credit agreement, means-

- a. consigned or delivered by the vendor to the recipient at an address in an export country as evidenced by documentary proof acceptable to the Commissioner; or
- b. delivered by the vendor to the owner or charterer of any foreign-going ship contemplated in paragraph (a) or (c) of the definition of "foreign-going ship" or to a foreign-going aircraft when such ship or aircraft is going to a destination in an export country and such goods are for use or consumption in such ship or aircraft, as the case may be; or
- c. delivered by the vendor to the owner or charterer of any foreign-going ship contemplated in paragraph (b) of the definition of "foreign-going ship" for use in such ship; or
- d. removed from the Republic by the recipient or recipient's agent for conveyance to an export country in accordance with any regulation made by the Minister in terms of this Act.

A vendor may levy VAT at the zero-rate on the supply of movable goods which are exported directly OR indirectly: Direct export – the supplier (vendor) consigns or delivers the goods to a recipient at an address in an export country.

- Indirect export - the recipient removes or arranges the transport and delivery of the goods to an address in an export country.

- Indirect exports are regulated by the Export Regulations (GG 37580, No. R.316), which is divided into three main parts:

**Part One:** granting of refunds of tax to a qualifying purchaser from the VAT Refund Administrator Pty (Ltd) (VRA) on goods that were exported by the recipient.

**Part Two:** procedures for the vendor who elects to supply movable goods at the zero-rate to a qualifying purchaser where the goods are to be exported. The vendor may only elect the zero-rate where:

- a. The vendor ensures that the goods are delivered to any of the harbours or airports listed as designated commercial ports, from where the qualifying purchaser will export the goods.
- b. The goods are exported by means of a pipeline or electrical transmission line.
- c. The vendor supplies the goods to a qualifying purchaser on a "flash title" basis.
- d. The vendor supplies the goods to a qualifying purchaser and the time of supply is regulated by section 9(1) or section 9(3), and the goods are subject to repairs or alterations, and the goods are delivered to the premises where the repairs or alterations will be made, and the vendor responsible for the repairs or alterations will ensure the goods are subsequently delivered to the designated commercial port.
- e. The vendor supplies the goods to a qualifying purchaser OR registered vendor and the goods are-
  - i. situated at the designated harbour or airport.
  - ii. Delivered to either the port authority, master of the ship, a container operator, the pilot of an aircraft or are brought within the control area of the port authority.
  - iii. Destined to be exported from the Republic.

**Part Three:** sets out the time periods within which movable goods must be exported, the party responsible for exporting the goods and the time periods for submitting the documentary proof.

## Definition: Qualifying purchaser

"Qualifying purchaser" means a person who is not a registered vendor (excluding for purposes of paragraph (f) of this definition) and who / which is-

- a. a foreign diplomat.
- b. a foreign enterprise.
- c. a non-resident of the Republic.
- d. a tourist.



- e. any-
  - i. international organisation established in terms of a Constitutive Act, a constitution or a charter for the purposes of promoting peace and security, human and people's rights and political and socio-economic development or any similar purpose.
  - ii. organisation which is similar to an association not for gain or a welfare organisation which is registered as such in that export country; and established in an export country and not conducting any activity in the Republic.
- f. for purposes of Part Two Section A, a person who is not a resident of the Republic who acquires goods from a vendor in the Republic with the sole purpose of selling those goods to another person who is not a resident of the Republic;

**Definition: Flash Title**

"Flash title" means a supply of movable goods by a vendor to a qualifying purchaser contemplated in paragraph (f) of the definition of "qualifying purchaser" and that qualifying purchaser subsequently supplies the movable goods, to another qualifying purchaser and ownership of the goods in the first-mentioned qualifying purchaser only for a moment before the goods are sold to such another qualifying purchaser.

It is clear from the above that Company A does not qualify to levy VAT at zero-rate on the movable goods as they do not qualify as a qualifying purchaser, and thus cannot

be involved in a Flash Title transaction. The only instance where the zero-rate may apply is, if, according to Export Regulation, Part Two A (e) (i), (ii) & (iii) is adhered to.

The documentary proof acceptable to substantiate the application of the zero-rate to a supply of goods that are consigned or delivered to an address in an export country is detailed in section 6 and section 8 of the Interpretation Note: Number 31 (Issue 4).



**Author:** Hansie Horn, MaxProf Audit Manager

# MAXPROF TOURS MERCEDES-BENZ SOUTH AFRICA – EAST LONDON DAIMLER PLANT

Mercedes-Benz South Africa – Daimler Plant, which is situated in East London, is part of a global production network for the Mercedes C-Class model. The plant is a major contributor to not just the local economy of East London, but to the national fiscus.

On Friday the 2nd of June 2023, the MaxProf East London branch employees visited the Mercedes-Benz plant in East London for a site tour and to learn more about the manufacturing of the Mercedes Benz C-Class vehicles.



Mercedes-Benz customized C-Class for pride.

The plant in the Eastern Cape of South Africa produces the C-Class Saloon for export to left and right-hand drive markets. Since the commencement of the production of the current C-Class in May 2014, there is already a fourth-generation vehicle of the highest-volume Mercedes-Benz model series produced in East London.

In 2018, Mercedes announced a R10 billion investment to expand the Eastern Cape plant in East London, which saw the car manufacturer produce its latest range of the luxury C-Class cars.

The investment indicated the commitment to South Africa and their efforts to revive the economic growth and socio-economic development of the East London region. The investment includes skills development, training, contracts for small businesses as suppliers, and employment opportunities for local people.

At a national level, President Cyril Ramaphosa, who also once visited the Mercedes-Benz Learning Academy prior to the official investment announcement, praised the automotive group's efforts in improving the skills of the youth through its apprenticeship and learnership programmes. "We say this is an investment in people because it deepens the commitment that Mercedes-Benz has to developing skills and nurturing talent," said Ramaphosa.



MaxProf Eastern Cape staff in front of Mercedes-Benz Daimler Plant.

MaxProf's Branch Manager, Cedric Mataka, indicated that they had a great tour of the plant where they were given a tour of the entire manufacturing process of the C-Class. The plant operates for 24/7, and has a capacity of manufacturing 25 cars per hour. They utilise a three-shift system to reach their target of manufacturing 520 cars per day. We experienced the use of robotics in the process which uses automotive and high-resolution technology in the manufacturing of cars.

"We learnt that alone we can do so little, but together we can do so much," Cedric expressed, as each and everyone in the plant has an important role to play and should there be a major problem at one point of production, the whole production line stops, and it affects the meeting of targets and revenue.



Mercedes-Benz showroom of C-Class embellished with beads.

"The highlight of our day was the great attention to detail, high-quality assurance standards and perfection displayed throughout the production line. The maintenance of a desired level of quality in the product, especially the accuracy at every stage of the process of production is something we took cognizant notice of, and were reminded to apply this to our day-to-day auditing process at MaxProf."





MaxProf employees at a python park posing with a friendly snake.

**“** *We learnt that alone we can do so little, but together we can do so much.* **”**  
 Cedric Mataka

They came across the world’s biggest constrictors and most venomous snakes that have been imported from different parts of the world. The black mamba, king cobra, gaboon viper and the taipan, just to mention a few, were part of the experience. The team learned about how the poison of each snake bite attacks the body of its prey and how much time a human being has between the bite and introducing the antivenom in order to survive. It is unfortunate to learn that the chances of surviving a taipan bite are close to zero, even if treatment is attempted.



MaxProf employees posing next to vintage Mercedes-Benz.

**The team closed the day with a nine-hole game of golf**

If you are looking for fun, the Caddy Shack Mashie Golf Course & Club House situated on the dam, also at Python Park, is the place to be. They hired a golf cart and cruised the nine-hole mashie golf course spread over the gently undulating Eastern Cape hillside. All the holes in the Mashie Golf Course are par three which were quick and fun to play.

The team had the courage to face their fears, which means that they can overcome any challenge that they may come across at the office. The water hazards humbled the Regional Manager as he lost the most golf balls on the day, while Viwe came up tops on the day with a few pars and one birdie.

**Python Park East London**

Snakes play a vital role in keeping unwanted guests such as mice away from the house, but few humans want to get closer to them. On Friday, the 2nd of June, the MaxProf East London branch decided to be brave and interact them. They visited the Python Park, which is situated about 20km outside East London on the N6 towards Stutterheim.

Python Park has undergone expansions and has become one of East London’s main feature attractions. Boasting a beautiful country Wedding & Function Venue, a world-class Snake Park, a beautiful nine-hole mashie golf course on a dam and not one, but two eateries - Python Park has it all. They did not only see pythons but a wide range of reptiles, ranging from various snakes to crocodiles and alligators.



MaxProf employees practicing their golf.

# DEFERRAL OF OUTSTANDING TAX LIABILITIES

**Most businesses in South Africa have been dealing with financial difficulties. The economy has been lacking because of various reasons. Companies have been incurring abnormally high fuel costs because of load-shedding, access to credit is not attractive because of the increasing interest rates, and inflation has been on an upward trend. These are some of the reasons why businesses are unable to meet their short-term financial obligations. One of the monthly obligations that businesses are faced with are their tax obligations to SARS. It becomes important for businesses to understand the options that are available to them if they are unable to settle their tax liabilities.**

One of the remedies that are available for businesses when they cannot settle their tax liabilities is the deferral of payment request. Where a business can settle the outstanding liability within six months, the request can be done on e-Filing for each outstanding tax liability. If the taxpayer wishes to settle the liability over a period that is greater than six months, the request can be done by completing a SIS001 form (Collection Information Statement).

A deferral of payment arrangement can be done in terms of s167 of the Tax Administration Act. In terms of the Act, "A senior SARS official may enter in an agreement with the taxpayer in the prescribed form under which the taxpayer is allowed to pay a tax debt in one sum or in instalments, within the given period if satisfied that:

- a. Criteria or risks that may be prescribed by the Commissioner by public notice have been duly taken into consideration.
- b. The agreement facilitates the collection of debt.

Moreover, the following criteria, as outlined in s168 of the Tax Administration Act, need to be satisfied for a successful deferral of payment arrangement. According to s168, "A senior SARS official may enter in an instalment payment agreement only if:

- a. The taxpayer suffers from a deficiency of assets or liquidity which is reasonably certain to be remedied in the future.
- b. The taxpayer anticipates income or other receipts which can be used to satisfy the tax debt.
- c. Prospects of immediate collection activity are poor or uneconomical, but are likely to improve in the future.
- d. Collection activity would be harsh in the particular case and the deferral or instalment agreement is unlikely to prejudice tax collection; or the taxpayer provides the security as may be required by the official.

Prior to requesting a deferral of payment arrangement, the taxpayer needs to ensure that they are fully compliant with the submission of tax returns for all the tax types. A taxpayer's request can be considered without supporting documentation if:

- The arrangement relates to a tax liability that does not surpass R100,000, and the requested payment arrangement does not exceed 11 months.
- The arrangement relates to a tax liability that does not surpass R5,000,000 and the requested payment arrangement does not exceed six months.



- It is mandatory for a taxpayer to provide supporting documentation for payment arrangements where:
  - The requested repayment period surpasses 11 months, and the outstanding tax liability does not exceed R100,000.
  - The requested repayment surpasses six months, and the outstanding tax liability exceeds R5,000,000.
  - All requests that relate to a tax liability that exceeds R5,000,000.

The provision of supporting documents assists the taxpayer in proving their ability to settle the liability within the proposed timeframes. These may include but are not limited to:

- Completed CIS001 form.
- Most recent audited Annual Financial Statements.
- Six month's bank statements for all business accounts.
- A letter detailing the grounds under which the request is being made.
- Debtors' listing.
- Creditors' listing.
- List of business contracts that are ongoing with values for each contract.
- Cash flow forecast for a twelve-month period.
- Latest management accounts.
- Fixed Asset Register.

## Conclusion

A successful deferral of payment arrangement can ensure that businesses that are faced with financial difficulties are able to continue doing business while also meeting their tax obligations. Being tax compliant ensures that businesses can enter further contracts without the risk of being rejected because of failure to pay taxes.



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MaxProf Director



# MAXPROF EXPLORES THE DIAMOND CITY



Breathtaking view of the Kimberley Big Hole.

On 2 June 2023, The MaxProf Kimberley office went back in time where it all started for Kimberley, The Diamond City. Kimberley is well-known for its diamonds, but most people don't know the history of Kimberley and how the name came about. Our first stop and, also the biggest part of the history of Kimberley was The Big Hole. From here on out we were accompanied by our tour guide, Hein Knoke.

## The Big Hole

150 Years ago, The Big Hole was just a flat hill. When it was discovered that there are diamonds, thousands flocked to Kimberley and created the largest hand dug hole. The first diamonds were found in 1871. The mine closed down in August 1914 and is now a World Heritage site.

At The Big Hole we got to learn about the story of diamonds, this includes the life of the people that came looking for diamonds, the tools they used and the wealth they generated. We had a look at all old tools and equipment used for the digging and, also the lifestyle of the people back then.

We could also enter the diamond vault where we could see the biggest diamond found in Kimberley which is called the Eureka. This diamond was discovered in 1867 and was later bought by De Beers. De Beers then donated it to The Big Hole where it is being kept under surveillance with many other beautiful gemstones that have been discovered.

We then moved outside to get a view of the 240m deep The Big Hole itself, which was a beautiful sight. After viewing The Big Hole, we moved down to the underground tunnel which was used for mining activities. The sound effects and lights inside the tunnel created a real-life experience of working in a mine.

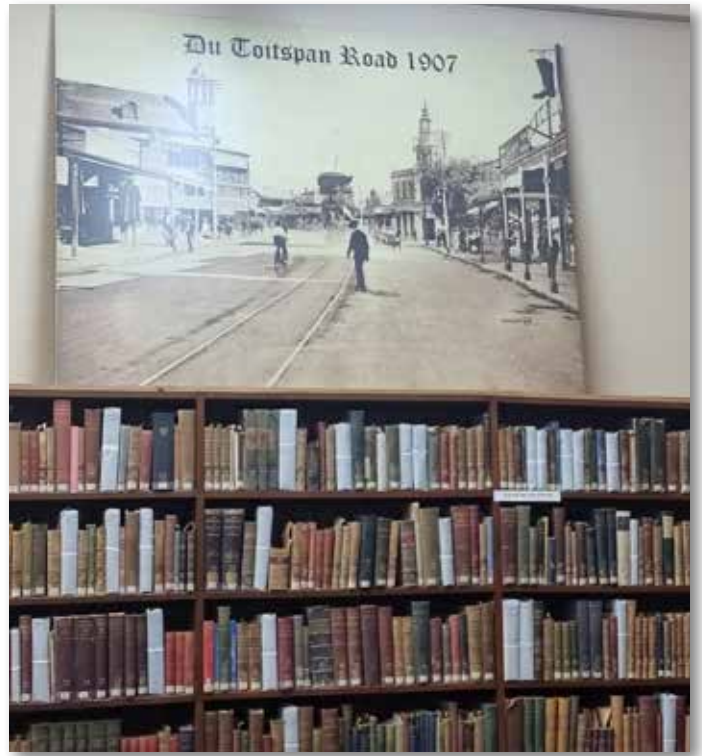
Our next destination was the Kimberley Africana Library. This is the original Kimberley library, which first opened their doors on 23 July 1887. Many travellers from all over the world visited this library, bringing different kinds of books and maps. It also contains all the original newspapers of Kimberley of the DFA, the local newspaper of Kimberley, as well as newspapers from other countries brought there years ago from all the abroad travellers. That was the means in which they could see what is happening in other countries. All of which is kept in this library to this day. This library has so much history of Kimberley. The library is still in operation, but no longer to the public. It is being used for research.

On our way to our last destination, we stopped at the Kimberley Club. The Kimberley Club was founded in August 1881, by Cecil John Rhodes, who was part of the diamond trade in Kimberley This was originally a gentleman's club for Cecil and his friends. Now it is a boutique hotel with most of the original features and furniture.



Our final stop was at the Kimberley Diamond Hub. Here the tour guide took us to see how they work with raw diamonds. We got to learn the different steps in which they prepare the diamonds and make them into custom-made jewellery. This was very educational and interesting.

This was such an enriching experience. One which we will always remember.



More images from the Africana Library.



Inside the Kimberley Africana Library.



More images from the Africana Library.



MaxProf employees at the diamond hub.



Kimberley has always been more than just a mining town. Kimberley and its people have been pioneers in many fields – from civic development, politics, literature and mining engineering to aviation. Many of South Africa's historic achievements took place here; achievements that shaped the destiny of the country.

# KIMBERLEY PIONEERING CITY



More pictures from the Kimberley Big Hole.



# MAXPROF VISITS THE DURBAN BEACHFRONT

**On 9 June 2023, MaxProf employees based at the Durban branch, headed to the Durban Beachfront for a relaxing and insightful experience.**

The perfect winter's day started with a bike ride alongside the beautiful beach front from the Point Waterfront to the Blue Lagoon, which is a popular hangout and fishing spot.

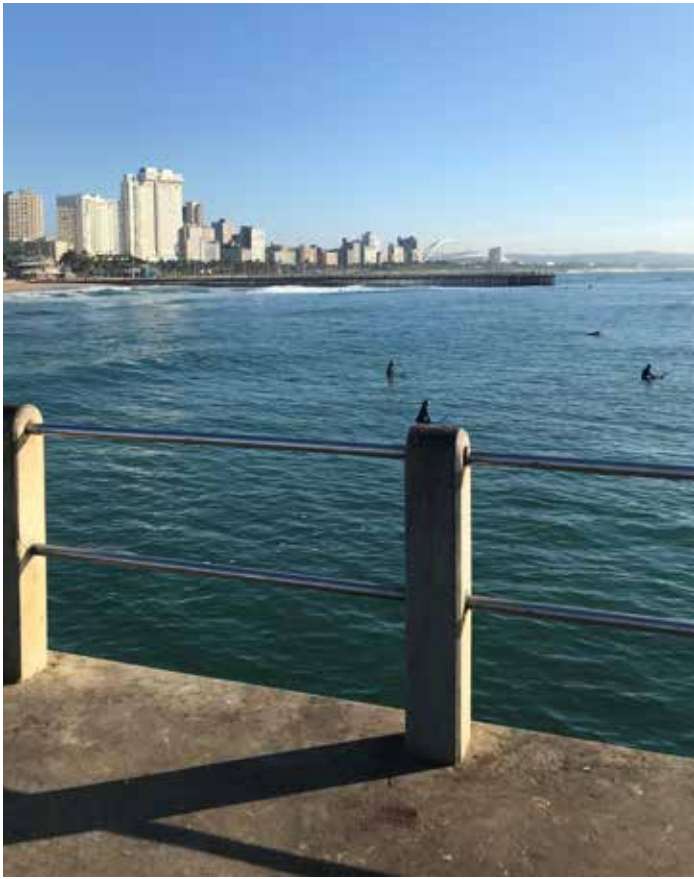


The stretch of promenade is called the Golden Mile and the wide stretches of gold sands are separated by various piers.

The promenade is a popular walking and running trail where various groups of people train before the Comrades Marathon.

After a two-hour cycle they headed for the Surf Riders Cafe, a popular restaurant on the Beachfront where we enjoyed a healthy breakfast to curb our rumbling tummies.



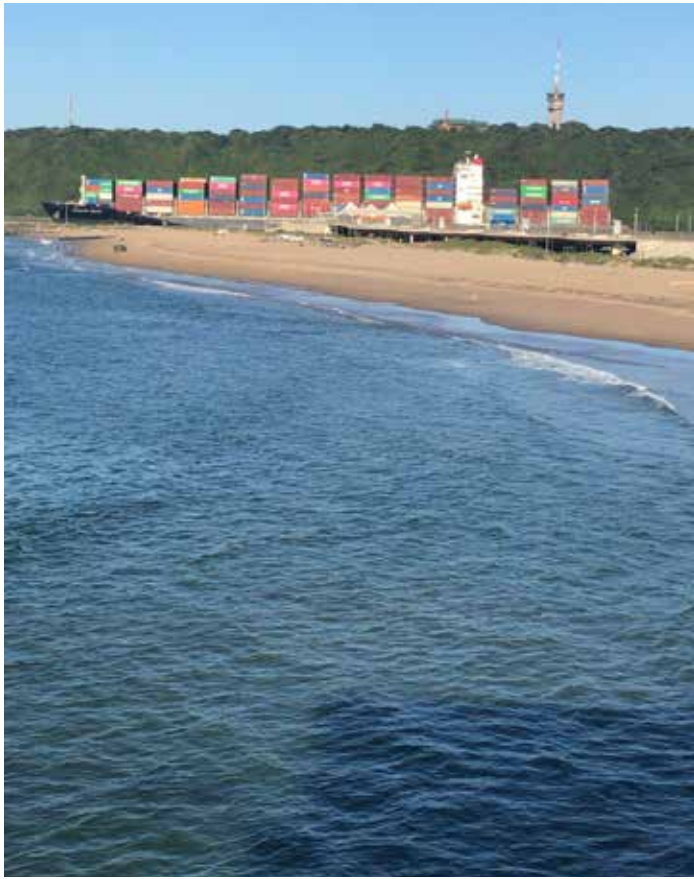


The next stop was 'Dangerous Creatures' at the uShaka Marine World, where the dedication and love of the staff towards the animals was truly commendable.

We had the opportunity of seeing the diverse types of reptiles and amphibians, how they live and the food they consume. The staff were highly informative about the creatures throughout the tour.

From the dangerous creatures on land to the dangerous creatures in the ocean, their next stop was the Aquarium.

The Silvertip shark can be seen in the Aquarium, and it is one of only four places in the world to see them so close.



Watching all the fishes swimming in these large tanks was truly mesmerising and the best way to relax and forget about all the stress and worries one may have.

The tour would not have been complete without visiting the penguins and, although we were not on time for a show, we were thoroughly entertained and were made aware again of the importance of reducing the use of plastic products.

The day ended with a wonderful light meal at KuD'Ta Restaurant on the Pier which provided a breathtaking view overlooking the sea and the Harbor entrance.





# MaxProf

Maximum Profit Recovery

(Pty) Ltd

## The Positive Effect of VAT Consultants on Revenue Enhancement Initiatives

MaxProf provides a specialised tax service, focused on the Municipality's VAT affairs. With over 22 years of experience in the specialised field of VAT, we have encountered and overcome many obstacles. The latest of such challenges are the hurdles brought by the opinions on the year-end audits whereby the need and budget for consultants are in question. These revenue enhancement services often result in a budget surplus especially where recoveries arise from the past 5 years. Furthermore, MaxProf assists Municipalities to achieve clean VAT audit opinions during their year-end audits.

It therefore makes financial sense for these services to be offered at a fair contingency fee structure, which is encouraged by the Municipal Supply Chain Management Regulations. A service provider which acts on behalf of a municipality to provide any services or act as a collector of fees, service charges or taxes and the compensation payable to the service provider can be fixed as an agreed percentage of turnover for the service or the amount collected.

The services MaxProf offered are on an output-specified basis, subject to specific measurable objectives and associated remuneration where an accounting officer can ensure that contractor fees are inclusive of travel and subsistence disbursements.

### MaxProf Services

- VAT Reviews (5 years)
- Monthly VAT submissions
- VAT opinions & VAT rulings from SARS
- Objections and Appeals (SARS Assessments)
- Financial year-end reporting on VAT
- Accounts Payable (such as duplicate payments, payments to non-VAT vendors)
- Compromise/Payment arrangements
- Remittance of Penalties and Interest (RFR)
- Expedite long outstanding refunds
- Review of PAYE submission/coding/reconciliation
- Suspension of payments
- Updating Tax Representative
- Section 20 non-compliant invoices
- Assist with SARS verifications
- Assist with Auditor-General queries
- Tax and mSCOA Compliance
- Voluntary Disclosure Programme (VDP)
- Training and Skills transfer
- Managing e-Filing Profile
- Access to a Client Portal

MaxProf is the industry leader when it comes to all VAT related matters with specialised experience at Municipalities.

We offer a vast array of services which covers daily VAT matters as well as complex cases, some of which include:

- Bus Rapid Transport.
- Agent Principal Agreements.
- Recovering of undue assessments.
- Resolving long outstanding SARS audits and refunds.
- Operation Clean Audit

With all the output driven services MaxProf offers Municipalities, an agreed percentage of the enhanced revenue received by the Municipality is the most logical and fair fee structure, with MaxProf offering some of the most competitive fees in the field.

# VAT AND PAYE TREATMENT OF NON-EXECUTIVE DIRECTORS



**There has been a longstanding debate on whether a non-executive director (NED) should have PAYE (employees' tax) deducted from the non-executive director fees paid by a company or if a NED should be required to register for VAT (Value-added tax). SARS issued Binding General Rulings (BGRs) 40 and 41 to provide clarity on these much-debated views. The rulings have been effective since 1 June 2017.**

First, let's start by discussing the definition of a non-executive director (NED) in the context of South African tax laws as there is no definition for a NED in the Act. NED is a natural person who is a member of a board of a company as appointed under the Companies Act. It will also apply to NEDs of "public entities" as defined in the Public Finance Management Act 1 of 1999, to the extent that the public entity is a company.

Binding General Ruling (BGR) 40 confirms that non-executive directors (NEDs) are not common law employees but independent contractors under the VAT Act and that no control or supervision is exercised by the company concerned, over the way a NED performs his or her duties or the NED's hours of work. SARS considers an NED to be a director who is not involved in a company's daily management or operations, but simply attends, provides objective judgment, and votes at board meetings.

Fees earned for services rendered as a NED do not constitute "remuneration" as contemplated in paragraph 1 of the Fourth Schedule to the Income Tax Act and should therefore not be subject to the mandatory deduction of employees' tax (PAYE) by the company concerned.

In addition, BGR 41 clarifies that NEDs are carrying on an 'enterprise' in respect of services rendered as a NED. It also stipulates that the NED that carries on an 'enterprise' in South Africa is required to register as a vendor and charge VAT where the value of all fees received for NED activities exceeds R1-million in any 12 consecutive months.

Where a NED receives fees in the aggregate which is less than R1-million in a 12-month period is not required to be registered for VAT but can elect to register for VAT voluntarily if the value of taxable supplies exceeds R50 000 in any consecutive period of 12 months.

## How must the value of taxable supplies be calculated?

The NED is required to account for output tax on the NED fees received. The company will be entitled to deduct input tax on the VAT-inclusive NED fees, subject to sections 16, 17, and 20 and the definition of "input tax" in section 1(1).

Generally, the VAT charged by a vendor to another vendor on any goods or services acquired for the business will qualify as input tax in the hands of the recipient vendor. Input tax must be only deducted insofar as the supplies are used to make taxable supplies in the course or furtherance of the enterprise, and not incurred for private or other non-taxable purposes.

There are only a handful of expenses, relating to employment which may be allowed as deductions. As noted previously, a NED does not earn "remuneration". Therefore, a NED will be able to claim input tax on expenses incurred in relation to their duties.

## What will qualify as input tax or a deduction?

The following are typical examples of expenses incurred to make taxable supplies on which input tax may be deducted by a NED:

- Water, electricity, and telephone charges.
- Administrative overheads such as audit and accounting fees.
- Marketing and advertising expenditure.
- Movable assets such as office furniture, computer equipment, and cell phones.
- Rental charges for office space.
- Fees charged by VAT-registered consultants and other independent contractors (but not salaries and wages of employees).
- Repairs to a motor vehicle.
- Travel expenses for business purposes, for example, a plane ticket.

The following are typical examples of expenses incurred on which input tax may generally not be deducted by a NED:

- Acquisition or rental of a motor vehicle.
- Accommodation in a hotel, including for business purposes.
- Business lunches.
- Personal computer used by the family.
- Travel expenses for private purposes.
- Membership fees or subscriptions of clubs, associations, or societies of a sporting, social or recreational nature.

## Conclusion

The fact that the payments to an NED are subject to VAT and not subject to PAYE, does not mean they are not subject to normal tax. The normal tax liability arising from the income earned must be settled via the provisional tax system during the year of assessment. The NED must therefore take careful consideration of the implications of PAYE and VAT, or risk being held liable for non-compliance with SARS.



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