

## **IAPA JOHANNESBURG - JULY NEWSLETTER**

### **REFUNDS OF SWISS BANK ACCOUNT FEES**

For many years, it was common practice for Swiss banks and Swiss asset managers to secretly receive sales commissions (kickbacks, retro-cessions) in the amount of 0.56-2% p.a from product suppliers for the sale of funds structured products, bonds, etc. This lucrative business model provided Swiss Financial Institutions with billions of sales and maintenance fees, which actually belonged to customers.

Numerous Supreme Court rulings clearly state that retro-cessions belong to the clients and therefore they can be claimed back. However, due to a limitation period of 10 years, clients of Swiss banks will have to act quickly and assess their claim as soon as possible in order to not lose out on their claims.

Here are the most important key facts:

- Statutory of limitation is 10 years, we can therefore only go back ten years
- Retro-cessions were usually 0.5-2% p.a of the invested amount
- Sums vary between banks, the different products, the years etc
- You can claim back retro-cessions for open and closed bank accounts
- The claim back of those fees are for private investors, inherited accounts, active company accounts and active foundation accounts

### **SUPPLEMENTARY BUDGET**

The purpose of the supplementary budget was obviously due to the historic nature of this pandemic and the economic downturn. A second adjustments budget to be held in October will be tabled together with the Medium-Term Budget Policy Statement.

Key Supplementary Budget Allocations:

- Health and front line services – R34,1 Billion
- Social Development – R41 Billion
- Job Creation – R19,6 Billion

### **Building a Bridge to The Future**

The Medium-Term Expenditure Framework process will be guided by the principles of zero-based budgeting which will be applied as a series of overlapping evaluation exercises targeted at large programs. The following highlight the changes required from this approach:

- We need to find spending adjustments of about R230 billion over the next two years.
- Tax measures of R40 billion over the next 4 years will also be required.
- The Government will announce details to these tax proposals in the 2021 Budget
- A fair and fiscally sustainable Public Sector compensation scheme - Currently half of consolidated revenue goes towards the compensation of workers in the public
- Putting infrastructure at the center of growth

From indications, tax rates are not going to be increased. It does seem that possibly estate duty will increase.

### **COVID-19 GUARANTEED LOAN SCHEME FOR SMALL AND MEDIUM ENTERPRISES**

National Treasury, the South African Reserve Bank and commercial banks have jointly created a guaranteed loan scheme. The purpose of this scheme is to help small and medium-sized businesses and the economy.

The Covid-19 loan scheme will provide much-needed support to the economy as a whole and importantly contribute to the preservation of jobs.

In terms of this scheme, R200 billion will be ultimately made available for new loans to existing customers of the banks.

The key features of the Covid-19 loan guarantee scheme are:

- Businesses with an annual turnover of less than R300 million (measured at group level), including sole proprietors, professional practices, SMMEs, SMEs and commercial companies, will be eligible for a loan. However, individuals, state-owned entities, listed companies and companies with capital market funders or funding instruments will not be eligible. Apart from this, every business applying for this scheme must be in good standing with their bank, meaning not being in arrears as at 29 February 2020. It is also required that your business be registered with the South African Revenue Services
- Funds borrowed through this scheme can be used for operational expenses such as salaries, rent and lease agreements, contracts with suppliers, etc. Loans will cover up to three months of operational costs and will be drawn down monthly. There is no upper limit, but the amount is driven by business needs and affordability.
- Banks are not obliged to extend Covid-19 loans, and those that do will use their normal risk evaluation and credit-application processes. A business' owners may be required to sign surety for the loan.
- Each business may accept only one Covid-19 loan.
- Covid-19 loans will be offered at a single, agreed lending rate by all banks participating in the scheme. The rate will track the repo rate.
- A six-month repayment holiday will commence from the first drawdown, although interest will accumulate from the date on which the first drawdown on the loan occurs.
- Repayment of interest and capital starts after six months and businesses have a maximum of 60 months to do so. Borrowers can repay the loan ahead of schedule.

- The scheme will be rolled out by banks over the next few weeks.

### COVID-19 PROVISIONAL TAX ARRANGEMENT

- Firstly, a taxpayer has to be tax compliant in order to avail themselves of the Covid tax relief offered by SARS
- First period: Taxpayers must still do a calculation of their expected annual taxable income (or use the last assessment should they so wish). The tax liability is then calculated on such expected taxable income. However, if they qualify and wish to make use of the Covid provisional tax relief, instead of paying 50% of their tax liability, they only are obliged to pay 15% of such liability
- Second period: Same rules apply as far as calculating expected taxable income as before, but now, only 65% of such tax liability should have been paid by the second period, taking into account whatever was paid as a first period, to arrive at the 65% for the second period
- Third top-up period: The balance of whatever was not paid in the first and second periods must be paid as a third top-up provisional tax payment, 7 months after year end for February year ends, and 6 months after year end for all other year ends.

### SARS COURT RULING

A recent high-court ruling found that taxpayers have to receive "sufficient" notice before SARS can instruct a bank to pay over an outstanding tax amount from one of its clients.

By law, SARS can demand that third parties – typically banks - pay over outstanding tax debt.

But the law also requires that SARS must take steps before this is done, including notifying a taxpayer that they have an outstanding tax debt, and that further steps will be taken should the tax debt remain outstanding.

In order for SARS to instruct a third party – like a bank – to collect money, the following has to be met:

- There must be a tax debt
- The due date for payment of the tax debt must have expired;
- A letter of demand must be delivered to the taxpayer at least 10 days prior to issuing a notice to a third party who holds monies for and on behalf of the taxpayer concerned;
- The letter of demand delivered to the taxpayer must set out the recovery steps to be taken should the tax debt not be paid; and
- The letter of demand must also specify the relief mechanisms available to the taxpayer.

### SERVICES WE PROVIDE

- Statutory Audits
- Reviews of financial statements
- Compilation of financial statements
- Outsourced Financial Management
- Completing personal and corporate income tax returns
- Assisting with tax queries.
- Accounting services
- Company secretarial services including Company formations.
- Due Diligence Investigations
- Financial Emigration
- Voluntary Disclosure Programs
- Outsourced Payrolls.

## QUOTATION FOR THESE TIMES

- “Success is going from failure to failure without losing enthusiasm-”Winston Churchill
- “Singleness of purpose is one of the chief essentials for success in life, no matter what may be one`s aim”-John D Rockefeller
- “If you want to succeed you should strike out on new paths, rather than travel the worn paths of accepted success”-John D Rockefeller
- “I do not think that there is any other quality so essential to success of any | kind as the quality of perseverance. It overcomes almost everything” John D Rockefeller
- “Quality means doing it right when no one is looking”-Thomas Edison
- “Nothing is particularly hard if you divide it into small jobs” Thomas Edison

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### Important Note

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