

OUR SERVICES

ACCOUNTING & AUDITING

CORPORATE & PERSONAL TAXATION

MANAGEMENT CONSULTANCY

ADMINISTRATION OF DECEASED
ESTATES

ESTATE PLANNING &
ADMINISTRATION

PERSONAL FINANCIAL
PLANNING

COMPANY SECRETARIAL SERVICES

FINANCIAL INFORMATION SYSTEMS

REGISTRATION OF
COMPANIES & CC'S

COMPUTER CONSULTING
& SUPPORT

GENERAL BUSINESS
CONSULTATIONS

WILLS & TRUSTS

Bradford Manor, 10 Bradford Road, Bedfordview, 2007 | PO Box 751210, Garden View, 2047

TEL: (011) 479 9000 | FAX: (011) 479 9299 | EMAIL: boake@boake.co.za

www.boake.co.za

SARS COLLECTIONS EXCEED R1 TRILLION

For the first time in the history of South Africa, tax collections have exceeded one trillion rand. In spite of difficult economic conditions, The South African Revenue Services (SARS) recently announced that it had met its tax collection target, collecting a record R1.0699 trillion in taxes in 2015.

This was mainly due to a much improved operating model with more efficient services and systems, ensuring that tax payers have had to become more compliant.

Some features of SARS' new operating model include:

- Re-alignment the organisation e.g. Customer and Excise is now a branch of SARS, thereby playing a vital role in the defence against illicit economy
- A 'one-stop-shop approach', making all tax services accessible from individual SARS offices
- Streamlining compliance requirements, thereby making it simpler for tax payers to register, file returns, meet deadlines and make payments
- Improved human resources within SARS, such as better staff training and staff retention

Other countries have been used as role models to help improve the tax collection system in South Africa: Mozambique, for example, has proved that by promoting a positive attitude towards paying tax, collections within the 'cash economy' are markedly improved.

SARS intends to widen the tax collection net, focussing specifically on non-compliance in the 'cash economy' and the 'township economy' where SARS currently loses substantial revenue each year. A series of inspections of a large number of "cash and carry" businesses have recently been completed in Gauteng. About half of these businesses did not comply with registration, filing or payment regulations. Several audit cases have now been concluded, raising tax assessments for the past financial year by more than R600m.

Over the last decade, big advances have been made in widening the tax base and enforcing tax compliance in South Africa. SARS is now regarded as one of the most effective tax authorities in the developing world.

THE REAL COST OF PETROL

The series of welcome drops in the petrol price came to an end in April with the 88 cents per litre price rise.

Contributing to this price increase was the 30 cents hike in the fuel levy that was announced by Finance Minister Pravin Gordhan in the February budget. Pipeline and road transportation tariff increases, approved by the National Energy Regulator, also added to the price increase.

Although crude oil is trading at record lows, it is interesting to note that the price of oil does not play a direct role in the calculation of the petrol price. The dollar prices of refined petrol and diesel at international refineries are used to determine the basic fuel price.



In South Africa, the price of petrol is adjusted monthly according to factors like international petroleum prices and the Rand/US dollar exchange rate.

The petrol price that we pay at the pump is up of many different costs:

1. The Basic Fuel Price (BFP) comprising the actual cost of the fuel, plus all costs related to shipping it to South Africa (like freight, wharfage, insurance, customs and excise duties etc)
2. Other associated costs
 - Transport and distribution costs
 - Wholesale and retail margins
 - Storage costs
3. Taxes
 - Fuel Levy
 - Road Accident Fund (RAF) Levy

Approximately 35% of the price we pay at the pump is for government levies and taxes. The Fuel Levy is a general tax which goes directly to the National Treasury, while the Road Accident Fund Levy is used to assist accident victims.

Data from Globalpetrolprices.com shows how South Africa's petrol price compares globally. Currently, South Africa's petrol price of \$0.87 per litre is similar to that of Australia (\$0.88) and is significantly cheaper than U.K. (\$1.51). Hong Kong has the most expensive petrol in the world (\$1.81) while petrol in Kuwait costs just \$0.22 per litre.

ETHICS...IT STARTS WITH YOU

Open any newspaper, look at any news bulletin and South Africa features in a way that makes most of us uncomfortable.

Chief Justice Moegeng Moegeng, speaking at the 14th Victoria and Griffiths Mxenge Memorial Lecture recently, said that until South Africa got its act together, it would be a laughing stock and the prophets of doom would keep saying it was yet another failed African state.

The lack of ethical leadership, the resultant damage to our economy and growing social unrest is demoralising for all of us. The results of the Global Corruption Barometer (GCB), a survey of 'ordinary people' released in December last year, revealed that 83% of South Africans polled believed that corruption was increasing and that 79% believed that government was doing a poor job of combatting corruption.

South Africa slid from 67th to 61st place on Transparency International's (TI) Corruption Perceptions Index (CPI) 2015. South Africa also scored a consistent, low 44 out of 100 in the PricewaterhouseCoopers (PWC) Corruption Perceptions Index.

But we do not need statistical measures to tell us what we already know, we need action.

Ethical leadership is not just important in government. We all need to take up the ethical leadership challenge in the spheres in which we operate individually. By acting with integrity and following ethical procedures in business, others can be educated and influenced in a positive way.

The ethical leadership challenge our country is facing provides each of us with the opportunity to contribute positively towards building a South Africa that we can be proud of.

“South Africans, it’s now or never. Quicken your conscience to life... You will realise, like I have, that I have been sitting comfortably on a very uncomfortable situation; I have been idling by when my country demanded so much more from me.” Chief Justice Moegeng Moegeng, April 2016



HAVE YOU GOT A BUSINESS GROWTH STRATEGY?

The day-to-day demands of running your business can be overwhelming but in order for your business to continue growing successfully, it is vital that you step back for a moment and make sure that you have the right growth strategy in place.

Here are five key growth strategies to consider:

- **Diversification** - This is a high-risk growth strategy which involves selling new products to new markets. It requires careful planning and thorough market research because both the products and the markets are unfamiliar.
- **Market Development** - This is a less risky strategy in which new markets are found for existing products and services. The new market could be overseas or a new sector of the domestic market. Simply adapting your product packaging or changing the product slightly could open up new markets.
- **Product Development** - Another strategy to consider is developing new products and services for existing markets. Although this may appear to be an easier strategy to implement, it requires continuous monitoring and adaptation of products to sustain growth in the prevailing market.
- **Market Penetration** - You may consider growing your business in the existing market with existing products and services. In order to succeed in this, your business will need to gain the competitive edge and seize a greater percentage of market share. This can be done by making your products and services cheaper than the competition, by increasing marketing of products and also by increasing your customer base through other methods such as loyalty programs and incentives.
- **Acquisition** - An acquisition growth strategy involves purchasing other businesses with existing products and an established market in order to expand operations. This can be risky and involves significant investment.



The wrong strategy can ruin your business and so it is essential to carefully formulate your growth strategy around your business and the specific marketplace in which it operates.

IMPORTANT NOTE: *The information contained in this newsletter is of a general nature, and may in certain circumstances be subject to misinterpretation. Consequently, we recommend that our advice be sought when acting upon the information contained herein. While every care has been taken in the compilation of this newsletter, no responsibility of any nature whatsoever shall be accepted for any inaccuracies, errors or omissions.*