the CORE group

360°

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POSITION YOURSELF FOR SUCCESS

the future - **now**

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CORE
Bloemfontein

Learnerships: Which path is the best path ... for me?

There are so many questions from young people who have to start with a learnership in the accounting or auditing industry after four years at university. The shocking element is that one should actually consider all these questions before you start to study. How do you know you are studying the right course if you do not have a destination in mind?

There are countless destinations but what route is best to reach a specific destination as quickly as possible? Once you know what you want to do for the rest of your life it determines what type of learnership you have to complete. The learnership is based on the course you do at an accredited university. Remember that not all courses will necessarily provide access to all types of learnerships.

Universities' courses are regularly investigated and evaluated by bodies such as SAICA to determine whether the content of that course is sufficient for, for example, a SAICA learnership. That is why it is important to consider your destination in terms of a learnership and your eventual career before you start to study.

The concept of learnerships is well-known but which type of learnership will give me access to which type of qualification? The following learnerships are available: CIMA, SAIPA and SAICA. You may only register for one learnerships at a time, so you cannot complete a CIMA and a SAICA learnership at the same time. Certain learnerships are acknowledged by other institutions, for example a SAICA learnership is acknowledged by SAIPA.

You have to make sure that you do a learnership at a training office that has accreditation for that specific learnership. Not all accounting or auditing practices are accredited training offices. Similarly, not all practices are necessarily accredited for all types of learnerships as individual accreditation must be obtained for each learnership. Training offices are regularly visited by the bodies for which they are accredited training offices in order to ensure that they adhere to all the requirements and standards of a training office for that type of learnership.

Given that most learnerships have a three-year requirement you have to ensure that you gain maximum exposure during these three years. The more you learn during these three years, the better you will be prepared for whatever crosses your path. All learnerships require that specific components of competency have to be signed off within the time-frame of the learnership. It is the clerk's responsibility to get these components signed off. It is the responsibility of the training official and the training office to provide the clerk with exposure to these competencies and to ensure through experience and evaluation that these competencies are signed off at the required level. No learnership may be signed off after three years of clerkship if the correct degree has not been obtained, so it is important to make sure you keep up with your studies as well.

Let's look briefly at the following learnerships:

SAIPA

- Three-year learnership with a recognised degree following the learnership.
- An electronic log book has to be signed off with a specific number of components completed within specific time-frames of the learnership. These components consist of core components that are compulsory as well as a number of elective components.
- Passing the SAIPA exam after completion of the learnership.

SAICA

- Three-year learnership with a recognised degree before the learnerships is started. Should the learnership be started before a recognised degree has been obtained, it becomes a five-year learnership that can be reduced to four years should the recognised degree be obtained before the end of the five-year learnership.
- Prescribed evaluations have to be completed following the completion of tasks, with formal evaluations every six months that are a combination of the previous period's evaluations and that are measured against the training office's training programme.
- After successful completion of the SAICA learnership there are options to register as an AGA SA (Associated General Accountant) or at SAICA as a CA (SA) once the applicable examinations have been completed successfully.

Keep in mind that in order to register as a registered auditor, RA (SA), another 18 months of specialised training are to be completed at an accredited office.

To summarise:

- What is your destination and which accredited qualification is required to reach that destination?
- Know which learnership you have to complete to obtain your qualification.
- Make sure that you complete the correct degree that will give you access to the right type of learnership.
- Talk to as many people as possible so that you can make an informed decision before starting on this life journey.

Enjoy your journey to the destination of your dreams! For more information, contact CORE Bloemfontein.

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Now it is companies and interest-free loans!

The proposal to reform the taxation rules of trusts were first mentioned during the 2013 budget. The legislator was very concerned about the transfer of wealth without being subject to tax. However, no draft legislation was released until 2016. The 2016 amendments resulted in section 7C being including in the legislation. It became effective on 1 March 2017.

In order to limit taxpayers' ability to transfer wealth without being subject to tax, the legislation introduced in 2016 focused on interest-free loans or loans with interest below market rates that are made directly or indirectly to a trust (but not loans to a company) by a natural person, or by a company that is a connected person in relation to that person.

Section 7C makes provision for donations tax to be levied at a rate of 20% to the extent that loans by natural persons or companies to a trust are not subject to the SARS official interest rate (7.75% as from 1 August 2017; 8% for 01 March 2017 to 31 July 2017).

However, after the introduction of section 7C, the legislator became aware that taxpayers have discovered ways to avoid the above deemed annual donation triggered by this anti-avoidance measure. In short, taxpayers managed to circumvent the anti-avoidance rules of section 7C by establishing a company that is owned by a discretionary trust. The taxpayer (being a natural person or company) then sold the asset in question to this newly established company via an interest-free loan (or low interest loan), therefore allowing for the future growth in the value of such asset, as the shares of company now holding the asset, to vest outside the estate of the taxpayer who sold the asset, as those shares are held by the trust. Such a transaction did not fall within the ambit of section 7C as the section does not apply to loans made to companies.

As such, in terms of the draft amendments to the legislation released by the legislator on 19 July 2017, it is proposed that interest-free or low interest loans that are made by a natural person or a company (at the instance of a natural person) to a company that is a connected person in relation to a trust, should also fall under the anti-avoidance measure of section 7C.

However, as the draft amendments refer to a loan to a company that is connected to a trust, the impact of the proposed amendment could be much wider than what was indicated by the legislator in the Draft Explanatory Memorandum. It could potentially even cover a scenario where the natural person provides an interest-free loan to a company, where 100% of the shares of the company are being held by that same natural person, but as the natural person in question is also a beneficiary of a discretionary trust, such trust and the company in question would be regarded as connected persons. This wide application of the section 7C draft amendments appear to have applications which will reach far beyond the stated intention of the legislator.

Practically, the proposed amendment could result in all interest-free loans made by natural persons and companies (at the instances of a natural person), to a company, being potentially subject to section 7C of the Income Tax Act, where such person making the loan is a connected person to a trust.

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CORE business development

Surviving (or even growing) during an economic downturn

Until quite recently, South Africa was in an economic recession. Even though we are still not out of the woods and times are tough, there are still opportunities for building wealth. Here are ten tips to consider in periods of economic downturn to survive (or even thrive).

1. Build a second and even a third income stream

Money needs to enter your life from more than one source in order to be recession-proof. Actively seek for ways to earn money from additional sources. Today's individual cannot afford to depend on earnings from just one source to make ends meet. Start something else and effectively utilise your spare time running and building multiple streams of income flowing into your life.

2. Explore daily money-making opportunities

What's much better than making money on a monthly basis? Making money on a weekly or even daily basis! There are several opportunities that cost very little by way of an investment, which could fetch daily income. Daily turnover from one or more income streams is highly essential.

3. Network

This is the time to socialise, meet more people, attend events and functions, and generally build your network of contacts and associates. Your network is your net worth, thus the more quality people you know the better your chances of becoming recession-proof. Don't pass up on the opportunity to meet and add to your network those people who will help you climb the ladder by providing opportunities.

4. "Dollarize"

Explore ways by which you can earn money in foreign exchange. Earning a significant portion of your income in forex makes you immune from the fluctuations and depreciations in the value of the rand. Your foreign currency brought into the local market will translate to a higher value of local currency in your pocket.

5. Embrace cash flow investment strategies

Your investment strategy at this time should be anchored on accepting to invest in assets which generate a positive cash flow, enough to produce a long period of income/inflows rather than investing for capital gains such as buying a house you want to live in and expecting the value to increase. A house you are occupying cannot produce any cash flow, but a house put up for rent can produce a positive cash flow. This period requires liquidity.

6. Use tough times as a springboard for learning and growing

The greatest innovations of all time have occurred during difficult times, and many great businesses have been born. The ones who find effective ways to do that can, and often do, build empires around their discoveries. Recessions always bring unwelcome change, upheaval and problems — and also opportunities. Even if your business and cash flow have slowed down, YOU shouldn't. Now is the time to leap into action. Staying on the cutting edge is important in any economy and critical in a poor one. You can keep your crucial edge by continuing to learn and grow.

7. Research and invest in industries that boom during a recession
No matter the economic situation, there are industries and business opportunities that thrive, even in recession. The key is to do your homework and find out these opportunities and invest in them. For example the health industry, fashion, discount retailers, alcohol and tobacco have proven to experience growth and if properly managed, can withstand recession.

8. Stay focused
The more difficult the economic environment, the more important it is for you to focus on opportunity rather than on external problems, and on core competencies, passions and values internally. When you are focused on possibilities, possibilities are what you find. While others are pointing out problems, find the possibilities. And, while others are trying anything and everything, hoping something will pan out, stay focused on what matters.

9. Create value and don't forsake quality
A recession is not the time to jettison quality and value on the altar of resource scarcity. Instead these two pillars of excellence must be continually sustained in order to become recession-proof. Exceed expectations whether you are an employee or a business owner and you will remain at the forefront of being successful in these times.

10. Eliminate bad debt, but keep good debt
Bad debt is simply taking a loan or using borrowed resources to pay for things which do not generate cash flow. Good debt is using borrowed resources to invest in assets that produce enough cash flow to pay the debt with more inflows to spare. A recession is not the time to carry unnecessary debt which dries up liquidity. Instead, seek for good debt which adds more liquidity to your accounts and increases the value of cash you have in the bank.

Prepared by CORE Business Development.
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CORE
financial solutions

Reserve Bank cuts rates to stimulate growth

The South African Reserve Bank (SARB) recently announced that it is cutting the Repurchase (Repo) interest rate by 25 basis points to 6.75%. The Reserve Bank last adjusted interest rates in March 2016, when the bank increased rates by 25 basis points. According to a statement from the Monetary Policy Committee (MPC), the decision to cut rates was not unanimous, with four members voting for a 25 basis point rate cut and two voting for rates to remain unchanged. Once again, the SARB highlighted that the downside risks to economic growth have increased, while the outlook for inflation remains encouraging, but not without risk.

In terms of **inflation** the Reserve Bank highlighted the following:

- Since the previous meeting of the MPC the inflation outlook has improved.
- Meat prices continued to accelerate, and at 13.0%, contributed to the downside stickiness of food price inflation.
- Eskom has approached Nersa for an increase of around 20%, but the current forecast assumes an increase of 8%.
- The annual average forecast for inflation has been revised 5.3% in 2017, 4.9% in 2018 and 5.2% in 2019.
- A lower turning point of 4.6% is expected for inflation in the first quarter of 2018.
- The main drivers of the improved forecast were the lower starting point; revised assumptions regarding international oil prices, domestic electricity tariffs and the real effective exchange rate; and a wider output gap.
- Inflation expectations as reflected in the survey conducted by the Bureau for Economic Research show a marginal improvement.
- Underlying global inflation trends remain benign, with inflation below target in most of the advanced economies, notwithstanding the positive growth prognosis and tightening labour markets

In terms of the **growth outlook** the Bank highlighted the following:

- The domestic growth outlook remains a concern. With the exception of the primary sector, all sectors recorded negative growth.
- While positive growth is expected in the second quarter, the Bank's annual growth forecasts have been revised down further. The forecast for 2017 has been adjusted down from 1.0% to 0.5%, and the forecast for 2018 is down from 1.5% to 1.2%. Growth of 1.5% is expected in 2019, compared with 1.7% previously.
- Policy uncertainty, a recent example being in the mining sector, is likely to constrain investment.
- Employment growth has been minimal, and the prospects are unfavourable.
- Although the monthly retail sales data suggests a more positive outcome for the second quarter, this improvement is likely to be offset in part by a decrease in new vehicle sales in the quarter.
- It is unclear where the drivers of accelerated growth will come from in the absence of credible structural policy initiatives that will reduce uncertainty and increase business and consumer confidence.

In terms of the **Rand exchange rate** the bank highlighted the following:

- The rand's relative resilience had been underpinned by the generally positive sentiment towards emerging markets, as well as by sustained trade surpluses.
- The rand remains vulnerable to increased global risk aversion, domestic political shocks, and to the possibility of further ratings downgrades.

It is clear that South Africa's inflation rate has surprised on the downside in recent months, while the domestic economy remains extremely weak and in recession. In that respect, it should be no surprise that the Reserve Bank decided to cut interest rates. However, a key factor that has concerned the Bank for some time is the fact that South Africa remains extremely vulnerable to changes in global investor sentiment, aggravated by the country's recent credit rating downgrades as well as the expectation that the US Federal Reserve will continue to normalise interest rates. That has resulted in the Reserve Bank being relatively hesitant to cut rates despite the weakening domestic economy.

So why cut rates now? The answer appears to be the extent to which growth has actually weakened (the Reserve Bank had not expected South Africa to go into recession in Q1 2017) combined with the sharp downward revision to the inflation outlook, especially the Bank's view that inflation will go as low as 4.6% in Q1 2018 and average below 5% for 2018 as a whole.

It is expected that the Bank will cut rates by at least a further 25 basis points over the next six to nine months, and possibly more if there is any further downward surprise to growth and inflation. Ultimately, though, the Bank will still have to balance the current lower growth/lower inflation data against the risks associated with South Africa's increased vulnerability to changes in foreign capital flows. The next few interest rate decisions by the MPC are not going to be easy and the rate outcome will probably remain a close call; but with a bias to the downside.

For any further information or questions please do not hesitate to contact CORE Financial Solutions.

Source:http://www.stanlib.co.za/Weekly_Focus/Documents/Weekly_Performance/2017/The%20Weekly%20Focus%2024%20July%202017.pdf

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How to retain high-impact performers

As we make our way through the challenges of the difficult economic climate, high-impact performers are in demand. The indispensable workers who are willing to do what it takes to help the company succeed even in the most difficult of times; those whose ideas save time, money, and effort; those with a positive outlook who help keep the organisation moving forward. How do you retain these people when it becomes difficult to afford them?

Here are some steps that organisations can take that will help them keep today's high-impact employees:

Show respect
This may seem rote, but genuinely treating employees with kindness, respect, and dignity will elicit the continued loyalty of employees to both the leader and the organisation.

Focus on a thriving environment
Creating an environment in which high-impact performers want to stay and will put their all into an organisation takes more than a gimmick. It takes an environment where people are learning, getting training, and developing their skills.

Offer on-going training
High on the list for leaders who want to retain high-impact performers is training and on-going education, both of which ensure that people can 1) do their jobs properly, and 2) can improve on existing systems. Cross training — giving people the opportunity to experience and train in different aspects of the company — is a great way to cross-fertilise between departments and across regions. This is a great competitive advantage when organisations are required to cut back on manpower. Cross-trained employees are equipped to handle different functions in the organisation far more easily than those confined in silos.

Provide coaching
By working one-on-one with employees in a coaching relationship, leaders can discover and tap the talents of individuals and direct their development, as well as align their behaviour and skills, thus becoming active as agents of change, enhancing the success of the organisation.

Give feedback
More than an annual review, leaders may give employees assistance in specific areas, such as developing networks, handling work/life balance, and attaining job and skills training. Providing feedback is more than an annual or semi-annual performance measure. It is a continual process which comes in the form of mentoring relationships, support groups, and action groups.

Money and decision-making
Compensation is not enough. In addition to compensation, people need to be involved in decision-making. The leader who asks people for their input on how the corporation can increase effectiveness is the leader who achieves buy-in from his or her employees. Not only does this help retain key talent, it also is a great way to generate ideas for organisational improvements.

Developing people is a strategic process that adds value to both the employees and the bottom line of the organisation. Highly committed, highly competent people create financial rewards for the organisation; organisations that develop their people and provide opportunities for growth are sought-after by high-impact performers.

Source: Adapted from an article by Marshall Goldsmith

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CORE BEE

B-BBEE Commission investigates possible fronting practices

The B-BBEE Commission recently issued a media statement naming 17 companies (including 6 verification agencies) that are currently being investigated for possible fronting practices and non-compliance with the B-BBEE Act.

The media statement gives a short summary of the concern being investigated. Most of the concerns raised, revolve around ownership schemes and trusts. The statement does not provide a lot of detail, but it is very clear that the Commission is taking action, particularly with regards to suspect ownership structures.

It is important to note that the companies and verification agencies mentioned in the statement have not been found guilty, but is under investigation. Should there be adverse findings against them, they will be given 30 days to respond to the findings before the B-BBEE Commission will make a final finding. Should any of the companies be found to have violated the B-BBEE Act, the entities may be referred for prosecution.

It is a requirement of the B-BBEE Act that the B-BBEE Commission must publish its findings, once finalised. In the meantime, the message is very clear: Refrain from involving yourself or your company in any initiatives, practices and transactions that may pose any threat of being seen as fronting.

The Dti has published a document on fronting a few years ago, which is worthwhile familiarising yourself with, when coming across any initiative, practice or transaction that seem suspect. The document is available on the Dti's website at www.thedti.gov.za (The complete link appears at the end of this article.

For any B-BBEE-related assistance, please contact the CORE BEE team.

http://www.thedti.gov.za/economic_empowerment/docs/Acts_strat_policies/codes%20of%20good%20practice%20files/GuidelinesComplexstructuresFronting.pdf?utm_source=phplist202&utm_medium=email&utm_content=HTML&utm_campaign=B-BBEE+Commission+is+getting+serious+about+fronting

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