the CORE group

360°

Nuusbrief van The Core Group | Uitgawe 11 | 2de Kwartaal | June 2016
Newsletter of The Core Group | Issue 11 | 2nd Quarter | June 2016

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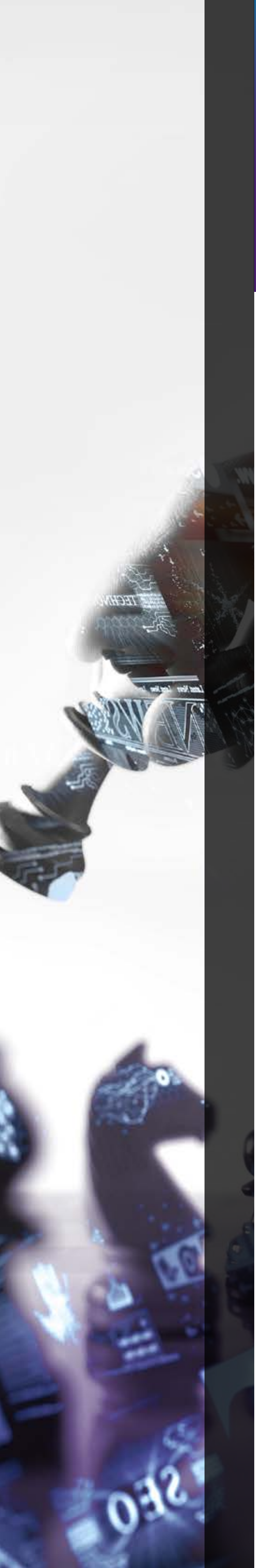

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Executive coaching vs. executive mentoring

In management circles, two buzz words that are often used interchangeably are mentoring and coaching. Even though coaching and mentoring use the same type of skills and techniques, there is a clear difference in terms of duration and focus.

Coaching is short-term and task-orientated while mentoring takes place over a longer term and is relationship-orientated. Executives and business owners need to understand the benefit of each approach and how it can assist with the development and empowerment of staff. According to the Brefi Group (http://www.brefigroup.co.uk), coaching and mentoring can be differentiated in terms of the following:

Mentoring	Coaching
Ongoing relationship that can last for a long period of time.	**Relationship generally has a set duration.**
Can be more informal and meetings can take place as and when the mentee needs some advice, guidance or support.	**Generally more structured in nature and meetings are scheduled on a regular basis.**
More long-term and takes a broader view of the person.	**Short-term (sometimes time-bounded) and focused on specific development areas/issues.**
Mentor is usually more experienced and qualified than the 'mentee'. Often a senior person in the organisation who can pass on knowledge, experience and open doors to otherwise out-of-reach opportunities.	**Coaching is generally not performed on the basis that the coach needs to have direct experience of their client's formal occupational role, unless the coaching is specific and skills-focused.**
Focus on career and personal development.	**Focus is generally on development/issues at work.**
Agenda is set by the mentee, with the mentor providing support and guidance to prepare them for future roles.	**The agenda is focused on achieving specific, immediate goals.**
Mentoring revolves more around developing the mentee professionally.	**Coaching revolves more around specific development areas/issues.**

Organisations not only use coaching and mentoring to improve the efficiency of their lower to middle management, but also the lives of executives.

Executive coaching involves one-to-one sessions between a business coach and the executive. The long-term goal is the development and performance of the organisation. Executive coaching covers a broad spectrum of skills that an executive requires in order to achieve their and their organisation's goals. These include business acumen, communication skills, innovative thinking capabilities, social skills, as well as the ability to build trust and to inspire others. Coaching is generally not performed on the basis that the coach needs to have direct experience of their client's formal occupational role, unless the coaching is specific and skills-focused. Some organisations approach their most senior leaders to act as business coaches to their "junior" executives to reach higher levels of performance, increased job satisfaction, personal growth and career development. Unfortunately most companies cannot release their most senior managers from their normal responsibilities to coach other executives. As a result, most corporates now turn to external business and executive coaches for this role. Fortune Magazine says: "One-to-one performance coaching is the way for both organisations and individuals to significantly impact the bottom line."

Executive mentoring use some of the processes found in coaching, but the goal is purely to develop the executive. Mentors are usually more experienced and qualified than the "mentee". The mentor is often a senior person in the organisation who can pass on knowledge, experience and open doors to otherwise out-of-reach opportunities. Depending on the individual situation, various assessment instruments can be used to guide the development of the executive, such as skills training activities and teaching evaluations. The most important tool available to the executive mentor is the mentoring agreement. This agreement is developed, completed and signed by both participants. This document formalises the commitment to the mentoring relationship. Items traditionally included in the mentoring programme and formalised in the agreement are individual goals, learning content, a meeting schedule and communication methods.

All over the world, corporations experience that their leadership development and skills transfers are accelerated by the use of coaching and mentoring programmes. It can also improve the overall well-being, engagement levels and retention of your staff.

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Personal liability companies no longer small business corporations!

Small business corporations (SBCs) have numerous tax benefits, for example, reduced tax rates compared to normal companies and accelerated capital allowance write-off periods. Professionals conducting their practices through so-called personal liability companies (due to legislative requirements not allowing the shareholders to limit their liability and exposure) have throughout the years, since the introduction of the SBC legislation in 2002, utilised the tax benefits of SBCs. Examples of such professionals are medical doctors, auditors and attorneys. However, with the introduction of the revised Companies Act in 2011 (the 2008 Companies Act that became effective in 2011) it has come to light that personal liability companies can no longer qualify as SBCs.

This issue was first raised in the revised draft SARS Interpretation Note 9 (Issue 6) "Small Business Corporations" that was released for public comment by SARS early in 2016. In order to qualify as an SBC, an entity must meet the requirements stipulated in the definition of a "small business corporation" in section 12E(4)(a) of the Income Tax Act No. 58 of 1962 ("Income Tax Act"). These requirements comprise four key areas, including a so-called "legal entity requirement" which is the main item of concern with regards to professional liability companies. In terms of this requirement in qualifying as an SBC the taxpayer must be a juristic person in the form of a "close corporation", "co-operative" or "private company" as defined in section 1 of the Companies Act.

Therefore, for a personal liability company to qualify as an SBC, the personal liability company must be a "private company" in terms of the Companies Act. A "private company" is defined in section 1 of the Companies Act as –
"a profit company that—
(a) is not a public, personal liability, or state-owned company; and
(b) satisfies the criteria set out in section 8(2)(b);"

A "personal liability company" is defined in sections 1 and 8(2)(c) of the Companies Act of 2008 as a profit company which meets the criteria for a private company and its Memorandum of Incorporation states that it is a personal liability company. Personal liability companies are typically incorporated associations of professional persons in which the directors are jointly and severally liable for the debts and liabilities of the company (See Henochsberg on the Companies Act 71 of 2008, Notes on Section 8 [online] (My LexisNexis: May 2015).

Under the Companies Act No. 61 of 1973 (which was the applicable Companies Act with the introduction of SBCs in 2002 until the new Companies Act was introduced in 2011), a personal liability company was a private company which was not specifically defined or excluded from being a private company. As a result it could historically have qualified as an SBC. This situation, however, no longer prevails since a personal liability company is specifically excluded from the definition of a "private company".

From the above discussion it therefore follows that, with the introduction of the 2008 Companies Act on 1 May 2011, a personal liability company can no longer qualify as an SBC. Therefore, without the wording of section 12E(4) of the Income Tax Act being amended, the introduction of the 2008 Companies Act on 1 May 2011 effectively amended the Income Tax Act as the Income Tax Act in section 12E(4) refers to the 2008 Companies Act.

Although the above-mentioned draft SARS Interpretation Note was only released early in 2016, effectively, depending on the company's year-end, the amendment disqualifying SBCs already applies since the 2011 tax years (and could be earlier in some cases). As such, unless the assessment as already prescribed, or SARS retrospectively amending the Income Tax Act, section 12E(4) (which appears unlikely at the moment), personal liability companies can no longer qualify as SBCs. To the extent that personal liability companies have utilised SBC benefits since the introduction of the 2008 Companies Act, revised income tax returns need to be submitted. In such scenarios, taxpayers, where the qualifying criteria is satisfied, could consider applying for the Voluntary Disclosure Programme (VDP) to potentially reduce the penalties where applicable.

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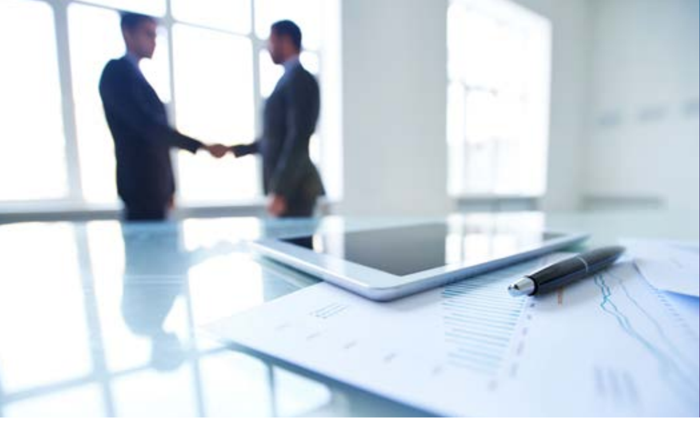

CORE business development

The role of title acts in proper development

The redistribution of ownership of agricultural land remains controversial, especially when the state's participation entails more than simply that of primary financier or facilitator of the process. The aim of redistribution is to give ownership of agricultural land to the landless, but this is the start of a process.

The landless seldom have sufficient funding to buy the land in a market-related manner, which makes state support essential. The state becomes a buyer, but these processes suffer due to a lack of urgency and they are often the victim of corrupt price determination, etc.

The decision as to who should farm the newly acquired land is equally important. A lease-hold system, according to which the "new" farmer first has to prove his/her skills, is also acceptable practice. However, eventually the new farmer should obtain proper ownership in order to start building personal wealth. In this manner equity is built and the farmer can stand on his own legs.

Ownership in the form of a title deed gives access to loans with the land as security, etc. Optimal development of the land is also dependent on the knowledge and experience of the farmer, whether individually and/or through, for example, guidance through proper extension. Over the past 20 years, millions of hectares of productive agricultural land were transferred through various state initiatives in South Africa, but the lack of transference of title acts hampers proper development of potential.

New farmers do not have enough equity and/or security to obtain external loans to finance the necessary development. Banks are reluctant to become involved, which means new farmers remain dependent on state support for financing. Needless to say, in the current fiscal climate farmers will simply not be able to obtain proper financial leverage. What is required is better acknowledgement of the important role that the farmer ought to play in financial decisions regarding the farm. Should a farmer not have the skill and/or knowledge, his/her continued involvement should be reconsidered.

A couple of years ago, the UN's Food and Agriculture Organisation (FAO) released an authoritative report on the important role of farmers in decisions regarding the financing of such activities. The smaller the farm, the bigger the role of the farmer in this regard. There is enough evidence that farmers in low to mid-income countries invest up to four times more in their farms from their own sources than what the government of that country can contribute. Sustainability on farm-level is a function of a number of factors, including the markets and the policy environment. The role of the state is primarily to limit policy insecurity and to create circumstances that encourage investment in agriculture.

New farmers are vulnerable and the state should do much more to assist these farmers to handle especially external threats such as droughts and/or the collapse of markets. Affordable input insurance and insurance of crops are some of the methods that could complement the sustainability of new farmers. Proper guidance to minimalize management mistakes and collective bargaining for farmers could contribute extensively in order to meet challenges head-on. However, it all starts with the protection of the right of ownership of these farmers.

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CORE financial solutions

Understanding your life insurance is the key to successful claims

It is important to focus on life insurance and the way in which clients are rated when underwriters look at an application. Gerhardus Liebenberg, Director of CORE Financial Solutions, explains.

What details do underwriters look for on an application?

1. Marital status
2. Smoker / Non-smoker
3. Education (Matric – Professional)
4. Monthly income / Spouse's monthly income
5. Occupation
6. Industry
7. Self-employed / Salaried
8. Admin / Travel / Supervision / Manual

Why is this important to know and understand?

- All this information is used by the underwriters / assessors to determine a client's risk profile. Some information is more relevant than others but it is important to have a basic idea so that you can recognise a possible "situation" when you deal with your client.
- These details are also treated differently from one insurance company to the next. It is strongly advisable to encourage clients to make 100% sure that his or her "status" with their insurer is accurate in order to avoid nasty surprises when claims are made.
    - Recently, I inherited a client from another broker, in other words I was not responsible for writing the client's existing cover, which was taken out seven years ago. For the past four years the client has held a position with a company doing mining in the Democratic Republic of Congo. Is he still covered the way he thinks he is, or does his insurance company actually require of him to let them know of the "change in circumstance" and their potentially higher risk? These days more and more clients are working abroad, which makes re-establishing their insurance status important.
    - There is currently a case before the ombudsman in which a client is suing the broker because of five years' worth of premiums payed as a smoker instead of the cheaper premium of a non-smoker. There is almost a 100% penalty for smokers vs non-smokers. Make sure that your status is correct.

Replacing existing cover

- One thing is very certain, insurance cover today is worlds apart from a decade ago! New products are far superior to their older counterparts and cover more conditions than before. A good example is that of PPS who recently dramatically improved their existing policy definitions. These changes take place more often than before because of a very competitive market place.
- Since the arrival of SCIDEP (Standardised Critical Illness Definitions Project), many grey areas have been ironed out, making it more understandable to clients.
    - Heart attack
    - Stroke
    - Coronary Artery Bypass Graft
    - Cancer
    - The above-mentioned conditions account for more than 80% of all claims submitted.

- Some products are so old that, if at all possible, a replacement is in the client's best interest. In many cases a lot of cash can be made available to the client and the new premium is more affordable.
- What is the risk of a policy not paying out? Less than 1% of all claims submitted during 2015 were repudiated. In all the cases where claims were repudiated the main reason was because of non-disclosure by clients. Some of these cases were taken to the ombudsman, but in every instance the client was found to be at fault.
- What happens when a claim is submitted? The very first step is that your medical aid and your GP are contacted. This is done to check whether the conditions that you claim for have any medical history or not. Obviously if there was non-disclosure the chances of a successful claim are severely compromised.
- Policies older than five years! Last year we handled a claim where the client was well-covered by a policy that was about two and a half years old. All the information was submitted and we expected a swift result. Medical histories from the client's GP and medical aid were scrutinised and additional information was requested from the GP and a specialist for a condition that appeared to be completely unrelated to the one that the client was claiming for. After a two-month process the claim was paid out in full. Obviously I had a number of questions regarding the handling of the claim and finally met with the head of claims to get some clarity for future reference. What it boils down to is this: The older the policy the less chance that there was medical issues that were not declared.

The importance of how a client's life insurance is structured and rated by underwriters is clear and should not be taken lightly.

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CORE Bloemfontein

The accounting office: 'medical care' for your finances

Clients have a number of questions regarding the operation of an accounting practice, including:
- Why is the same person not responsible for my books from one year to the next?
- Why do different people handle different aspects of my finances? For example, my VAT is handled by someone different from the person responsible for my financial statements – and then I receive emails from various people regarding my provisional tax.

All these questions are relevant and require answering in order to ensure that the client feels comfortable with all the aspects related to their accounting.

The operation of an accounting practice can be compared to that of a hospital. The patient/client's care is entrusted to several people, ranging from a porter to nursing staff to specialists. Physiotherapists and occupational therapists provide additional support to help restore the patient's health. The diversity of the care is determined by the level of expertise required by various tasks, as well as the cost pertaining to each person involved in the holistic care of the patient.

The partner is the relationship manager, the client's medical practitioner. The partner is the client's confidant, the person with the necessary background, the patient file and the one who determines whom to call for which procedure and on which level of expertise.

The doctor is responsible for a diagnosis, and a report is then prepared by an administrative person, who provides the patient with the report. This represents the email sent to a client from, for example, the tax division with regards to provisional tax as determined by the partner.

Nursing staff are responsible for routine tasks. In the same way monthly processing, VAT and PAYE returns are handled by specific people in order to ensure that the information required to draw up financial statements adheres to a specific standard. When nursing staff are not sure about something they will always consult with the doctor. Theatre staff and scrub nurses are the doctor's right hands in the theatre. In an accounting practice they draw up financial statements which enable the doctor to operate and obtain the results necessary from the procedures followed.

For after-care the doctor will make certain prescriptions and recommendations. However, it is the patient's responsibility to buy the medicine at the pharmacy and to make appointments with the physiotherapist. These are additional services that contribute towards the general well-being of a client, for example estate planning, a will and possible revision and adaptation of long-term and/or short-term insurance. The manner in which the client adheres to this advice depends on whether they take the medicine as prescribed or a generic alternative, whether they stick to their physio appointments and whether they take their vitamins daily.

When the doctor is of the opinion that a specialist should be consulted, this will take place as the patient's health and well-being will always be the first priority. At an accounting practice a tax specialist might be consulted for specialist tax knowledge or a valuation specialist might be appointed should this type of expertise be required. However, the commissioning partner will always remain the client's primary care-giver and the link between all these specialists.

Nursing staff move on to become theatre staff and staff members make career choices which take them to other hospitals. In the same way staff members in an accounting practice develop, as such a practice if often also a training office. Staff members make career choices that are important to them and which lead to them leaving the employment of the practice. This means that clients have to build new relationships with other staff members. There will always be a change of staff and there will be several points of contact, but the partner will always be the same.

The partner is responsible for the client, the infrastructure is his support and the network of specialists see to it that all the needs of the client are fulfilled within a cost-effective system.

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CORE BEE

B-BBEE compliance for Qualifying Small Enterprises

The time has come for many companies to gear themselves to be rated on the much-debated New Codes. For Qualifying Small Enterprises (QSEs) this implies a completely different set of rules to abide by, and most probably a far lower rating than ever before.

What is a Qualifying Small Enterprise?

According to the New Codes, enterprises with annual total revenue that does not exceed R10 million are exempt from the provisions of the Codes. Enterprises with annual total revenue between R10 million and R50 million are classified as Qualifying Small Enterprises.

What has changed as far as QSEs are concerned?

With the Old Codes it was relatively easy for QSEs to achieve high levels of compliance. QSEs had the privilege of choosing any four of the seven elements of B-BBEE to comply with. The result was that QSEs could elect NOT to be measured on, for example, Ownership or Management Control. It was possible for QSEs without any black shareholding, any black management or any black employees to be able to achieve a Level 3 rating. Considering that those same QSEs would compete for work with generic enterprises that had to adhere to much more onerous requirements, one can understand that the playing field had to be levelled to some extent.

Unfortunately for QSEs, the Department of Trade and Industry (Dti) showed no mercy in drafting the new rules. The most important changes that QSEs should take note of are:

1. QSEs can no longer choose which elements they want to be measured on – they are measured on all five elements as per the revised QSE scorecard;
2. Black ownership has been emphasized by identifying Ownership as one of the priority elements on the scorecard;
3. In addition, QSEs have the choice of adhering to any one of the following two priority elements: Skills Development or Enterprise & Supplier Development;
4. Not meeting the sub-minimum requirements in the Ownership element and either Skills Development or Enterprise & Supplier Development, will result in the enterprise being discounted with a level at the end of the scorecard result (thus a Level 7 will become a Level 8 for instance);
5. The points for Socio-economic Development (in which most QSEs optimised) have been reduced from 25 points to 5 points;
6. In addition to higher compliance targets in some elements, the B-BBEE scorecard points to recognition level conversion has also been revised – where an entity previously needed more than 65 points to achieve Level 4 compliance, it would now require more than 80 points, making it increasingly difficult for entities to achieve acceptable levels of B-BBEE compliance (refer to table below):

CURRENT GENERIC SCORECARD

B-BBEE STATUS	QUALIFICATION	B-BBEE RECOGNITION LEVEL
Level 1	>= 100 points	135%
Level 2	>=85 but <100 points	125%
Level 3	>=75 but <85 points	110%
Level 4	>=65 but <75 points	100%
Level 5	>=55 but <65 points	80%
Level 6	>=45 but <55 points	60%
Level 7	>=40 but <45 points	50%
Level 8	>=30 but <40 points	10%
Non-compliant	<30 points	0%

AMENDED GENERIC SCORECARD

B-BBEE STATUS	QUALIFICATION	B-BBEE RECOGNITION LEVEL
Level 1	>= 100 points	135%
Level 2	>=95 but <100 points	125%
Level 3	>=90 but <95 points	110%
Level 4	>=80 but <90 points	100%
Level 5	>=75 but <80 points	80%
Level 6	>=70 but <75 points	60%
Level 7	>=55 but <70 points	50%
Level 8	>=40 but <55 points	10%
Non-compliant	<40 points	0%

B-BBEE Recognition levels (Comparison)

In addition to the more onerous requirements that QSEs have to adhere to, special exemption has been granted for black-owned QSEs:

1. QSEs with black ownership exceeding 51% are exempted from complying with the QSE scorecard, and will receive automatic recognition as a Level 2 contributor;
2. QSEs that are 100% black-owned are also exempt from complying with the QSE scorecard, and will receive automatic recognition as a Level 1 contributor;
3. In both these instances the evidence requirement has been reduced to provision of a sworn affidavit attesting to the percentage of black ownership and the fact that total annual revenue does not exceed R50 million.

Black-owned QSEs will thus save on the cost of compliance, and will have a huge competitive advantage over their competitors who have limited or zero black ownership.

The time is now!

As mentioned in previous newsletters, the Dti has issued a Notice of Clarification in May last year, which stated that all verifications conducted using a financial year ending after 1 May 2015 must be verified using the New Codes. This statement implies that enterprises have already reached the time where management needs to re-think its B-BBEE strategies and starts implementing the required changes. Delaying the implementation of B-BBEE improvement plans will have the undesired outcome of achieving inadequate B-BBEE compliance levels, which in the end could lead to loss of business or potential business.

In order to avoid being caught off guard or without sufficient time to make the required changes, contact the CORE BEE team. We have positioned ourselves to be able to offer either a consulting and advisory service or a verification service to our clients. We can assess the impact of the New Codes on your business, and www.thecoregroup.co.za