Majestic Financial Services Quarterly Newsletter

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Majestic Financial Services
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Licence Number 10035

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In This Issue:

Welcome to the first edition of the Majestorial for 2016.

In this edition we talk about two personal income tax law updates, protection for directors and officers of SME's, and tips on personal budgeting.

As always - Majestic is here to make your life as hassle free as possible, and with that in mind, we offer a one-stop-shop. Take a look at the Majestic Services section and let us know if there is an area where you would like to consolidate your portfolio with Majestic.

We would like to thank you for your continued support, and "assure you of our best attentions at all times!"

Etienne Rawlinson - Editor

Sam's Tax Talk:

This edition of Tax Talk focuses on the retention of tax documentation and an update in the Pension Fund reforms that came into effect on 01 March 2016.

RETENTION OF TAX DOCUMENTS: 5 YEAR RULE

There are a number of misconceptions with regards to SARS' 5 year rule when it comes to retaining tax documents. The rule is split into two sections:

- Documents need to be kept for 5 years from the end of the relevant tax year. So for example, the 2015 tax year ended on 28 February 2015 therefore documents need to be kept for 5 year from that date; **AND**
- Documents need to be kept for 5 years from the date of submission of the tax return. This means that any documentation relating to a specific return need be kept for 5 years from the date that the tax return was submitted to SARS. Please also remember that even if a specific document is older than 5 years, it still needs to be kept for a further 5 years if it relates to the return you have submitted to SARS. For example, if you purchased a car in 2008 but you are still using that car for your travel claim in 2015, the purchase invoice needs to be kept for a further 5 years from the date the 2015 tax return was submitted. This rule also applies to tax returns that have been submitted late. For example, if you submit your 2009 tax return in 2016 then you need to keep the 2009 documents for 5 years from 2016.

PENSION FUND REFORMS UPDATE

As from 01 March 2016 (2017 tax year) the following changes come into effect:

- All pension fund, retirement annuity and provident fund contributions made by an employer for the benefit of the employee will be treated as fringe benefits and are treated as contributions by the employee. The employer can now deduct all these contributions for tax purposes, where there was previously a 20% limit. For employees, the tax deductible contributions will now be limited to 27.5% of the greater of taxable income or remuneration, but subject to an annual limit of R350 000. Any excess contributions can be carried forward to the following tax year.
- The ability to transfer pension benefits tax - free to provident funds has been postponed to 01 March 2018 along with the requirement for provident fund members to take a portion of their retirement benefits as an annuity.
- If a lump-sum pay-out for a pension or retirement annuity fund is less than R245 700 (previously R75 000) then the two thirds annuitisation rule does not apply and the whole amount can be taken in cash and will be taxed accordingly.

Please also remember that contributions Income Protection Policies (or Personal Health Insurance policies) are no longer tax deductible. To counter this, all proceeds/pay-outs from these policies will no longer be taxed when received. If an employer contributes to

If you have any questions regarding or require assistance with any if the above matters, please call Samantha McKay on 011 504 1200 or email her at samantham@majestic.co.za.

"You can pay me next year. My tax guy advised me to defer my income."

Short Term News:

Small and Medium Enterprises Directors' and Officers' Liability Insurance

King III and the introduction of the Companies Act in 2008 has rendered directors' and officers' liability insurance crucial for all companies regardless of size or incorporation. Directors and officers now find themselves in a far more onerous position than ever before, with legislation holding them more accountable for any wrongful act or negligent actions, as well as breaches of their fiduciary duties.

Moving South Africa in line with international trends of Alternate Dispute Resolution (ADR), the King III Report recommends that ADR clauses be included in all business contracts. It suggests that mediation should be used as a management tool and as a dispute resolution instrument that allows for efficient, cost-effective and private settlements. Most D&O products come with the use of dispute resolution services. A director would have already covered that aspect of his/her duty toward the company by purchasing the insurance policy.

The Companies Act No. 71 of 2008 also changes the business landscape substantially, as far as the incorporation, administration and management of companies is concerned.

assembled, Directors and Officers Liability insurance becomes mandatory.

Directors and Officers Liability Insurance provides financial protection for the Directors and Officers of a company in the event they are faced with a legal suit pertaining to the failure to perform duties as they relate to the company. Since a Director can be held personally responsible for acts of the company, most Directors and Officers will demand to be protected rather than put their personal assets at stake.

Fortunately the enormous responsibilities facing business leadership need not go unprotected: Section 78 (3) of the new Companies Act allows for the indemnification of Directors and the purchase of D&O liability insurance. Think of Directors and Officers Insurance as a management Errors and Omissions policy.

INSURANCE PROTECTION FOR:
Past, present and future directors, officers, prescribed officers, and employees acting in a managerial or supervisory capacity.

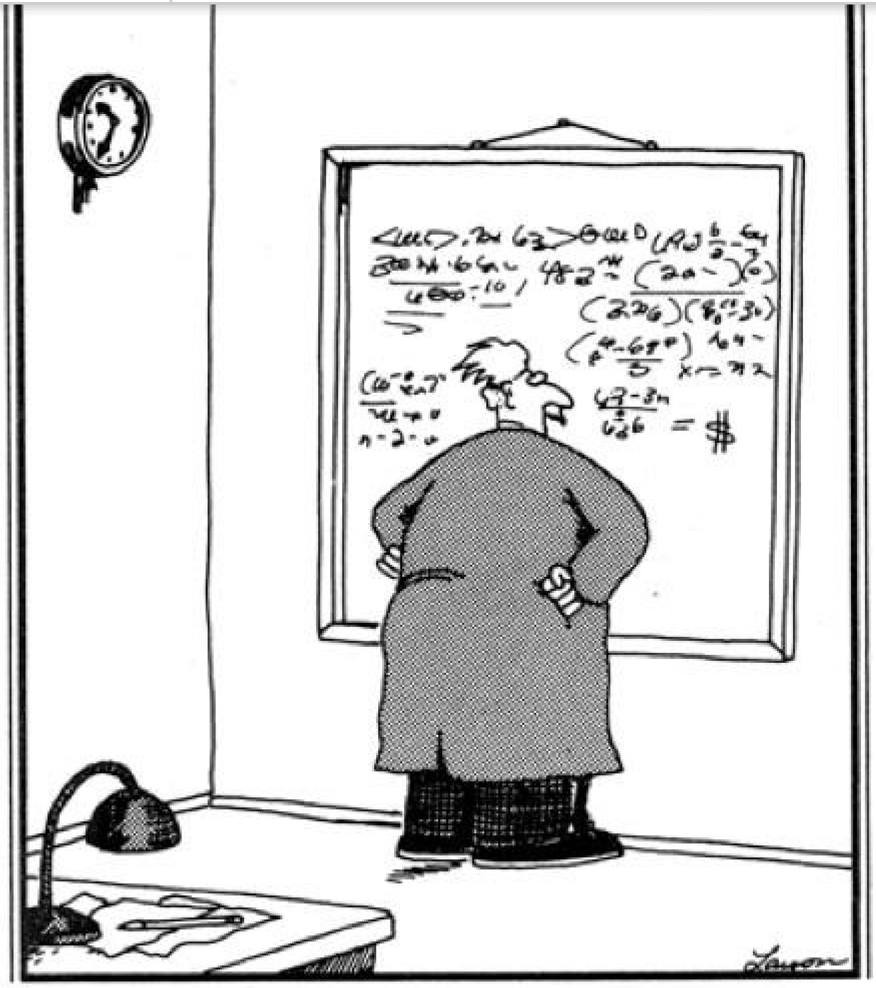
COVERING:
- Awards
- Legal defence costs
- Investigation costs

FOLLOWING AN ALLEGATION OF A WRONGFUL ACT, INCLUDING (BUT NOT LIMITED TO):
- Error
- Misstatement
- Act/omission
- Negligence
- Breach of duty

BROUGHT ABOUT BY:
- Shareholders
- Stakeholders such as (but not limited to) employees, trade unions, government, creditors, competitors, and suppliers
- Any other affected party

THE POLICY ALSO COVERS THE COMPANY:
- When it indemnifies a Director or Officer
- For securities litigation

Should you have any queries or require further information, please contact Malcolm, Etienne, or Belinda on 011-504-1200



Einstein discovers that time is actually money.

Long Term News:

How is your personal budget holding up?

We all make promises and resolutions to become more financially savvy at the beginning of the year – but most of us end up falling straight back into the same bad habits in no time

As we look ahead to the budget speech by Minister Gordhan on Wednesday, we need to consider that there may be certain changes announced which will affect some areas of our personal financial planning. This presents us with a good opportunity to re-visit our personal budget and finances to make sure we're still on track.

Niel Kasselmann, Financial Adviser at Liberty says "now is the time to check in with your Financial Adviser."

"With everyone cash-strapped due to the current economic difficulties, freeing up some money may not be possible for everyone. However, it is advisable that you use this month to make the necessary adjustments in line with your financial goals and to understand how to continue to make your money grow in this increasingly complex environment," says Kasselmann.

He maintains that sticking to a plan can be easier for some but may present difficulties to many others and offers four tips to help keep one on the right track.

1. Distinguish between needs and wants. Warren Buffet, Investment Guru once said "if you keep buying the things you want, you may soon find yourself having to sell the things you really need."

• Try scaling down on some unnecessary luxuries. Perhaps consider scaling down from the most expensive designer brands to more affordable ones;

• Cut down on take-aways and opt mainly for home cooked food which has the added annually. You will be amazed at the size of the saving that such a small change can make.

2. Settle your smallest debts first

Most people pay a little bit extra on all their debts in the hope that they can settle the debt sooner. This is not a sound strategy. By utilising your excess disposable income to focus on one debt at a time, starting with your smallest debt, you can “double up” on the next debt as you add the repayments from each debt you settle. The short term debts also tend to be the most expensive debt so this strategy has the added value of saving you the maximum interest. This is the fastest way to get out from under the debt burden.

3. Reduce or completely cut down on ‘packets’ of anything

The R30 cigarette packet can stand in the way of achieving your financial goals. Reduce the number of packets you buy, or stop the habit completely. Your health will also benefit from this in the long run.

“I can think of a whole lot more packaged items that you can either substitute for more home-made and healthier options or cut out completely. Think of the vending machine in your office.”

4. Find a Financial Adviser who you trust completely to partner with you

Too many people accept sub-standard advice or service from their service providers. When you’re sick, you want to know that your doctor has the knowledge to cure you and you want to be able to trust that the medication he prescribes is right for you. Professional financial advice is no different. If you are uncertain about your financial plan or how to avoid the many pitfalls presented by the current political and economic landscape, then you need to get professional guidance from a qualified financial adviser.

5. Track your financial journey

Track and monitor your financial objectives on a regular basis by revisiting your budget and revising your plan as your circumstances and needs change.
“A financial plan, like any other plan, is a roadmap towards financial freedom. Personal budgeting can seem daunting, but can be quite easy and extremely rewarding,” he says.

Majestic Services:

Short Term Insurance
- Personal Lines
- Commercial Lines insurance, including Marine, Aviation, Contractors All Risks and Plant All Risks, Group Personal Accident,
- Liability Insurances, including Professional Indemnity, Directors and Officers Liability, Medical Malpractice, Employment Practice, Commercial Crime, Cyber Risk and General Liability insurance.

Financial Planning
- Death, Disability and Dread Disease Benefits
- Retirement Planning and Estate Planning
- Key Man Insurance, Buy & Sell Insurance, Contingent Liability
- Corporate Benefits

Medical Aid
- Individuals
- Company Group Schemes and Administration

Tax and Accounting Services
- Individual Tax Returns
- Payroll
- Bookkeeping Services

The solutions offered at Majestic falls in line with out philosophy to serve you and your company's needs as a turnkey brokerage with an emphasis on customer service and trusted product suppliers.

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The advice offered herein is of a generic nature, and that if followed without discussion and application of personal needs, Majestic cannot accept any responsibility thereof.

Our quarterly newsletter gets sent to all our clients and product suppliers.

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