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### Financial Year End Reporting: Challenges to Manage, Opportunities for Benefit

*“Any remedy is going to depend on having financial statements that are reliable”  
(Tom Foley)*

On the last day of February each year, many companies face their end of financial year or “EOFY”. Whether it’s referred to as the EOFY, Close of the Financial Period, Financial Year End or FYE or simply ‘Year End’ this important



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...LE, or simply Year End, this important time is just around the corner for many companies on the 28<sup>th</sup> of February. It is often a stressful time as the financial loose ends from the last 12 months are tied up, various reports and registers are produced, crucial decisions are made, and the accounts for the last year are closed off. All necessary to present an accurate and up-to-date overview of the financial performance over the period, enabling proactive tax planning, ensuring audit-readiness and providing key information for business owners to strategise for the future, plan, structure, invest and grow.

### ***Why a specified financial year end?***

The financial year of a company is its annual accounting period and can be any 12-month period the company uses for accounting purposes.

A financial year is a legal requirement. The Companies Act stipulates that a company must have a financial year, with a start and end date. The financial year end date must be set out in the Company's Notice of Incorporation.

For many companies this date is the end of February each year, although some companies have a financial year end on a different date. A company can change its financial year end by filing a notice of change with the Companies and Intellectual Property Commission (CIPC).

### ***Why is a financial year end so important?***

A company's financial year is not only a statutory requirement, but also – crucially - the period on which its tax liability is assessed. It also determines when the tax payments are due.

Annual income tax returns must be submitted within one year from the end of the company's tax year. Payments are made with provisional returns filed at six-month intervals from the tax year end based on an estimate of taxable income for the year.

Interest is charged on any underpayment outstanding for more than six months after the tax year end, except in the case of February year ends, in which case it is seven months. Any balance with interest is then paid following assessment.

Furthermore, the company's financial year also determines when the annual financial statements are due. These annual financial statements are used for compliance purposes, as well as by investors and other stakeholders, such as banks and other creditors, to understand business operations and to assess a company's performance.

But perhaps most importantly, financial year end is the crucial time for business owners and managers to thoroughly analyse business performance and make important decisions. This is made possible by an accurate and timely financial year end that produces accurate and reliable financial statements.

So how can your company best prepare for the looming financial year end?

### ***Tips for financial year end success***

- Identify the important deadlines and the activities that must be completed by each date, such as data processing and reporting deadlines, the tax return and payment dates, and the annual financial statements submission dates.
- The difference between a successful year end close and a stressful one is accurately managing the accounts all year, keeping the bookkeeping up-to-date and correctly and timeously completing each month-end.
- During year end closing, accounts must be checked carefully for discrepancies, omissions and human errors as these can be costly in consequences. Every rand must be accounted for and all supporting documentation available for a possible tax audit.
- Thorough and accurate inventory checks to determine stock levels, consumables and assets on hand will produce up-to-date asset registers for accurate balance sheets, and that will inform asset purchase decisions, depreciation expense claims and capital gains tax calculations.
- Current accounts payable reports will allow accurate budgeting for accounts to be settled before financial year end; while up-to-date accounts receivable reports allow payments to be chased and income due to be collected within the current financial year.

- Tax planning involves structuring the company's finances to ensure the company pays only the tax that is legally required to be paid. This might involve accelerating transactions into the current year or delaying transactions into the next financial year to better manage tax liabilities. For example, a company might make asset purchases, pay annual subscriptions earlier, make donations before year end, delay issuing invoices where permissible, or consider writing off debtors or assets before the year end. Any such measures must be lawful, consistent in application and able to pass a possible tax audit, so professional advice is essential.
- There are tax changes each year and these could include new or amended deductions or concessions for small business, so be sure to speak to your accounting and tax advisor to ensure all possible tax breaks are considered before finalising the financial statements.
- Backup and store business information – including registrations, financial information and customer data – in a secure off-site location.

### ***Reap the maximum benefits of an accurate and successful financial year end***

An accurate and successful financial year end will produce reliable and timely financial records and reports that provide a holistic view of the financial health of the company, enable proactive tax planning, and ensure tax audit readiness.

The annual financial reports detail the company's assets and liabilities, profit and expenses, and cash flow. Reviewing annual financial statements will reveal if adjustments are required, such as more sales or fewer expenses, as well as where adjustments must be made and how much adjustment is required in the year(s) ahead.

As such, financial statements are key tools for business owners to strategise for the future, plan, structure, invest and grow, and are often required by stakeholders such as banks and other creditors, potential investors and business partners to obtain an overview of the company's financial performance and opportunities for growth and improvement.

In addition, accurate and reliable annual financial statements produced over the years provide an essential record for any potential investor or buyer of the company in the future and also ensure the appropriate value of the entity from the owner's perspective.

## **Six Tips for Creating a Distraction-Free Home Office**

***“Out of clutter, find simplicity.  
From discord, find harmony.  
In the middle of difficulty lies  
opportunity.” (Albert Einstein)***

To many people the idea of working from home can seem like a dream. Just avoiding the daily commute makes it worthwhile for many, but add in the benefits that arise from being present for your family, and being able to work the hours that suit you, and suddenly it's an extremely attractive proposition.



While it definitely does depend on the individual, working from home can present a number of new challenges when it comes to getting work done. Laundry is building up, the home needs cleaning from the weekend, and your TV and fridge are also always on hand.

Luckily there are some small changes anyone can make to ensure their home office is at least as good as a corporate office for concentration, and potentially even better for productivity.

### **1. A dedicated workspace**

While not everyone has the ability to turn one room of the house into an office, it is wise to try and create a dedicated workspace for when you are “at the office”. Even just pushing a desk into the corner of your lounge and working

from there will put you in the right state-of-mind for getting your business done, and at the end of the day you can log off and go back to your family life. Sitting in bed to work may be fun for one day, but long term blurring of the lines between the spaces for work and those for play can mean you can never really get away from your job.

For the same reason it may be wise to have a “work computer” and one for social media and recreation. Use the work computer the same way you would the one at any corporate office. When you turn it on there will be no non-work apps to distract you, and you should immediately be able to get into a work state of mind.

Ideally your work desk should face out a window, or failing that, towards a wall so you aren't constantly looking at the distracting build-up of dishes, or the temptation of the television. Put up some work-related art, keep the table organised and you will find that when you sit down you are already thinking of working.

## **2. Noise is a distraction too**

It's not just visual things that can be distracting. The noises of a home can also take you out of that important work mindset. If you live alone this will be a lot easier, but if you have a family around, their activities can break your train of thought as easily as if they were tugging on your shoulder.

You don't need to go overboard but finding ways to mute the external noises will help you to concentrate. Consider changing your office door from a hollow one to a solid wood one. Adding weather-stripping or a door sweep along the bottom of the door can also cut down on the amount of sound pollution that seeps in. If you use a corner of a common room for your office, consider investing in a pair of noise-cancelling headphones to ensure your thoughts remain entirely undisturbed.

## **3. Get an office chair**

By now you will no doubt have spent a day working from a dining room chair, or on a couch and will know that this is not an effective way to do it. There is a reason offices splash out on their chairs. Dining room chairs are intended for short stays whereas an adjustable office chair will enable you to set your ideal height and maintain good posture throughout a full workday. No one's watching to see whether you're sitting up or slumping, but your back will let you know if there's been any cop-out.

Giving yourself a sore back or painful legs is a great way to ensure you get no work done, so apart from getting a good chair, make sure you take scheduled breaks away from your computer. Be sure to look away from the screen every 20 minutes and don't be afraid to get up and walk around the house from time to time. A study conducted a few years ago by DeskTime indicated that the most productive interval was 52 minutes of work interrupted by 17 minutes of break. Just don't allow yourself to get caught up in home chores.

## **4. Keep it tidy**

A cluttered desk may make you look busy, but it isn't doing you any favours when it comes to focus. You might be surprised by just how much paper can build up doing an average job and often this is something you need to keep under control. Getting decent paper storage is therefore an important thing to consider when building a distraction-free office.

If your job is particularly paper-heavy you may want to invest in a filing cabinet, but for most a couple of desk drawers or shelves should be fine. Set aside a designated place for incoming mail or work on the to-do list, another for projects in process, and a third storage area for completed projects or paid bills. Organising your computer files in a similar way, to keep upcoming work and work in progress in a designated accessible area and finished projects stowed away in a cloud database, may help you stay on top of the jobs you need to do.

## 5. Be Work Ready

When you sit down to work you want to be able to do just that. In order to make sure you will be at your most efficient your workspace needs to be work-ready. You don't want to have to interrupt your flow with a trip to the shops to get printer paper for example. Invest in your workspace so that it's the same as you would find in any corporate building.

Make sure you have the stationery and things you need to get the job done, and this includes having a good internet connection. How easy is it to get to your router if you need to reset something? Do you have enough bandwidth for online meetings? What is behind your desk? What will your colleagues and clients see when they get you on camera?

Have everything on hand that you need, and make sure it's up to date and in working order, because trying to make things work with the wrong equipment, or dealing with problematic old technology, are real distractions. As an added benefit, the investments you make in your home office, and the equipment you use, may be tax deductible (but there are many factors at play here so professional advice is essential before you claim!).

## 6. Have a plan for your family and pets

Children and pets are probably going to be the biggest distractions to your day, so make a plan to ensure neither interrupt you. Children must understand that while you are working only emergencies are worth interruptions.

Pets may be a little simpler – replace their squeaky play toys with chew sticks, and move their beds close to you so they feel comfortable lying quietly with you even though you aren't being attentive. Good luck by the way with persuading your cat not to sit on your keyboard – this [article](#) may help but all bets are off!

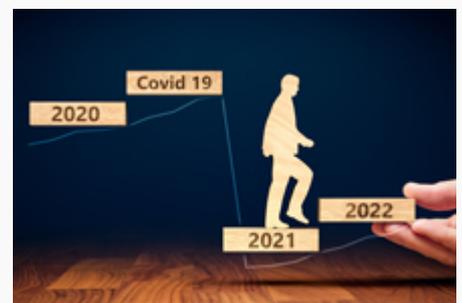
Make sure you plan to take time out to spend with both the children and your pets, so they know that you are not ignoring them, just busy when you are at your desk. Taking your dog on a lunchtime walk, or playing with your children for an hour on a sleepy summer's afternoon can really invigorate you for the rest of the day, and are the absolute perks of working from home as well. You might as well enjoy it.

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## Small Businesses That Survived 2021 – How They Made It

***“At the heart of the strategy is a strong belief...that systemic problems require systemic solutions” (MIT Sloan associate deans, Fiona Muray and Ray Reagans)***

Businesses usually spend the last quarter of the year reflecting on how they have done and using the lessons learned in planning for the year ahead, while also keeping a keen eye on government's financial plans as revealed in the budget - which will be tabled this month.



The 2021 calendar year has been tougher on the private sector than any other time in memory due to the global pandemic. A study by Wits University on accounting and governance in the context of covid-19 suggests that the danger of the covid-19 pandemic and resultant restrictions on businesses is the knock-on effects and the negative impact in the short-to-medium term and short-to-long term, rather than the immediate impact.

The knock from 2020, when the pandemic was first declared, was apparent in the first half of 2021 – with record breaking rates in demand for capital and liquidations.

### ***So how did the businesses who made it through 2021 do it?***

#### **1. Proactive accounting and governance**

Good quality accounting and governance with qualified finance professionals helped these companies navigate through the storm. Particularly in addressing the necessary extra expenses involved in setting up remote working and communication systems and equipment for their staff and even, in some situations, the costs of Personal Protective Equipment.

#### **2. Loans**

The South African Reserve Bank reported that “Year-on-year growth in total loans and advances extended by monetary institutions to the domestic private sector accelerated slightly between March and October 2021, after slowing markedly since the onset of the national lockdown. The gradual lifting of lockdown restrictions boosted the demand for loans by companies in particular, although growth remained subdued.”

#### **3. Good saving habits**

Reducing spending on anything but necessities was essential during the pandemic, and it is interesting to note that South African saving trends were at an 11-year high by the end of the Second Quarter of 2021. This was amid fears of an uncertain future due to the ongoing covid-19 pandemic and the rate remained high towards the end of last year. The South African Reserve Bank said that the high rate was driven up by higher savings by companies and households.

#### **4. Embracing digital**

Businesses that survived and even, in some circumstances, flourished during the global slowdown, used the opportunity as a means to be innovative and embrace digital, and where appropriate and possible, they developed or expanded their online offerings. This included keeping their essential staff busy by investing in systems to enable them to work remotely.

The CEO of IBM, Arvind Krishna famously said, “When we look at the usage of AI and cloud, I think it is especially going to accelerate also not just us, but how our clients are going to go on their digital transformations. And I believe this crisis is only going to accelerate that as we go over the next few months.”

Ask a professional for tips on how to use these lessons effectively as the pandemic continues.

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## **Seven Crucial Tax and Other Issues to Address When an Employee Dies**

***“Employees are the key to your success... Treat them well!” (Ron Kaufman)***

The death of an employee can be a difficult situation in any company, but particularly so in smaller businesses where employees work more closely together and often consider each other more than just co-workers.

In addition to handling the emotional aspect of such an event, companies must also keep the business running and take care of various compliance and tax issues.



Here are seven crucial issues to address swiftly after the death of an employee.

### **1. Contact with the employee's family**

Obtain the name and contact details of a person from the deceased's family with whom the company can communicate about a range of matters, including funeral details, collecting company property such as keys, equipment, (company cars, computers and the like) and credit cards, finalising employee benefits procedures, and the return of the deceased's personal belongings.

It is also helpful to have the details of the executor of the deceased employee's estate, who is also the 'representative taxpayer' for the deceased and responsible for finalising the deceased's financial and tax affairs.

### **2. Inform employees and establish internal processes**

Notify other employees with respect, tact and care, providing as much information as possible. Nominate a company representative to answer employees' questions; to accept flowers, communications and donations on behalf of the deceased's family; and to make appropriate plans for memorials, tributes or gestures.

Realise that some people are better able to deal with such an event than others. Encourage employees to seek the help of lay therapists or religious advisors, and to provide mutual support to each other. Also consider arranging grief counselling and providing time off as needed, as well as for attending the funeral, preferably on a paid basis.

### **3. Keep the business running**

Update business roles and functions and reassign space and equipment to reflect the employee's death in a respectful and compassionate manner.

To minimise disruption to the business, assign the deceased's tasks, functions and responsibilities to other team members, and redirect phone, voicemail, email and mail communications as soon as possible. Collect company property and address security issues as per the company's established termination procedures.

Inform clients, suppliers and other stakeholders who are affected of the change, while beginning the process of finding a suitable replacement.

Compensate for those employees who find it difficult to focus or make more mistakes, especially where this presents a safety issue, for example, in manufacturing or production environments.

### **4. Calculate the final remuneration and benefits**

In calculating the deceased employee's final remuneration, the normal procedures for terminating employment must be followed: all hours worked until the date of death must be compensated, any outstanding leave must be paid out and, if the employee had any savings or loans with the company, these need to be finalised. Depending on the circumstances, payment will be made to the executor of the deceased estate, to the family or to a beneficiary.

At the same time, finalise employment benefits, such as medical aid and pension or provident fund membership, ensuring that all compliance issues are promptly attended to, so the family does not experience delays caused by the company when claiming benefits.

### **5. Take care of tax issues**

Whether the deceased was registered with SARS or not, and whether there is estate duty payable or not, SARS must be notified of the death of the person. This must be done by the executor of the deceased employee's estate or by a tax practitioner acting on behalf of the deceased or the company.

The employer must provide the executor acting as the representative taxpayer

of the deceased employee with the employees' tax certificate within 14 days after the employee passed away. The provisions that state that employees' tax certificates may not be delivered until the EMP501 reconciliation has been submitted does not apply.

Once the deceased employee has been coded as such by SARS, all outstanding tax returns should be submitted up to the date of death by the executor of the deceased's estate. This applies to all tax types - income tax, VAT, PAYE, SDL, UIF and estate duty. As soon as all the tax liabilities have been paid in full, a Deceased Estate Compliance (DEC) letter is issued for all taxes except estate duty and an ED clearance letter for estate duty. Any refund due will only be released if all other taxes are up to date, all accounts have zero balances and all outstanding returns have been submitted and processed.

## 6. Take care of UIF matters

Following the death of an employee who contributed to the Unemployment Insurance Fund (UIF), the dependants – a spouse or life partner, children under the age of 21 or a guardian of dependent children – can claim benefits from the UIF. The death benefit is the amount that the employee could have claimed if he/she was unemployed and it is paid out in one payment.

The dependants must apply within six months of the date of death by going to a Labour Centre to complete and submit Form UF126 (for a spouse or life partner) or Form UF127 (for a child).

The dependants will also need the following from the deceased's employer:

- Copies of the deceased's last six payslips;
- The employer's details on form UI19; and
- A service certificate from the employer.

They will then receive another document, Form UF128, which needs to be filled in by the deceased's last employer and then submitted at the Labour Centre.

## 7. Take care of Compensation Fund issues

The surviving spouse or dependants of a deceased employee may be able to claim from the Compensation Fund if the employee died while working or as a result of a work-related accident, injury or disease. The Compensation Fund covers most employees.

By law, anyone who employs one or more part- or full-time workers must register with the Compensation Fund and pay annual assessment fees, based on the employee's earnings and the risks of the type of work. Workmen's compensation is a no-fault system, which means there is no need to prove that an employer was at fault. The compensation awarded does not form part of the deceased employee's estate and can also not be attached to satisfy a debt.

Assisting the deceased's family in these matters reflects well on the reputation on the company/employer.

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## Budget 2022: The Minister of Finance Wants to Hear from You!

Finance Minister Enoch Godongwana has invited the public to share suggestions on the 2022 Budget he is expected to deliver on Wednesday 23 February 2022.

The Ministry of Finance: "As usual, the budget allocation always aims to strike a balance between competing national spending priorities ... suggestions must



pertain to what should government be spending on, how to address a large budget deficit, new sources of tax revenues, and other budget-relevant information ... Minister Godongwana looks forward to your contributions.”

Go to National Treasury’s “Budget Tips for the Minister of Finance” [page](#) and fill out the online form.

### Your Tax Deadlines for February 2022

- 7 February Monthly Pay-As-You-Earn (PAYE) submissions and payments
- 25 February Excise Duty payments
- 25 February Value-Added Tax (VAT) manual submissions and payments
- 28 February Value-Added Tax (VAT) electronic submissions and payments, PIT & CIT Provisional Payments where applicable.



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