Adfinity financial services

secure your financial independence

post — P O Box 4145, Tygervallei

office — Imperial Executive Suites, 2nd Floor, Imperial Terraces, Tyger Waterfront

email — info@adfinity.co.za

www — www.adfinity.co.za

phone — 021 914 6863

assist — Mariaan Scheepers, mariaan@adfinity.co.za

Using tax to save

Say goodbye to tension and hello to your pension would be a refreshing sentiment if it was true for everyone. The truth is that the majority of working people do not retire with enough retirement savings. Medical advances have also meant that people are living longer and consequently saving for your retirement is even more crucial. If you are several years away from retirement, now would be the time to take advantage of the tax breaks available to you. It could make a big difference in the twilight years.

You can claim a tax deduction of up to 27.5% a year based on the greater of your remuneration for PAYE purposes or your taxable income (up to R350 000) for pension, provident and retirement annuity fund contributions. Taking advantage of this tax break is the savvy way to save.

By taking advantage of the tax benefits, our research shows that individuals can achieve between an additional 1.5% and 2.5% per annum in after-tax investment returns depending on their income levels.

1. Additional voluntary contributions

You've got the flexibility to decide how much extra to contribute, or it could be a lump sum whenever you have extra money. There are generally no administration fees charged for putting extra money into your fund, so the full amount is invested for your retirement.

2. Increase your contribution rate

Contributions to your fund are deducted from your salary before tax. If you contribute an extra five percent, your take-home pay will not decrease by five percent because you will pay less tax on the reduced, pre-tax income. More money is invested towards your retirement savings.

As a simple example, if your total monthly income is R25 000, and you contribute 15%, i.e. R3 750 – to your retirement, your taxable income is R21 250. However, if you increased your contribution to 27.5%, i.e. - R6 875 – your taxable income would be R18 125. Your fund may offer you the option to increase your contribution rate. Ask your HR department about your contribution rates.

3. Sign up for a new retirement annuity

Top up your retirement savings with a retirement annuity, which has a number of benefits including tax incentives, flexible contribution rates, and they are separate from employment-related savings. Most annuities have a minimum investment amount to get started. You may need to save up, or wait until you receive a bonus or if you receive money back from SARS when you submit your tax return.

4. Draw up a budget

If you think you don't have any extra

money to top up your retirement savings, draw up a budget and see where you can save. Cancelling subscription services you aren't using, or getting new quotes on your insurance can help you find a few extra hundred rand, which could be used in a Tax Free Savings Account.

It is important to check what options you have in your retirement fund. Speak to me and together we could put a plan together that can help you start small and increase your savings as you have more available cash. Leverage the power of compound interest over time to be a winner when you reach retirement age, and one of the few people in South Africa who can afford to retire comfortably.

Give credit where its due

Despite the interest rate hike and the rising cost of living, the National Credit Regulator (NCR) encourages consumers, in particular the youth who have already signed credit agreements, to continuously pay their monthly accounts on time and in full in order to maintain a good credit bureau record.

Checking credit bureau reports enables consumers to spot any incorrect information and/or fraudulent transactions, thus providing them with an opportunity to remedy the situation.

Forewarned is forearmed

Knowing what is contained in one's credit report gives consumers an opportunity to improve their credit reports.

All consumer credit information held by credit bureaus must be accurate. Incorrect credit information can adversely affect a consumer's chances of acquiring credit or a job where a company is considering a candidate for employment in a position that requires honesty in dealing with cash or finances.

Hence, it is very important to dispute incorrect information before it affects you adversely.

Your rights

In terms of the National Credit Act, every consumer has a right to challenge the accuracy of their information held by the credit bureaus free of charge. If a consumer has challenged the accuracy of the information, credit bureaus must take reasonable steps to seek evidence in support of the challenged information.

Credit bureaus have 20 business days to do that. Should the credit provider and/or service provider fail to prove the listing within the 20 business days, then the credit bureau must remove the disputed information from the consumer's credit profile.

Considerations when buying an e-bike

When you're browsing an online bike shop in South Africa, you have to look for a bike that will work for you. To figure that out, consider the following factors:

Power

When you buy an e-bike, you have to look at the power it will provide you, while also considering the area you live in. If you live in a city with minimal hills, you'll do just fine with a bike that offers anything between 200-350-watt motors.

Throttle

You're going to want an e-bike with a throttle that controls power output. It's a good addition to the power assist that you get from the e-motor. While you need to be pedalling to get the power boost from the motor, with a throttle you're able to start up from a stop without pedalling.

It is very important for consumers to know that inaccurate credit information will stay on the consumer's credit profile, until rectified or until its retention period finishes.

A retention period relates to the length of time that a credit bureau can retain consumer's information on their credit report. However, consumers should not waste time disputing accurate credit information, knowing very well that they skipped payments or short paid the account.

Annual checkup

Consumers are entitled to one free credit report once a year as per the National Credit Act.

The National Credit Regulator would like to see more consumers requesting their credit reports from credit bureaus because currently the numbers of those requesting their credit reports are low. According to the Credit Bureau Monitor from the NCR, as at the end of December 2021, credit bureaus held records of 26, 38 million credit active consumers. Out of this total, only 648 280 credit reports were issued. From this total, 35 919 consumers lodged disputes in respect of the accuracy of information held by the credit bureaus. More disputes were resolved in favour of the complainants.

In order to clarify a lingering perception out there, credit bureaus do not decide whether or not to extend credit to consumers.

Credit bureaus are organisations that specialise in creating consumer credit profiles based on information received from a person who supplies goods, services or utilities to consumers, whether for cash or on credit, an organ of state, court, judicial officer and a person providing long term or short term insurance. They keep valuable information about consumers' recent and past accounts, payment history, defaults, judgments, trace alerts, collections and enquiries.

Contact

Below is a list of credit bureaus and other important contact details. Use one of these websites to request your report:

Factors that impact your credit score

Payment History

Total Debt Owed

Length of Credit History

New or Recent Credit History

Types of Credit

xperian	(011) 799-3400/ 0861 105 665	www.experian.co.za	consumer@creditexpert.co.za
TransUnion	0861 886 466	www.transunion.co.za	webadmin@transunion.co.za
XDS	0860 937 000 (011) 645-9100	www.xds.co.za	info@xds.co.za
Consumer Profile Bureau	(010) 590-9505	www.consumerprofilebureau.com	support@cpbonline.co.za
Credit Ombud	0861 662 837	www.creditombud.org.za	ombud@creditombud.org.za
National Credit Regulator	0860 627 627	www.ncr.org.za	info@ncr.org.za

Taxing transfers

For most of us the purchase of a house is likely to be our most expensive ever purchase. But the listed price you see on a sales brochure or website does not tell the full story of how much you will need to pay up when buying a house in South Africa. In addition to a deposit towards the purchase price, there are also transfer costs (and bond registration costs if the purchase is being funded by a mortgage bond). The transfer costs consist of transfer fees (the legal fees paid to the conveyancing attorney handling the transfer from the seller) and – for properties valued at over R1m – a potentially hefty amount of tax called "transfer duty".

Property taxes: an historical perspective

Property tax is likely the oldest basis of taxation in history and even predates coinage: Egypt is thought to have first levied direct taxes on property in around 3000 BC and used the taxes to build grain warehouses and pay for building the pyramids. Because there was no coined money at that time, the taxes were collected in the form of harvest yields, other property, or labour.

Transfer duty is one of the oldest taxes levied in present-day South Africa and derived from the Dutch model. It was introduced in the Cape of Good Hope in 1686 and was originally referred to as the "40th penny" - because of a 2.5% tax rate at the time.

Taxes on the acquisition (or other alienation) of immovable property (i.e. property transfer taxes) are commonly found in countries across the world. In traditionally Common Law countries (i.e. those with a largely British heritage), such as the United Kingdom, USA, Canada, Australia and New Zealand, these taxes tend to be levied as a stamp duty on the deed of sale – usually at rates below 2%. In Civil Law countries (i.e. countries with a European continental heritage), such as the Netherlands, Belgium, France and Portugal (and their colonies), these taxes are more akin to South Africa's transfer duty and are usually levied at relatively high rates (in many instances exceeding 6%)

How much is Transfer Duty?

Our current Transfer Duty Act became law on 1 January 1950. The Act replaced diverse provincial laws relating to transfer duty which applied at the time. The rate levied works on a sliding scale and is amended from time to time. Currently Transfer Duty is levied on transfers where the value of a property exceeds R1m; the rate starts at 3% on the value exceeding R1m and increases to 13% on amounts exceeding R11m.

Posh Properties

The most expensive privately owned house in the world (if you exclude Buckingham Palace which tops some lists) is reputed to be Antilia Tower in Mumbai, India with an estimated value of US$2 billion.

Designed for Indian billionaire Mukesh Ambani, this 400,000-square-foot residence in Mumbai's Cumballa Hill neighbourhood is 27 stories high. The tower, which can sustain a magnitude eight earthquake, features six floors devoted to car storage, a car service station, a temple, a 50-seat movie theatre, and nine high-speed elevators.

Financial Informer

Top of the hill South Africa

A house in Bantry Bay, Cape Town was bought by a German family for R290 million in 2016. It's reputed to be the highest ever price paid for a home not only in South Africa but in the whole of Africa. The three-storey home included five bedrooms, three guest bedrooms, two staff bedrooms and eight garages; the deal also included two luxury cars.

The 2 800m^2 property boasts 360 degree views of Lion's Head, Table Mountain, the Twelve Apostles, and the Atlantic Ocean, has a garden and terrace with a wrapa-round swimming pool and VIP security.

The Transfer Duty payable on R290m at current rates: just over R37 million!

When is Transfer Duty levied?

Transfer Duty is a tax levied on the value of any property which is acquired by way of a transaction or otherwise. Most cases involve the acquisition of immovable property by way of an agreement of sale. But it also applies to other forms of transaction such as donations and exchanges. Transfer duty is also paid if there is a renunciation of rights to property: for example, if a right of way servitude or a usufruct over a property is cancelled in favour of the owner of the property, transfer duty is payable by the owner on the amount of the enhanced value of that property as a result of the removal of the restriction.

What constitutes "property" for the purpose of Transfer Duty?

Property includes:

- Land and buildings;
- Real rights in land, such as a usufruct and servitude (but not leases and rights in terms of mortgage bonds);
- Rights to minerals or rights to mine for minerals;
- A share or interest in a "residential property company" i.e. a company or close corporation whose assets consist primarily of residential property;
- A contingent right to residential property held by a discretionary trust (not a special trust), where the acquisition of the right is in consequence of an agreement for consideration in relation to property held by that trust; or accompanied by a change in the debt or security structure of the trust; or accompanied by a change in the trust's trustees (i.e. where someone acquires rights to a property by "buying" and restructuring the trust which owns the property) and
- A share in a share block company.

When and by whom is Transfer Duty payable?

Transfer Duty is payable by the person acquiring the property, within six months of the date of acquisition.

On what base amount is Transfer Duty levied?

Transfer duty is payable on the highest of the following values in respect of the acquisition of "property":

- the amount of the consideration (price) payable (where consideration is payable – such as in a sale); or
- the "declared value" (where no consideration is payable – such as a donation or exchange); or
- the "fair value".

"Fair value" means the fair market value of that property as at the date of acquisition. In an arm's length transaction between two unrelated parties, the consideration payable by the purchaser will generally be representative of the fair market value on which transfer duty is paid. However, in the case of related parties the sale price could likely

be less than the property's value (e.g. a "friendly" sale by a parent to a child). In transactions between connected (related) parties, SARS insists on estate agent's valuations being submitted with the transfer duty return.

The principle is that transfer duty is calculated on the value of the property not the price.

Are any property transactions exempt from Transfer Duty?

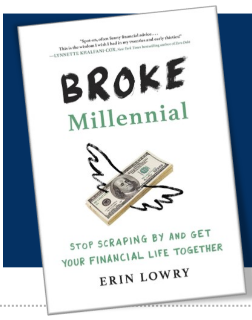
The good news is that not every transfer attracts Transfer Duty. The following are some of the transfers which are exempt from duty:

- acquisitions by Government, municipalities and public benefit organisations
- inheritance of fixed property by heirs or legatees
- acquisition of property in the case of divorce, regardless of the marriage regime (including civil unions or same-sex partnerships)
- rectification of registration errors (where property is being transferred to rectify errors made in a previous transfer)
- transfers of trust property by trustees of a trust to a trust beneficiary (where the beneficiary is related to the founder of the trust)
- where VAT is levied on the sale (e.g. the sale of a property by a VAT vendor in the course of their business - the purpose of this exemption is to ensure that a transaction is not subject to both VAT and transfer duty)

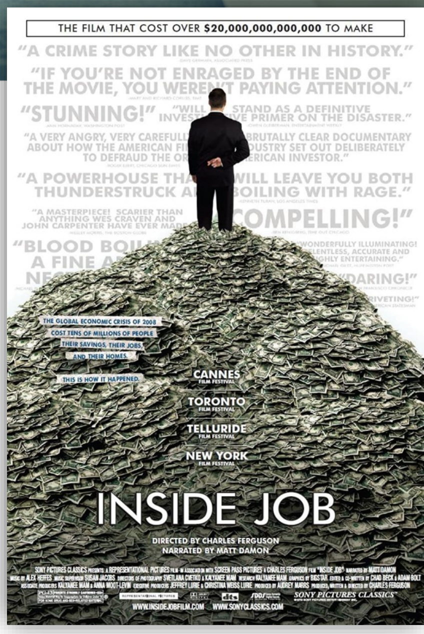
What happens if a party is behind with their taxes?

SARS uses property transfers in an effort to ensure that, where applicable, the parties concerned are on register for the various taxes and that their tax returns and tax payments are up to date. The transacting taxpayers will therefore be informed, through this process, of any non-compliance regarding their own tax affairs, and will be given the opportunity to rectify matters. As part of the recovery process, a conveyancer may be appointed as a withholding agent to pay SARS from the proceeds of the sale – usually within five days of the receipt of funds relating to the transaction.

By its very nature the purchase of a property is complex and costly and buyers are advised to seek appropriate financial and legal advice before concluding the deal.



"If you haven't quite got the hang of 'adulting,' follow Erin Lowry's spot-on, often funny financial advice. You'll be inspired by how she successfully sidestepped student loan debt, negotiated a 40% (yes, 40%!) raise, and managed to tackle a host of thorny money situations. Best of all, Erin reveals how you can do all this too. Broke Millennial is not your typical personal finance book. This is the wisdom I wish I had in my twenties and early thirties!" - Lynnette Khalfani-Cox, cofounder of AskTheMoneyCoach.com



Inside Job is one of the most well-done and informative documentaries on the 2008 housing and banking financial crisis. The movie won the 2010 Oscar for the best documentary picture.

Broken down into five parts, the film takes the viewer through the U.S. policy changes and banking practices that led to the global financial crisis. It begins by highlighting how the economy was set up to fail, how the bubble grew between 2001 and 2007, how the crisis struck in 2008, and who was accountable for the crisis, before wrapping up the aftermath.

This is one of the most important documentaries for finance professionals. Through an understanding of the history of one of the largest financial crises, it's possible to learn from past mistakes to foresee when something like this can happen again and prevent it from happening. Available on YouTube