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Sars drops deferment payment bombshell

Liesl Venter

Industry is gearing up for another fight with the South African Revenue Service – and this time billions of rands are at stake.

Sars earlier this month published a proposal for a fixed deferment period of one calendar month to apply to all deferment account holders, beginning on the 1st of each month and ending on the last day. Payment to Sars of the deferment account will be due on or before the 7th of the following month.

"This is going to have a massive financial impact on industry," a source told FTW. "Currently deferment account holders make payments at different times of the month on a date agreed in each case with Sars.

Payments are thus staggered at different company offices and more than one deferment at the same company office also occurs on different dates. That means that companies can stagger their payments and control their cash flow.

This will now change if this proposal is accepted and everyone in the country will have to pay before the 7th of every month, which essentially means that certain large companies will be unable to meet their payment obligations."

With public comment due on March 9, industry stakeholders maintain that the financial impact on big companies would be the equivalent of making a 13th payment every month.

"It all comes down to cash flow. Some companies even have more than one deferment payment – one for sea freight and one for airfreight at the same company office for example – so that they have better cash flow throughout the month."

The changes will impact heavily on invoicing and affect the bonds companies hold with finance companies for duties and VAT.

"We are talking billions of rand here. It will totally change the landscape of freight forwarding and customs clearing in South Africa," said another source. "The clearing agent is going to have to take massive risk to ensure these payments are made once a month prior to the 7th. This will mean renegotiating payment

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Big deal

Photo: Shannon Van Zyl

Ziegler ZA CEO Sean Moore and Dr Xolani Mkhwanazi shake on a deal that has seen European logistics major Ziegler selling a share of its South Africa business to a black-owned consortium.

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PORT TARIFF RESPITE

The Ports Regulator has once again restrained Transnet National Ports Authority's (TNPA's) tariff-increasing ambitions.

Although TNPA requested a tariff increase of 9.47% for the 2015/16 tariff year, the regulator has only approved an overall increase in average tariffs of 4.8%.

In addition, while TNPA asked for an indicative tariff of 15.91% and 6.49% for 2016/17 and 2017/18 respectively, the regulator was adamant that these would be adjusted to "within the inflation target band" – 5.9% for 2016/17 and 5.6% for 2017/18.

In addition the regulator's research raised "significant concerns about specific anomalies regarding tariff imbalances" in the tariff book.

As a result, all cargo dues in 2015/16 are to increase by 3.55%, except those for coal, iron ore and manganese which are to increase by 6.00%. Marine services and related tariffs are also to increase by 6.00%.

Black-owned consortium buys into Ziegler

Joy Orlek

In an unprecedented move among multinationals in South Africa, logistics major Ziegler has sold a share of its South Africa business to a black-owned consortium headed up by ex BHP Billiton executive chairman Dr Xolani Mkhwanazi.

"It's part of a move to create diversity and sustainability in our business," Ziegler ZA CEO Sean Moore told FTW. "We need to align our business with the demographic of the land – and we believe that this will add enormous value for our customers, many of whom have supported us for almost 20 years."

Convincing the shareholders of the 107-year-old European company, which owns 100% of every Ziegler business in the rest of the world, was no easy task.

But their objective in entering the SA market was to gain a foothold on the continent, and they realised that this could only be achieved by playing according to the local rules of the game, said Moore.

The move elevates Ziegler to level 3 BEE status, with level 2 in its immediate sights, says Mkhwanazi, who has assembled a high profile team to make up the consortium which includes logistics specialist Peter Ndlovu and a 30% female component, along with financial and marketing muscle.

The move adds enormous value for Ziegler and our next priority is to develop the 4PL business in South Africa, says Moore. "Our group owns over 1 million sqm of warehousing in Europe and we want to replicate that model in South Africa. This will involve acquiring more warehousing space and rolling out the full 4PL product. We have all the IT systems and structures in place in South Africa – all we need to do is deploy them and take advantage of them."

An important element of the company's 4PL ambitions will involve enterprise development. "It's a space where we are very active – but we want to be more active. The owner driver scheme, for example, failed in our industry because it became difficult to manage and became very expensive. We need to find a sustainable model that encompasses the same concept but doesn't come at the same cost. At worst it needs to be revenue neutral," said Moore.

Ziegler will be looking at a similar enterprise development concept in its warehousing ambitions. "As a business we subcontract over 10 000 tons of warehousing – which we shouldn't be doing. If we can find a sustainable enterprise development partner who can take that on and be revenue neutral, it will be hugely beneficial. Level 2 BEE status is only attainable through those kinds of concepts," he said.

The new BEE consortium will have a 25% + 1 shareholding in the business. Moore remains the majority shareholder with the remainder in the hands of the European company.

"We are probably the only multinational that is properly empowered," said Mkhwanazi.

Deferment bombshell

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terms with most clients, or scaling down the size of the business and the number of employees: choose one."

According to the Sars website, implementation of the proposal, if accepted, will be July 1 this year.

"It also seems as if the Sars plan may be a foregone conclusion, judging by the recent amendment to section 54(3) of the VAT Act, gazetted on 20 January 2015, which will take effect on April 1, 2015. In terms of this amendment agents are required to furnish their clients with a statement within 21 days of the end of the month in which the goods were imported. This statement must, among other things, contain a receipt number proving the payment of deferred duty and VAT to Sars.

This amendment therefore does not permit staggered deferment payments, in respect of which a receipt would only be received after the required 21 days of the following month.

However, the amendment would make perfect sense if all deferments ran from the first to the last day of each month."