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To Host or Not To Host a Year-End Party?

"If you can laugh together, you can work together" (Robert Orben)

There's no requirement or obligation for companies to host a year-end party for employees, clients or suppliers. This is true even if there's a company tradition of an end-of-year bash, or where there may be expectations of a year-end party for clients or suppliers in certain industries.

Read on for the lowdown on the pros, cons and tax implications of hosting a year-end party (or parties).

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The benefits of year-end functions

For many, a year-end party is a highlight. A great meal, free drinks and the opportunity to mingle socially with your colleagues. It can even be a motivator when linked to company performance over the year. Here are a few other benefits:

- By creating shared memories that are talked about throughout the year, these functions can create a sense of belonging.
- Employees get to know each other better, making connections, building trust and helping to improve communication and collaboration. In the same way, functions for clients and suppliers are a chance to make professional connections and even new friends.
- A company-sponsored celebration offers a change of scenery, routine and pace that can boost employee productivity when you get back to the office. Among clients, it can increase levels of customer satisfaction and loyalty.
- A dedicated function makes people feel valued. For employees it can boost morale, build loyalty and reduce turnover, while for clients and suppliers it can create long-lasting relationships and generate qualified referrals.
- A party is also a great opportunity to share company achievements, like sales figures, special projects completed, or client video testimonials, in the process inspiring staff, clients and suppliers with your company's vision and offering.

The possible drawbacks of year-end functions

The first step in arranging a corporate event should be setting a budget. Consider the costs – and the potential rewards – carefully. A boring or cookie-cutter party could nullify all the benefits – even if it's not lavish. That's why you need to make sure you host a thoughtful event that creates a positive and lasting impression of your company.

There's also always a risk that staff, suppliers and even clients might conduct themselves inappropriately. This can cause reputational damage and sour working relationships. In extreme circumstances your businesses could even be held legally liable for employee behaviour.

Is it tax deductible?

A company year-end party for staff can be a tax-deductible expense where it's regarded as a non-taxable occasional meal.

Where clients or suppliers are entertained at a year-end function, expenses such as meals, venue hire and live entertainment can be claimed as a tax deduction, but only if you can prove the expenses were incurred "in pursuit of business". This means keeping a comprehensive schedule of the entertainment expenses along with the date, the venue, the company and people entertained, and the purposes of that entertainment (for example, prospecting for a new client) to prove to SARS that the expenses were genuinely business-related.

A claim for entertainment expenses is likely to be flagged for investigation by SARS, so don't risk it unless you have verified your tax position with us and your ability to prove that the expenses claimed are legitimate business expenses.

Remember also that input VAT cannot be claimed on entertainment expenses, including but not limited to business lunches and dinners; annual functions; and expenses incurred for entertaining clients at restaurants, bars and night clubs.

To host or not to host?

If you are considering a year-end event, we invite you to rely on our expertise. While we won't offer to help with the décor, we can assist you to weigh up the pros and cons for your specific business. We can help you to determine a budget and take care of all the tax stuff, so you can enjoy all the benefits of a corporate function with confidence. Cheers to that!

Why Aren't You Hitting Your Revenue Targets? 4 Hard Truths

"The only real mistake is the one from which we learn nothing." (Henry Ford)

Without revenue targets, businesses are unable to measure their performance against past years, reward employees, or accurately forecast and plan. Targets set by leaders for individuals or teams can shape morale and expectations for employees and bring accountability to team actions.

But it doesn't always work like this. You might have found yourself in the unenviable position where your targets are consistently being missed – despite your team leaders reporting that their teams are giving it everything they've got. Here are four reasons why this may be happening – and what you can do about it.

Reason 1: You set the wrong goals

For many leaders, revenue targets are calculated by simply adding a percentage to the previous year's turnover to show growth. While this system may seem sensible, it's actually very wrong.

When setting revenue targets, you must consider a number of factors that go beyond the achievements of the previous year (or quarter), and the current inflationary environment. Consumer behaviours change; sometimes overnight. The market adjusts and new competitors are always springing up. What's more, a new technology could arise, bringing new challenges or rendering one of your products or services obsolete.

The first step to setting accurate revenue targets is gathering all the data. Once you've done a thorough analysis of the market, competition, and consumer behaviour, you should look at each product or service you offer and evaluate its existing sales and potential for new sales. Setting individual targets should result in much more realistic numbers.

Reason 2: Short-term thinking

Pressure to show growth can cause you to rely too much on channels that deliver speedy growth. It's easy to fall into the trap of doing things for short-term benefit, rather than building your business one brick at a time. Loads of things that are time-consuming and have no obvious short-term gain could eventually reap huge rewards – things like building an organic online presence or nurturing a business community.

The demand for short-term growth can also lead you to abandon strategies that do work simply because they don't show immediate success. There's almost always a lag between implementing a new strategy and seeing an impact on your bottom line – often a little patience is all it takes.

Reason 3: Failing to plan

Having a revenue target is not the same as having a plan. At the end of the day, it's your staff who will convert the proposed numbers into a reality. Your teams must be given the tools they need to meet your revenue targets.

Have your numbers factored in a new competitor? Then your staff need to know how to market around that new competitor, and your sales teams need to know how to answer the questions they're going to get about the competitor's products.

If it's growth you're after, will your current team be able to handle the extra hours needed to achieve it? Or do you need to add staff? If you need new staff, have you allocated budget for hiring and training them? And have you considered that they'll operate at a slower pace in the beginning?

Your accountant (that's us!) can help you gather the necessary data to turn your sales targets into an actionable, budget-friendly plan that makes them a reality.

Reason 4: Bad sales pipeline

You can only sell to customers who actually need your product. You can kiss your revenue targets goodbye if your sales team isn't getting enough good leads. Without good leads, salespeople start changing their behaviour, wasting time trying to sell to clients they know won't bite and/or giving deep discounts just to get a hit.

Poor-quality sales pipelines manifest themselves through deals that either don't close or that take a long time to close. If this is something you're seeing regularly, here are three questions to ask yourself:

1. Is your marketing targeting the right demographics?
2. If you are reaching the right demographics, do you have a large enough budget to reach the number of clients you need?
3. Are your leads being assessed for quality, and if so, are the sales reps getting the highest quality leads first?

Remember, revenue targets are most often reached by those companies that have gathered accurate data and planned effectively to reach those goals. Your accountant should be on speed dial when you're putting together revenue targets (and coming up with plans to make them work).

We'd love to chat about your revenue targets – just give us a ring.

Can You Afford to Work Overseas? How Double Taxation Agreements Work

"The hardest thing in the world to understand is the income tax." (Albert Einstein)

With an increasing amount of business being conducted online, it's perfectly possible to live in one country and earn an income in another. If you are conducting services for global corporations and earning foreign income in another country, you could get caught up in a world of tricky tax situations. Under these circumstances, you can find yourself being taxed twice, both in the country where the business is conducted and here at home in Mzansi.

To prevent this scenario and encourage South African residents to bring valuable foreign income into the country, the government has enacted Double Taxation Agreements (DTAs) with 79 foreign powers. If applied correctly at tax time, a DTA should mean you don't pay tax twice. But how does this work, and just where are the pitfalls?

Check your residency status

Many people incorrectly believe that DTAs mean that income earned in a foreign country is taxable in that country. While the exact terms of each DTA are different, most DTAs actually give taxing rights on employment income to the residential country, unless the services are rendered elsewhere. This means that if you live in South Africa, you should pay all of your taxes in South Africa. On this basis, any taxes also paid to the government of the country in which the income was earned might qualify you for tax relief in South Africa.

Surprisingly though, in some cases, and depending on the domestic legislation in the particular country, an individual may find themselves tax resident in both South African and the other country, regardless of where you live. This can have enormous implications on your legal obligations and the taxes you end up paying. Luckily, all DTAs cater for such instances, with a set of rules to apply to determine which of the two countries you will ultimately be deemed tax resident in.

That's why it's vital to ask your accountant to first examine the laws and determine just where you are officially resident and how the specific DTA applies in your case.

Do you need a tie-breaker?

Some South African residents working in foreign countries should normally be given tax residency certificates by the country where they make their income. But don't fall into the trap of assuming this means you're not a South African tax resident. More likely you now have dual residency for tax purposes and will be required to apply a tie-breaker test under the specific terms of the relevant DTA to determine just where and how you need to pay taxes.

For something that was supposed to make things simpler and decrease the tax burden on residents earning money overseas, DTAs can actually be somewhat onerous.

Does the DTA even apply?

The fact that there's a DTA between South Africa and the country of your income may fool you into thinking you're automatically exempt from paying taxes in one of the two countries, but this is not so. DTA relief is something that must be proven in South Africa before it can be granted. SARS will want proof of your claims – only once they have satisfied themselves that the income is earned offshore will the DTA exemptions apply.

The bad news is that if you do not have the relevant supporting documentation, SARS may choose to view the omission as a material non-disclosure. The good news is that your accountant can help you assess what documentation you need.

If you're earning foreign income but living in South Africa, please speak to us. We can help you to avoid paying more tax than necessary. Or, worse still, falling foul of the law.

Unlock the Benefits of an End-of-Year Company Review

"In the business world, the rearview mirror is always clearer than the windshield." (Warren Buffett)

Every business should conduct an extensive review of its business operations at least once a year. Doing a review allows you to track your company's progress towards achieving its goals, to evaluate current strategies, practices and operations, and to determine what's working and what isn't. Think of it like going to the doctor for an annual checkup.

The benefits of a year-end review

A year-end review enables you to evaluate business performance across business functions and to identify trends and issues before these become serious problems.

It requires checking progress on goals, objectives and key performance indicators (KPIs). This will reveal what is already working well (these processes can be enhanced and replicated), as well as what is not working – prompting you to realign the team or change tactics. All of this empowers you to chart a well-informed plan of action for the year ahead.

What should be included in an annual business review?

For a big-picture understanding of your business' performance across the various business functions over the last year, a multitude of factors should be reviewed. Luckily, we can help with putting everything together.

- Financial reports, including:
    - Annual financial statements and management accounts
    - Profit and loss (P&L) statement comparing total income to total expenses
    - Cash flow statement to identify cash flow problems and inform budgeting and spending decisions
    - Debtors' reports enabling proactive management of current and overdue invoices for improved cash flow
    - Budget vs actual spending report to identify areas over or under budget
    - Balance sheet summarising total assets and liabilities, shareholders' equity, investments and retained earnings
- Company vision, mission and values
- Business plan covering:
    - Market conditions, industry changes and competition
    - Client base, changing client needs and client satisfaction

  - Goals, objectives and KPIs (Key Performance Indicators)
  - Current and pipeline projects, new opportunities

- Human resources, key roles and employee satisfaction
- Customer acquisition cost and lifetime value
- Products/services, value proposition, quality, prices and fees
- Sales, advertising, marketing and branding
- Costs and expenses, including tax liabilities
- Internal systems and processes, equipment, and resources
- Statutory documents, registrations, certifications and contracts

The smartest way to benefit from a year-end review

Collating all this information may seem overwhelming, but with our professional assistance it can be done quickly and efficiently.

Our team will also assist you to understand the numbers and what the data says about your business. This insight will enable you to enhance or duplicate the processes that are already generating good results and to identify the changes necessary to obtain better results in other areas. It's all about creating a solid plan for the upcoming year, so you can set your business up for greater success in 2025.

Your Tax Deadlines for December 2024

- 06 December - Monthly Pay-As-You-Earn (PAYE) submissions and payments
- 24 December - Value-Added Tax (VAT) manual submissions and payments
- 30 December - Excise Duty payments
- 31 December – Corporate Income Tax (CIT) Provisional Tax payments
- 31 December – End of the 3rd fiscal quarter
- 31 December – Value-Added Tax (VAT) electronic submissions and payments

Thank you for your support in 2024.

Have a wonderful festive season, and a happy and prosperous 2025.

Enjoy the break!

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