



# President's Page \_\_\_\_\_

## Our strategic plan is in place

The most important event in the Institute's recent history is the strategic plan, which was drawn up in 1986 during Henry James's term of office. This plan was formulated at a workshop attended by most of the senior members of Council, and from it has flowed a number of changes that have been introduced over the past four years.

Firstly, the rigid academic barriers to membership of the Institute were relaxed, and consequently our membership has increased. Our *Journal* has widened its appeal to cater for the increased membership by including excellent articles that are of interest to our less-research-minded members.

A conscious effort has been made to increase the number of our branches. At the time, we had only two active branches—those in the Orange Free State and Witbank. These have now been supplemented by new branches in Johannesburg, Pretoria, the Western Cape, and the Vaal Triangle. We look forward to forming new branches in more remote areas, and even beyond the borders of South Africa.

Stemming from the strategic plan, a family of documents was drawn up on the mission and objectives of the Institute. These, together with copies of the Constitution, will be issued to members shortly.

Lastly, the various interests of the Institute have been grouped in portfolios, each being held by an Office-bearer. This has considerably eased the President's duties, and has increased the effectiveness of the Institute.

We have now reached the stage where the strategic plan is in place and a period of consolidation is called for. The plans for our technical programme have been drawn up for the next four years, culminating with the CMMI Conference in 1994 and, as new members are the life-blood of the Institute, our membership drive will continue.

The economic slow-down in our industry and country will have an effect on the Institute, but we mean to run our business in a cost-effective manner and to increase our revenues by holding schools and colloquia of wider appeal to members of the minerals industry.

President

## Message for Christmas and the New Year

*On behalf of the Council and staff of The South African Institute of Mining and Metallurgy, it is my privilege to wish all members and subscribers a very Happy Christmas and a Prosperous New Year.*



President

## Boodskap vir Kersfees en die Nuwe Jaar

*Dit is vir my 'n voorreg om namens die Raad en personeel van die Suid-Afrikaanse Instituut vir Mynbou en Metallurgie alle lede en intekenaars 'n Geseënde Kersfees en 'n Voorspoedige Nuwe Jaar toe te wens.*



President

## VAT and professional services

by Ian MacKenzie\*

Over the past twelve years, professionals such as architects, engineers, accountants, and attorneys have not had to pay a great deal of attention to GST. The fees charged to clients (outputs) have not been subject to GST, but they have had to pay GST on all purchases of materials and taxable services relating to their activities.

When VAT is introduced in October 1991, these professionals will have to become far more involved in the question of indirect taxes. As with all services (other than those of medical practitioners and educational institutions), their activities will fall within the tax net and they will have to

- register as vendors with the Receiver of Revenue
- include VAT at the designated rate on all fees to clients (output tax)
- pay input tax in the form of VAT (instead of GST) on all purchases of goods and services
- obtain tax invoices from suppliers to claim input tax credits in respect of the VAT paid on purchases
- submit VAT returns every two months in which they

will record all output tax charged for the period and all input tax incurred during the period, and either pay the excess tax to the Receiver or claim a refund on the excess input tax

- prepare and maintain records of all the above
- issue tax invoices to any clients who are themselves registered.

The effect of this will be to increase the administrative requirements and costs of the professional practice, but reduce the actual tax costs. Although the professional may have to pay VAT (instead of GST) to more suppliers, he or she will be able to claim all such input tax as a credit against the output tax charged to clients and will therefore not bear any actual VAT cost himself.

Where the client is a registered vendor (generally any business operation), he will have to charge the output tax as noted above, but the client will correspondingly claim an input tax credit of the same amount and will therefore also not bear any actual VAT cost. However, where the client is not a registered vendor, no input credit will be claimable by the client, who will thus bear the VAT cost of the service provided.

\* Ernst & Young, telephone (011) 498-1000.