

MANAGE YOUR PRACTICE

TRUST SERVICES

Low-hanging fruit for the accountant?



When you read this article, you may very well have just experienced a horror tax submission period (if you have fully complied with the new tax requirements) for trusts. Even though many people believe that the new requirements of the South African Revenue Service (SARS) are outrageous, the message from SARS has been clear: 'You tell us trusts are managed properly in South Africa; then just submit the evidence with your tax returns'.

All of a sudden paperwork for trusts is more important than ever – resolutions, minutes of meetings, up-to-date information on all the role-players in the trust, financial statements, asset register, trustees' interactions with accountable institutions, etc. And the biggest challenge is to ensure it all ties up! The paperwork trustees are required to produce on a timely basis drowns the average (often layperson) trustee.

THE RELATIONSHIP ALREADY LIES WITH THE ACCOUNTANT, BUT ...

When you speak to the average client, they maintain (rightly or wrongly) that their accountant has everything under control as far as their trust is concerned, be it trust compliance, administration, accounting, or taxation. When you speak to the accountant, however, the standard answer is 'but we do not provide any trust administration to our clients'.

Some accountants do not know what you refer to when you speak about active trust administration services. Clearly, there is a misunderstanding which the accountant and their client may regret – the client may end up with a

fine and/or imprisonment and penalties imposed by SARS and the accountant may suffer reputational damage and may even be pursued by their client for damages.

Some accountants formally or informally provided trust services, but never charged for it, as the industry was of such a nature that South Africans never paid for any trust services and the accountant was just too scared to charge, as the clients' price sensitivity would (apparently) let them move all their business elsewhere where they would receive the services for free. Similar to any other free services, the state of trust compliance in South Africa is not surprising – only 30% of trusts are registered as taxpayers with SARS (even though it is a legal requirement for a trust to register as a taxpayer), and of those, a fraction submit their tax returns on time (trust tax returns are on average seven years behind).

Apart from the fact that accountants are now forced to manage their risk (reputational and/or commercial), a huge business opportunity presents itself to accountants, as a client (most of the time) have the strongest relationship with their accountant, compared to any of their other professional service providers.