

ASAP

Legal and Technical Update

A guide to identifying potential business solutions

Profit and Loss Account (Income Statement)

Possible heading/item	Problem	Possible business insurance solutions
Director's remuneration	Directors that earn high salaries suffer the severe consequences of having their income taxed at 41/45%. Their salaries therefore need to be structured in the most tax-efficient manner possible.	Accurate figures are provided of the directors' income, enabling their marginal rates of tax to be determined. Opportunities therefore exist for retirement annuity policies, as well as other forms of retirement provision (eg pension fund, provident fund), medical schemes and the payment of dividends to owners, etc, in order to benefit from the various tax concessions.
Salaries and wages	Minimum basic benefits to employees	Here the extent of the variable cost to company is disclosed and required by law the size of the staff can be seen. Further enquiry can disclose the staff details, thus providing a source of qualified leads
Retirement provision	The tax and cost-effective provision of benefits required according to individual circumstances	Various vehicles are available for retirement provision for employees. Opportunities exist for the implementation of a pension and/ or provident fund for all employees. Another possibility is the Corporate Retirement Annuity whereby each employee owns his/her own retirement annuity. In addition, preferred compensation schemes can be created to retain valuable staff.
Medical costs (1)	Indication that the company is contributing to a medical scheme on behalf of its employees	If no medical aid exists or they belong to another medical scheme, Momentum Health can be considered Top-up cover can also be offered to employees

<p>Medical costs (2)</p>	<p>Contractual obligations to continue to subsidise medical costs for pensioners. Should be read with the notes to the income statement.</p>	<p>If there is a contractual obligation to continue to pay some or all of the member's medical contributions after retirement, this creates an opportunity to institute some form of medical prefunding investment scheme to make timeous provision for this liability.</p>
<p>Sales/Turnover</p>	<p>Is there a key-employee that contributes to a large part of the sales/turnover?</p>	<p>An opportunity might exist for the implementation of a key-person protection, in order to provide funding to replace a key employee. There would also be the need to retain such employees and the business may wish to invest in some sort of incentive scheme for the staff (like a preferred compensation scheme).</p>
<p>Group life insurance</p>	<p>Problems can arise for employees when they retire or resign and their Group Life insurance falls away. They may suddenly be left with no life cover, and it may be too expensive to purchase a new policy at that stage of their lives.</p>	<p>A solution to this problem would be to add a conversion option to their group life policy, which will allow the employee, at retirement, to convert the group life policy to an individual whole life policy to ensure that they are covered after retirement as well as during their working lives. By adding this option, it will also ensure that the premiums do not increase drastically at retirement.</p>
<p>Depreciation</p>	<p>By merely writing off the allowable depreciation amount, tax is saved but nothing else.</p>	<p>By instituting an asset replacement scheme the business saves the amount of depreciation write-off in a suitable, tax-efficient investment vehicle in order to provide for the capital required to replace the asset in the future.</p>