

Big Brother or best friend? Govt's motivation for total information

By [Philip Tillman](#)

30 Oct 2023

The Financial Action Task Force's greylisting of South Africa has had a severe knock-on effect on businesses in the country. According to the task force, money laundering is a significant risk factor in the South African economy, and tighter controls are needed to close any gaps.



Philip Tillman is the CEO of Konsise

In response, the South African Revenue Service (Sars) and the Companies and Intellectual Property Commission (CIPC) are establishing a register that holds more detailed information about the control and beneficial properties of organisations.

Sars gathers this data through income tax returns, and the CIPC gathers it through the new declarations inherent to annual returns. This means that companies and trusts can't maintain their compliance with these institutions without supplying their beneficial information.

Beneficial ownership disclosure

If you own a company or several entities, you're probably familiar with the CIPC deadline to disclose a beneficial ownership register.

This deadline — which lapsed on 1 October 2023 — signals the start of greater corporate transparency in South Africa.

There are several challenges companies should be aware of, however. The first is the enormous administrative burden this task places on businesses, especially those that manage several legal entities. Even if they have the best of intentions, it's possible that they may struggle to comply, which could result in costly fines.

Another key issue involves understanding who qualifies as a "beneficial owner". A beneficial owner is an individual or entity that directly or indirectly holds a substantial interest in a company, essentially wielding significant control or influence over its operations. For large corporations with diverse portfolios, identifying these beneficial owners among large numbers of companies can feel like navigating a labyrinth.

This challenge goes beyond the initial identification. Keeping this information updated is equally critical. The CIPC's register is not a one-time obligation. Instead, it requires continuous monitoring and reporting. This becomes a herculean task for corporations that own multiple subsidiaries, each of which regularly experiences changes in ownership and control.

Organisational value

But there's no doubting the value in this journey. Identifying beneficial owners isn't just a compliance requirement but also an ethical responsibility and a matter of reputational risk. Investors, customers, and stakeholders are increasingly concerned about companies' ownership structures. They want to know who's calling the shots and who bears ultimate responsibility. Failing to identify beneficial owners can damage trust, erode corporate reputation, and lead to potential legal consequences.

To navigate this, corporations must adopt a proactive approach, starting with a thorough due diligence process to map out their corporate family tree and identify beneficial owners. Next, they must establish robust internal processes and systems to ensure ongoing compliance. Regular audits and checks are essential to maintain an accurate beneficial ownership register.

Another way of addressing these requirements is using software that holds the information and can proactively ensure the check occurs, making it easier to maintain accurate, beneficial information to ensure 100% compliance.

The October deadline presented an opportunity for corporations to take the lead in demonstrating responsible corporate governance. Failing to comply with Sars and CIPC requirements can result in penalties and tarnish a corporation's image. The public is increasingly scrutinising corporate behaviour, and failing to demonstrate a commitment to transparency can be costly. In the end, being open about their corporate ownership structures is a challenge that corporations should willingly embrace.

ABOUT THE AUTHOR

Philip Tillman is the CEO of Konsise, a top tax software solution that combines the functionality of Excel, SharePoint, Outlook, and SARS eFiling into a single platform, allowing South African businesses to manage their tax obligations efficiently. Konsise is especially powerful for large companies looking to more easily manage the tax compliance of multiple entities in a single platform.

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