



COVID-19 – CMEFS WEEKLY NEWSLETTER

FRIDAY 26-06-2020

Hello. I do hope that this week's edition of our newsletter finds you and your family as well as can be.

COVID-19

The great news this week is that vaccine trials have started in South Africa.

This being said, although it is cause for guarded and cautious celebration, we also need to keep in mind that there is still a long way to go before any vaccine finds it's way into general use.

In so far as the current trial is concerned, it has been made known by those conducting the trial that if all goes 100% to plan and 0% problems are encountered along the way, the roll-out date for administering the vaccine, at earliest, will be around September/October of next year.

If the vaccine is found to work as they hope it will, although it will not prevent persons from becoming infected with Covid-19 and suffering symptoms, it will prevent people from developing severe disease and becoming clinically ill.

That way, the virus can be allowed to spread safely through the general population, much like the seasonal flu, allowing those who become infected with the virus to develop the necessary antibodies to prevent the further spread of the virus.

By way of example, if a person newly infected with the virus only comes into contact with people who are carrying the necessary antibodies against the virus during the time that s/he is contagious, the infection will start and stop with that person.

There will be no further spread.

It is postulated by the scientific community that once 60% to 70% of the general population has developed antibodies against the virus, then the rate of infection drops to below 1, resulting in the spread of the virus becoming lesser and lesser until it disappears entirely, although this will no doubt take some years for that to happen.

At present, it is thought that every one person who has the virus infects 2-3 other people.

It is also further thought that for every one person who we know has the virus, there are 10 others infected that we do not know about.

So when you look at how many people in South Africa are reported as being infected with the virus, it is scientifically safe to multiply that number by 10

Now if we use this information, and apply it to currently available data, it shows that there are now 118 375 confirmed cases of which 59 974 have recovered and 2292 people have died.

Current active cases are therefore 56 109.

Now if we multiply all of those figures by a factor of 10, we arrive at the following, more accurate, picture.

Current active cases 561 090

Recovered cases (persons who have developed the necessary antibodies) 599 740

However, as the number of persons who have developed the necessary antibodies grows, the rate of infection will gradually start to reduce from its present rate (as roughly calculated by me) of 2.18 persons per infected person.

And I am guessing that right now we are at some sort of inflection point with nearly 600 000 persons amongst us carrying antibodies.

I certainly do not think we are going to see any decline in infections anytime soon based on the above, but we should start to see a decline soon in the rate at which people are becoming infected.

It won't be spectacular, but it will start very slowly, then as the months' pass, the curve should start to start to turn downwards.

Based on my calculations, I also put this at somewhere around September/October, depending of course on so very many variables which one cannot with any great degree of accuracy predict.

Let's watch this space.

If you're interested in looking at what was said at the launch of the first Covid-19 trial in South Africa, you can click on this link

<https://www.wits.ac.za/covid19/covid19-news/latest/the-first-covid-19-vaccine-trial-in-south-africa-begins.html>

THE SUPPLEMENTARY BUDGET

We also had the Minister of Finance deliver his supplementary budget this week as a result of the impact the virus has had on the economy.

Bearing in mind that we were already in serious trouble from a debt servicing point of view before the virus arrived on our doorstep, the fact that we now need to go even further into debt whilst revenue is falling drastically is not good news at all for any of us.

Although no adjustments to tax rates were or could have been made at the time, it was made quite clear that SARS would be tightening the screws in the interim and shining their light into every dark corner imaginable to try and unearth whatever extra pennies they could that they up until now might have missed.

So do make sure that you are scrupulous in so far as income disclosures in your tax return yet to be returned is concerned as a surefire way for SARS to raise additional revenue without increasing tax rates is to raise penalties and interest wherever they can.

It was however interesting to hear Edward Kieswetter Commissioner of SARS say at the post-budget interview that he was of the view that tax rates had now reached an inflection point.

What he means by saying this is that he is of the view that increasing tax rates even further will not necessarily raise more tax.

I agree with him that they are at this point.

This inflection point is a well-known phenomenon globally where it has been proven time and again that there is a certain point reached beyond which the more tax rates are raised, the less actual tax is collected.

By way of explanation, there are two rates of tax that can be applied where it can be guaranteed tax collections will amount to zero.

The first is obviously to apply a zero rate of tax.

If you do this you will collect no tax.

The second is if you apply a 100% rate of tax.

If you do this you will collect no tax.

Although no explanation is necessary as to why you will collect no tax if you took all of someone's earnings (Why work at all? Rather stay home and earn nothing. You end up in the same position but with much less effort on your part), it illustrates the point that no matter the penalties that might be applied, there is a point beyond which people feel morally justified in finding ways to both avoid AND evade the payment of tax.

I do not doubt that some feel that way already.

Increasing the tax rate beyond this current inflection point will only increase the number of people who feel this way and who would act accordingly, thus resulting in a net lower amount of tax being collected although a higher tax rate has been applied.

All of this being said, I cannot see that we will be able to avoid a sovereign default (the government being unable to meet its debt obligations) going forward WITHOUT raising taxes somewhere.

So I have no doubt whatsoever that even if it is going to be some kind of tax by stealth, or wealth tax, or even both that will be applied, we are going to wind up giving even more of our money to the Government than is presently the case starting 1 March next year.

I can't remember the exact figure, but I know that someone did work it out, when you factor in ALL taxes paid, being PAYE, VAT, CUSTOMS AND EXCISE DUTIES, FUEL LEVIES, TRANSFER FEES and so on and so on, we end up working either 4 or 5 months of the year for the government and only then do we get to spend what we earn on ourselves.

That does kind of put it into perspective!

That's all for now and I trust you enjoyed the read.

Nine sends love and thoughts to all, as always.

Until next time then, from all of us at CMEFS, do take good care of yourselves. Kind regards. Charles.

Name	Division	Cell Number	Detail
Alicia	Wealth	063 434 8074	Learner. Servicing attaching to the following classes of business. Investment Accounts, Tax Free Savings Accounts, Retirement Annuities, Living Annuities, Pension and Provident Preservation Funds, Endowments.
Andrew	Wealth	063 321 7399	Intern. New business and servicing. Medical Aids & GAP Cover. In the process of migrating across to the Wealth Division.
Andrisha	Wealth	063 378 1473	Representative. New business. Investment Accounts, Tax Free Savings Accounts, Retirement Annuities, Living Annuities, Pension and Provident Preservation Funds, Endowments.
Bernelee	Tax	078 708 4536	Administrator providing admin support to Geraldine and understudy to Geraldine.
Brady	Wealth	071 843 3933	Representative. New business. Investment Accounts, Tax Free Savings Accounts, Retirement Annuities, Living Annuities, Pension and Provident Preservation Funds, Endowments.
Felicia	Risk	071 880 9576	Learner. Servicing attaching to Short-Term insurance, assisting Stella. Starting to obtain some exposure to Medical Aids, GAP Cover and Life Insurance.
Geraldine	Tax	083 754 1699	Head of tax division.
Jamie	Wealth	071 850 1389	Learner. Core responsibility being to produce and send out the monthly investment statements and to handle any queries connected to them. Satellite responsibility to assist where possible in the Wealth Division.
Luh	Bookkeeping	063 102 3313	Head of Bookkeeping Division. Professional Accountant (SA) SAIPA 30345
Nadean	Tax	063 026 1351	Intern. Administrator providing admin support to Bernelee and understudy to Bernelee.
Siso	Risk	060 376 6605	Learner. Starting to obtain some exposure to Short-Term insurance Medical Aids, GAP Cover and Life Insurance.
Stella	Risk	078 784 6462	Head of Short-Term Insurance Division.
Terisha	Books	071 858 3373	Intern. Bookkeeping Division. Data Capture and other functions relating to the bookkeeping Division.
Thabo	Risk	078 004 3864	Learner. Starting to obtain some exposure to Short-Term insurance Medical Aids, GAP Cover and Life Insurance.