Sun Stone Capital

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FAQs

Section 12J

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Q 1

What is a Section 12J investment?

A 1

Section 12J refers to a section which SARS added to the South African Income Tax Act. This provides a tax incentive for individuals, trusts and companies to invest in an approved Venture Capital Company (VCC). The VCC which will issue a certificate for the total amount invested, which the taxpayer can then use to claim a full deduction against their taxable income for the year. This was put in place in order to encourage equity investments into small and medium sized enterprises (SMEs).

Q 2

When do I get my tax saving?

A 2

In the first year that the investment is made. If you invest in a VCC today, when you submit your tax return in Feb 2019, you will attach the certificate stating you have invested in a VCC (issued by Sunstone). Whatever rand value you have invested will be fully deducted from your taxable income for that year of assessment. Should this not be clear, please contact a tax practitioner to explain what this will mean for you.

Q 3

Minimum investment period?

A 3

Anyone looking to invest must commit to a minimum investment period of 5 years.
If the investor tries to sell his shares prior to that date, there will be a full tax recoupment on their initial tax relief.

Q 4

Can any South African taxpayer invest?

A 4

Any taxpayer qualifies to invest in a VCC (Individuals, Trusts and Corporations) and qualifying investors can claim income tax deductions in respect of their total investment amount.

Q 5

How often are dividends paid out?

A 5

Sunstone aims to pay out bi-annual dividends at the end of August and February.

Q 6

What happens if the vehicles we have invested in have less than 100% utilisation?

A 6

The lease agreement between the qualifying company (QC) and the vehicle rental company (VRC) is a flat rate, irrespective of income earned through rentals. This means that the returns of Sunstone and the QCs it invests in are not directly dependent on vehicle utilisation. However, the current VRC and any prospective companies have and aim to achieve 80% utilisation as a minimum.

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Q 7 **What is the average deployment rate?**

A 7 Due to the predetermined pipeline and the high demand for Sunstone vehicles, our capital deployment will as a standard be less than four weeks. This means that you as an investor will start earning returns very quickly, as opposed to earning market related taxable interest whilst capital is awaiting deployment.

Q 8 **Is my capital safe?**

A 8 Seeing as the QC is leveraging off a purchasing platform with high economies of scale, the vehicles are bought at 30% below market rate. Based on past performance this allows for a 90-100% residual values upon sale of vehicle.

Q 9 **What happens after the five year period?**

A 9 Assets will be sold in order to facilitate a return of capital to investors.

Q 10 **How and when does the company resell assets?**

A 10 The QC's business model is built around using the vehicles for 18 months and then selling them as this is the point wherein the fund will continue reinvesting until investors wish to exit.

Q 11 **What if I want to sell out before my 5 year period is up?**

A 11 In the event of a shareholder wishing to exit their investment prematurely, the Board will endeavour to place the shares with an alternate investor on their behalf, this will obligate the investor in a full tax recoupment from SARS.

In exceptional circumstances, and at the discretion of the Board, Sunstone may repurchase such shares at an appropriately discounted value.

Q 12 **Do I receive my tax benefit if my shares are sold after 30 June 2021?**

A 12 SARS have given a sunset clause on 30 June 2021, any funds which have been registered beforehand will continue to be treated as Section 12J irrespective of whether or not the shares are sold before or after 30 June 2021.