EDITORIAL

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Volume 10 of the Journal of Economic and Financial Sciences (JEF) will go down in history of this journal as important, primarily because this is the 'end' and the 'beginning' of a 'new era' in the editorial policy and application in the JEF. Following an extended participatory process involving the editorial board, sub-editors, reviewers and other interest parties, readers of the JEF will be informed later this year of some wide ranging changes to be made to the editorial policy of the journal and which will be applicable to all articles accepted for publication from 1 January 2017.

Most tax treaties (including South Africa's) are based on the OECD Model Tax Convention on Income and Capital and the related Commentary (or the 'OECD Model'). Notwithstanding the uncertainty surrounding its legal status, the courts in many countries use the OECD Model in the interpretation of their tax treaties. The OECD launched an action plan on Base Erosion and Profit Shifting ('BEPS') in 2013, which is aimed at improving international tax cooperation between governments. In South Africa, the importance of combating BEPS is highlighted by the fact that the Davis Tax Committee has appointed a sub-committee specifically to address concerns pertaining to BEPS. South Africa's participation in the BEPS project and its tax treaty negotiations with other countries, especially OECD member states, are of the utmost importance to South Africa's National Treasury. Consequently, it is the primary objective of the study in which **Lee-Ann Steenkamp** analysed the applicability of the OECD Model to non-OECD member countries, with particular emphasis on South Africa.

An intuitive approach when considering the VAT implications of a dividend cession, relating to a share, could be to classify it as a financial service and thus exempt from VAT. Pursuant to different interpretations and in an attempt to triangulate evidence, the meaning of 'equity security', 'equity share' and 'security' from three different tax acts were considered by **Estian Haupt** and **Rudie Nel**. Findings suggest a dividend cession is not a financial service and consequently a taxable supply.

Sports clubs often trade players with each other through the player transfer system. Using the doctrinal research methodology, **Siphamandla Makhaya** and **Lizanne Barnard** used the study to provide an interpretative analysis of the income tax implications from the transfer of professional soccer players between professional soccer clubs, based on the Income Tax Act 58 of 1962 (South Africa, 1962) and the relevant case law. This study further provides hypothetical case studies that provide different scenarios of soccer player transfers and the analysis of the income tax implications arising from the facts presented in each case study.

Credit card rewards programmes are a common phenomenon in the South African market. On 1 July 2007 the International Accounting Standards Board (IASB) issued IFRIC 13 *Customer Loyalty Programmes* to give specific guidance to suppliers on the accounting treatment of customer

loyalty programme transactions. Although credit card rewards programmes are specifically included in the scope of this Interpretation, in practice not all credit card rewards programmes currently account for award credits under the revenue deferral model (IFRIC 13). During May 2014 the IASB and the United States Financial Accounting Standards Board (FASB) published IFRS 15 Revenue from Contracts with Customers intended to replace six existing Standards and Interpretations, including IFRIC 13. Currently there is uncertainty whether or not a credit card rewards programme transaction falls within the scope of IFRS 15. The main objective of the research reported in this article by **Sophia Brink** was to develop and recommend an industry practice for the accounting treatment of South African credit card rewards programme transactions by reconciling the viewpoints of these rewards programmes in South Africa. This will prevent inconsistencies in accounting for credit card rewards programme transactions in South Africa.

The need to measure the environmental performance of banks stems from the important role they occupy in the financial system as intermediator between savers and borrowers. Moreover, the growth in environmentally friendly business has created a need for banks to reconsider their business models. Potential investors are now looking for companies with green operations credentials. **Alfred Bimha** and **Godwell Nhamo** embarked on measuring and investigating banks, by country of origin, that are performing well in implementing their own environmental policies. Using the Carbon Disclosure Project (CDP) questionnaire answers, they constructed an Environmental Management Performance (EMP) scoring index that was compared to the banks' Environmental Operational Performance (EOP) indicators. The main discovery of the study was a significant negative correlation between EMP and EOP in most banks.

The need for external capital flows to developing countries in Africa to supplement domestic savings for investment and growth cannot be over-emphasised. In their study **Omolola Adeola** and **Meshach Aziakpono** used co-integration and error correction modelling techniques together with tests for weak exogeneity to analyse the effects of four major capital flows into South Africa for the period 1970-2012 in order to determine the relative contribution of these flows to South Africa's economic growth. The results reveal that foreign direct investment and remittances had a positive and significant impact on South Africa's economic growth during the period investigated.

South Africa has to address the challenges of slow economic growth, poverty, and inequality in the face of precarious macroeconomic imbalances — foreign capital is used to fund deficits of savings to investment, of tax income to government spending, and of exports to imports. Just how susceptible does this make the South African economy to an external shock? This paper extends a 'resilience indicator' developed by Rojas-Suarez (2015) and applies it for the first time to the case of South Africa and 22 other emerging market economies. **Henry Cockeran** and **Waldo Krugell** compared the 2007 values (pre-2008 financial crisis) to the corresponding 2013 values, and found that South Africa has become less resilient to an external shock than many of its peers.

Ali Babikir and **Henry Mwambi** introduce a new model that uses the dynamic factor model (DFM) framework combined with artificial neural network (ANN) analysis, which accommodates a large cross-section of financial and macroeconomic time series for forecasting. In this new ANN-DF model they use the factor model to extract factors from ANNs in sample forecasts for each single series of the dataset and these factors are then used as explanatory variables in order to produce more accurate forecasts. They then apply this new model to forecast three South African variables, namely, rate on three-month trade financing, lending rate and short-term interest rate

for the period 1992-2011. The RMSE results are confirmed by the test of equality of forecast accuracy proposed by Diebold-Mariano.

Leseko Makhetha and **Joel Rantaoleng** examined the long-run relationship among FDI, trade openness and growth in Lesotho for the period 1980-2011. The results showed a long-run relationship between output, FDI and trade openness. The VAR Granger causality showed a unidirectional causal relationship running from trade openness, FDI to output and from output, output, FDI to trade openness. FDI was found to be insignificant in explaining growth of output in both the long and short run. Trade openness was found to be significant with a negative impact on output growth in the long run but was found to be insignificant in the short run.

In his article **Gerhardus van Zyl** wanted to determine the impact of in-house training (defined as any training provided by firms in the workplace) on employee productivity, employee remuneration and net employee productivity gains when diversity attributes of the workplace are taken into consideration. The manufacturing industry of Gauteng Province of South Africa was used as a case study. Fixed-effect panel data estimations were performed in order to determine the diversity-based employee productivity, remuneration and net productivity differentials of in-house training. The results accentuate the important positive productivity, remuneration and net productivity spill-over effects created by in-house training opportunities. The outcomes of the study also confirmed the importance of a workplace that is more gender diverse, racial diverse and in which skilled and older experienced employees are retained if the productivity spill-over effects generated by in-house training opportunities are to be enhanced.