

MTI ESTATE

Mirror Trading International (Pty) Ltd (In Liquidation)
Master's ref C906/2020

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<p>IN RE: MIRROR TRADING INTERNATIONAL (PTY) LTD t/a MTI (IN PROVISIONAL LIQUIDATION) ("MTI") REGISTRATION NUMBER: 2019/205570/07 MASTER REFERENCE NO: C000906/2020</p>
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SARS claim of R931 million disputed by MTI liquidators

After having received tax assessments for R931 million from the South African Revenue Services (SARS), the liquidators of the unlawful crypto scheme Mirror Trading International submitted tax returns declaring zero tax liability towards SARS. This is the first step by the liquidators to start the objection process against the claim submitted by SARS and excellent news to those who lost money after being scammed.

In July 2022, SARS lodged a claim against MTI at the meeting of creditors for an amount of R931 million in income tax and penalties. It was then stated that the liquidators did not file tax returns. In a turn of events, a founding affidavit was deposed by SARS on 26 October 2022, saying that it was the duty of the directors of MTI, the taxpayer, to have lodged the returns before liquidation. It is because of the failure of MTI's management, including Mr Clynton Marks, to have filed the required tax returns that SARS levied penalties, and the liquidators now had to file the outstanding pre-liquidation returns.

Under normal circumstances, the liquidators can, after they investigate a claim, apply to the Master of the High Court for the claim to be expunged. When the claim being investigated relates to taxes, the liquidators must

first go through a formal objection process in terms of the Tax Administration Act (TAA).

Where SARS has issued assessments based on estimates like they did in MTI, the liquidators must first submit their tax returns before the objection process can begin. On Friday, 28 October, the liquidators submitted their tax returns reflecting zero tax payable to SARS.

The MTI liquidators further detail matters relating to the R0 tax liability:

1. From August 2019 until October 2020, bitcoin was utilised as collateral for trading contracts for difference in foreign currency pairs. Of the 1846 bitcoin MTI deposited on the FX Choice platform during this period, approximately 566 bitcoin were lost due to the abovementioned trading. The 566 bitcoin loss is equivalent to R94 million (the value at the time) that was not considered by SARS but was included by the liquidators as a deduction in their tax returns.
2. In December 2020, MTI imploded. It became clear that its underlying business model was designed and implemented to perpetrate theft and fraud by enticing the public to invest their bitcoin in an illegal Ponzi-type/Pyramid investment scheme. Various other expenses and deductions were not considered by SARS, which the liquidators deducted. The result of the tax returns submitted by the liquidators is that MTI suffered an accumulated tax loss of R110 million over the applicable years of assessment. The result is that MTI has no tax liability towards SARS.
3. The so-called winners (many investors who withdrew more bitcoin than what they invested) have started paying back their winnings to the estate in either a return of bitcoin or the amounts claimed by the liquidators. This can result in many more bitcoin and/or funds being returned to the liquidators of MTI. It must be considered that if the liquidators succeed with the objections in respect of the 2020 and 2021 years of tax assessments, there may be income tax due for the 2022 year of assessment as the liquidators managed to sell the 1281 bitcoin during March 2021 at an extraordinary average of R 850 000 per bitcoin. Before the liquidation of MTI and shortly after the liquidators sold the bitcoin, the average bitcoin price was closer to between R300 000 and R400 000 per bitcoin. Therefore, one can expect that the bitcoin sale at a price above may still trigger a tax liability.
4. Since MTI was placed in liquidation, members' claims to the value of approximately R1,3 billion have been submitted against the insolvent estate. These claims have not yet been admitted against

the insolvent estate since the liquidators are awaiting the outcome of two pending applications in the Cape Town High Court, which will, *among other things*, determine how members' claims are to be treated.

5. Many more claims by investors waiting for the court proceedings' outcome are expected to be lodged against the estate. The liquidators (in conjunction with digital forensic investigators and auditors) created the MTI Administrative Report System (MARS) to assist investors in quickly obtaining information regarding all bitcoin transferred to MTI and all bitcoin withdrawn from MTI, which investors need to prepare and submit their claims. Investors who want to access MARS can contact the offices of the liquidators or send an email to mticlaims@investrust.co.za

Issued on behalf of the joint liquidators of MTI
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