

# TABLE OF CONTENT

1. Commissioner's Overview	1
2. SARS Executive Committee	4
3. SARS Advisory Board	5
4. Review of Activities	7
4.1 Revenue collection	7
4.1.1 Revenue collected	7
4.1.2 Performance Indicators	7
4.2 Operations	8
4.2.1 Voluntary Compliance	8
4.2.2 Demutualisation of Sanlam and Old Mutual	8
4.2.3 Irregularities in the Meat Industry	8
4.2.4 Tax base Broadening	9
4.2.5 Audits	9
4.2.6 SARS Hotline	10
4.3 Customs	10
4.3.1 Customs Transformation Programme	10
4.3.2 Border Posts	11
4.3.3 Mobile Detection Unit	12
4.3.4 Electronic Data Interchange (EDI)	13
4.4 Value-Added Tax	13
4.4.1 New VAT Export Incentive	13
4.4.2 VAT collections on Imports	13
4.5 Special Investigations	14
4.5.1 Case Management System	15
4.6. Law Administration	15
4.6.1 Policy & Law Application - Direct taxes	15
4.6.2 Policy & Law Application - Indirect taxes	16
4.6.3 Legislation Section	16
4.6.4 Legal Services	17
4.7 Human Resources	17
4.8 Information Technology	19
4.9 Finance	20
4.10 Internal Audit	21
4.11 Communication	21



<b>5. The Road Ahead</b>	.....	<b>22</b>
5.1 Strategic Perspective for the next 3-5 years	.....	<b>22</b>
5.2 Long term Goals and Objectives	.....	<b>24</b>
5.3 Objectives for 1999/2000	.....	<b>25</b>
5.4 Targets for 1999/2000	.....	<b>25</b>
5.5 Strategic Review and Organisation Design	.....	<b>26</b>
<b>6. Conclusion</b>	.....	<b>26</b>
<b>7. Financial Statements</b>	.....	<b>27</b>
7.1 Administered Revenue	.....	<b>27</b>
7.2 SARS Own Accounts	.....	<b>42</b>
7.3 Report of the Auditor General: Administered Revenue	.....	<b>57</b>
7.4 Report of the Auditor General: SARS Own Accounts	.....	<b>65</b>
<b>8. Annexure</b>	.....	<b>70</b>
8.1 Corporate Governance	.....	<b>70</b>
8.2 SARS Structure	.....	<b>71</b>
8.3 SARS Offices	.....	<b>72</b>



# 1 . COMMISSIONER'S OVERVIEW

The activities and the changing character of the South African Revenue Service (SARS) in the year under review are best captured by the image of a caterpillar changing into an elegant butterfly. It was a period of transformation for the whole organisation, which included the process of rethinking and changing our business fundamentally. Transformation at SARS has attained a critical momentum and, as this report illustrates, SARS is no longer the caterpillar, but neither has it become the complete butterfly. There is still a lot to achieve. This second annual report outlines the scope of the task that SARS set for itself, its many achievements, and the challenges that it still faces.

During the 1998/99 financial year, there have been many successful changes and revenue collection and customs performance have improved significantly. SARS has:

- Exceeded the revenue collection targets set by the Minister of Finance by R4,46 billion;
- Improved controls over the import and export of goods, and clamped down more firmly on fraud and smuggling;
- Initiated the reorganisation of the operational infrastructure and office organisation, and re-deployed staff in order to improve efficiencies and cut costs; and
- Continued to improve the supporting technology.

## TRANSFORMATION AT SARS

The initial steps towards transformation were taken during the period in which SARS was granted administrative autonomy in October 1997.

The SARS transformation process began in earnest during June 1998, when it was officially launched at a workshop during a live broadcast attended by the Minister and Deputy Minister of Finance, SARS Advisory Board members and Executive Committee members. More than 6 000 staff members from across the country actively participated in discussions that launched the SARS transformation programme. This indicated that changes in SARS must take place, that there would be some immediate and positive deliverables and that change would impact on every aspect of the organisation.

In the year under review, SARS has laid the foundation for substantive and fundamental changes to:

- Human Resources policies and systems, which have given SARS the opportunity to exercise its administrative autonomy in order to recruit and retain skilled staff;



- The revenue and customs operations at 86 SARS offices ranging from the border post at Beit Bridge, to the Cape Town seaport, to the largest office in central Johannesburg. A new work culture is emerging - a work culture characterised by more innovation, greater boldness, better service and which is more risk focussed;
- Customs, although historically neglected, is now receiving the support and the resources needed to perform its difficult mandate. The Customs Transformation Programme and the financial support of the British government and Her Majesty's Customs are examples of such support; and
- The role of enforcement and prosecution of tax evaders which is generating a new awareness of, and respect for, the tax obligations of all South Africans.

We are confident that these and other changes will create a new and vibrant revenue and customs administration in South Africa. This process will unfold further over the next two to three years.

During this transitional period, SARS will have to accomplish the mission of both transforming the institution and ensuring above-target revenue collection.

#### **SARS EXPENDITURE BUDGET**

The SARS expenditure budget has increased substantially, due to the Government's commitment to building the revenue-collection and customs capacity. There has also been a commensurate increase in revenue collection.

For the year under review, SARS spent R1,8 billion to collect R184 billion. In other words, SARS spent R0.97 for every R100 it collected. Of this, R0.11 was in the form of capital expenditure and R0.84 on operating expenditure. This, by international standards, is an admirable achievement. It is, however, envisaged that with the future technology and systems development requirements, it will be difficult to maintain this very low cost of collection.

Equally important is the recognition of, and the determination to overcome, the many systemic and historical problems in the finance division of SARS.

In reviewing the SARS annual financial statements, the Auditor-General was not able to express an opinion on the financial statements of SARS Own Accounts and of Administered Revenue. Section 22 of the SARS Act, 1997, stipulates adherence to Generally Accepted Accounting Practices (GAAP), and as a result, SARS has started changing from the cash-based method of accounting to the accrual-based method of accounting. This, even amongst the more developed countries, is an onerous and complex task.



In the year under review, many of the changes required by the SARS Act and the Auditor-General have been initiated. These include:

- Further refinement of the accrual accounting system in regard to Administrated Revenue Accounting;
- The establishment of the New Revenue Accounting Project Committee;
- A new expenditure budgeting process was developed, which forms the foundation for the next financial year's planning; and
- A new report writer has been introduced, to enable speedier reporting of expenditures against budget.

However, as the Auditor-General points out, a number of problems remain.

The management of SARS has given an undertaking to the SARS Advisory Board and the Auditor-General that the process of replacing old systems and procedures will be accelerated and that a clear plan of action, which might extend over a few years, will be developed.

This report describes SARS' achievements over the last 12 months, and the impact that the transformation initiative has had on the organisation and its people. In the latter part of the report, future transformational changes are outlined, as well as the goals and objectives that the organisation has set itself for the year ahead.

In conclusion, I thank Minister Trevor Manuel and Deputy Minister Gill Marcus for their guidance and support, and the SARS Advisory Board for their valuable input. On behalf of everyone at SARS, I would like to extend my warmest appreciation to the former Commissioner, Trevor van Heerden, for his contribution to the changes at SARS and his 37 years of service. To SARS management and employees, for their tireless contribution to making the past year a success. I thank DFID and the Swedish Tax Agency for their support. And finally, sincere appreciation to all law-abiding and patriotic taxpayers who have loyally contributed to enhancing tax morality.



**Pravin J Gordhan**

Commissioner for SARS (from 8 November 1999)

29 February 2000



## 2 . SARS EXECUTIVE COMMITTEE



**FRONT :**

Ms Judy Parfitt (GM: Human Resources); Mr Trevor van Heerden (Commissioner for SARS - up to 31 August 1999); Mr Pravin Gordhan (Commissioner for SARS - from 8 November 1999)

**BACK:**

Mr Kosie Louw (GM: Law Administration); Mr Noel Ndhlovu (GM: Communications); Mr Stan Shrosbree (GM: Operations)

### 3 . SARS ADVISORY BOARD



**The Honourable Mr Justice M M Corbett**  
Chairperson of the SARS Advisory Board.  
Former Chief Justice of the RSA.



**Mr Eric Mafuna**  
Member of the SARS Advisory Board and chairman of the Transformation Committee.  
Managing Director and Senior Consultant - Africa Now (Pty) Ltd.



**Mr Sizwe Errol Nxasana**  
Deputy Chairperson of the SARS Advisory Board and Chair of the Audit Committee.  
Currently CEO of Telkom SA.



**Ms Dolly Doreen Mokgale**  
Member of the SARS Advisory Board and the Transformation Committee.  
Executive Director: Transmission Eskom.



**Professor Anthony Asher**  
Member of the SARS Advisory Board and serves on the Audit Committee.  
Professor and Director of Actuarial Studies: University of the Witwatersrand.



**Ms Truida Pr ekel**  
Member of the SARS Advisory Board and the Transformation Committee.  
Management Consultant - Truida Prekel Consultants.



**Professor Dulip Garach**  
Member of the SARS Advisory Board and serves on the Transformation Committee.  
Chartered accountant and tax specialist.



**Mr Trevor van Heer den**  
Commissioner for SARS (up to 31 August 1999).  
Member of the SARS Advisory Board and Audit Committee.



**Mr William Selwyn MacFarlane**  
Member of the SARS Advisory Board and the Audit Committee.  
Former Group Deputy Chairman - South African Breweries.



**Mr Pravin Gor dhan**  
Commissioner for SARS (from 8 November 1999).  
Member of the SARS Advisory Board and Transformation Committee.

## A MESSAGE FROM THE CHAIRPERSON OF THE ADVISORY BOARD

It gives me much pleasure to contribute, on behalf of the SARS Advisory Board, a message for inclusion in the second Annual Report of the South African Revenue Service. As the report and the annual financial statements indicate, SARS has made steady, and in many respects very impressive, progress towards its objective of being an efficient and effective organ for the collection of State revenues, and we extend to the Commissioner and his staff our warm congratulations on a year of great achievement.

Of particular significance, in our view, has been the fact that SARS has, once again, substantially exceeded its revenue targets and has greatly improved on the figures for the previous financial year. This has been of enormous benefit to the fiscal position and the national economy. Moreover, as is pointed out in the Report, this result has been achieved at a cost of less than one percent of the total revenue collected. This compares very favourably with international standards of revenue collection in terms of which the proportion ranges between 1.5% and 2.5%.

SARS has accomplished this because, we believe, it has begun to reap the benefits of action taken to broaden the tax base; to improve collection procedures, including ingenious initiatives in connection with the demutualisation of Sanlam and Old Mutual; to move towards audit and risk-based revenue collection; to introduce anti-fraud and anti-corruption measures and improved controls at border posts; and to increasingly use electronic systems. At the same time much remains to be done to achieve the complete and satisfactory transformation of the organisation. An area of concern is accounting systems and in this regard the audit committee of the Board has met with SARS management to offer advice on the resolution of some of the problems.

To maintain the forward momentum of the organisation, to provide the necessary skills and to sustain the drive and enthusiasm of the management and staff, it is essential that SARS be adequately resourced. We, as a Board, believe that there is a clear correlation between resources provided and revenue collected and that here regard should be had to the international norms to which I have alluded.

Finally, I wish to thank the Commissioner and staff of SARS for their most helpful co-operation throughout the year and also fellow members of the Board for their valued contribution to the activities of the Board.



M. M. CORBETT  
Chairperson  
SARS Advisory Board  
29 February 2000

## 4. REVIEW OF ACTIVITIES

### 4.1 REVENUE COLLECTION

SARS's revenue collection performance is currently measured by two criteria:

- the revenue collected; and
- performance indicators targeted at the crucial areas of the business.

#### 4.1.1 REVENUE COLLECTED

The following table illustrates the national government revenue collected during the year under review.

<b>NATIONAL GOVERNMENT REVENUE 1998-99<sup>1</sup></b>		
<b>Head of Revenue</b>	<b>Estimated revenue 1998-99 (RP3-1998) R'000</b>	<b>Actual net revenue 1998-99 R'000</b>
<b><u>INLAND REVENUE</u></b>	<b>149 128 000</b>	<b>156 158 989</b>
Revenue from taxes	149 028 000	156 101 274
Income tax	100 968 000	108 383 395
Value-added tax/Sales tax	43 444 000	43 676 959
Other taxes	4 616 000	4 040 920
Mining leases and ownership	100 000	57 715
<b><u>CUSTOMS AND EXCISE</u></b>	<b>30 069 600</b>	<b>28 263 442</b>
Customs duties	6 678 000	5 985 664
Import surcharge	-	1 623
Excise duties	8 958 600	8 571 750
Fuel levy	14 409 000	13 640 009
Ordinary levy	24 000	17 405
Miscellaneous revenue	-	46 991
Less: Payments in terms of Customs Union Agreements	5 576 715	5 576 715
Add: Other Revenue	2 000	826
<b>Total</b>	<b>173 622 885</b>	<b>178 846 524</b>

<sup>1</sup> Information on the National Government Revenue was extracted from the Cash Accounting statements.

#### 4.1.2 PERFORMANCE INDICATORS

In order to increase performance, SARS has introduced 23 measuring elements, or performance indicators. These performance indicators concentrate on areas that produce income and enforce compliance. Most of these objectives have been met and, in some cases, exceeded. Increased performance has contributed to the additional income produced by the organisation.



## **4 . 2   O P E R A T I O N S**

Another area of success has been the growing tax compliance amongst taxpayers, and it is worth mentioning some of the strategies embarked on by SARS.

### **4 . 2 . 1   V O L U N T A R Y   C O M P L I A N C E**

A strategy to encourage compliance has recently been adopted. This strategy revolves around the concepts of service and control. Taxpayers are encouraged to comply by offering them a service which:

- shows that the tax laws are effectively and fairly enforced; and
- eases the burden of compliance.

Controls have also been put in place to encourage compliant taxpayers to remain loyal and discourage tax evasion. A campaign has been launched to prosecute tax defaulters. The regional offices spearheaded these initiatives and good results were achieved. Previously, a shortage of suitably qualified staff made it difficult for SARS to enforce tax compliance. SARS has now, however, made some key appointments of legal personnel in the regions and this has helped the campaign. These successes were publicised in the media, conveying the message to taxpayers that SARS has adopted a more uncompromising attitude towards non-compliant taxpayers.

### **4 . 2 . 2   D E M U T U A L I S A T I O N   O F   S A N L A M   A N D O L D   M U T U A L**

A further milestone achieved in the current financial year concerned the demutualisation of Sanlam. Research conducted by SARS showed that about 30% of SARS's debtors would receive free shares from Sanlam. The High Court granted an order allowing SARS to freeze the free shares of those taxpayers who defaulted in paying their outstanding tax. This project has resulted in an amount of R150 million in outstanding taxes being collected. At the end of March 1999, SARS was in possession of 11.5 million shares of defaulting taxpayers.

Potential shareholders of Old Mutual were also warned that their shares would be withheld until they paid any outstanding taxes to SARS. As a result, SARS collected a further R59 million during March 1999. It is expected that the revenue generated from this source will increase further.

### **4 . 2 . 3   I R R E G U L A R I T I E S   I N   T H E   M E A T   I N D U S T R Y**

As the meat industry is a sector that is known for dealing in cash and has a reputation for widespread tax evasion, SARS has established a special task team to focus on these irregularities. A short-list of the biggest defaulters was compiled and investigative work has commenced. This has already led to the sequestration of certain traders and SARS intends to prosecute these taxpayers. This action will relay a message that those involved in tax evasion must face the consequences.



Given the success of this exercise, SARS will continue to establish special task teams for other sectors that have been identified as high risk.

#### 4 . 2 . 4 TAX BASE BROADENING

The tax base broadening project was launched in October 1997. It is aimed at registering those businesses and taxpayers that are not on the register for tax purposes. This project has continued to produce significant results which are reflected below. The initiative will also reduce the rate of non-compliance and thus with ensure that all South Africans pay their fair share of tax.

During the period under review SARS evaluated 1 000 742 Income Tax, Value-Added Tax and PAYE cases, of which 244 644 proved to be eligible for registration (approximately 25 per cent). This work will continue to receive attention from SARS offices throughout the country.

#### 4 . 2 . 5 AUDITS

SARS has focused on auditing high-risk cases in order to increase collections. A National Audit Office has been set up to develop an audit strategy and staff members visited Sweden to examine that country's computer auditing systems.



SARS is focussing on the auditing of high-risk cases

As a result of the visit, SARS has installed a computer audit programme which enables the auditor to interrogate a taxpayer's general ledger.

One of the main benefits of this programme is to reduce the time spent on audits and to produce audits of a very high standard.

The agreement with Sweden provides SARS with licenses for 200 users. Initially, 22 auditors attended a training course on this programme, and an additional 75 employees were trained by 31 March 1999. The rest will be trained during the next financial year.



#### **4.2.6 SARS HOTLINE**

During the 1998/99 financial year, SARS introduced an internal fraud hotline to encourage staff to report irregularities within the organisation. The success of this project has prompted SARS to initiate an external fraud hotline to encourage the public to report tax evasion anonymously. The hotline has been widely broadcast, both internally and externally, and a large number of calls have been received from the public.

#### **SARS HOTLINE NUMBERS**

**INTERNAL 0800 00 1960**

**EXTERNAL 0800 00 2870**

#### **4.3 CUSTOMS**

The purpose of the Customs division of SARS is to protect the public and the economy from illegal and unfair trading. Since 1996, the British Department for International Development (DFID) has provided skills transfer from UK Customs experts to support SARS. This has helped SARS to improve its customs techniques.

##### **4.3.1 CUSTOMS TRANSFORMATION PROGRAMME (CTP)**

The Customs Transformation Programme was officially launched on 11 September 1998. The launch was attended by a broad spectrum of local and international stakeholders and staff from customs offices around the country. DFID has donated £9 million to support this Programme. The Customs Transformation Programme focuses on:

- Efficient revenue collection;
- Better risk analysis to detect and deter illegal trading activities thereby protecting the local economy and facilitating trade for legitimate business;
- Protection of the public against harmful goods and materials;
- Meeting of international obligations in terms of international agreements; and
- Tracking of statistics.

#### **REQUEST FOR PROPOSALS**

A Request for Proposal (RFP), relating to the financial and administrative systems for the programme, was developed. This Request was published on 20 December 1998, and a subsequent information session was held on 20 January 1999 with 54 attendees. Eleven proposals were received.

The tendering organisations/consortiums included nearly all major IT-related organisations in South Africa. The response to the RFP and the subsequent consortiums formed in the process, confirms that SARS has achieved its goals especially in promoting co-operation between international and local industry and in achieving affirmative procurement.

## **KEY AREAS**

Some of the key areas of intervention by the CTP include: Border Control (including the establishment of land border posts with the BLNS countries); Functional Training; Valuation; Special Investigative Techniques; Postal Importation; and Courier Services. Assistance with the detection and prevention of drug trafficking is also being provided.

### **4.3.2 BORDER POSTS**

The total number of ports/places of entry/exit for commercial goods by road has been reduced from 52 to 19 (Zimbabwe, Moçambique and 17 BLNS) and effective border control measures were introduced in 1998.

### **LAND BORDER POSTS**

The basic SARS infrastructure such as office accommodation, living quarters, trained staff, computer- and other equipment is in place at all 17 recently designated land border posts between the RSA and the BLNS countries.

### **RAILWAY STATIONS**

To avert the possibility of a shift from road to rail removals, and in order to increase efficiency, five railway stations (Upington, Mafikeng, Maseru Bridge, Germiston and Golela) have been prescribed as ports of entry and exit for the clearance and crossborder movement of goods.

### **AIRPORTS**

The number of airports with international status for cargo clearance has been reduced from 12 to 10. The location of these airports is intended to benefit all the provinces. Only Gauteng Province has two airports i.e. Johannesburg International Airport and Lanseria. This is based on the real demand for cargo clearance in the region.



Customs officials checking cargo at airport

## SEAPORTS

Seven seaports were re-designated for cargo clearance and these include Durban, Cape Town, Richards Bay, Mossel Bay, Port Elizabeth, East London and Saldanha.



Effective border control is critical for the protection of the economic base

## WITSPOS INTERNATIONAL MAIL DEPOT

SARS established a customs team at Witspos in December 1997. The team consists of six officers whose job it is to work on a risk-based programme to check incoming parcels. A high degree of technical expertise has developed over the last twelve months and the results have been dramatic. This is evident in the following successes recorded up to 31 December 1998:

- An additional R2,6 million revenue was collected on imports;
- There were 22 fraudulent provisional payments uncovered;
- There were 90 seizures of prohibited and restricted goods (including drugs, firearms, pornography, counterfeit goods, etc.);
- There are six ongoing national investigations;
- There are four ongoing international investigations (including money laundering); and
- At Cape Mail a consignment of cocaine was detected by the newly formed SARS team and referred to SANAB for further investigation.

### 4.3.3 MOBILE DETECTION UNIT

SARS has established a joint Mobile Border Police/Customs Team. This prototype Mobile Detection Unit (MDU) focuses on all elements of cross border crime under the Government's Collective approach initiative. Although it is still in its infancy, the MDU has had a considerable impact as seen below.

MDU COLLECTIONS			
Month	Customs	VAT	Penalty
Aug '98 - March '99	R 79 190	R 43 588	R 24 707

As can be seen above, the MDU collected R 147 486.

#### **4 . 3 . 4 ELECTRONIC DATA INTERCHANGE (EDI)**

The first phase of the EDI has been implemented at Johannesburg International Airport, Johannesburg, Beit Bridge, Cape Town, Cape Town International Airport, Durban, Durban International Airport, Germiston, East London, Port Elizabeth and Pretoria.

This phase of EDI deals with:

- Receiving of import declaration information; and
- Sending responses to clients.

#### **4 . 4 VALUE-ADDED TAX (VAT)**

##### **4 . 4 . 1 NEW VAT EXPORT SCHEME**

VAT evasion relating to fictitious exports has been running at an estimated R100 million per month. In order to try and eliminate this loss, a new VAT Export Incentive Scheme was introduced relating to indirect exports, including exports to the BLNS countries, with effect from 16 November 1998.

A combined launch team of staff members with a background in Customs, VAT and Law Administration was formed to facilitate the introduction of the Scheme and to deal with enquiries from stakeholders. There has also been a temporary redeployment of officers with a sound operational background to each designated border post, and to the RSA High Commissions in the BLNS countries.

The services of the VAT Refund Administrator had to be extended from three international airports and two land border posts to the 17 newly designated BLNS ports.

##### **4 . 4 . 2 VAT COLLECTIONS ON IMPORTS**

VAT collections on imports from the BLNS countries began on 4 January 1999 resulting in an increased yield in revenue. The collection points were moved to the borders and this has made the collection of VAT more efficient. It has also reduced VAT losses through roundtripping, which occurs when goods are exported to the BLNS countries, and then re-imported and sold in South Africa without the payment of VAT.

The collections statistics for the period 4 January 1999 to 31 March 1999 were as follows:

Designated Border post	VAT assessed R'000	Imports declarations	Exports declarations	Number of examinations
<b>Botswana</b>				
Groblersbridge	25 873	2 428	9 665	2 600
Kopfontein	53 618	2 351	38 470	4 013
Ramatlabama	574	285	5 089	5 797
Skilpadshek	3 457	1 969	16 584	9 222
<b>Lesotho</b>				
Caledonspoort	114	273	2 335	985
Ficksburg Bridge	8 550	2 326	9 977	1 749
Maseru Bridge	7 924	649	14 389	3 085
Qachasnek	-	13	564	1 198
Van Rooyenshek	24	191	2 890	3 919
<b>Namibia</b>				
Nakop	27 332	1 946	21 128	4 412
Violsdrift	9 562	1 397	13 280	5 377
<b>Swaziland</b>				
Golela	18 184	2 581	5 918	339
Mahamba	539	1 069	3 652	6 353
Mananga	4 512	968	2 662	1 854
Jeppes Reef	654	778	4 563	120
Nerston	873	413	1 384	994
Oshoek	51 974	4 820	24 889	557
<b>Gross Total</b>	<b>213 773</b>	<b>24 457</b>	<b>177 439</b>	<b>52 574</b>

The necessary environment for SARS operations has been created and this has made it possible for the new controls to be implemented. These include:

- Curbing fraudulent VAT refund claims on exports;
- Capturing and validating export/import statistical information;
- Collecting VAT on imports at the port and time of importation, unless arranged differently through participation in a deferment scheme; and
- Implementing anti-smuggling and control measures over illegal, restricted, and prohibited imports/exports.

#### 4.5 SPECIAL INVESTIGATIONS

The Special Investigations Unit is a specialised division operating proactively and reactively on a national basis. It conducts in-depth investigations into evasion and fraud. It also helps to ensure compliance with regard to all taxes and duties administered by SARS. The team aims to make the public aware that tax fraud will not be tolerated, and that there are severe penalties for those who are apprehended.

The investigation results for the current year greatly exceed the results for the previous year. This increase can be seen in the following table.

	<b>R'000</b>
April 1998 - December 1998	R153 442
April 1997 - December 1997	R95 884
<b>Increase</b>	<b>R57 558</b>

These figures include Income Tax, VAT and Estate Duty. They do not include the additional duties arising from Customs and Excise investigations.

Over the past year a Forensic Task Team has been established. The team comprises former commercial branch detectives, prosecutors and advocates. The purpose of the team is to concentrate on the criminal aspects of cases, to institute criminal charges for tax fraud, as well as to assist with the recovery of taxes. The team has prosecuted over 151 cases of Value-Added Tax fraud; 82 cases of Customs fraud; 18 cases of Income Tax fraud; and 6 cases of Sales Tax fraud. Judging from the number of cases that are currently being dealt with, it would appear that this approach is effective.

#### **4 . 5 . 1 C A S E M A N A G E M E N T S Y S T E M**

A Case Management System is being developed. This System will provide detailed control of all investigations. A database is also being set up to identify tax evaders for investigation.

#### **4 . 6 L A W A D M I N I S T R A T I O N**

During the year under review the various sections within the Law Administration section have had a number of achievements.

##### **4 . 6 . 1 P O L I C Y & L A W A P P L I C A T I O N - D I R E C T T A X E S**

During the year under review, the Policy and Law Application: Direct Taxes section, played an active role in assisting the branch offices in respect of various matters, including:

- Assistance with pre-trial meetings in respect of Special Court appeal cases;
- Assistance with appeals to the Special Board;
- Assistance in combating various salary-sacrifice schemes and developing jurisprudence in this regard; and
- The development of skills of staff dealing with the retirement fund industry.

In an effort to ensure national uniformity in the way the law is applied, 24 circular minutes were issued to local Receivers of Revenue.

#### **4.6.2 POLICY & LAW APPLICATION - INDIRECT TAXES**

The Policy and Law Administration: Indirect Taxes section succeeded in reducing the number of outstanding sales tax cases from 1 537 on 1 April 1998 to 110 on 31 March 1999. During the same period, the amount of sales tax outstanding was reduced from R55,6 million to R8.4 million, a reduction of R47,2 million.

Two further editions of "VAT News", aimed at improving the service to clients, were distributed while three circular minutes were issued to ensure the uniform interpretation of the Value-Added Tax Act, 1991. Following the promulgation of the Taxation Laws Amendment Act, 1998, which amended the Value-Added Tax Act, 1991, the new legislation was explained to personnel in the various offices during a series of seminars at offices in all the regions.

A new value-added tax Export Incentive Scheme was introduced during November 1998. The division also played a major role in negotiations with the BLNS countries, prior to certain border posts between the Republic and these countries being manned by SARS personnel as from January 1999, for the collection of VAT on the importation of goods.

#### **4.6.3 LEGISLATION SECTION**

The Legislation Section has continued with significant contributions in the formulation of tax policy and tax proposals in the build-up to the compilation of the 1999 Budget Review by the Minister of Finance.

The following Acts were prepared by SARS during the period 1 April 1998 to 31 March 1999:

- Taxation Laws Amendment Act, 1998 which amends certain statutes administered by the Commissioner;
- Uncertificated Securities Tax Act, 1998 which provides for the levying of an Uncertificated Securities Tax in respect of the issue of, and change in beneficial ownership, in any security which is transferable without a written instrument and is not evidenced by a certificate;
- Demutualisation Levy Act, 1998 which provides for the levying of a charge on the value of the free reserves of a mutual insurer allocated to members on demutualisation of such mutual insurer;
- Skills Development Levies Act, 1999 which provides for the imposition of a levy with effect from 1 April 2000. The Act came into operation on 1 September 1999; and
- Taxation Laws Amendment Act, 1999 which amends certain statutes administered by the Commissioner.

In addition:

- Several tax research projects were identified for indepth investigation, such as the impact of E-Commerce on Taxation, Underground Economy, Low Effective tax rate of Companies and Trusts;
- Treaties (Double Taxation Agreements) with the following countries were negotiated and not signed - Germany (2 rounds), Ethiopia (1 round), Malawi (1 round), Morocco (1 round), Mozambique (1 round), Netherlands (1 round), People's Republic of China (2 rounds), Spain (2 rounds), Ukraine (2 rounds); and
- Treaties with the following countries were ratified: Belgium, Cyprus, Egypt, Indonesia, Iran, Italy, Namibia, Pakistan.

#### 4 . 6 . 4 L E G A L S E R V I C E S

This section continued to represent the Commissioner in the Income Tax Special Courts for the hearing of Income Tax, VAT and Estate Duty appeals. It also provided legal advice to Customs and Excise offices, briefed and supported advocates in High Court cases.

During the year under review, 141 appeals to the special courts were dealt with as follows:

Appeals dismissed	28
Appeals upheld	19
Cases withdrawn	49
Cases postponed	17
Cases conceded by SARS	4
Cases settled	12
Cases referred for further investigation	12

#### 4 . 7 H U M A N R E S O U R C E S

Significant achievements in the Human Resources division during the year under review included the introduction of a new grading and remuneration system which will help SARS realise its objective of becoming a preferred employer. The new system provides for a flatter organisational structure which promotes participation, communication and flexibility, and enables SARS to pay competitive salaries.

The Human Resources division was restructured into multi-disciplinary teams serving particular regions, and decentralisation started with the appointment of regional Human Resources managers. A policy review is underway, and a number of policies have been rewritten.

A recruitment campaign boosted representivity levels with the appointment of a number of talented black managers. In addition, 188 black employees completed a leadership assessment programme, and 22 were identified for fast-tracking. They have registered for a certificate in management with the Open University through UNISA, along with 25 SARS branch managers.

Other training initiatives included modernisation of VAT and development of audit training modules; training to support the new income tax system; and an assessment of the need for adult basic education and training. A total of 161 customs courses presented to almost 2 500 trainees improved employee performance at ports of entry. Special audit training for inspectors received a boost with inputs from the Swedish and German tax administrations, and close on 1 000 SARS employees benefited from an income tax training partnership with the Rand Afrikaans University. In addition, meetings were held with senior personnel and students at a number of universities to explore research and training partnerships, and to market SARS as an employer.

In August 1998, a wide-ranging agreement was concluded with the two unions (PSA & NEHAWU) recognised by SARS, and the parties also made headway on the drafting of a recognition agreement. A backlog of disciplinary cases was partially cleared ahead of the introduction of streamlined grievance and disciplinary procedures planned for 1999.



**SARS has embarked on a recruitment campaign and has appointed a number of talented black managers**

During the next financial year, the Human Resources division will focus on implementation of the new grading and remuneration system, development of career ladders for the majority of employees, and the introduction of a performance management system.

Other areas of activity will include:

- Measures to increase the organisation's audit capacity;
- Negotiation of collective agreements with SARS's two recognised unions;
- Training for line managers and shop stewards to enable implementation of new, streamlined grievance and disciplinary procedures;
- Decentralisation of people management;
- Management training for branch managers and black employees who have demonstrated leadership potential;
- A skills audit, which will facilitate optimal deployment of staff;
- A programme to promote the racial representivity of management;
- A new human resources management information system to replace Persal; and
- New approaches to training and development in line with the Skills Development Act.

## 4.8 INFORMATION TECHNOLOGY (IT)

During the year under review, the transformation of IT systems focused on two areas:

### STABILISATION

Over the past two years the ageing, unreliable and under-powered computer centre equipment have been replaced, and new standards and procedures have been introduced.



A new computer rollout which introduced about 9000 personal computing workstations during the past three years, of which 7000 were rolled out over the past two years

### MODERNISATION

Modernisation revolves around the use of the application systems development functions. Other major projects, which have been completed, include the following:

- New networks, both WAN (provided by Telkom) and LAN have been rolled out to 112 offices;
- SARS has established satellite communication at the remote commercial border posts. The new network has reduced maximum downtime from 88 000 person-days to less than 4 500 person-days per month;
- Information technology architecture;
- Outsourcing of the dispatch function;
- The implementation of SARSBANK which includes the computerisation of all the cash offices functionalities;
- Implementation of the Transfer Duty system to link up with the remaining systems;
- Payments at banks were successfully implemented at FNB on 15 June 1998. The number of transactions that took place from implementation until 31 December 1998 was 81 920, with a total amount of R3,6 billion received;
- Providing technical support with the establishment of a SARS website to provide the public with important information;
- Customs: Computerisation of the documentation for the VAT collection at the BLNS Border posts (CCA1 forms) - was completed and implemented on 1 January 1999;
- Internet access was made available to employees of SARS and e-mail capabilities to the Regional and Receiver of Revenue offices was introduced;
- SARS acquired its own CMOS Mainframe processor;

- New PABX systems (Telephone Switchboard systems) were installed at major offices; and
- New Head Office in Brooklyn - The First Phase was completed and 254 staff members, including their workstations and printers, were successfully relocated onto the new LAN infrastructure.

## **NEW INCOME TAX SYSTEM (NITS)**

This system facilitates the electronic linking of all operational systems and was developed for implementation during 1999. The interfacing of SARS with various institutions will also assist in identifying individuals who are not registered for tax purposes. Automation of employees' tax certificates and reconciliation processes will improve the organisation's ability to detect unregistered taxpayers and people who do not declare their income. The new system will also integrate the Income Tax, VAT and PAYE systems.

## **YEAR 2000 COMPLIANCE**

SARS' systems were Year 2000 compliant well ahead of time. This was critical as most of the core business systems use dates in various forms. All SARS revenue collecting 'mission critical' systems were 100% compliant by April 1999. Internal 'mission critical' systems, such as human resources and general ledger, were compliant by October 1999.

SARS constantly advised taxpayers that non-compliance with the Year 2000 software standards would not be accepted as an excuse for failure to meet tax liabilities.

## **4.9 FINANCE**

SARS continues to improve both its revenue and expenditure accounting systems. Financial statements were compiled according to a modified GAAP during the 1997/98 financial reporting period, and this process has been further refined during the current accounting period.

Various measures have been introduced to improve control over expenditure and monitor costs, in support of a new value-for-money ethos being developed by SARS. A new expenditure accounting system has been introduced and implementation should be finalised in the next financial year. This will aid SARS in conforming to the requirements of the new Public Finance Management Act, 1999.

The development of the new revenue accounting system is under way, and this will probably be implemented during the financial year 2000/2001. Regional structures have been established, including the position of Regional Financial Managers. This will greatly assist in managing expenditure at operational levels.

## 4.10 INTERNAL AUDIT

Internal Auditing is becoming an increasingly important function in SARS. The Audit Committee approved an internal audit charter for the Division during this financial year. It gives details of, inter alia, the objectives, organisational status and functions and responsibilities of Internal Auditing and includes acceptance of the standards and code of conduct of The Institute of Internal Auditors.

The results of a high-level risk assessment formed the basis of the structure of the Division, as well as the audit plan for this financial year. Internal Audit has grouped its activities into the following sections:

- Financial auditing;
- Operations auditing;
- Information Systems auditing;
- Performance auditing; and
- Control Self-Assessment (CSA).

A number of projects were completed by the Financial and Operations auditing teams which provided essential insight to management and the Audit Committee into areas where processes and controls need to be improved. Information Systems auditors became involved in the Y2K project and the New Income Tax System Development project, during the second half of the year, providing a control perspective not previously available. In preparation for establishing Performance auditing and CSA, two appointments were made, training provided and pilot projects launched.

## 4.11 COMMUNICATIONS

The year under review saw the Communications division in SARS come of age. The division participated in a number of activities, which are described below:

Various external SARS publications were designed and distributed during 1998, including an update on Taxation in SA. SARS also published the following guides: *Guide for Small Business, Tax and the Elderly*, *Guide for the Salaried Worker*, *Medical Guide*, and a *Customs Pocket Guide*.

In addition, the Division designed, printed and distributed the Ministerial and general copies of the Katz Reports (sixth, seventh and eighth).

The Division also played a key role in the development of the SARS corporate identity and has, for example, ensured that all SARS forms are standardised according to corporate standards.

During the year under review, SARS's visibility, in both the electronic and print media, increased tremendously compared to previous years. The Division has also ensured that SARS has a better media profile and the major issues within SARS received positive media coverage.

SARS Online was upgraded to facilitate user-friendliness and existing information was continuously updated. A search engine was added and additional information was included relating to VAT, Transformation, NITS, and all SARS Charters.



SARS Online: [www.sars.gov.za](http://www.sars.gov.za)

In addition, a number of campaigns and events were held during the period under review.

These included the following:

- The Aids Project: SARS Aids tender was awarded to Aids Education & Training (AET). National and regional coordinators were selected, trained and 40 Aids Educators have undergone intensive training.
- Transformation Launch: Apart from publishing a transformational booklet, banners, and posters, the Division organised a Live Video Broadcast from the SABC studios in Johannesburg to approximately 7 000 staff members at 30 venues across the country.
- Tax Base Broadening (TBB): Communication in conjunction with the members of the National TBB Committee designed the relevant TBB questionnaire. Numerous internal and external communications regarding progress were made.

## 5. THE ROAD AHEAD

This section of the report sketches some of the strategic perspectives of SARS for the next 3-5 years, as well as the goals, objectives and targets for the next financial year.

### 5.1 STRATEGIC PERSPECTIVES FOR NEXT 3-5 YEARS

SARS is functioning in a complex and fast-changing environment. A new range of factors emanating from international, regional and local contexts impact on the capacity of any government to collect taxes and develop its economy.

Globalisation, trade liberalisation, the establishment of regional economic and political blocks, the rapid movement of capital across national boundaries, the innovations in telecommunications and technology generally, all impact on the State's ability to generate revenue.

The factors that SARS must take into account are:

- Internet commerce;
- Electronic commerce (in general);
- Free trade agreements; and
- The rapidly dropping trade tariffs.

A number of factors specific to South Africa also have a significant impact on the future role of SARS. These include:

- The mix of developed and under-developed economies, areas and communities in South Africa;
- The mix of good tax compliance by sections of taxpayers combined with a brittle tax morality in other sections;
- The increasing role of new entrepreneurs from the black communities in the South African economy;



**New entr entrepreneurs from the black communities are playing an increasingly important role in the South African economy**

- The role of South Africa in developing the SADC region into a free trade area; and
- The growing complexity in the business environment.

Additional factors which impact on the future role of SARS:

- The changing profile of the South African taxpayer over the next five years;
- The need to build alliances and partnerships with public and private sector organisations to enhance administrative efficiencies and compliance;
- New opportunities to collect levies and taxes on behalf of other government institutions;
- The ability to assist Africa's emerging tax environment and infrastructures;

- The evaluation of the government's economic, commercial and social policies; and
- The increasing sophistication of criminals.

## 5.2 LONG TERM GOALS AND OBJECTIVES

### PROVIDING AN INTEGRATED TAX SERVICE

- Integration of Administration;
- Integration of Technology;
- Integration of Offices;
- Restructuring of Offices; and
- Location of Offices.

### UNDERSTANDING THE CLIENT BASE

- Understanding the different segments; and
- Understanding the trends in evasion and fraud.

### CONTRIBUTING TO NATION BUILDING THROUGH TAX COMPLIANCE

- Developing strategies to combat tax evasion and fraud;
- Educating / creating an awareness among citizens;
- Developing control capacity;
- Creating democratic governance in South Africa; and
- Implementing the Batho Pele principles.

### CLOSING THE TAX GAP

- Quantifying and measuring the gap;
- Segmentation of the economy; and
- Establishing various strategies to address the closing of the tax gap.

### COLLECTING REVENUE AND PROTECTING THE ECONOMY

- Creating new opportunities;
- Developing partnerships;
- Debt collection; and
- Tightening controls at ports of entry.

## ENHANCING SERVICE EFFICIENCIES

- Developing a customer focussed approach;
- Reducing costs (in terms of compliance costs and administration costs); and
- Building partnerships and alliances with the public and private sector.

## 5.3 OBJECTIVES FOR 1999/2000

SARS will strive to achieve the following in the coming financial year:

- To collect R193 billion;
- To limit costs and increase efficiencies;
- To increase the number of taxpayers and broaden the tax base;
- To extend the human capacity with a balanced race and gender representivity; and
- To improve the image of SARS.

## 5.4 TARGETS FOR 1999/2000

In the context of our strategic perspective, SARS will strive to achieve and focus on the following in the financial year 1999/2000:

- Contributing assertively to a national consensus that tax is a constitutional and democratic obligation of every citizen;
- Increasing our ability to be the sole tax administrator for South Africa;
- Increasing the number of persons and businesses on the SARS register by broadening the tax base;
- Increasing revenue collection by introducing new levels of service to the compliant taxpayer, and increasing the control mechanisms and reducing the extent of tax evasion in South Africa;
- Building partnerships with the public and private sectors to increase collaboration on tax awareness and compliance; and
- Building international partnerships with other tax administrators.

These targets will be achieved through a strategic review and organisation design and through the work of the different sections of SARS.

## 5.5 STRATEGIC REVIEW AND ORGANISATION DESIGN

The purpose of the strategic review will be to establish an ongoing and participatory process of strategic planning. We will also link our planning process with the budgetary process and provide synergy between operational and support plans. Finally, through these processes we will ensure that the organisational design supports the strategic objectives and core functions.

For the 1999/2000 financial year, we plan to rationalise office structures, review work processes, identify bottlenecks, minimise red tape and search for efficiencies.

## 6. CONCLUSION

The report highlights the range of developments and new initiatives of the complex transformation process on which SARS has embarked. SARS is committed to a participatory style of implementing changes within the organisation, as well as to providing excellence in its service to the public. Balancing these two commitments is not easy and it is a credit to the leadership and the staff of the organisation that successes have been achieved in both these areas.

It is evident that there is still a great deal to be done before we can claim that transformation has been completed, both within the organisation, and with regard to its external services. Yet it is important to acknowledge what has been achieved in the past financial year and the amount of work that has gone into the various projects.

Inspired by the image of the butterfly, we look forward with confidence and renewed energy to working towards the goals that have been set for the next financial year.

# 7 . F I N A N C I A L   S T A T E M E N T S

## 7 . 1   A D M I N I S T E R E D   R E V E N U E

### A N N U A L   F I N A N C I A L   S T A T E M E N T S

31 March 1999

#### I N D E X

	Page
Statement of financial performance for the year ended 31 March 1999.	28
Statement of change in net assets for the year ended 31 March 1999.	29
Statement of financial position as at 31 March 1999.	30
Cash flow statement for the year ended 31 March 1999.	31
Notes to the annual financial statements.	32

The annual financial statements set out on pages 28 to 41 were approved and signed by me in my capacity as Commissioner for SARS on 21 December 1999.



**Pravin J Gordhan**  
Commissioner for SARS

PRETORIA, 21/12/1999



**SOUTH AFRICAN REVENUE SERVICE -  
ADMINISTERED REVENUE**

**STATEMENT OF FINANCIAL PERFORMANCE  
FOR THE YEAR ENDED 31 MARCH 1999**

	Notes	1998-99 R'000	1997-98 R'000
<b>REVENUES</b>		<b>200 480 955</b>	<b>175 255 154</b>
<b>Taxation</b>		<b>200 729 737</b>	<b>176 130 009</b>
Income tax	2	119 530 967	100 976 889
Value-added tax/Sales tax	3	48 772 815	44 410 619
Fuel levy		13 649 552	12 097 893
Excise duties	4	8 567 887	7 908 721
Customs duties		6 086 285	6 408 503
Other taxes	5	4 099 912	4 308 116
Ordinary levy		17 405	19 268
Import surcharge		4 914	-
<b>Non-taxation</b>		<b>5 327 933</b>	<b>4 362 343</b>
Departmental receipts	6	5 031 649	4 655 015
Miscellaneous revenue		238 590	(445 217)
Mining leases and ownership		57 694	152 545
<b>Less:</b>			
Payments in terms of Custom Union Agreements	7	5 576 715	5 237 198
<b>EXPENSES</b>		<b>3 241 187</b>	<b>724 370</b>
Write-off of receivables	8	611 498	723 437
Import surcharge		-	933
Theft and losses		9 003	-
Doubtful debts	9	2 620 686	-
<b>SURPLUS FOR THE YEAR</b>		<b>197 239 768</b>	<b>174 530 784</b>

SOUTH AFRICAN REVENUE SERVICE -  
ADMINISTERED REVENUE

STATEMENT OF CHANGE IN NET ASSETS  
FOR THE YEAR ENDED 31 MARCH 1999

	Notes	R'000
<b>ACCUMULATED ADMINISTERED ASSETS</b>		
<b>Balance at 31 March 1997</b>		<b>2 023 717</b>
Net gains and losses not recognised in the statement of financial performance		
Transfer to the National Revenue Fund		(165 654 075)
Surplus for the year (as previously recognised)		174 530 784
<b>Balance at 31 March 1998</b>		<b>10 900 426</b>
Net gains and losses not recognised in the statement of financial performance		
Transfer to the National Revenue Fund		(183 023 464)
Surplus for the year		197 239 768
<b>Balance at 31 March 1999</b>		<b>25 116 730</b>

**SOUTH AFRICAN REVENUE SERVICE -  
ADMINISTERED REVENUE**

**STATEMENT OF FINANCIAL POSITION  
AS AT 31 MARCH 1999**

	Notes	1998-99 R'000	1997-98 R'000
<b>ASSETS</b>			
<b>Current assets</b>			
Receivables	10	32 680 034	16 196 479
Other assets	11	482 800	423 260
Cash and cash equivalents	12	49 154	128 464
<b>Total Assets</b>		<b>33 211 988</b>	<b>16 748 203</b>
<b>NET ASSETS AND LIABILITIES</b>			
<b>Net Assets</b>			
Accumulated administered assets		25 116 730	10 900 426
<b>Current liabilities</b>			
Taxation refunds due	13	7 855 530	4 429 732
Bank		236 124	1 404 206
Other liabilities	14	3 604	13 839
<b>Total Net Assets and Liabilities</b>		<b>33 211 988</b>	<b>16 748 203</b>

**SOUTH AFRICAN REVENUE SERVICE -  
ADMINISTERED REVENUE**

**CASH FLOW STATEMENT  
FOR THE YEAR ENDED 31 MARCH 1999**

	Notes	1998-99 R'000	1997-98 R'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
<b>Cash received from operating activities</b>	<b>15</b>	<b>189 688 951</b>	<b>170 001 496</b>
Taxation		184 721 088	165 537 017
Non - taxation		4 967 863	4 464 479
<b>Cash transferred</b>		<b>(188 600 179)</b>	<b>(170 891 273)</b>
Payments in respect of Customs Union Agreements		(5 576 715)	(5 237 198)
Cash to National Revenue Fund		(183 023 464)	(165 654 075)
<b>Net cash inflow/(outflow) from operating activities</b>		<b>1 088 772</b>	<b>(889 777)</b>
Cash and cash equivalents at beginning of period		(1 275 742)	(385 965)
Cash and cash equivalents at end of period	<b>16</b>	<b>(186 970)</b>	<b>(1 275 742)</b>

**SOUTH AFRICAN REVENUE SERVICE -  
ADMINISTERED REVENUE**

**NOTES TO THE ANNUAL FINANCIAL  
STATEMENTS 31 MARCH 1999**

---

**1. ACCOUNTING POLICIES**

**A OBJECTIVES**

The objective of SARS is the efficient and effective collection of revenue.

**B BASIS OF ACCOUNTING**

The financial statements are required by section 29 of the South African Revenue Service Act, 1997 (Act No. 34 of 1997) and is a general purpose financial report. The financial statements have been prepared in accordance with generally accepted accounting practice, except where otherwise stated.

The financial statements have been prepared on an accrual basis and in accordance with the historic cost convention and do not take account of changing money values.

These financial statements have been prepared on a going-concern basis and the policies have been applied consistently throughout the period.

These financial statements are largely based on AC 101 as issued by the South African Institute of Chartered Accountants. The effective date of AC 101 is only for periods commencing on or after 1 July 1999. This consequently represents an earlier application.

**C THE REPORTING ENTITY - OWN AND  
ADMINISTERED ACCOUNTS**

The reporting activity of SARS has been divided into Administered and Own accounts. Administered accounts, which are the subject of these financial statements, are those assets, liabilities, revenue and expenses which are controlled by the Government and managed by SARS on behalf of the Government.

**D THE REPORTING ENTITY - ITEMS BROUGHT TO  
ACCOUNT**

Those assets and liabilities, revenues and expenses that are controlled by SARS have been brought to account as administered items in the Administered Revenue annual financial statements. Revenue and expenses for which SARS acts as a conduit for the National Revenue Fund or the various Provincial Revenue Funds have not been included.

# SOUTH AFRICAN REVENUE SERVICE - ADMINISTERED REVENUE

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS 31 MARCH 1999

---

Estimated revenue is not disclosed as part of the annual financial statements because the estimates are prepared in accordance with the cash basis of accounting while the annual financial statements are prepared in accordance with the accrual basis.

### E REVENUE RECOGNITION

#### (i) Definition of revenue

Revenues and related assets are considered to arise when the Government, through the application of legislation by SARS to taxable and other relevant activities, gains control of the future economic benefits that flow from taxes and other statutory charges.

#### (ii) Recognition of revenue

The SARS administered revenues of the Government are recognised on the accrual basis when:

- the taxpayer or the taxpayer group can be identified in a reliable manner;
- an amount of tax or other statutory charge is due by the taxpayer or taxpayer group under legislative provisions; and
- the amount of the tax or statutory charge due by the taxpayer or the taxpayer group can be reliably measured, and it is probable that the amount will be collected.

Where the above conditions are met, an amount of tax or statutory charge is recognised as revenue for accrual reporting purposes when, inter alia:

- SARS raises a debt relevant to the reporting period on a taxpayer's account, via remittance received, assessment or reliable estimation process; or
- a taxpayer notifies SARS of a self-assessed debt relevant to the reporting period, which SARS then raises on the taxpayer account; or
- a reliable estimate of taxes, due by registered taxpayers, can be made, but debits have not been raised on individual taxpayers accounts.

The amount of revenue recognised takes account of legislative steps, discretions to be exercised and any refunds and/or credit amendments to which taxpayers may become entitled. Subsequent write-offs are treated as an expense.

SOUTH AFRICAN REVENUE SERVICE -  
ADMINISTERED REVENUE

NOTES TO THE ANNUAL FINANCIAL  
STATEMENTS 31 MARCH 1999

The conditions and recognition events essentially mean that the majority of revenue is recognised either when the debt is raised on a taxpayer account, or when a reliable estimate of future assessments, relevant to the reporting period can be determined, and not when payments are received.

South Africa is the administrator of the Southern African Customs Union Agreements. All revenue in respect of the Common Customs Union is, therefore, included as revenue in the statement of financial performance, while the payments to the other member countries are disclosed separately.

Where revenue is recognised under these principles, but not paid, it is included in receivables.

(iii) Application of the revenue recognition policy for the principal revenue lines is as follows:

**Income tax**

PAYE	-	the period in respect of which a return is due by a registered employer
Provisional tax	-	the period in respect of which a provisional tax return is due by a registered taxpayer
Assessed tax	-	when raised
Additional tax	-	when raised
Penalties	-	when raised
Interest	-	when raised

**Value-added tax**

Value-added tax	-	the period in respect of which a return is due by a registered vendor
Penalties	-	when raised
Interest	-	when raised

<b>Marketable securities tax</b>	-	the period in respect of which a MST return is due by a registered stockbroker
<b>Stamp duties and fees</b>	-	the period in respect of which a return is due by an agent or on the sale of stamps

# SOUTH AFRICAN REVENUE SERVICE - ADMINISTERED REVENUE

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS 31 MARCH 1999

---

<b>Transfer duty</b>	-	on transfer of property
<b>Customs duty</b>	-	when raised in South Africa or received in the Common Customs Pool
<b>Excise duty</b>	-	when raised in South Africa or received in the Common Customs Pool
<b>Fuel levy</b>	-	the period in respect of which a return is due by an agent

### F REVENUE NOT RECOGNISED - TAX EVASION

SARS acknowledges that its fiduciary responsibilities to the Government are unavoidably affected by the incidence of tax evasion and other breaches of the taxation laws by individuals and entities who have a legal obligation to the Government. No assertion, either implicit or explicit is made in the financial statements that all such transactions have been brought to account.

### G RECEIVABLES

The basis for recognition of receivables is set out under E(ii) above - 'Recognition of revenue'.

### H REDUCTIONS IN RECEIVABLES

Provisions to reduce gross receivables are raised for any doubtful debts and any probable credit amendments based on a review of outstanding accounts as at year end, involving examinations of large debts and disputed amounts and having regard to historic collection patterns. Prior to the current financial year, doubtful debts were not provided for.

Actual amounts of write-off of bad debt are charged to expenses, as is the movement in the provision for doubtful debt.

### I CASH AND CASH EQUIVALENTS

Cash includes unbanked cash on hand, cash advances and cash at bank. These items are used in the cash management function of the central government on a day-to-day basis. SARS does not have any term loan or bank overdraft facilities. All balances at the major banks participating in the cash management function of the central government are cleared to the central government on a daily basis.



**SOUTH AFRICAN REVENUE SERVICE -  
ADMINISTERED REVENUE**

**NOTES TO THE ANNUAL FINANCIAL  
STATEMENTS 31 MARCH 1999**

	1998-99 R'000	1997-98 R'000
<b>2. INCOME TAX</b>	<b>119 530 967</b>	<b>100 976 889</b>
Persons and individuals	87 575 648	73 757 410
Companies	21 056 886	19 807 405
Tax on retirement fund industry	5 098 877	3 229 739
Secondary tax on companies	1 941 613	1 446 448
Interest and penalties	1 723 205	1 054 033
Other mines	1 630 815	1 230 697
Diamond mines	315 276	118 658
Gold mines	188 647	332 499
<b>3. VALUE-ADDED TAX / SALES TAX</b>	<b>48 772 815</b>	<b>44 410 619</b>
Value-added tax	48 783 322	44 487 054
Sales tax	(10 507)	(76 435)
<b>4. EXCISE DUTIES</b>		
Excise duties	8 567 887	7 925 894
Refunds in respect of royalties paid by the motor industry	-	(17 173)
	<u>8 567 887</u>	<u>7 908 721</u>

Refunds of excise duty in respect of royalties paid during Phase VI of the local contents programme were made in the past due to:

- (i) legal and value decisions taken by the Commissioner that royalties are excluded from the value of Customs duty. The royalty agreement should be read in context with section 67(1)(c) of the Customs and Excise Act, 1964(Act No 91 of 1964), and
- (ii) the intention of the Board on Tariffs and Trade that royalties should be dutiable. The legislator's wording does not give effect to that intention.

**SOUTH AFRICAN REVENUE SERVICE -  
ADMINISTERED REVENUE**

**NOTES TO THE ANNUAL FINANCIAL  
STATEMENTS 31 MARCH 1999**

	1998-99 R'000	1997-98 R'000
<b>5. OTHER TAXES</b>	<b>4 099 912</b>	<b>4 308 116</b>
Transfer duties	1 565 400	1 855 777
Stamp duties and fees	1 489 783	1 459 049
Marketable securities tax	721 070	442 324
Estate duty	311 958	279 636
Donations tax	12 477	17 703
Levy on financial services	1 907	248 318
Other	(2 683)	5 309
<b>6. DEPARTMENTAL RECEIPTS</b>	<b>5 031 649</b>	<b>4 655 015</b>
Departmental activities	4 579 284	3 294 399
Levies	262 624	69 745
Recovery of loans and advances	110 347	90 619
Interest and dividends	79 394	1 200 252
<b>7. PAYMENTS IN TERMS OF CUSTOMS UNION AGREEMENTS</b>		
Contributions to the Common Customs Pool	<b>14 573 832</b>	<b>14 539 440</b>
Namibia	202 885	199 413
Botswana	159 378	355 079
Lesotho	62 965	61 536
Swaziland	44 487	46 303
<b>Sub-total</b>	<b>469 715</b>	<b>662 331</b>
South Africa	14 104 117	13 877 109
Received from the Common Customs Pool	<b>14 573 832</b>	<b>14 539 440</b>
Namibia	1 805 222	1 560 385
Botswana	1 662 284	1 497 240
Swaziland	1 075 819	1 006 833
Lesotho	1 033 390	1 172 740
<b>Sub-total</b>	<b>5 576 715</b>	<b>5 237 198</b>
South Africa	8 997 117	9 302 242

**SOUTH AFRICAN REVENUE SERVICE -  
ADMINISTERED REVENUE**

**NOTES TO THE ANNUAL FINANCIAL  
STATEMENTS 31 MARCH 1999**

	1998-99 R'000	1997-98 R'000
<b>8. WRITE-OFF OF RECEIVABLES</b>	<b>611 498</b>	<b>723 437</b>
Income tax - individuals	63 824	151 635
Income tax - individuals - Accruals for March *	28 292	-
Income tax - companies	28 982	83 493
Income tax - companies - Accruals for March *	4 172	-
Value-added tax/Sales tax	312 391	361 268
Value-added tax/Sales tax - Accruals for March *	61 781	-
Interest and penalties	84 139	124 753
Interest and penalties - Accruals for March *	27 250	-
Excise duties	258	10
Other taxes	152	116
Customs duty	130	96
Import surcharge	92	588
Miscellaneous revenue	35	36
Undistributed profits tax	-	1 442
* Refer note 19		
<b>9. DOUBTFUL DEBTS</b>	<b>2 620 686</b>	<b>-</b>
Provision for doubtful debts	2 620 686	-

**SOUTH AFRICAN REVENUE SERVICE -  
ADMINISTERED REVENUE**

**NOTES TO THE ANNUAL FINANCIAL  
STATEMENTS 31 MARCH 1999**

	1998-99 R'000	1997-98 R'000
<b>10. RECEIVABLES</b>	<b>32 680 034</b>	<b>16 196 479</b>
Income tax	18 252 496	8 716 610
Individuals	5 473 675	4 592 377
Individuals - Accruals for March *	6 918 012	-
Companies	3 305 836	2 468 036
Interest and penalties	2 554 973	1 656 197
Value-added tax	16 046 608	6 844 577
Value-added tax	7 418 525	5 782 910
Value-added tax - Accruals for March *	7 009 637	-
Interest and penalties	1 608 806	1 019 101
Sales tax	9 640	42 566
Customs duties	627 213	526 722
Miscellaneous revenue	199 054	8 307
Other taxes	120 848	54 356
Excise duties	32 595	36 716
Fuel levy	17 545	8 008
Import surcharge	4 337	1 138
Mining leases	24	45
	<b>35 300 720</b>	<b>16 196 479</b>
Provision for doubtful debts	2 620 686	-
* Refer note 19		
<b>11. OTHER ASSETS</b>	<b>482 800</b>	<b>423 260</b>
Former TBVC countries	-	7 558
State departments	466 467	402 682
Other	9 481	12 784
Provincial administrations	6 852	236
Opening balance	236	564
Amounts paid over to provincial administrations	47 193	102 899
Amounts received on behalf of the provincial administrations	(40 577)	(103 227)
Regional Services Councils	-	-
Amounts paid	115	(93 183)
Amounts received	(115)	93 183

**SOUTH AFRICAN REVENUE SERVICE -  
ADMINISTERED REVENUE**

**NOTES TO THE ANNUAL FINANCIAL  
STATEMENTS 31 MARCH 1999**

	1998-99 R'000	1997-98 R'000
<b>12. CASH AND CASH EQUIVALENTS</b>	<b>49 154</b>	<b>128 464</b>
Paymaster-General	37 649	105 599
Receiver of Revenue (cash on hand)	11 879	13 100
Main control account - Regional offices	4 354	738
South African Reserve Bank	(4 728)	9 027
<b>13. TAXATION REFUNDS</b>	<b>7 855 530</b>	<b>4 429 732</b>
Income tax	2 314 748	3 757 830
Persons and individuals	509 936	1 970 759
Companies	1 864 598	1 803 852
Interest and penalties	(59 786)	(16 781)
Value-added tax	5 438 882	577 654
Value-added tax	2 337 191	584 732
Value-added tax - Accruals for March *	3 114 718	-
Interest and penalties	(13 027)	(7 078)
Other taxes	101 900	94 248
* Refer note 19		
<b>14. OTHER LIABILITIES</b>	<b>3 604</b>	<b>13 839</b>
Other	3 604	7 870
Former self-governing territories	-	5 969
<b>15. RECONCILIATION OF SURPLUS FOR THE YEAR TO TOTAL CASH RECEIVED</b>		
<b>Surplus for the year</b>	<b>197 239 768</b>	<b>174 530 784</b>
Adjusted for:		
Payments in terms of Customs Union		
Agreements	5 576 715	5 237 198
Increase / (Decrease) in taxation refunds due	3 425 798	(4 734 078)
(Decrease) / Increase in other liabilities	(10 235)	(3 489)
(Increase) / Decrease in other assets	(59 540)	(194 428)
(Increase) in receivables	(16 483 555)	(4 834 491)
<b>Total cash received</b>	<b>189 688 951</b>	<b>170 001 496</b>

**SOUTH AFRICAN REVENUE SERVICE -  
ADMINISTERED REVENUE**

**NOTES TO THE ANNUAL FINANCIAL  
STATEMENTS 31 MARCH 1999**

	<b>1998-99</b>	<b>1997-98</b>
	<b>R'000</b>	<b>R'000</b>
<b>16. CASH AND CASH EQUIVALENTS (186 970)</b>		<b>(1 275 742)</b>
Cash and cash equivalents	49 154	128 464
Bank	(236 124)	(1 404 206)

**17. SURETIES**

(i) Sanlam shares

11 553 902 Sanlam shares with a market value of R61 697 837 are held in respect of amounts owing by 13 045 taxpayers as at 31 March 1999.

(ii) Guarantees

Guarantees issued by financial institutions in favour of SARS amounting to R61 367 677 are held as security for various taxes and duties payable.

Guarantees in favour of SARS held at branch offices at year-end were not available.

**18. AUDIT FEES**

Audit fees are included in the cost of auditing in Own Accounts.

**19. ONGOING REPORTING IMPROVEMENTS**

Ongoing improvements to the reporting of financial information are being made as and when the South African Revenue Service systems are upgraded to supply this information. This results in the prior period figures not being entirely comparable.

The effect of these improvements can be seen in notes 8, 10, and 13.

## 7.2 SARS OWN ACCOUNTS

### ANNUAL FINANCIAL STATEMENTS

31 March 1999

#### INDEX

	Page
Balance sheet as at 31 March 1999.	43
Income statement for the year ended 31 March 1999.	44
Cash flow statement for the year ended 31 March 1999.	45
Notes to the annual financial statements.	46

The annual financial statements set out on pages 43 to 56 were approved and signed by me in my capacity as Commissioner for SARS on 21 December 1999.



**Pravin J Gordhan**  
Commissioner for SARS

PRETORIA, 21/12/1999

**SOUTH AFRICAN REVENUE SERVICE -  
OWN ACCOUNTS**

**BALANCE SHEET  
AS AT 31 MARCH 1999**

	Notes	1999 R'000	1998 R'000
<b>EMPLOYMENT OF CAPITAL</b>			
<b>FIXED ASSET'S</b>	3	224 772	83 231
<b>NET CURRENT LIABILITIES</b>		8 104	30 393
<b>Current assets</b>		412 942	198 421
Inventories		2 563	1 240
Accounts receivable	4	410 379	181 115
Bank and cash balances		-	16 067
<b>Current liabilities</b>		-	228 815
Accounts payable	5	415 934	228 815
Bank and cash balances		5 112	-
		<b>216 669</b>	<b>52 838</b>
<b>CAPITAL EMPLOYED</b>			
<b>Capital reserves</b>	6	80 666	81 003
<b>Retained earnings / (accumulated deficit)</b>		136 003	(28 165)
		<b>216 669</b>	<b>52 838</b>

**SOUTH AFRICAN REVENUE SERVICE -  
OWN ACCOUNTS**

**INCOME STATEMENT FOR THE YEAR  
ENDED 31 MARCH 1999**

		<b>6 Months</b>	
	<b>Notes</b>	<b>1999</b>	<b>1998</b>
		<b>R'000</b>	<b>R'000</b>
<b>NET INCOME</b>	10	<b>1 827 381</b>	<b>738 412</b>
<b>Expenses</b>		<b>1 663 213</b>	<b>766 577</b>
Personnel expenditure		1 212 502	562 402
Administrative expenditure		185 879	87 490
Professional and special services	11	191 672	24 968
Miscellaneous expenditure	12	10 543	1 864
Depreciation		52 415	-
Maintenance of information systems		-	83 153
		<b>1 653 010</b>	<b>759 877</b>
Research and development written off		10 202	6 700
<b>Net result for the period</b>		<b>164 168</b>	<b>(28 165)</b>
<b>Accumulated deficit</b>			
<b>Beginning of the period</b>		<b>(28 165)</b>	<b>-</b>
<b>Retained earnings /</b>			
<b>(Accumulated deficit)</b>			
<b>End of the period</b>		<b>136 003</b>	<b>(28 165)</b>

**SOUTH AFRICAN REVENUE SERVICE -  
OWN ACCOUNTS**

**CASH FLOW STATEMENT FOR THE YEAR  
ENDED 31 MARCH 1999**

		<b>6 Months</b>	
	<b>Notes</b>	<b>1999</b>	<b>1998</b>
		<b>R'000</b>	<b>R'000</b>
<b>CASH FLOW FROM OPERATING</b>			
<b>ACTIVITIES</b>		<b>173 115</b>	<b>18 295</b>
Cash receipts		1 827 381	738 412
Cash paid to suppliers and employees		(1 616 228)	(720 117)
<b>Cash generated from operations</b>	15	<b>211 153</b>	<b>18 295</b>
<b>Other cash flow items</b>		<b>(38 038)</b>	<b>-</b>
Surrender of surplus funds		(22 446)	-
Surrender of unauthorised expenditure		(15 592)	-
<b>CASH FLOW FROM INVESTMENT</b>			
<b>ACTIVITIES</b>		<b>(193 956)</b>	<b>(83 231)</b>
Acquisition of fixed assets	3	(193 956)	(83 231)
<b>CASH FLOW FROM FINANCING</b>			
<b>ACTIVITIES</b>		<b>(337)</b>	<b>81 003</b>
Initial capital	16	-	81 003
Increase in capital and reserves		(337)	-
<b>Net cash flow for the period</b>		<b>(21 179)</b>	<b>16 067</b>
<b>Cash and cash equivalents at beginning of period</b>		<b>16 067</b>	<b>-</b>
<b>Cash and cash equivalents at end of period</b>	17	<b>(5 112)</b>	<b>16 067</b>

# SOUTH AFRICAN REVENUE SERVICE - OWN ACCOUNTS

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS 31 MARCH 1999

---

### 1. BACKGROUND

SARS was established as an organ of State on 1 October 1997 in terms of section 2 of the South African Revenue Service Act, (Act No. 34 of 1997). SARS' objective is the efficient and effective collection of revenue. In the Act revenue is defined as: "income derived from taxes, duties, levies, fees, charges, additional tax and any other monies imposed in terms of legislation, including penalties and interest in connection with such monies". In terms of section 7(2) and (3) of the Act, SARS took ownership of all movable assets of the State used by it, immediately before the effective date, together with contractual rights, obligations and liabilities. Any surplus will be treated as a non-distributable reserve. SARS' chief source of income is annual appropriations from Parliament for its services based on estimated expenditure for performing any specific act or function on behalf of Government in collection of these revenues.

Ministerial approval has been obtained for the late completion of the financial statements.

### 2. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

#### 2.1 BASIS OF ACCOUNTING

These statements are required by law to comply with generally accepted accounting practice recognised by the accounting profession in South Africa, which is appropriate and relevant for financial reporting in the public sector except for the effect of the change over from a cash basis to accrual basis of accounting for the prior period. The measurement base applied is historical cost adjusted for revaluation of assets. Assets are revalued to reflect the service potential or economic benefit obtained through control of assets. These policies are consistently applied.

#### 2.2 FIXED ASSETS

2.2.1 Fixed assets acquired on 1 October 1997 from Government are stated at valuation at 31 March 1998 except for:

- 2.2.1.1 subsequent additions to furniture, fittings and office equipment which are capitalised at cost; and
- 2.2.1.2 security equipment which is stated at cost.

# SOUTH AFRICAN REVENUE SERVICE - OWN ACCOUNTS

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS 31 MARCH 1999

---

The transferred assets were valued on the following basis:

2.2.1.3 motor vehicles were valued at the trade value of each vehicle per the Auto Dealers' Guide for March 1998; and

2.2.1.4 furniture, fittings and office equipment were counted on 31 March 1998, and valued at R1 per item counted. Assets purchased after 1 October 1997 were capitalised at cost.

2.2.2 Any surplus or deficit arising on the revaluation of assets is transferred to the asset revaluation reserve, which is regarded as a non-distributable reserve. On disposal of an asset, the applicable portion of the surplus or deficit is transferred to this reserve.

2.2.3 No depreciation is provided for the period ended 31 March 1998.

From 1 April 1998 assets have been depreciated as follows:

Motor vehicles	5 years
Personal computers and printers	3 years
Mainframe computers	5 years
Furniture and fittings	10 years
Office and security equipment	5 years
In-house developed software	5 years
Proprietary software	2 years

### 2.3 INVENTORIES

Inventories are comprised of consumable stores and are valued at the lower of the weighted average cost or estimated net realisable value.

Provision is made for damaged or obsolete items.

### 2.4 EXPENSES

Expenses are recognised in the period to which they relate, except for liabilities taken over from the State on 1 October 1997.

### 2.5 RESEARCH AND DEVELOPMENT

Due to the lack of distinction between research and development cost for this year, all costs were written off.



# SOUTH AFRICAN REVENUE SERVICE - OWN ACCOUNTS

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS 31 MARCH 1999

---

### 2.6 RETIREMENT BENEFITS

Current contributions on behalf of employees to the Government Employees Pension Fund, which is a defined benefit plan, are charged to expenditure as incurred. No provision is made for post-retirement benefits for employees as this is the responsibility of the Government.

See note 8 to the financial statements for details regarding the actuarial valuation method used to determine the fund's financial health.

### 2.7 INSURANCE

Catastrophe-type risks for fixed assets and legal liabilities are insured with due regard to replacement values and risk involved. Catastrophe-type risks include, but are not limited to, fire, lightning, thunderbolt, explosion, storm, wind, water, earthquake, hail or snow.

As part of its long-term financial risk management strategy, SARS follows a policy of self-insurance.

### 2.8 COMPARATIVE FIGURES

The 31<sup>st</sup> of March 1998 marked the end of the first financial period of SARS as an autonomous body. The comparative figures are therefore for 6 months only. These figures have been restated. See note 14 for the details.

### 2.9 GOVERNMENT GRANT

SARS receives a grant from the Government to cover operating costs. This grant is accounted for when it is received. Where an additional grant is received that pertains to an expense not budgeted for, the grant is accounted for in the period in which the expense occurred. This policy is not consistent with the policy applied in the past, where all monies granted, including additional grants, were accounted for when received. For the periods reported on in these financial statements such grants were received pertaining to incentive bonuses - refer to note 14.

**SOUTH AFRICAN REVENUE SERVICE -  
OWN ACCOUNTS**

**NOTES TO THE ANNUAL FINANCIAL  
STATEMENTS 31 MARCH 1999**

<b>3. FIXED ASSETS</b>	<b>1999 R'000</b>	<b>1998 R'000</b>
<b>Opening balance</b>		
<b>At valuation</b>	<b>83 231</b>	-
Computer equipment (including personal computers, printers and mainframe computers)	58 316	-
Computer software	-	-
Furniture, fittings and office equipment	2 450	-
Security equipment	12	-
Motor vehicles	22 453	-
<b>Acquisition</b>	<b>193 956</b>	<b>83 231</b>
Computer equipment (including personal computers, printers and mainframe computers)	141 554	58 316
Computer software	20 454	-
Furniture, fittings and office equipment	29 549	2 450
Security equipment	52	12
Motor vehicles	2 347	22 453
<b>Depreciation</b>	<b>(52 415)</b>	-
Computer equipment (including personal computers, printers and mainframe computers)	(41 743)	-
Computer software	(3 409)	-
Furniture, fittings and office equipment	(2 530)	-
Security equipment	(8)	-
Motor vehicles	(4 725)	-
<b>Closing balance</b>		
<b>Cost price</b>	<b>277 187</b>	<b>83 231</b>
Computer equipment (including personal computers, printers and mainframe computers)	199 870	58 316
Computer software	20 454	-
Furniture, fittings and office equipment	31 999	2 450
Security equipment	64	12
Motor vehicles	24 800	22 453

**SOUTH AFRICAN REVENUE SERVICE -  
OWN ACCOUNTS**

**NOTES TO THE ANNUAL FINANCIAL  
STATEMENTS 31 MARCH 1999**

	<b>1999</b>	<b>1998</b>
	<b>R'000</b>	<b>R'000</b>
<b>Accumulated depreciation</b>	<b>(52 415)</b>	<b>-</b>
Computer equipment (including personal computers, printers and mainframe computers)	(41 743)	-
Computer software	(3 409)	-
Furniture, fittings and office equipment	(2 530)	-
Security equipment	(8)	-
Motor vehicles	(4 725)	-
<b>Net book value</b>	<b>224 772</b>	<b>83 231</b>
Computer equipment (including personal computers, printers and mainframe computers)	158 127	58 316
Computer software	17 045	-
Furniture, fittings and office equipment	29 469	2 450
Security equipment	56	12
Motor vehicles	20 075	22 453

Due to the problems that were experienced with the implementation of the fixed assets system, the amounts as disclosed cannot be reconciled back to an asset register. Depreciation was calculated based on the information contained in the general ledger.

Government assets taken over by SARS on autonomy, were accounted for as acquisitions in the financial period ended 31 March 1998. No opening balances are therefore disclosed for this period.

**4. ACCOUNTS RECEIVABLE**

Staff debtors	7 238	6 696
Prepayments	18 206	-
Government departments	309 821	184 961
Suspense account	74 786	(10 871)
Refundable deposits	328	329
	<u>410 379</u>	<u>181 115</u>

# SOUTH AFRICAN REVENUE SERVICE - OWN ACCOUNTS

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS 31 MARCH 1999

The amount of R74 786 000 (1998: -R10 871 000) has been charged to a suspense account due to the problems arising from the change from a cash basis of accounting to an accrual basis. Certain unidentified transactions are still to be resolved.

	<b>1999</b>	<b>1998</b>
	<b>R'000</b>	<b>R'000</b>
<b>5. ACCOUNTS PAYABLE</b>		
Trade creditors	108 972	59 488
Provision for incentive bonus	301 422	177 202
VAT	5 540	(7 875)
	<u>415 934</u>	<u>228 815</u>

## 6. CAPITAL RESERVES

Surplus of assets over liabilities transferred from		
Government on 1 October 1997	32 364	32 364
Asset revaluation reserve	48 302	48 639
	<u>80 666</u>	<u>81 003</u>

## 7. CONTINGENCIES

Guarantees issued to various financial institutions in respect of housing loans granted to employees	15 536	12 192
Accumulated leave	80 104	-
	<u>95 640</u>	<u>12 192</u>

The amount for accumulated leave pertains to the period up to 31 December 1998. Up to this point there was no limitation on the number of leave days that could be accumulated. As from 1 January 1999, the leave is paid out annually. Leave payments are made in February of every year. No provision for leave has been included in the current financial statements. The accumulated leave pertaining to the period before 1 January 1999 will be paid out as the employees in question retire.

## 8. PENSION FUND COMMITMENT

Pension fund benefits are mainly provided by membership of the Government Employees Pension Fund (GEPF) which is a defined benefit fund.

# SOUTH AFRICAN REVENUE SERVICE - OWN ACCOUNTS

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS 31 MARCH 1999

The following is an extract from the annual financial statements of the Government Employee Pension Fund for the year ended 31 March 1998.

“According to rule 4.9, the Fund is subject to an actuarial valuation once every three years. Ginsburg, Malan and Carsons (Pty) Ltd was commissioned by the Minister of Finance, in his capacity as Interim Board of Trustees, to perform the first post amalgamation valuation of the fund as at 1 May 1996 (the valuation date). The results were as follows:

Funding level	
<i>Including pension increments</i>	72,30%
Shortfall	
<i>Including pension increments</i>	R43 662 million

The financial health of the Fund is measured by reference to its ability to generate enough income through future investment returns and contributions to pay for the benefits of the members as and when they fall due. NBC Actuaries and Consultants (Pty) Ltd has been commissioned to perform an actuarial valuation of the fund at 31 March 1998.

	6 Months	
	1999	1998
	R'000	R'000
Pension fund contributions (included in personnel expenses)	<u>96 989</u>	<u>44 792</u>

SARS' responsibility regarding the funding of the shortfall of the pension fund is limited to the current contributions made to the pension fund on behalf of its employees.

Approximately 10 400 of the 12 500 SARS employees contribute to this pension fund.

### 9. POST-RETIREMENT MEDICAL BENEFITS

For the purpose of post-retirement benefits, SARS falls under the Public Service Act. According to the Act the State will continue to contribute to medical aid payments of employees after retirement if certain criteria are met. SARS as an autonomous entity has no obligation to pay post-retirement medical benefits to its retired employees.

**SOUTH AFRICAN REVENUE SERVICE -  
OWN ACCOUNTS**

**NOTES TO THE ANNUAL FINANCIAL  
STATEMENTS 31 MARCH 1999**

	<b>1999</b>	<b>6 Months</b>
	<b>R'000</b>	<b>1998</b>
		<b>R'000</b>
<b>10. INCOME</b>		
Government grant	1 820 596	735 683
Other income	6 785	2 729
	<u>1 827 381</u>	<u>738 412</u>

**11. PROFESSIONAL AND SPECIAL SERVICES**

Included in the above are audit services provided by the Auditor General

SARS own accounts	1 462	1 389
Administered revenue	13 742	5 161
	<u>15 204</u>	<u>6 550</u>

**12. MISCELLANEOUS EXPENDITURE**

Included in miscellaneous expenditure is an amount of R9 000 338 that pertains to debts written off by Administered Revenue. Of this amount R7 557 485 pertains to VAT of the former TBVC states.

**13. UNAUTHORISED EXPENDITURE**

The following amounts, included in the financial statements, constitute unauthorised expenditure in terms of Section 33 of the Exchequer (Act No 66 of 1975):

	<b>1998</b>
	<b>R</b>
a) Purchase of uniforms for personnel at border posts;	428 690
b) Stationery;	32 043
c) Upgrade of power supply at Vereeniging;	33 402
d) Strategic planning workshop;	29 129
e) Upgrade of Great Plains accounting software to increase user capacity;	266 095
f) Upgrade of mainframe software;	4 603 318
g) Relocation of park homes - classified as fruitless expenditure;	15 600
h) Cape Town site audit; and	78 660
i) Purchase of SARS mousepads	8 948
	<u>5 495 885</u>



# SOUTH AFRICAN REVENUE SERVICE - OWN ACCOUNTS

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS 31 MARCH 1999

### 14. RESTATEMENT OF COMPARATIVE FIGURES

The comparative figures presented on the financial statements relating to the period ended 31 March 1998 have been restated.

Cut off problems were experienced for the period then ended, the impact of which was material enough to justify restatement of the figures.

The following represents a summary of the figures that have been restated:

	<b>Adjusted amount</b>	<b>As disclosed in previous financial statements</b>
	<b>R'000</b>	<b>R'000</b>
<b>Income statement</b>		
Net income	(738 412)	(551 593)
Personnel expenditure	562 402	385 201
Administrative expenditure	87 490	86 962
Professional and special services	24 968	16 933
Miscellaneous expenditure	1 864	1 956
<b>Balance sheet</b>		
Fixed assets	83 231	83 479
Accounts receivable	181 115	16 552
Bank and cash balances	16 067	13 219
Accounts payable	(228 815)	(62 038)

The most significant adjustments were to the Accounts payable and Personnel expenditure. This is due to an incentive bonus amounting to R177 201 346 paid in the 1999 financial year pertaining to the 1998 financial period. No provision had been made for this bonus in the 1998 financial statements.

The adjustment to the grant received pertains to the incorrect calculation of VAT on the grant received. The correction relating to VAT amounted to R9 519 828. The effect of the change in the accounting policy referred to in point 2.9 translated to an increase in the grant received amounting to R301 422 086 (1998: R177 201 346).

SOUTH AFRICAN REVENUE SERVICE -  
OWN ACCOUNTS

NOTES TO THE ANNUAL FINANCIAL  
STATEMENTS 31 MARCH 1999

15. RECONCILIATION OF CASH GENERATED FROM  
OPERATIONS TO NET RESULT FOR THE PERIOD

	1999 R'000	6 Months 1998 R'000
Result from ordinary activities	164 168	(28 165)
<b>Operating results before changes in working capital</b>	<b>164 168</b>	<b>(28 165)</b>
<b>Changes in working capital</b>	<b>(5 430)</b>	<b>46 460</b>
Increase in accounts receivable	(229 264)	(181 115)
Increase in inventories and work in progress	(1 323)	(1 240)
Increase in accounts payable	187 119	228 815
Funds surrendered to Department of Finance	38 038	-
Adjustments for non cash items		
Depreciation	52 415	-
<b>Cash generated from operations</b>	<b>211 153</b>	<b>18 295</b>

Included in the increase in accounts receivable and accounts payable is an amount provided for an additional grant for bonus to be paid in terms of an agreement with Department of Finance whereby employees were paid a specific percentage based on the revenue collection performance achieved.

16. INITIAL CAPITAL

Bank and cash balances	-	21 682
Accounts receivable	-	12 234
Accounts payable	-	(1 552)
Asset revaluation reserve	-	48 639
	<b>-</b>	<b>81 003</b>

# SOUTH AFRICAN REVENUE SERVICE - OWN ACCOUNTS

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS 31 MARCH 1999

---

### 17. CASH AND CASH EQUIVALENTS

	1999 R'000	1998 R'000
Bank and cash balances	<u>(5 112)</u>	<u>16 067</u>

### 18. DONATIONS

#### **SARS received the following donations:**

- a) In terms of the agreement with United Kingdom's Department for International Development (DFID), SARS was granted £9 million by way of donation over the next 5 years. During the period under review an amount of R65 100 was donated by way of HMCE consultants fees and accommodation.
- b) An amount of approximately R300 000 was donated by SGS (a Swedish company). This was in the form of sponsorship for two Customs and Excise officials to attend a British University.
- c) A donation amounting to approximately R3 million was made by the Swedish National Tax Board in the form of hardware, software and training for the Corporate Tax Center.
- d) In addition, numerous small donations were made in the form of training and small items of office equipment.

All of the above amounts were paid directly to the suppliers of the services. No monies were directly received by SARS and they were not accounted for in SARS' books of account.

### 19. INCOME TAX STATUS

SARS is exempt from the payment of income tax in terms of section 10(1)(cA) of the Income Tax Act of 1962 (Act no 58 of 1962).

## 7.3 REPORT OF THE AUDITOR-GENERAL

### ON THE FINANCIAL STATEMENTS OF THE SOUTH AFRICAN REVENUE SERVICE ADMINISTERED REVENUE FOR THE YEAR ENDED 31 MARCH 1999

TABLE OF CONTENTS	PAGE
1. AUDIT ASSIGNMENT	58
2. REGULARITY AUDIT	58
2.1 Nature and scope	58
2.1.1 Financial audit	58
2.1.2 Compliance audit	58
2.2 Qualification	58
2.2.1 Financial audit	58
2.2.2 Compliance audit	60
2.3 Audit opinion	61
2.3.1 Disclaimer of financial audit opinion	61
2.3.2 Compliance audit	61
3. EMPHASIS OF MATTER	61
3.1 Preparation of annual financial statements	61
3.2 Change to accrual accounting	61
3.3 Income tax receivables	62
3.4 Control over journal transactions	62
3.5 Computer audit	62
3.5.1 Follow-up computer audit of the application controls within the Custom's Automated Processing of Entries (CAPE) system	62
3.5.2 Follow-up computer audit of the general controls over Customs and Excise	63
3.5.3 Computer audit of the application controls within the Master File System	63
3.5.4 Computer audit of the application controls within the various deferment systems	63
3.6 Performance audit	64
4. APPRECIATION	64



# SOUTH AFRICAN REVENUE SERVICE - REPORT OF THE AUDITOR GENERAL

## STATEMENT OF ADMINISTERED REVENUE FOR THE YEAR ENDED 31 MARCH 1999

---

### 1. AUDIT ASSIGNMENT

The financial statements as set out on pages 27 to 41, for the year ended 31 March 1999, have been audited in terms of section 188 of the Constitution of the Republic of South Africa 1996 (Act No. 108 of 1996), read with sections 3 and 5 of the Auditor-General Act, 1995 (Act No. 12 of 1995) and section 28 of the South African Revenue Service Act, 1997 (Act No. 34 of 1997). These financial statements, the maintenance of effective control measures and compliance with relevant laws and regulations are the responsibility of the accounting officer. My responsibility is to express an opinion on these financial statements and compliance with relevant laws and regulations, applicable to financial matters, based on the audit.

### 2. REGULARITY AUDIT

#### 2.1 NATURE AND SCOPE

##### 2.1.1 Financial audit

The audit was conducted in accordance with generally accepted government auditing standards, which incorporate generally accepted auditing standards. These standards require the audit to be planned and performed to obtain reasonable assurance that the financial statements are free of material misstatement. An audit includes:

- examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements,
- assessing the accounting principles used and significant estimates made by management, and
- evaluating the overall financial statement presentation.

I believe that the audit provides a reasonable basis for my opinion.

##### 2.1.2 Compliance audit

Furthermore, an audit includes an examination, on a test basis, of evidence supporting compliance in all material respects with the relevant laws and regulations applicable to financial matters and the collection of taxation.

# SOUTH AFRICAN REVENUE SERVICE - REPORT OF THE AUDITOR GENERAL

## STATEMENT OF ADMINISTERED REVENUE FOR THE YEAR ENDED 31 MARCH 1999

---

### 2.2 QUALIFICATION

#### 2.2.1 Financial audit

##### (a) Financial record-keeping

The requirements of section 22 of the South African Revenue Service Act 1997 (Act No. 34 of 1997) have not been adhered to as proper books and records are not maintained. The accounting system is not geared to enable SARS to keep full and proper records on an accrual basis of accounting.

- General ledger control accounts in respect of receivables were not maintained and accordingly, information generated by the various debtors systems could not be reconciled with the general ledger.
- Incomplete records are maintained in respect of customs and excise debtors. An audit trail does not exist in all instances.
- Amendments/adjustments made to financial statements are not properly recorded in the books of accounts. This results in the financial statements not agreeing with the books and records of the entity.

The financial records were initially prepared on the cash basis of accounting and were in certain instances adjusted with receivables to determine revenue for the year on an accrual basis. The cash accounting records differed from the debtor records by more than R413 million.

##### (b) Receivables

- (i) Detailed listings substantiating outstanding amounts included in the financial statements in respect of customs and excise duties, and fuel levies could not be provided. Reasonable assurance could, therefore, not be obtained that all receivables in respect of customs and excise duties and fuel levies were included in the financial statements and that these debtors existed, were valued, classified and accumulated correctly and that sufficient cut-off procedures were performed. It furthermore resulted in uncertainty with regard to a significant portion of reported revenue.
- (ii) Returns for March 1999 in respect of the above-mentioned taxes, which were only received subsequent to year-end, were not included in receivables and revenue. No amounts were estimated for inclusion although certain information was readily available. This is contrary to the revenue recognition policy adopted by SARS as disclosed in the notes to the annual financial statements. Receivables and revenue are, therefore, understated by an unknown amount.
- (iii) Outstanding debits and credits in respect of tax on the retirement fund industry are not disclosed in the financial statements. These amounts are unknown.



SOUTH AFRICAN REVENUE SERVICE -  
REPORT OF THE AUDITOR GENERAL

STATEMENT OF ADMINISTERED REVENUE  
FOR THE YEAR ENDED 31 MARCH 1999

---

(c) Liabilities in respect of provisional payments

(i) No general provision was made in the financial statements for the liability arising from provisional payments in respect of income tax that may be refundable to taxpayers.

(ii) Provision was also not made in respect of provisional customs and excise payments.

(d) Recoverability of outstanding revenue

During the year under review receivables increased by 118% and the age analysis indicates that more than 37% of the debts are outstanding for a period exceeding nine months. The provision made for doubtful debts is for an amount of R2 620 million. The records of SARS did not provide historical information on which to base an assessment of the adequacy of this provision.

(e) Reconciliations

I was unable to form an opinion on the accuracy of bank balances as a result of the following matters that also impacted on revenue:

(i) Outstanding income tax data cheques on the bank reconciliation for 31 March 1999 could not be provided for audit purposes. This has been an on-going problem for a number of years.

(ii) Insufficient follow-up steps have been taken with regard to outstanding debits and credits on the bank reconciliation. Some of these items have been outstanding since 1988.

(f) Handling and recording of dishonoured cheques

When dishonoured cheques are recorded, these amounts are not deducted from customs and excise revenue, resulting in an overstatement of revenue and an understatement of receivables. This has been an on-going problem for a number of years and the extent of the understatement of receivables is unknown.

2.2.2 Compliance audit

SARS is charged with the administration and collection of taxation and is directed by a considerable volume of complex legislation. Not only is SARS required to achieve its mandate within the ambit of this legislation, but it should also enforce those measures necessary to ensure that taxpayers comply with tax legislation, whether voluntarily or otherwise. My audit revealed certain shortcomings in internal

**SOUTH AFRICAN REVENUE SERVICE -  
REPORT OF THE AUDITOR GENERAL**

**STATEMENT OF ADMINISTERED REVENUE  
FOR THE YEAR ENDED 31 MARCH 1999**

---

control and inconsistencies in complying with legislation. It is not possible to quantify the financial effect of the non-compliance and lack of controls due to the diversity thereof as well as a lack of information. It is for this reason that the nature of these problems will be highlighted by way of special reports.

**2.3 AUDIT OPINION**

**2.3.1 Disclaimer of financial audit opinion**

Because of the significance of the matters referred to in paragraph 2.2.1, I am not able to express an opinion on the financial statements.

**2.3.2 Compliance audit**

Except for the matters referred to in paragraph 2.2.2 the transactions of SARS that were examined during the course of the audit were made in accordance with the relevant legislation applicable to both financial matters and the collection of taxation and the transactions that came to my attention during the audit were, in all material respects, in accordance with the mandatory functions of SARS as determined by law or otherwise.

**3. EMPHASIS OF MATTER**

Attention is drawn to the following matters:

**3.1 PREPARATION OF ANNUAL FINANCIAL STATEMENTS**

There are no South African Accounting Statements of Generally Accepted Accounting Practice that are relevant to non-reciprocal revenues (that is, revenue which arises not from an exchange transaction, where one party exchanges resources for direct resources from the other party, but from the taxing powers of the government). Consequently, SARS was compelled to rely on international norms and standards as the basis for compiling these annual financial statements, many of which are still in the process of development. It may therefore be necessary to continually update the format of the financial statements as the standards are developed and finalised.

**3.2 CHANGE TO ACCRUAL ACCOUNTING**

There has been an increase in reported revenue during the year under review. There have



**SOUTH AFRICAN REVENUE SERVICE -  
REPORT OF THE AUDITOR GENERAL**

**STATEMENT OF ADMINISTERED REVENUE  
FOR THE YEAR ENDED 31 MARCH 1999**

also been improvements in the reporting and disclosure of such revenues. However, section 29(3) of the SARS Act requires full disclosure in terms of generally accepted accounting practice (GAAP), which was not fully achieved. Therefore, notwithstanding the improvements SARS has made, the systemic nature of the matters referred to in 2.2.1(a) and (b) resulted in the audit opinion once again being disclaimed.

Certain policy decisions still need to be made. Examples hereof are the treatment of the March portion of outstanding debits and credits in respect of the bi-monthly VAT returns, the recognition of the fuel levy and the treatment of tax on the retirement fund industry. The Commissioner whilst acknowledging the historical and systemic weaknesses in the systems, has indicated that he plans to develop and implement solutions to these. We will follow-up in further audits to assess the effectiveness of these plans in resolving the issues.

**3.3 INCOME TAX RECEIVABLES**

Income tax receivables are overstated by at least R115 577 519 due to revised assessments subsequent to year-end.

**3.4 CONTROL OVER JOURNAL TRANSACTIONS**

Journals are used to post the customs and excise transactions in the various sub-systems to the main accounting system. Control measures to ensure the accurate and complete recording of information were lacking.

**3.5 COMPUTER AUDIT**

**3.5.1 Follow-up computer audit of the application controls within the Custom's Automated Processing of Entries [CAPE] System**

The above-mentioned computer audit was completed during May 1999 and the detailed findings and possible areas for improvement were brought to the attention of the accounting officer. The key findings arising from the audit indicate that, although progress had been made to address the shortcomings previously identified, adequate control measures had still not been implemented throughout. The major shortcomings relate to access profiles to authorised functions on the CAPE System.

In his comments the accounting officer referred to various corrective steps taken. The effectiveness of these steps will be evaluated by Audit in due course.

**SOUTH AFRICAN REVENUE SERVICE -  
REPORT OF THE AUDITOR GENERAL**

**STATEMENT OF ADMINISTERED REVENUE  
FOR THE YEAR ENDED 31 MARCH 1999**

---

**3.5.2 Follow-up computer audit of the general controls over customs and excise**

The above-mentioned audit was completed during May 1999 and the detailed findings and possible areas for improvement were brought to the attention of the accounting officer.

The key findings arising from the audit indicate that adequate general control measures had still not been implemented throughout. Various shortcomings with regard to the organisational structure and operating procedures, programmers access to the production environment, program change control and logical access control weaknesses were identified.

In his comments the accounting officer referred to various corrective steps taken. The effectiveness of these steps will be evaluated by Audit in due course.

**3.5.3 Computer audit of the application controls within the Master File System**

The above-mentioned audit was completed during March 1999 and the detailed findings and possible areas for improvement were brought to the attention of the accounting officer.

The key findings arising from the audit indicate that adequate application control measures, with regard to completeness, accuracy and validity to ensure the integrity of data, had not been implemented throughout. The major shortcomings relate to formal user registration procedures that were not in place, proper segregation of duties that did not take place, and the system inadequately interfacing with other systems. In his comments the accounting officer referred to various corrective steps taken. The effectiveness of these steps will be evaluated by Audit in due course.

**3.5.4 Computer audit of the application controls within the various deferment systems**

The above-mentioned audit was completed during August 1999 and the detailed findings and possible areas for improvement were brought to the attention of the accounting officer.

The key findings arising from the audit indicate that adequate application control measures had not been implemented throughout. The major shortcomings relate to inadequate supervisory controls, and user identification and password registration. At the time of compiling this report, the comments from the accounting officer were not yet due.



**SOUTH AFRICAN REVENUE SERVICE -  
REPORT OF THE AUDITOR GENERAL**

**STATEMENT OF ADMINISTERED REVENUE  
FOR THE YEAR ENDED 31 MARCH 1999**

---

**3.6 PERFORMANCE AUDIT**

Performance audit on the collection of excise duties and fuel levies as well as the implementation of voluntary severance packages were concluded at the South African Revenue Service during the year under review. The findings of these and other performance audits are included in the Report of the Auditor-General on the Performance Audits completed during the period 1 August 1997 to 31 August 1998 (RP 216/1998). Furthermore a performance audit on the training, collections and inspections of VAT as well as a follow-up performance audit of the collection of customs duty are currently being finalised, the results of which will be made known in a separate report to Parliament.

**4. APPRECIATION**

The assistance rendered by SARS during the audit is sincerely appreciated.



S.A. FAKIE  
Auditor-General  
Pretoria  
24/2/2000



P.J. GORDHAN  
Commissioner for SARS  
Pretoria  
29/2/2000

## 7.4 REPORT OF THE AUDITOR-GENERAL

### ON THE FINANCIAL STATEMENTS OF THE SOUTH AFRICAN REVENUE SERVICE SARS OWN ACCOUNT FOR THE YEAR ENDED 31 MARCH 1999

TABLE OF CONTENTS	PAGE
1. AUDIT ASSIGNMENT	66
2. REGULARITY AUDIT	66
2.1 Nature and scope	66
2.1.1 Financial audit	66
2.1.2 Compliance audit	66
2.2 Qualification	67
2.2.1 Financial audit	67
(a) Scope limitations	67
(b) Reconciliation of creditors and bank account	67
2.2.2 Compliance audit	67
(a) Unauthorised expenditure	67
(b) Value-added tax	68
2.3 Audit opinion	68
2.3.1 Disclaimer of financial audit opinion	68
2.3.2 Compliance audit	68
3. EMPHASIS OF MATTER	68
3.1 Value-added tax	68
3.2 Internal control	69
3.3 Annual report	69
4. APPRECIATION	69



# SOUTH AFRICAN REVENUE SERVICE - REPORT OF THE AUDITOR GENERAL

## STATEMENTS OF SARS OWN ACCOUNT FOR THE YEAR ENDED 31 MARCH 1999

---

### 1. AUDIT ASSIGNMENT

The financial statements as set out on pages 42 to 56, for the year ended 31 March 1999, have been audited in terms of section 188 of the Constitution of the Republic of South Africa, 1996 (Act No. 108 of 1996), read with sections 3 and 5 of the Auditor-General Act, 1995 (Act No. 12 of 1995) and section 28 of the South African Revenue Service Act, 1997 (Act No. 34 of 1997). These financial statements, the maintenance of effective control measures and compliance with relevant laws and regulations are the responsibility of the Accounting Officer. My responsibility is to express an opinion on these financial statements and compliance with relevant laws and regulations, applicable to financial matters, based on the audit.

### 2. REGULARITY AUDIT

#### 2.1 NATURE AND SCOPE

##### 2.1.1 Financial audit

The audit was conducted in accordance with generally accepted government auditing standards, which incorporate generally accepted auditing standards. These standards require the audit to be planned and performed to obtain reasonable assurance that the financial statements are free of material misstatement. An audit includes:

- examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements,
- assessing the accounting principles used and significant estimates made by management, and
- evaluating the overall financial statement presentation.

I believe that the audit provides a reasonable basis for my opinion.

##### 2.1.2 Compliance audit

Furthermore, an audit includes an examination, on a test basis, of evidence supporting compliance in all material respects with the relevant laws and regulations applicable to financial matters.

**SOUTH AFRICAN REVENUE SERVICE -  
REPORT OF THE AUDITOR GENERAL**

**STATEMENTS OF SARS OWN ACCOUNT  
FOR THE YEAR ENDED 31 MARCH 1999**

---

**2.2 QUALIFICATION**

**2.2.1 Financial audit**

**(a) Scope limitations**

The scope of our work was limited, because we were not able to verify the existence of all assets and inventories and to confirm the fair presentation of the accounts receivable, cash at bank and certain expenditure items. SARS records did not permit the application of alternative auditing procedures regarding the fixed assets, consumable stores, accounts receivable, cash at bank and certain expenditure items. Consequently, I did not obtain all the information or explanations I considered necessary to satisfy myself as to the reasonable presentation of the financial information.

**(b) Reconciliation of creditors and bank account**

Accurate bank and creditors reconciliation statements could not be provided.

The bank balances in the underlying financial records could not be reconciled to the bank statement and Paymaster-General (PMG) accounts at year-end. The differences between the bank statement and PMG balances and the underlying financial records were debited to a suspense account.

A listing of creditor payments after year-end was used to determine the general ledger account balance for disclosure in the financial statements. The difference between the listing and the creditors control account in the general ledger was also allocated to a suspense account.

**2.2.2 Compliance audit**

**(a) Unauthorised expenditure: R5 495 885**

Expenditure that must be regarded as unauthorised expenditure, in terms of section 33(1)(d) of the Exchequer Act, 1975 (Act No. 66 of 1975), was incurred during the period under review and comprises a total amount of R5 495 885 which was spent without prior approval and which the SARS Tender Board was not prepared to condone.

**SOUTH AFRICAN REVENUE SERVICE -  
REPORT OF THE AUDITOR GENERAL**

**STATEMENTS OF SARS OWN ACCOUNT  
FOR THE YEAR ENDED 31 MARCH 1999**

---

The majority of the expenditure was in connection with increased computer capacity, and does not necessarily imply that the expenditure concerned was fruitless or wasteful or that any irregularity has occurred.

**(b) Value-added tax**

The requirements of section 55 of the Value-Added Tax Act, 1991 (Act No. 89 of 1991) (record keeping) were contravened due to the fact that source documents to verify the input claim could not be provided. In certain cases the requirements of section 15 of the Act were not complied with. Transactions were accounted for on the payment basis while SARS is registered on the invoice basis. The Commissioner has advised that this was attributable to a systems problem that has subsequently been corrected.

**2.3 AUDIT OPINION**

**2.3.1 Disclaimer of financial audit opinion**

Because of the significance of the matters referred to in paragraph 2.2.1, I am not able to express an opinion on the financial statements.

**2.3.2 Compliance audit**

Except for the matters referred to in paragraph 2.2.2, the transactions of SARS that were examined during the course of the audit were, in all material respects, made in accordance with the relevant laws and regulations, applicable to financial matters.

**3. EMPHASIS OF MATTER**

Attention is drawn to the following matters:

**3.1 VALUE-ADDED TAX (VAT)**

As SARS is a registered vendor for VAT purposes, the Receiver of Revenue, Pretoria is responsible for the collection and assessment of VAT due. The Receiver of Revenue raised an additional liability on 30 December 1998 as a result of the VAT audit

SOUTH AFRICAN REVENUE SERVICE -  
REPORT OF THE AUDITOR GENERAL

STATEMENTS OF SARS OWN ACCOUNT  
FOR THE YEAR ENDED 31 MARCH 1999

conducted. Calculations prepared by the finance section of SARS, however, indicate that an amount is due as a refund to SARS. The revised assessment has not yet been finalised by the Receiver of Revenue.

3.2 INTERNAL CONTROL

The audit revealed certain shortcomings in the management measures and internal control systems, which were brought to the attention of the Accounting Officer. These include the following:

- Expenditure batches were not always available to audit.
- Insufficient management reports to, for example, exercise control over expenditure, were either not available or were not timeously available at both Head Office and district level.
- Creditors were paid an average of 114 days after goods and services were supplied. Interest was not paid during the year under review, although it was charged by creditors.

3.3 ANNUAL REPORT

Due to problems experienced by SARS, as indicated above, a final set of financial statements was only received by this Office on 21/12/1999 - The Annual Report of the Commissioner which contains additional information on pages 1 to 26 and pages 70 to 73, which has not been audited.

4. APPRECIATION

The assistance rendered by the staff and management of SARS during the audit is sincerely appreciated.



S.A. FAKIE  
Auditor-General  
Pretoria  
24/2/2000



P.J. GORDHAN  
Commissioner for SARS  
Pretoria  
29/2/2000

## 8 . A N N E X U R E

### 8 . 1 C O R P O R A T E G O V E R N A N C E

In terms of the South African Revenue Service Act, 1997 (Act No. 34 of 1997), SARS was established as an organ of state outside the public service but within the broader public administration. This Act took effect on 1 October 1997.

In terms of the objectives and functions of SARS specified by the Act, the organisation's public functions are:

- collecting revenue in terms of national or other legislation on revenue collection assigned to SARS by either legislation or an agreement; and
- advising the Minister on all matters concerning revenue.

Policy control of these functions rests with the Minister of Finance.

In terms of the Act, SARS is also accountable for its funds and assets.

SARS funds consist of:

- money appropriated each year by Parliament to cover estimates of expenditure;
- government grants; and
- fees and charges for any other services performed for a state department, functionary or institution.

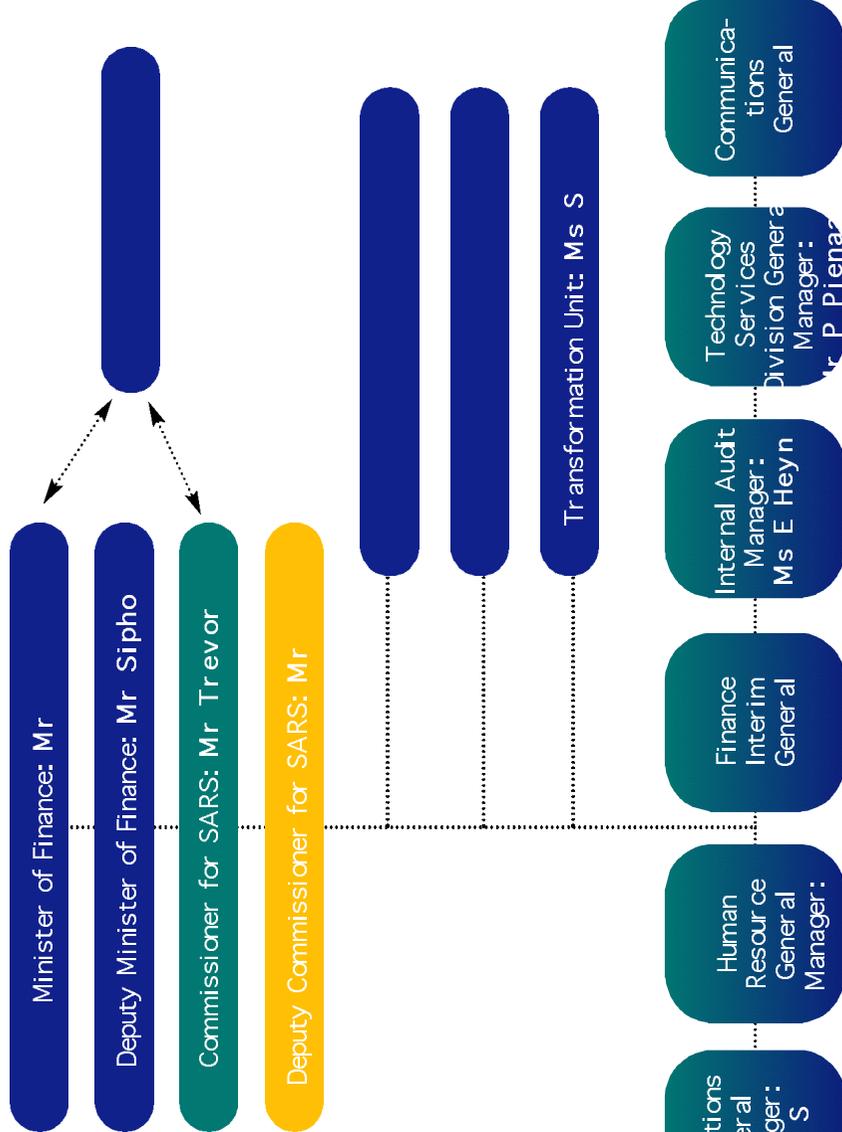
The Act requires SARS' accounts and financial records to be audited by the Auditor-General. SARS must also submit an annual report of its activities during the financial year to the Minister. A copy of this report must be tabled in the National Assembly and submitted to the National Council of Provinces.

In so far as the Exchequer Act 1975 (Act No 66 of 1975) and its regulations and instructions apply to statutory bodies, all revenue collected by SARS under national legislation and all SARS funds and transactions are governed by this Act.

Although this new legal status grants SARS control over its own resources, the organisation must still conform to the Constitutional

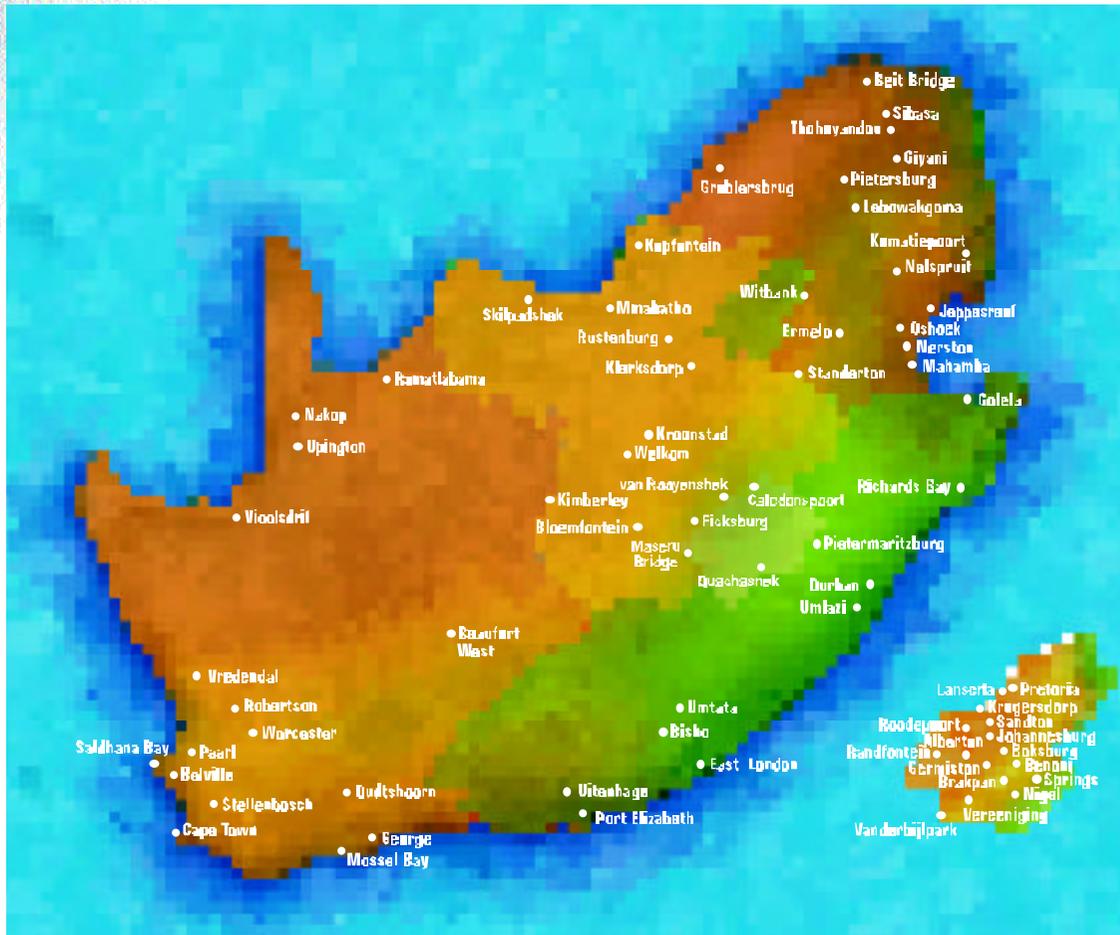
## 8.2 SARS STRUCTURE

(as at 31 March 2020)



Managers:  
 W Wessels  
 M Mpumalanga: Mr M  
 M Mphahlele  
 State: Mr T Marx  
 Cape: Mr L Human

## 8.3 SARS OFFICES



Church Street, Private Bag X548, Beaufort West, 6970  
Tel (0201) 3235 Fax (0201) 4264

AJ West Street, Private Bag X11, Bellville, 7535

Tel (0446) 91-1065 Fax (0446) 91-1961

P.O. Box 1801, Upington, 8800, Tel (054) 331-1850

Allied Building, 4th Floor, Church Street, P.O. Box 309, Oudtshoorn, 6620, Tel (044) 272-2681 Fax (044) 272-7210

P.O. Box 1801, Upington, 8800

Tel (054) 331-1597/311-1210 Fax (054) 332-3501

Violsdrif, Springbok, 8250

Tel (027) 761-8707 Fax (027) 761-8977

Reubini Building, cor. Church & Matzikamma

cor. Leeupoort & Short Streets, P.O. Box 206,  
Boksburg, 1460  
Tel (011) 917-9510/17 Fax (011) 917-6185

106 Kings Way Avenue, P.O. Box 40, Brakpan,  
1540  
Tel (011) 740-2900/4 Fax (011) 740-1175

Outeniqua Building, cor. Victoria & Plantation  
Streets  
P.O. Box 166, Germiston, 1400  
Tel (011) 873-4160 or 873-9946 Fax (011) 873-  
3916

cor. Meyer & Voortrekker Streets, Private Bag  
X1012, Germiston, 1400, Tel (011) 873-8313  
Fax (011) 873-1177

Momentum Office Park, Ashwood Place, Building  
no. 16  
140 Western Service Road, Woodmead, Tel  
(011) 236-5500

New Government Building, 4 Rissik Street, P.O.  
Box 1051, Johannesburg, 2000, Tel (011) 497-  
9000 Fax (011) 834-7391

cor. Market & Frazer Streets  
Private Bag X21, Marshall Town, Johannesburg,  
2107  
Tel (011) 832-3341/2 Fax (011) 834-6526

New Freight Agents Building, Room 306  
Private Bag X3, Johannesburg International Airport,  
1627  
Tel (011) 923-2400 Fax (011) 970-1484

40 Kobie Krige Street, P.O. Box 401,  
Krugersdorp, 1740  
Tel (011) 953-1882/7 Fax (011) 953-2524

Private Bag X21, Marshall Town, Johannesburg,  
2001  
Tel (011) 701-3481 Fax (011) 834-6526

cor. Hendrik Verwoerd & 4th Avenue, P.O. Box  
80, Nigel, 1490, Tel (011) 814-6466 Fax  
(011) 814-1662

cor. Schoeman & Van der Walt Streets, P.O. Box  
436, Pretoria, 0001, Tel (012) 317-2000 Fax  
(012) 320-1411

cor. Joubert & Merriman Avenues,  
Private Bag X07, Vereeniging, 1930  
Tel (016) 422-3621 Fax (016) 422-  
4023/4031

Tyamzashe Building, Sebe Avenue, Private Bag  
X0034, Bisho, 5608, Tel (040) 609-4931 Fax  
(040) 35-1403

Penthouse Suite 2501, The Embassy, 199 Smith  
Street  
Private Bag X54368, Durban, 4000  
Tel (031) 367-6000 Fax (031) 332-2824

201 West Street, P.O. Box 921, Durban, 4000  
Tel (031) 360-8911 Fax (031) 368-3028

Customs House, Victoria Embankment Road  
Private Bag X54305, Durban, 4000  
Tel (031) 367-6100 Fax (031) 337-2009

Private Bag X54305, Durban, 4000  
Tel (031) 469-1979 Fax (031) 469-3569

cor. Terminus & Station Streets, P.O. Box 692,  
East London, 5200, Tel (0431) 2-7270 Fax  
(0431) 43-5578

Buffalo Harbour, Hely Hutchenson Street  
Private Bag X9002, East London, 5200  
Tel (043) 722-4841 X 224 Fax (043) 743-  
0831

P.O. Box 473, Pongola, 3170  
Tel (034) 435-1165 Fax (034) 435-1166

209 Pietermaritz Street, P.O. Box 383,  
Pietermaritzburg, 3200  
Tel (033) 355-4611 Fax (033) 342-6100

Prestasi Building, 221 Pieter Maritz Street,  
P.O. Box 352, Pietermaritzburg, 3200  
Tel (041) 582-3540 Fax (041) 586-0618

St. Mary's Terrace, cor. White & Main Streets  
P.O. Box 345, Port Elizabeth, 6000  
Tel (041) 582-3540 Fax (041) 586-0618

156 Government Mbeki Avenue, Private Bag

Private Bag X601, Messina, 0800  
Tel (015) 530-0071 Fax (015) 530-0072

Parliament Building, Department of Justice, Main  
Road  
Private Bag X9665, Giyani, 0826  
Tel (015) 812-1890 Fax (015) 812-1988

P.O. Box 101, Tom Burke, 0621  
Tel (014) 767-1019 Fax (014) 767-1264

P.O. Box 3025, Shongwe, Mission, 1331  
Tel (013) 781-0561/2 Fax (013) 781-0562s

N4 Komatiepoort, P.O. Box 24, Komatiepoort,  
1340  
Tel (013) 790-7201 Fax (013) 790-7059

Old Lebowa Finance Wing, Old Parliamentary  
Complex  
Private Bag X34, Lebowakgomo, 0737  
Tel (015) 633-6100 Fax (015) 633-6150

Private Bag X5012, Piet Retief, 2580  
Tel (017) 826-4629 Fax (017) 826-4622

P.O. Box 649, Komatiport, 1340  
Tel (013) 790-7448 Fax (013) 781-7471

Private Bag X1036, Mogwase, 0302  
Tel (01465) 55-660 Fax (01465) 55-757

Nedbank Building, 31 Brown Street, Private Bag  
X11294, Nelspruit, 1200, Tel (013) 753-2693  
Fax (013) 753-6069

Nelspruit Airport, P.O. Box 2981, Nelspruit,  
1200  
Tel (013) 741-3529 Fax (013) 741-3529

P.O. Box 458, Amsterdam, 2375  
Tel (017) 846-9006 Fax (017) 846-9429

Private Bag X9077, Ermelo, 2350  
Tel (017) 882-0061 Fax (017) 882-0060

The Mall, Ground Floor, cor. Biccand and Vorster  
Streets  
P.O. Box 55600, Pietersburg 0700



## 8 . ANNEXURE

### 8 . 1 CORPORATE GOVERNANCE

In terms of the South African Revenue Service Act, 1997 (Act No. 34 of 1997), SARS was established as an organ of state outside the public service but within the broader public administration. This Act took effect on 1 October 1997.

In terms of the objectives and functions of SARS specified by the Act, the organisation's public functions are:

- collecting revenue in terms of national or other legislation on revenue collection assigned to SARS by either legislation or an agreement; and
- advising the Minister on all matters concerning revenue.

Policy control of these functions rests with the Minister of Finance.

In terms of the Act, SARS is also accountable for its funds and assets. SARS funds consist of:

- money appropriated each year by Parliament to cover estimates of expenditure;
- government grants; and
- fees and charges for any other services performed for a state department, functionary or institution.

The Act requires SARS' accounts and financial records to be audited by the Auditor-General. SARS must also submit an annual report of its activities during the financial year to the Minister. A copy of this report must be tabled in the National Assembly and submitted to the National Council of Provinces.

In so far as the Exchequer Act 1975 (Act No 66 of 1975) and its regulations and instructions apply to statutory bodies, all revenue collected by SARS under national legislation and all SARS funds and transactions are governed by this Act.

Although this new legal status grants SARS control over its own resources, the organisation must still conform to the Constitutional principles laid down for the public service. These include:

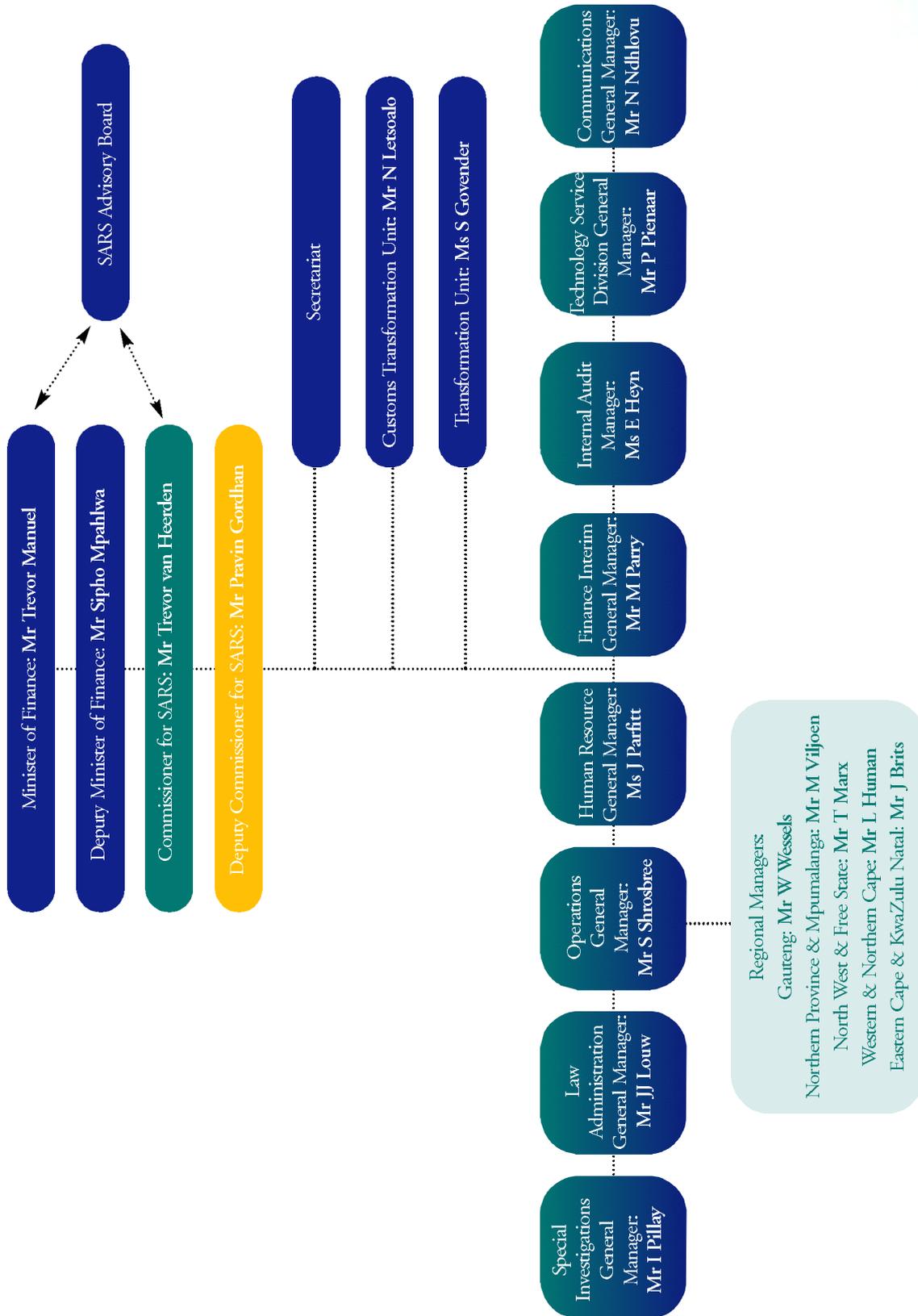
- high standards of professional ethics;
- impartial, equitable and unbiased supply of services;
- effective and efficient use of resources;
- responsiveness to public need;
- encouragement for public participation in policy-making; and
- accountability, transparency and an orientation towards development.

In addition to the South African Revenue Service Act, the following Acts were presented to Parliament by SARS and promulgated between 1 April 1998 to 31 March 1999:

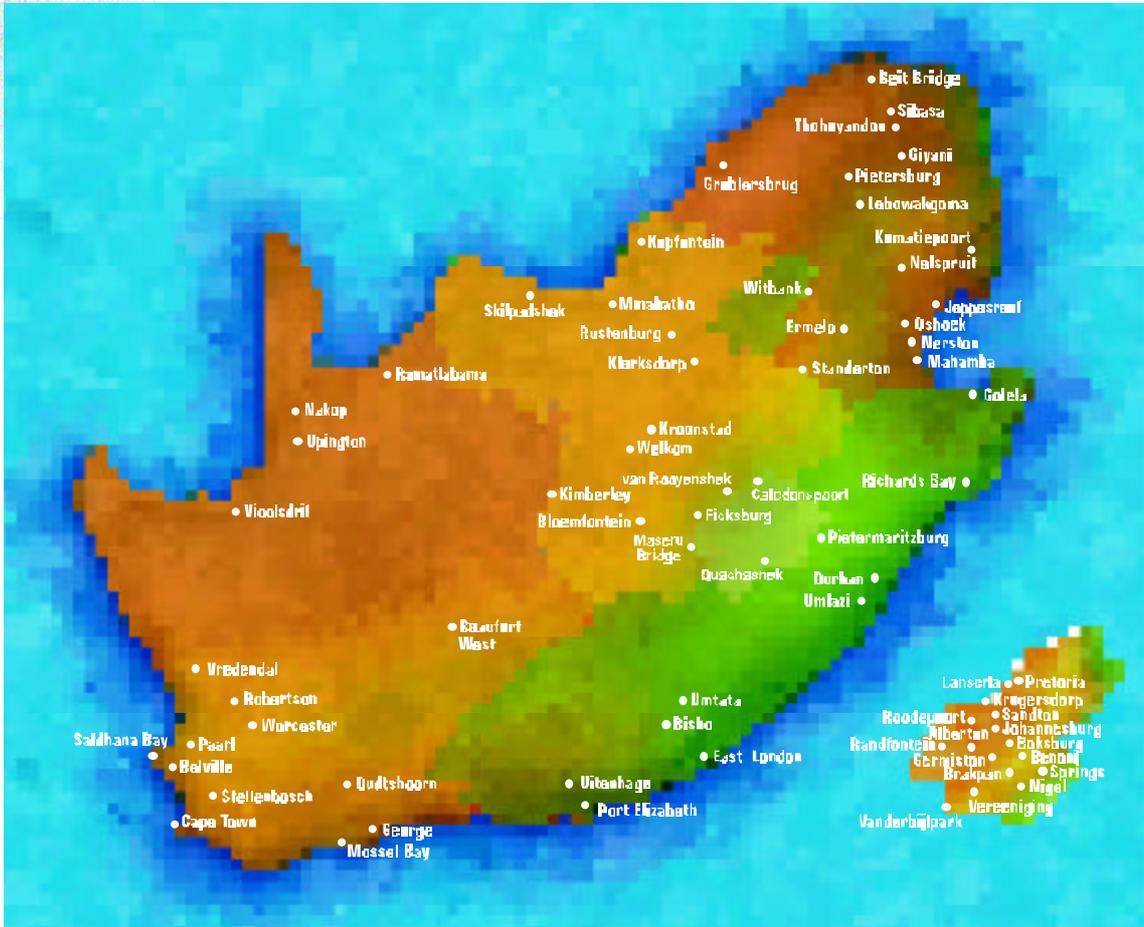
- Taxation Laws Amendment Act, 1998 which amends certain statutes administered by the Commissioner;
- Uncertificated Securities Tax Act, 1998 which provides for the levying of an Uncertificated Securities Tax in respect of the issue of, and change in beneficial ownership, in any security which is transferable without a written instrument and is not evidenced by a certificate;
- Demutualisation Levy Act, 1998 which provides for the levying of a charge on the value of the free reserves of a mutual insurer allocated to members on demutualisation of such mutual insurer;
- Skills Development Levies Act, 1999 which provides for the imposition of a levy with effect from 1 April 2000. The Act came into operation on 1 September 1999; and
- Taxation Laws Amendment Act, 1999 which amends certain statutes administered by the Commissioner.

## 8.2 SARS STRUCTURE

(as at 31 March 1999)



## 8.3 SARS OFFICES



### WESTERN CAPE AND NORTHERN CAPE

**Beaufort West – Receiver of Revenue**  
Church Street, Private Bag X548, Beaufort West, 6970  
Tel (0201) 3235 Fax (0201) 4264

**Bellville – Receiver of Revenue**  
AJ West Street, Private Bag X11, Bellville, 7535  
Tel (021) 959-9100 Fax (021) 959-9705/6

**Cape Town – Regional office**  
ABSA Building, 6th Floor  
132 Adderley Street, P.O. Box 3926, Cape Town, 8000  
Tel (021) 481-6100 Fax (021) 481-6161

**Cape Town – Receiver of Revenue**  
90 Plein street, P.O. Box 657, Cape Town, 8000  
Tel (021) 460-2911 Fax (021) 461-8177

**Cape Town – Customs and E xcise**  
Customs House, 9 Table Bay Boulevard, Private Bag X9046,  
Cape Town, 8000, Tel (021) 401-8500 Fax (021) 421-6263

**Cape Town International Airport**  
P.O. Box 9046, Cape Town, 8000,  
Tel (021) 934-0221 Fax (021) 934-2355

**George – Receiver of Revenue**  
cor. 93 York & St. John Streets, Private Bag X6585, George,  
6530, Tel (044) 874-7420 Fax (044) 874-0327

**Mossel Bay – Customs and E xcise**  
67A Bland Street, P.O. Box 19, Mossel Bay, 6500  
Tel (0446) 91-1065 Fax (0446) 91-1961

**Nakop / Narogas - Border Post**  
P.O. Box 1801, Upington, 8800, Tel (054) 331-1850

**Oudtshoorn – Customs and E xcise**  
Allied Building, 4th Floor, Church Street, PO. Box 309,  
Oudtshoorn, 6620, Tel (044) 272-2681 Fax (044) 272-7210

**Paarl – Receiver of Revenue**  
Rhoba Building, 19/20 Market Street, Private Bag X5004,  
Paarl, 7622, Tel (021) 872-2181 Fax (021) 872-7063

**Paarl – Customs and E xcise**  
Monte Rose Building, 276 Main Street, P.O. Box 41, Paarl,  
7622, Tel (021) 872-7654/5 Fax (021) 872-6626

**Robertson – Customs and E xcise**  
48 Church Street, P.O. Box 38, Robertson, 6705  
Tel (02362) 63-040 Fax (02362) 64-363

**Saldanha Bay – Customs and E xcise**  
No 9, 8th Avenue, P.O. Box 38, Saldanha Bay, 7395  
Tel (022) 715-3720 Fax (022) 715-3720

**Stellenbosch – Customs and E xcise**  
Valenda Building, cor. Piet Retief and Skool Streets  
P.O. Box 41, Stellenbosch, 7599  
Tel (021) 887-3036 Fax (021) 887-5924

**Upington – Customs and E xcise**  
Ancoley Building, 1st Floor, Schott Street,  
P.O. Box 1801, Upington, 8800  
Tel (054) 331-1597/311-1210 Fax (054) 332-3501

**Violsdrif – Border Post**  
Violsdrif, Springbok, 8250  
Tel (027) 761-8707 Fax (027) 761-8977

**Vredendal – Customs and E xcise**  
Reubini Building, cor. Church & Matzikamma Streets  
P.O. Box 10, Vredendal, 8160  
Tel (02721) 33-009 Fax (02721) 33-009

**Worcester – Receiver of Revenue**  
Nordee Building, 59 Church Street, Private Bag X3065,  
Worcester, 6850, Tel (023) 342-0051 Fax (023) 347-4947

**Worcester – Customs and E xcise**  
New Magistrate Building, Adderley Street, P.O. Box 21,  
Worcester, 6850, Tel (023) 347-2979 Fax (023) 347-5134

### GAUTENG

**Alberton – Receiver of Revenue**  
49 New Quay Avenue, P.O. Box 1003, Alberton, 1450  
Tel (011) 869-5100 Fax (011) 869-4185

**Benoni – Receiver of Revenue**  
65 Howard Avenue, P.O. Box 141, Benoni, 1500  
Tel (011) 421-1701/422-3070 Fax (011) 421-1726

**Boksburg – Receiver of Revenue**  
cor. Leuipoort & Short Streets, P.O. Box 206, Boksburg, 1460  
Tel (011) 917-9510/17 Fax (011) 917-6185

**Brakpan – Receiver of Revenue**  
106 Kings Way Avenue, P.O. Box 40, Brakpan, 1540  
Tel (011) 740-2900/4 Fax (011) 740-1175

**Germiston – Receiver of Revenue**  
Outeniqua Building, cor. Victoria & Plantation Streets  
P.O. Box 166, Germiston, 1400  
Tel (011) 873-4160 or 873-9946 Fax (011) 873-3916

**Germiston – Customs and E xcise**  
cor. Meyer & Voortrekker Streets, Private Bag X1012,  
Germiston, 1400, Tel (011) 873-8313 Fax (011) 873-1177

**Johannesburg – Regional Office**  
Momentum Office Park, Ashwood Place, Building no. 16  
140 Western Service Road, Woodmead, Tel (011) 236-5500

**Johannesburg – Receiver of Revenue**  
New Government Building, 4 Rissik Street, P.O. Box 1051,  
Johannesburg, 2000, Tel (011) 497-9000 Fax (011) 834-7391

**Johannesburg – Customs and Excise**

cor. Market & Frazer Streets  
Private Bag X21, Marshall Town, Johannesburg, 2107  
Tel (011) 832-3341/2 Fax (011) 834-6526

**Johannesburg International Airport**

New Freight Agents Building, Room 306  
Private Bag X3, Johannesburg International Airport, 1627  
Tel (011) 923-2400 Fax (011) 970-1484

**Krugersdorp – Receiver of Revenue**

40 Kobie Krige Street, P.O. Box 401, Krugersdorp, 1740  
Tel (011) 953-1882/7 Fax (011) 953-2524

**Lanseria International Airport**

Private Bag X21, Marshall Town, Johannesburg, 2001  
Tel (011) 701-3481 Fax (011) 834-6526

**Nigel – Receiver of Revenue**

cor. Hendrik Verwoerd & 4th Avenue, P.O. Box 80, Nigel, 1490, Tel (011) 814-6466 Fax (011) 814-1662

**Pretoria – Receiver of Revenue**

cor. Schoeman & Van der Walt Streets, P.O. Box 436, Pretoria, 0001, Tel (012) 317-2000 Fax (012) 320-1411

**Pretoria – Head Office**

Lehae la SARS, 299 Bronkhorst Street, Nieuw Muckleneuk, 0181, Tel (012) 422-4000 Fax (012) 422-5181

**Pretoria – Customs and Excise**

136 Schoeman Street, Private Bag X326, Pretoria, 0001  
Tel (012) 334-6400 Fax (012) 328-6478

**Randfontein – Receiver of Revenue**

39 Stubb Street, P.O. Box 3, Randfontein, 1760  
Tel (011) 411-7200 Fax (011) 693-4776

**Roodepoort – Receiver of Revenue**

Horizon Centre, cor. Sonop & Ontdekkers Streets  
P.O. Box 228, Roodepoort, 1725  
Tel (011) 760-1886 Fax (011) 760-2341

**Sandton – Corporate Tax Centre**

Block G, Hurlingham Office Park, cor. William Nicol Drive & Republic Road, Private Bag X9901, Sandton, 2146  
Tel (011) 789-6336 Fax (011) 789-8129

**Springs – Receiver of Revenue**

56 Fourth Street, P.O. Box 106, Springs, 1560  
Tel (011) 815-5470 Fax (011) 362-6572

**Vereeniging – Receiver of Revenue**

cor. Joubert & Merriman Avenues,  
Private Bag X07, Vereeniging, 1930  
Tel (016) 422-3621 Fax (016) 422-4023/4031

**KWAZULU-NATAL AND EASTERN CAPE****Bisho – Receiver of Revenue**

Tyamzash Building, Sebe Avenue, Private Bag X0034,  
Bisho, 5608, Tel (040) 609-4931 Fax (040) 35-1403

**Durban – Regional Office**

Penthouse Suite 2501, The Embassy, 199 Smith Street  
Private Bag X54368, Durban, 4000  
Tel (031) 367-6000 Fax (031) 332-2824

**Durban – Receiver of Revenue**

201 West Street, P.O. Box 921, Durban, 4000  
Tel (031) 360-8911 Fax (031) 368-3028

**Durban – Customs and Excise**

Customs House, Victoria Embankment Road  
Private Bag X54305, Durban, 4000  
Tel (031) 367-6100 Fax (031) 337-2009

**Durban International Airport**

Private Bag X54305, Durban, 4000  
Tel (031) 469-1979 Fax (031) 469-3569

**East London – Receiver of Revenue**

cor. Terminus & Station Streets, P.O. Box 692, East London, 5200, Tel (0431) 2-7270 Fax (0431) 43-5578

**East London – Customs and Excise**

Buffalo Harbour, Hely Hutchenson Street  
Private Bag X9002, East London, 5200  
Tel (043) 722-4841 X 224 Fax (043) 743-0831

**Golela – Border Post**

P.O. Box 473, Pongola, 3170  
Tel (034) 435-1165 Fax (034) 435-1166

**Pietermaritzburg – Receiver of Revenue**

209 Pietermaritzburg Street, P.O. Box 383, Pietermaritzburg, 3200  
Tel (033) 355-4611 Fax (033) 342-6100

**Pietermaritzburg – Customs and Excise**

Prestasi Building, 221 Pieter Maritz Street,  
P.O. Box 352, Pietermaritzburg, 3200  
Tel (041) 582-3540 Fax (041) 586-0618

**Port Elizabeth – Receiver of Revenue**

St. Mary's Terrace, cor. White & Main Streets  
P.O. Box 345, Port Elizabeth, 6000  
Tel (041) 582-3540 Fax (041) 586-0618

**Port Elizabeth – Customs and Excise**

156 Government Mbeki Avenue, Private Bag X6039, Port  
Elizabeth, 6000, Tel (041) 585-1731 Fax (041) 586-0618

**Port Elizabeth International Airport**

Private Bag X6039, Port Elizabeth, 6000  
Tel (041) 581-2181 Fax (041) 581-2777

**Qachasnek – Borderpost**

P.O. Box 844, Matatiele, 4730

**Richards Bay – Customs and Excise**

103 Dollard Drive, Alton, P.O. Box 225, Richards Bay, 3900  
Tel (035) 798-6907 Fax (035) 798-6909

**Uitenhage – Receiver of Revenue**

1 Young Street, Private Bag X34, Uitenhage, 6230  
Tel (041) 991-0700 Fax (041) 991-0327

**Umlazi – Receiver of Revenue**

Umlazi Centre, Amawhele Building,  
Private Bag X18, Moleni, Umlazi, 4060  
Tel (031) 907-9039 Fax (031) 907-1120

**Umtata – Receiver of Revenue**

Sutherland Street, Private Bag X5027, Umtata, 5100  
Tel (0475) 31-2162 Fax (0475) 31-1343

**MPUMALANGA AND NORTHERN PROVINCE****Beithridge – Border Post**

Private Bag X601, Messina, 0800  
Tel (015) 530-0071 Fax (015) 530-0072

**Giyani – Receiver of Revenue**

Parliament Building, Department of Justice, Main Road  
Private Bag X9665, Giyani, 0826  
Tel (015) 812-1890 Fax (015) 812-1988

**Groblersburg – Border Post**

P.O. Box 101, Tom Burke, 0621  
Tel (014) 767-1019 Fax (014) 767-1264

**Jeppes Reef – Border Post**

P.O. Box 3025, Shongwe, Mission, 1331  
Tel (013) 781-0561/2 Fax (013) 781-0562s

**Lebombo – Border Post**

N4 Komatipoort, P.O. Box 24, Komatipoort, 1340  
Tel (013) 790-7201 Fax (013) 790-7059

**Lebowakgamo – Receiver of Revenue**

Old Lebowa Finance Wing, Old Parliamentary Complex  
Private Bag X34, Lebowakgomo, 0737  
Tel (015) 633-6100 Fax (015) 633-6150

**Mahamba – Border Post**

Private Bag X5012, Piet Retief, 2580  
Tel (017) 826-4629 Fax (017) 826-4622

**Mananga – Border Post**

P.O. Box 649, Komatipoort, 1340  
Tel (013) 790-7448 Fax (013) 781-7471

**Mogwase – Border Post**

Private Bag X1036, Mogwase, 0302  
Tel (01465) 55-660 Fax (01465) 55-757

**Nelspruit – Receiver of Revenue**

Nedbank Building, 31 Brown Street, Private Bag X11294,  
Nelspruit, 1200, Tel (013) 753-2693 Fax (013) 753-6069

**Nelspruit – Customs and Excise**

Nelspruit Airport, P.O. Box 2981, Nelspruit, 1200  
Tel (013) 741-3529 Fax (013) 741-3529

**Nerston – Border Post**

P.O. Box 458, Amsterdam, 2375  
Tel (017) 846-9006 Fax (017) 846-9429

**Oshoek – Border Post**

Private Bag X9077, Ermelo, 2350  
Tel (017) 882-0061 Fax (017) 882-0060

**Pietersburg – Regional Office**

The Mall, Ground Floor, cor. Biccand and Vorster Streets  
P.O. Box 55600, Pietersburg 0700  
Tel (015) 291-4670/1/3/4/5 Fax (015) 291-4678

**Pietersburg – Receiver of Revenue**

Landros Maré Street, Private Bag X9384, Pietersburg, 0700  
Tel (015) 299-7000 Fax (015) 291-4019

**Standerton – Receiver of Revenue**

cor. Church & Princess Streets, Private Bag X2005,  
Standerton, 2430, Tel (017) 712-2140 Fax (017) 712-3760

**Thohoyandou – Receiver of Revenue**

Old Post Office Building, Mphepho Street  
Private Bag X2338, Sibasa, 0970  
Tel (015) 963-3378 Fax (015) 963-3377

**Witbank – Receiver of Revenue**

cor. Botha & Paul Kruger Streets, Private Bag X7212,  
Witbank, 1035, Tel (013) 656-6003 Fax (013) 690-3898

**FREE STATE AND NORTH WEST****Bloemfontein – Receiver of Revenue**

cor. Aliwal & Voortrekker Streets,  
P.O. Box 313, Bloemfontein, 9300  
Tel (051) 448-2331 Fax (051) 447-7005

**Bloemfontein – Customs and Excise**

Metropolitan Building, cor. Aliwal & St. Andrews Streets  
P.O. Box 265, Bloemfontein, 9300  
Tel (051) 447-2507 Fax (051) 447-4699

**Caledonspoort – Border Post**

P.O. Box 175, Ficksburg, 9725  
**Ficksburg B ridge – Border Post**

**P.O. Box 17, Ficksburg, 9730**

Tel (051) 993-5674/5 Fax (051) 933-5839

**Kimberley – Receiver of Revenue**

Hysesco Building, Old Main Road, Private Bag X6068,  
Kimberley, 8300, Tel (053) 831-2250 Fax (053) 831-7616

**Kimberley – Customs and Excise**

cor. Night & Stead Streets, P.O. Box 86, Kimberley, 8300  
Tel (053) 831-1644 Fax (053) 831-3241

**Klerksdorp – Receiver of Revenue**

Revenues Building, 39 Leask Street, Private Bag A4,  
Klerksdorp, 2570, Tel (018) 464-1551 Fax (018) 462-9287

**Kopfontein / Tlokweg – Border Post**

P.O. Box 706, Zeerust, 2865  
Tel (018) 365-9057 Fax (018) 365-9026

**Kroonstad – Receiver of Revenue**

Free State Pension Fund Building, 46 Hill Street,  
Private Bag X01, Kroonstad, 9500  
Tel (056) 212-2151 Fax (056) 212-1594

**Mmabatho – Receiver of Revenue**

Revenue House, Mmabatho, cor. Barokologabi & Bathlaping  
Streets, Private Bag X2131, Mmabatho, 2735  
Tel (018) 384-1336 Fax (018) 392-4650

**Mmabatho – Customs and Excise**

cor. Barokologabi & Bathlaping Streets, Private Bag X2038,  
Mmabatho, 2735, Tel (018) 392-5942 Fax (018) 392-2942

**Maseru Bridge – Border Post**

P.O. Box 1042, Ladybrand, 9745  
Tel (05192) 44-033 Fax (05192) 44-000

**Ramatlahama – Border Post**

Private Bag X113, Mmabatho, 2735  
Tel (018) 386-2477 Fax (018) 386-2918

**Rustenburg – Receiver of Revenue**

cor. Klopper & van Staden Streets, Private Bag X82068,  
Rustenburg, 0300, Tel (014) 592-2035 Fax (014) 597-1001

**Skilpadshék – Border Post**

Private Bag X2016, Lerato, Lehurutshe, 2865  
Tel (018) 364-1469 Fax (018) 364-1469

**Vanderbijlpark – Regional Office**

Metropolitan Life Building, Ground Floor, 22 FW Beyers  
Street, P.O. Box 4231, Vanderbijlpark, 1900  
Tel (016) 933-2177 Fax (016) 933-2195

**Van Rooyens Hek – Border Post**

P.O. Box 10, Vredendal, 8160  
**Welkom – Receiver of Revenue**

Central Government Building, cor. Heerden & Tulbach  
Streets, Private Bag X3, Welkom, 9460  
Tel (057) 352-8375 Fax (057) 352-2165

