SOUTH AFRICAN REVENUE SERVICE

ANNUAL REPORT

2012 - 2013

SARS

South African Revenue Service

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MANDATE

In terms of the South African Revenue Service Act (No. 34 of 1997), SARS is mandated to:

- Collect all revenue due
- Ensure maximum compliance with tax and customs legislation
- Provide a customs service that will maximise revenue collection, protect our borders and facilitate trade

MISSION

To optimise revenue yield, to facilitate trade and to enlist new tax contributors by promoting awareness of the obligation to comply with tax and customs laws, and to provide a quality, responsive service to the public.

VISION

SARS is an innovative revenue and customs agency that enhances economic growth and social development, and supports the country's integration into the global economy in a way that benefits all South Africans.

VALUES

SARS has zero tolerance for corruption. SARS optimises its human and material resources and leverages diversity to deliver quality service to all those engaged in legitimate economic activity in and with South Africa. SARS' organisational relationships, business processes and conduct are based on the following set of values:

- Mutual respect and trust
- Equity and fairness
- Integrity and honesty
- Transparency and openness
- Courtesy and commitment

CORE OUTCOMES

- Increased customs compliance
- Increased tax compliance
- Increased ease and fairness of doing business with SARS
- Increased cost effectiveness, internal efficiency and institutional respectability

ABOUT THIS REPORT

In accordance with Government's approach to performance monitoring, we have chosen to structure this report in alignment with SARS' 2012/13 Annual Performance Plan and the SARS Strategic Plan 2012/13-2016/17. We are therefore not only reporting on our activities during the year but also our progress in meeting the objectives and performance measures of the SARS Strategic Plan. This progress is measured against the four strategic outcomes. They are:

- Increased customs compliance
- Increased tax compliance
- Increased ease and fairness in doing business with SARS
- Increased cost effectiveness, internal efficiency and institutional respectability

Structuring the report in this way enables readers to better assess SARS' progress in achieving these key performance outcomes during the financial year under review. However not all the programmes, initiatives and activities of SARS can be easily assigned to a specific strategic outcome. The activities of SARS often span across all four of these outcomes and impact many areas of the organisation. A complete review of each of the four strategic outcomes would result in a lot of duplication and repetition. To avoid such duplication and repetition we have chosen to address activities within the review of the strategic outcome they impact most.

PART ONE

PERFORMANCE AND ORGANISATIONAL HIGHLIGHTS

Part one provides an overview of the key performance and organisational highlights of the 2012/13 financial year, in relation to the four core outcomes.

PART TWO

PERFORMANCE INFORMATION

Part two gives an account of SARS' performance against the measures described in the 2012/13 Annual Performance Plan and Strategic Plan of 2012/13-2016/17.

PART THREE

GOVERNANCE, LEGAL AND RISK MANAGEMENT

Part three details SARS' governance and corporate structures as well as governing bodies and forums. It also gives an account of changes in the legal framework and an update on risk management.

PART FOUR

FINANCIALS

Part four gives an account of SARS' financial wellness at the end of the financial year ended 31 March 2013.

ABBREVIATIONS AND ACRONYMS

AEO	Accredited Economic Operator
ATAF	African Tax Administration Forum
ATR	Advance Tax Ruling
AVS	Account Verification Service
BBEMS	Beitbridge Efficiency Management System
BCOCC	Border Control Operations Co-ordinating Committee
BLNS	Botswana, Lesotho, Namibia and Swaziland
BMA	Border Management Agency
BQMS	Branch Queue Management System
BRICS	Brazil, Russia, India, China and South Africa
CAAT	Computer Assisted Audit Techniques
CBD	Central Business District
CCMA	Commission for Conciliation, Mediation and Arbitration
CIDB	Construction Industry Development Board
CIT	Corporate Income Tax
CMS	Customs Management System
COMESA	Common Market for Eastern and Southern Africa
CPIC	Companies and Intellectual Property Commission
CSBD	Centre for Small Business Development
CSR	Corporate Social Responsibility
CTPA	Centre for Tax Policy and Administration
DFID	Department for International Development
DHA	Department of Home Affairs
DOA	Delegation of Authority
DP	Duty Paid
DSD	Department of Social Development
DT	Dividends Tax
DTR	Dividends Tax Return
EAC	Eastern African Community
EFT	Electronic Funds Transfer
EMP501	Monthly Employer Declaration
EPA	Economic Partnership Agreement
EU	European Union
EXCO	Executive Committee
FET	Further Education and Training
GDP	Gross Domestic Product
GFTEI	Global Forum on Transparency and Exchange of Information
HR	Human Resources
HNWI	High Net Worth Individuals
HTTPS	Hypertext Transfer Protocol Secure
HYEF	Help-you-eFile
IA	Internal Audit
IACF	Inter Agency Clearing Forum
IBSA	India-Brazil-South Africa
ICC	Intelligence Co-ordinating Committee
IFRS	International Financial Reporting Standards

ABBREVIATIONS AND ACRONYMS

ITA34	Request for Assessment Notice
ITR12	Individual Income Tax Return
ITR14	Income Tax Return for Companies
JCC	Joint Command Centre
JCPS	Justice Crime Prevention Safety and Security
LBC	Large Business Centre
LEI	Leadership Effectiveness Index
MAWG	Multi Agency Working Group
MIS	Management Information System
MOC	Memorandum of Co-operation
MOU	Memorandum of Understanding
MPRR	Mineral and Petroleum Resources Royalty
MTBPS	Medium Term Budget Policy Statement
MTT	Ministerial Task Team
NBMCC	National Border Management Co-ordination Centre
NDA	National Development Agency
NEHAWU	National Education, Health and Allied Workers Union
NGO	Non-Governmental Organisation
NHBRC	National Home Builders Registration Council
NLB	National Lotteries Board
NPA	National Prosecuting Authority
NT	National Treasury
OECD	Organisation for Economic Co-operation and Development
ORTIA	OR Tambo International Airport
OSES	Operations Service Escalation and Support
PAIA	Promotion of Access to Information Act
PAYE	Pay-As-You-Earn
PCA	Post Clearance Audit
PFMA	Public Finance Management Act
PI	Physical Inspector
PICI	Presidential Infrastructure Championing Initiative
PIT	Personal Income Tax
POPI	Protection of Personal Information
POS	Points of Service
PPS	Passenger Processing Centre
PSA	Public Servants Association of South Africa
PT	Preferred Trader
QA	Quality Assurance
RAF	Road Accident Fund
SACD	South African Container Depot
SACU	South African Customs Union
SADC	Southern African Development Community
SAPS	South African Police Service
SARB	South African Reserve Bank
SASSA	South African Social Security Agency

ABBREVIATIONS AND ACRONYMS

SCOF	Standing Committee on Finance
SIDA	Swedish International Development Co-operation Agency
SITA	State Information Technology Agency
SITE	Standard Income Tax on Employees
SM	Service Manager
SMS	Short Message Service
SOP	Standard Operating Procedure
SSA	State Security Agency
SSMO	SARS Service Monitoring Office
STC	Secondary Tax on Companies
TAA	Tax Administration Act
TAB	Tax Administration Bill
TCC	Tax Clearance Certificate
TCEI	Tax and Customs Enforcement Investigation
TCS	Taxpayer Compliance Status
UIF	Unemployment Insurance Fund
VAT	Value-Added Tax
WCO	World Customs Organisation
WTO	World Trade Organisation

Introduction

The conditions under which the South African Revenue Service (SARS) functioned during the 2012/13 financial year were challenging. In the wake of the global financial crisis of 2009, the global economy remained weak and its recovery fragile and uneven. South Africa had no option but to contend with the long term consequences of the crisis through sound macro-economic management and a prudent fiscal framework. As a result of our prudent macro-economic and fiscal choices, we were able to withstand the ongoing global contraction relatively well, particularly when compared to many peer economies.

Consequently, we have been able to continue with the important task of addressing the socio-economic challenges that confront our country. Our developmental agenda, encapsulated in the National Development Plan, is a long-term project that can only be financed sustainably through the generation of tax revenues. Fiscal sustainability entails developing the capability to finance national development in a resourceful manner so that future generations can inherit a healthy, thriving economy that is not burdened by the historical debts of generations past.

Over the last decade, SARS has steadily broadened the tax base, both through policy reforms and improved revenue administration. This has made substantial tax relief possible, contributing both to disposable household incomes for individuals and lowering the cost of doing business for companies. It has also created a growing base of compliant taxpayers whose contributions through the tax system has strengthened the fiscus and made us less dependent on the need to borrow more money for our development programmes.

The unfavourable global and domestic conditions have impacted on our revenue generation capacity. The weak global economic environment and a number of domestic supply side disruptions, particularly in the mining sector, led to a moderation in economic growth from 3.5% in 2011 to 2.5% in 2012. This had a negative effect on job creation and corporate profits, leading to a downward revision of revenue estimates for the year.

Resilient SARS

For the period under review SARS has again demonstrated a remarkable resilience within constrained economic conditions. The deepening culture of compliance saw more and more South Africans, including those from previously marginalised sections of the economy, respond to the call to become part of the tax system. This is a credit to all law abiding people without whose loyalty and commitment revenue collection would not be possible. Apart from this, whilst employment growth moderated, compensation of employees increased by 8.8% in the period, positively contributing to growth in Personal Income Tax (PIT). Among corporates, several sectors including Finance, Real Estate and Business Services, recorded higher than average growth. Robust investment by public corporations provided support to import growth, which served to expand import VAT and revenues from import duties.

As a result of these factors, and in spite of the otherwise unfavourable climate, SARS was able to collect R813.8 billion for the 2012/13 fiscal year, R3.7 billion (0.5%) above the revised estimate of the February 2013 Budget, and R71.2 billion more or 9.6% above revenue collection in 2011/12. The successful year can be attributed to several major policy initiatives. A focused Compliance Programme, launched on 1 April 2012, focused on seven key areas, namely wealthy South Africans and their associated trusts, large business and transfer pricing, construction industry, illicit cigarettes, clothing and textiles, tax practitioners and trade intermediaries and small businesses. The aim of the Programme is to improve compliance in these sectors in the coming years.

The SARS Modernisation programme is another important policy tool. A quantum leap in the number of individuals registered for Income Tax from 5.9 million in the 2009/10 financial year to 15.4 million in 2012/13, was largely the result of the modernisation of South Africa's PAYE systems that enabled all people in formal employment to be registered with SARS. In addition, a substantially faster SARS eFiling application, as well as the new eFiling Mobile solution were introduced during the year. The Help-you-eFile (HYEF) service provided taxpayers with live assistance from knowledgeable staff at the Call Centre, and step-by-step guidance through queries and requests for assistance. These were just some of the successful efforts in ensuring that SARS leverages technology and responds to the modern conditions in which it functions.

During the period under review, attention was paid to improving the regulatory environment and governance issues. The Tax Administration Act No. 28 of 2011 (TAA) promulgated on 4 July 2012, imposed a variety of new legislative requirements on SARS. The Act modernises and harmonises the common administrative elements of various tax laws. Through the SARS Academy's School of Tax, a substantial number of training sessions were held on legislative and system changes.

SARS Engagement

Prevailing economic conditions have emphasised the importance of building sound tax and customs administrations to achieve greater efficiencies and effectiveness in mobilising domestic resources. Internationally, tax and transparency has ascended the global agenda and even more focus has been placed on international co-operation to eliminate tax evasion. Priorities for customs authorities around the world remain combating illicit trade and trafficking as well as eradicating customs fraud.

- A Joint Working Group between SARS and The People's Republic of China's General Administration of Customs was established. SARS also deployed specialists to Washington, D.C. (USA) and Beijing (China), to support its international tax and customs presence and to further consolidate relations with strategic countries within these two regions.
- SARS continues to support southern African efforts to achieve customs interconnectivity and strengthen the region's approach to addressing areas of common risk and sharing information.
- SARS continued to Chair the African Tax Administration Forum (ATAF) and was endorsed for a further two years by the ATAF General Assembly in September 2012. SARS continued to build on existing partnerships such as the IBSA Revenue Administration Working Group and to explore new partnerships. In preparation for South Africa's hosting of the 2013 BRICS Summit, SARS participated in the inaugural meeting of Heads of Tax Administration in India and also hosted the inaugural BRICS Heads of Customs Administration meeting.

Back home, as part of the "whole of government" approach, SARS collaborated with the Companies and Intellectual Property Commission (CPIC) and the Department of Home Affairs (DHA). It has also participated in the work of the Justice, Crime Prevention and Security (JCPS) cluster. The government's fight against corruption has also created new opportunities for SARS to work closely with other State agencies. SARS is part of the Multi Agency Working Group (MAWG) and during the year under review co-operated with other State agencies to improve the Government procurement system.

Conclusion

In short, the achievements of SARS during the period under review have been commendable. I wish to thank the former Commissioner for the South African Revenue Services Mr Oupa Magashula, who has since resigned, along with his Executive team, for guiding this important fiscal institution through a challenging period. I also take the opportunity to thank the current Acting Commissioner Mr Ivan Pillay, for overseeing the finalisation of this Annual Report. The hardworking members of the SARS staff who continue to carry out their tasks with diligence and professionalism, are deeply appreciated. The efforts of members of parliament, in particular those who serve in the Parliamentary Finance Committee and are tasked with carrying out oversight of the work of SARS, are also recognised. Most importantly, I wish to thank the members of the public for their continued support of this vital public institution. Let us work together to build SARS so that public services can be available for all and our country's developmental challenges can be met.

Pravin Gordhan

Pravin J Gordhan
Minister of Finance

Introduction

The 2012/13 financial year was another milestone year for the South African Revenue Service (SARS). Moreover, SARS' performance has to be considered against the backdrop of the economic scene of the 2013 financial year.

The fiscal year 2012/13 began with the promising prospect that recovery in the domestic economy was underway, GDP grew at a rate of 2.5% in the first quarter 2012 (Q1-2012) and 3.4% Q2-2012. However, growth took a significant negative turn in the latter half of the year, with growth rates retreating to 1.2% in Q3-2012 and 2.1% in Q4-2012, ending the year with an annual average growth rate of 2.4% in 2012/13. There is a strong relationship between tax revenue performance, the economy and the fiscus. The link becomes particularly evident in periods of slow economic growth as was the case in the financial year 2012/13. In this economic environment, tax revenue administration around the world experienced declining revenue receipts, and South Africa was not immune. From this picture it is clear that SARS had to pull out all the stops to maintain the level of performance set in previous years.

Bearing in mind these challenges, we are very pleased to report that SARS has yet again had a very successful year in terms of delivering the required outputs as set out in our Strategic Plan. SARS still managed to collect more than the revised estimate revenue target. Focus remained firmly on making SARS more efficient and effective with the ongoing modernisation agenda, resulting in increased productivity, service and compliance.

Revenue

Despite the uncertain global economic context in which SARS operates, SARS continued to deliver exceptional performance. Our revenue collection efforts reached R813.8 billion, R3.7 billion above the revised estimate and more importantly, R71.2 billion more or 9.6% above revenue collection in 2011/12. Furthermore, the cost of revenue collection (calculated by dividing the cost of internal operations by total tax revenue collected) – an important indicator of the efficiency of a revenue administration – has remained between 0.98% and 1.17% during the past six years. The ratio in financial year 2012/13 was 1.07%. This is slightly lower than the previous year and indicates a consistent trend in-line with the 1% international benchmark.

Tax and Customs Compliance

Despite adverse economic conditions which usually have a negative effect on compliance and revenue collections, SARS' approach of improving service, expanding education and increasing outreach activities together with effective enforcement actions made it clear to taxpayers and traders that non-compliance will not be tolerated and that there are severe consequences for those that are non-compliant.

Some key highlights from areas where this is evident include:

- Encouraging growth in the levels of tax compliance with a record of 5.66 million tax returns submitted during this year's tax season
- A continued improvement in PIT on-time filing to 86.05% from 83.16% in 2011/12
- SARS' turnaround time for PIT returns improved from 0.711 days in 2011/12 to 0.26 days in 2012/13. This 63% improvement is due to real-time processing of the ITR12
- The turnaround time for CIT returns also showed an improvement of two days from 2.92 days in 2011/12 to 0.87 days in 2012/13
- A 14.98% achievement in audit coverage of registered taxpayers against a target of 4% for the year

Compliance

The SARS inaugural Compliance Programme was launched on 1 April 2012. It focuses on seven key areas, wealthy South Africans and their associated trusts, large business and transfer pricing, construction industry, illicit cigarettes, clothing and textiles, tax practitioners and trade intermediaries and small businesses, in order to improve compliance during the next five years.

Modernisation

In the 2012/13 financial year we entered the sixth year of our Modernisation Programme and organisational performance continues to benefit greatly. The Modernisation Programme remains the backbone of the transformation of SARS and has already delivered significant results. It has improved compliance and efficiency, and generated direct revenue gains to the fiscus. The Modernisation Programme has not only improved internal process efficiency and effectiveness and consequently taxpayer and trader experiences of SARS but has shifted resources, particularly human capacity, away from routine low value-adding activities into service, education and enforcement areas with higher value-adding activity. Some highlights are:

- In the past three years the number of registered taxpayers has increased from 9.7 million at the end of the 2009/10 financial year to 19.47 million in the year under review. Much of this increase is due to Income Tax registrations jumping from 8.13 million to 17.93 during this period. This climb was largely the result of the modernisation of SARS' PAYE systems that enabled all people in formal employment to be registered with SARS. The pre-population of the employee IRP5 data on individual tax returns was a major building block to enable the improved processing of PIT. The number of tax return transactions processed by SARS jumped about 50% in the past three years from approximately 42 million to over 60 million. This rise was caused mainly by the number of IRP5 certificates issued by employers more than doubling from 15.7 million to about 34 million
- In 2012, a substantially faster SARS eFiling application as well as the new eFiling Mobile solution was introduced
- The SARS Help you eFile (HYEF) service provides taxpayers calling the Contact Centre with live assistance
- Dividends Tax came into effect on 1 April 2012 and the first phase of the Dividends Tax system was successfully implemented
- Together with the implementation of the new debt management case solution, SARS has introduced additional changes to the VAT refund process
- 2012 saw the start of the national rollout of the re-engineered Customs front-end solution, which improved turnaround time at border posts significantly

People

SARS' people remain the cornerstone of our success and sustainability and in 2012/13 SARS continued to create an environment where people perform at their peak. SARS completed the development of the Values Based Leadership Programme.

Over the years the SARS engagement level trend indicates a year-on-year average improvement of 2.3% and in this measurement cycle such improvement has been realised. 71% of SARS’ employees completed the engagement survey this year and engagement was rated at 57.1% against a target of 50.55%.

Governance

Strong internal governance controls allowed SARS to achieve an unqualified audit by the Auditor-General for the 2012/13 financial year. At the same time, SARS has continued to champion a zero-tolerance approach to corruption, crime and maladministration and has instituted disciplinary action including, where appropriate, dismissals of employees.

Legislative advances

The Tax Administration Act No. 28 of 2011 (TAA) promulgated on 4 July 2012, imposed a variety of new legislative requirements on SARS. The Act modernises and harmonises the common administrative elements of the various current tax laws.

A temporary Voluntary Disclosure Programme was implemented under legislation enacted in 2010 that allowed taxpayers in default to become compliant. More than 18 000 taxpayers made use of the programme and this resulted in the collection of more than R3 billion in tax revenue.

From 1 October 2012, a permanent Voluntary Disclosure Programme came into effect as part of the Tax Administration Act (2011). More than 1 200 taxpayers have already come forward with voluntary disclosures and this resulted in the collection of tax revenue of more than R250 million.

Co-operative administration

In support of our strategic aspiration: "to exercise maximum prudence with resources made available to SARS and to build service delivery excellence for SARS and its government partners", we have sought to achieve greater value chain efficiencies by entering into partnerships with a variety of State entities.

As part of this "whole of government" approach SARS is collaborating with the Companies and Intellectual Property Commission (CPIC) and the Department of Home Affairs (DHA).

SARS has also participated in the work of the Justice, Crime Prevention and Security (JCPS) cluster. The Government's fight against corruption has also created new opportunities for SARS to work closely with other State agencies.

SARS is part of the Multi Agency Working Group (MAWG) and during the year under review co-operated with other State agencies to improve the Government procurement system.

International engagement

Prevailing economic conditions have emphasised the importance of building sound tax and customs administrations to achieve greater efficiencies and effectiveness in mobilising domestic resources. Internationally, tax and transparency has ascended the global agenda and even more focus has been placed on international co-operation to eliminate tax evasion. Priorities for customs authorities around the world remain combating illicit trade and trafficking as well as eradicating customs fraud.

A Joint Working Group between SARS and The People Republic of China's General Administration of Customs was established. SARS also deployed specialists to Washington DC (USA) and Beijing (China), to support its international tax and customs presence and to further consolidate relations with strategic countries within these two regions.

In the 2012/13 financial year SARS worked with the EU Development Fund to further develop its own capability as well as the capabilities of other tax authorities in southern Africa.

SARS continues to support southern African efforts to achieve customs interconnectivity and strengthen the region's approach to addressing areas of common risk and sharing information.

SARS continued to Chair the African Tax Administration Forum (ATAF) and was endorsed for a further two years by the ATAF General Assembly in September 2012.

SARS participated in several in strategic multilateral forums in 2012/13. They included the World Trade Organisation (WTO), World Customs Organisation (WCO), the Organisation for Economic Co-operation and Development (OECD), Global Forum on Transparency and Exchange of Information for Tax Purposes (GFTEI) India-Brazil South Africa (IBSA) and Brazil, Russia, India, China and South Africa (BRICS).

SARS also engaged in international negotiations about trade and customs. Important negotiations, which are still taking place, include the Tripartite Free Trade Area talks between SADC, COMESA and the East African Community (EAC); the Economic Partnership Agreement (EPA) negotiations between the European Union and SADC as well as the WTO Trade Facilitation negotiations.

SARS continued to build on existing partnerships such as the IBSA Revenue Administration Working Group and to explore new partnerships. In preparation for South Africa's hosting of the 2013 BRICS Summit, SARS participated in the inaugural meeting of Heads of Tax Administration in India and also hosted the inaugural BRICS Heads of Customs Administration meeting.

Government institutional compliance

In line with Chapter 13 of the National Development Plan, which encourages the building of State capability, SARS is working with National, Provincial and Local Government institutions to better understand their capability and capacity to meet their tax obligations. It aims to update registration information, improve the timing and accuracy of tax filing and encourage timeous and correct payment of taxes by Government institutions.

To date, the programme has engaged with the Metropolitan Municipalities, National and Provincial Treasuries, National Parliament and Provincial Legislatures, National Government Departments, and various stakeholders in the Provincial and local spheres of Government. The feedback gained from these interactions is being used to inform the SARS approach to engaging with the Government sector.

Conclusion

The past year has once again shown SARS to have been successful in carrying out its obligations to taxpayers and traders and the country as a whole. We can continue to be seen as an institution which is effective and efficient. Essential building blocks have been put in place in terms of our structures, organisational culture and people. Indeed most of all, it is our people's outstanding expertise and their belief in what is possible that have made our achievements a reality.

I would like to express my appreciation to the Minister of Finance, Pravin Gordhan, for his leadership and overwhelming support throughout the year. Minister Gordhan and Deputy Minister of Finance, Nhlanhla Nene, have provided invaluable strategic guidance in helping us to meet the challenges in our path.

Ivan Pillay
Acting SARS Commissioner

PERFORMANCE AND ORGANISATIONAL HIGHLIGHTS

01

1.1 REVENUE OVERVIEW

The four core outcomes of SARS ultimately result in the collection of revenue. This section provides an overview of revenue collection for the financial year covered by this report (1 April 2012 to 31 March 2013). It includes a breakdown of revenue figures for each tax product and compares them to set targets and performance in previous years.

1.1.1 OVERALL REVENUE PERFORMANCE IN 2012/13

Budget estimates of tax revenue are formally set or adjusted three times during a financial year. During the 2012/13 financial year the estimates were published in the February 2012 Budget (generally referred to as the printed estimate), in October 2012 in the Medium Term Budget Policy Statement (MTBPS) and in the February 2013 Budget (the revised estimate). Presented in Table 1 are the dates and revenue targets of the printed estimate, the MTBPS estimate and the revised estimate.

Table 1: Budget estimates – 2011/12 and 2012/13

Estimate description	Date announced	2011/12 Estimate	Date announced	2012/13 Estimate
		R million		**R million**
Printed Estimate	23 February 2011	741 620	22 February 2012	826 401
Medium Term Budget Policy Statement (MTBPS) Estimate	25 October 2011	728 592	25 October 2012	821 401
Revised Estimate	**22 February 2012**	**738 735**	**27 February 2013**	**810 150**

Notwithstanding considerable global economic challenges and uncertainties, with several key advanced economies stagnating or even contracting, SARS on 31 March 2013 recorded revenue collections of R813.8 billion for the 2012/13 financial year. This was R3.7 billion above the revised estimate tax revenue target of R810.2 billion and R71.2 billion (9.6%) more than the previous financial year. This was an exceptional collection achievement given the depth and pervasiveness of the sovereign debt crisis in the Eurozone (a significant trading partner of South Africa).

Table 2 indicates the composition of tax revenue by tax product and compares actual performance to the 2012 printed estimate as well as to the 2013 revised estimate. Of the R3.7 billion surplus against the revised estimate, the most significant contributors were Company Income Tax (CIT) and Personal Income Tax (PIT).

The split between customs revenue and tax revenue (excluding customs revenue) is shown at the bottom of Table 2.

Table 2: Tax revenue performance by tax type for 2012/13

Tax type	Printed estimate Feb 2012	Revised estimate Feb 2013	Actual result	Increase / decrease on Printed estimate	Increase / decrease on Revised estimate
	R million	**R million**	**R million**	**R million**	**R million**
Personal income tax (PIT)	286 928	274 842	276 679	-10 249	1 837
Company income tax (CIT)	169 751	157 680	160 896	-8 856	3 216
Secondary tax on companies (STC) / Dividends tax (DT)	19 050	21 000	19 739	689	-1 261
Value-added tax (VAT)	209 675	217 000	215 023	5 348	-1 977
Domestic VAT	*242 675*	*243 000*	*242 416*	*-258*	*-584*
Import VAT	*105 000*	*112 000*	*111 427*	*6 427*	*-573*
VAT refunds	*-138 000*	*-138 000*	*-138 820*	*-820*	*-820*
Fuel levy	42 776	40 500	40 410	-2 365	-90
Customs duties	36 160	37 640	38 998	2 838	1 358
Specific excise duties	28 772	28 360	28 378	-395	18
Taxes on property	8 627	8 200	8 645	18	445
Skills development levy	11 131	11 400	11 378	247	-22
Other taxes and duties	13 531	13 528	13 680	149	152
Total tax revenue	**826 401**	**810 150**	**813 826**	**-12 575**	**3 675**
Customs revenue *	141 420	150 170	151 057	9 638	888
Tax revenue (excluding customs revenue)	684 981	659 980	662 768	-22 213	2 788
Total tax revenue	**826 401**	**810 150**	**813 826**	**-12 575**	**3 675**

Note: * *Customs revenue includes Import VAT, Customs duties, Miscellaneous customs and excise and Incandescent light bulb levy.*

Budget revenue comprises tax revenue and non-tax revenue but payments to Botswana, Lesotho, Namibia and Swaziland (BLNS countries) are deducted in terms of the Southern African Customs Union (SACU) agreement. Included in the total non-tax revenue that SARS collects are Mineral and Petroleum Resource Royalties (MPRR), mining leases and ownership, as well as receipts from other State departments.

A breakdown of budget revenue is shown in Table 3.

Table 3: Budget revenue performance for 2012/13

Tax type	Printed estimate Feb 2012	Revised estimate Feb 2013	Actual result	Increase / decrease on Printed estimate	Increase / decrease on Revised estimate
	R million	**R million**	**R million**	**R million**	**R million**
Tax revenue	826 401	810 150	813 826	-12 575	3 675
Non-tax revenue	15 091	14 475	15 394	303	919
Mineral and Petroleum Resource Royalties	*6 510*	*5 000*	*5 015*	*-1 495*	*15*
Mining leases and ownership	-	*1*	*11*	*11*	*10*
*Other non-tax revenue received at National Treasury **	*8 581*	*9 474*	*10 368*	*1 787*	*894*
Less: SACU payments	42 151	42 151	42 151	-	-
Total budget revenue	**799 341**	**782 474**	**787 069**	**-12 272**	**4 595**

Note: * *The figures for other non-tax revenue received at National Treasury are preliminary and unaudited.*

In addition to tax revenue and other non-tax revenue as depicted above, SARS also collects revenue on behalf of the Unemployment Insurance Fund (UIF) and the Road Accident Fund (RAF) as well as some provincial administration receipts.

The net revenue, or administered revenue, is calculated by combining tax revenue and other revenue collected by SARS (the latter including UIF and RAF receipts, as well as mining leases and ownership and provincial administration receipts collected by SARS) and then deducting the SACU payments. The net revenue increased from R755.4 billion in 2011/12 to R807.7 billion in 2012/13, a year-on-year growth of R52.3 billion (6.9%) as shown in Table 4.

Table 4: Net revenue – 2011/12 and 2012/13

Revenue	2011/12	2012/13	Year-on-year change	
	R million	R million	R million	%
Tax revenue	742 650	813 826	71 176	9.6%
Other administered revenue collected by SARS	34 507	36 032	1 525	4.4%
Unemployment Insurance Fund (UIF) contributions	*12 184*	*13 382*	*1 198*	*9.8%*
Road Accident Fund (RAF) levies	*16 628*	*17 621*	*993*	*6.0%*
Mineral and Petroleum Resource Royalties	*5 612*	*5 015*	*-597*	*-10.6%*
Mining leases and ownership	*80*	*11*	*-69*	*-86.1%*
Provincial administration receipts	*3*	*3*	*-1*	*-19.4%*
Less: Southern African Customs Union (SACU)	21 760	42 151	20 391	93.7%
Net revenue for the year *	**755 397**	**807 707**	**52 310**	**6.9%**

*Note: * SARS administered revenue.*

1.1.2 BREAKDOWN OF TAX REVENUE COLLECTIONS AND CONTRIBUTIONS TO TAX REVENUE FROM 2007/08 TO 2012/13

PIT, CIT and Value-Added Tax (VAT) remain the three largest sources of tax revenue, comprising more than 80% of the total tax revenue collections. Revenue performance trends prior and subsequent to the global financial crisis indicate that the relative contribution of different taxes to the tax revenue portfolio have changed over the past six years. The slump in CIT during and following the financial crisis, where the relative contribution of CIT changed from 24.7% in 2007/08 to 19.8% in 2012/13, distorted the well-established composition trend and the relative contribution of PIT and VAT increased significantly. The extent of the change is evident from the fact that while PIT only contributed R28.9 billion more to tax revenue than CIT in 2008/09, this gap has now more than quadrupled to R115.8 billion in 2012/13. Table 5 provides a breakdown of the tax revenue collected during the period and the percentage contribution of the various taxes to total taxes collected and the percentage tax revenue to Gross Domestic Product (GDP).

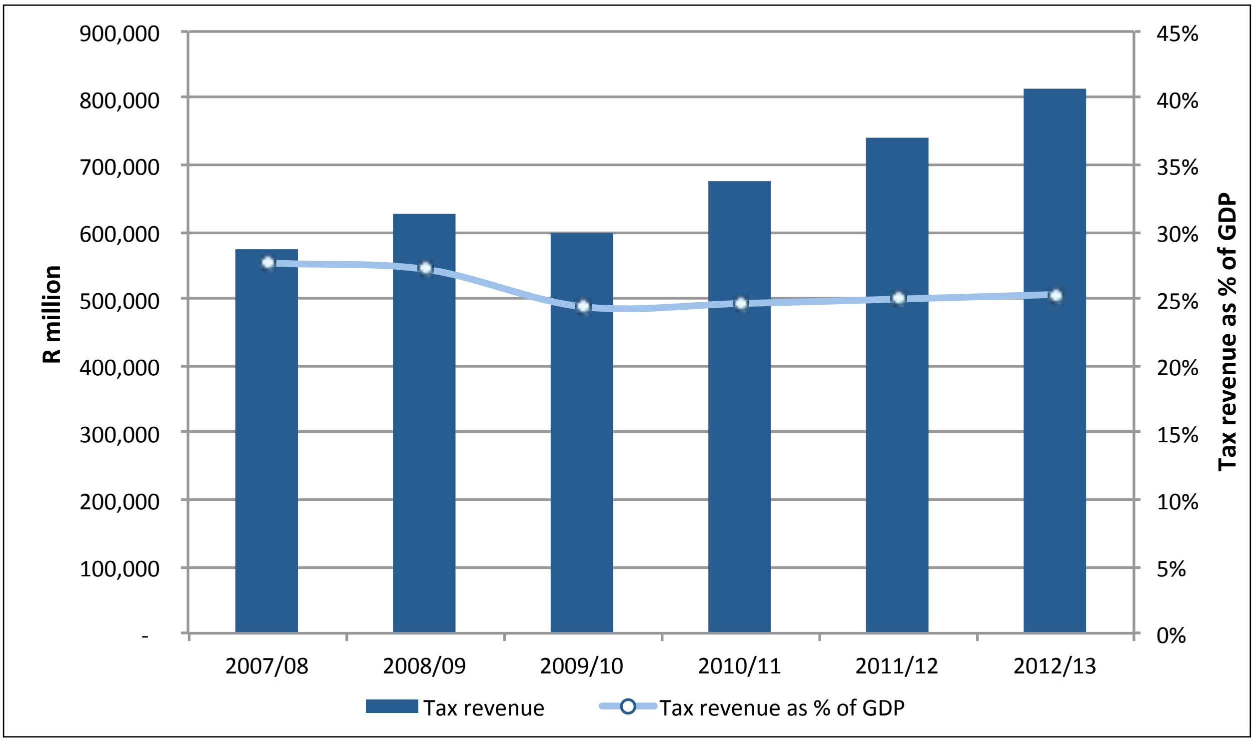
Table 5: Breakdown of tax revenue collected and contribution of tax revenue – 2007/08 to 2012/13

Year	PIT	CIT	STC/DT	VAT	Fuel levy	Customs duties	Other	Total tax revenue	GDP*
	R million	R million	R million	R million	R million	R million	R million	R million	R million
2007/08	169 539	141 635	20 585	150 443	23 741	26 470	40 401	572 815	2 075 413
2008/09	196 068	167 202	20 018	154 343	24 884	22 751	39 834	625 100	2 296 571
2009/10	206 484	136 978	15 468	147 941	28 833	19 577	43 425	598 705	2 452 538
2010/11	228 096	134 635	17 178	183 571	34 418	26 637	49 647	674 183	2 735 274
2011/12	251 339	153 272	21 965	191 020	36 602	34 198	54 253	742 650	2 973 287
2012/13	**276 679**	**160 896**	**19 739**	**215 023**	**40 410**	**38 998**	**62 081**	**813 826**	**3 213 948**
	%	%	%	%	%	%	%	%	%
2007/08	29.6%	24.7%	3.6%	26.3%	4.1%	4.6%	7.1%	100.0%	27.6%
2008/09	31.4%	26.7%	3.2%	24.7%	4.0%	3.6%	6.4%	100.0%	27.2%
2009/10	34.5%	22.9%	2.6%	24.7%	4.8%	3.3%	7.3%	100.0%	24.4%
2010/11	33.8%	20.0%	2.5%	27.2%	5.1%	4.0%	7.4%	100.0%	24.6%
2011/12	33.8%	20.6%	3.0%	25.7%	4.9%	4.6%	7.3%	100.0%	25.0%
2012/13	**34.0%**	**19.8%**	**2.4%**	**26.4%**	**5.0%**	**4.8%**	**7.6%**	**100.0%**	**25.3%**

*Source: * Q1-2013 GDP, Statistics SA.*

Tax revenue as a percentage of GDP (Tax/GDP ratio) has remained steady, averaging 25% during the past three years as shown in Graph 1. This however, is significantly lower than the percentage achieved before the global financial crisis when the Tax/GDP ratios exceeded 27%.

Graph 1: Tax revenue compared to tax revenue as percentage of GDP – 2007/08 to 2012/13



1.1.3 TAX RELIEF AND RATES

Tax reforms across various tax products resulted in a R34.3 billion net tax relief granted to taxpayers between 2007/08 and 2012/13. Table 6 sets out the tax relief over this period with negative values indicating relief to the taxpayer and positive numbers showing an increase in tax obligation.

Table 6: Summary effects of tax proposals – 2007/08 to 2012/13

Year	Direct				Indirect				Total relief
	PIT	CIT	Other	Total	Excise	Fuel levy	Other	Total	
	R million	**R million**	**R million**	**R million**	**R million**	**R million**	**R million**	**R million**	**R million**
2007/08	-8 870	-2 785	-3 000	-14 655	1 395	950	-90	2 255	-12 400
2008/09	-7 700	-6 900	-	-14 600	1 350	1 250	* 1 500	4 100	-10 500
2009/10	-13 550	-1 000	-	-14 550	2 100	4 890	* 2 985	9 975	-4 575
2010/11	-5 400	-1 350	-	-6 750	2 250	3 600	450	6 300	-450
2011/12	-8 850	500	-750	-9 100	1 935	1 900	1 150	4 985	-4 115
2012/13	**-9 800**	**1 100**	**-1 950**	**-10 650**	**1 840**	**4 517**	**1 985**	**8 342**	**-2 308**
Total	**-54 170**	**-10 435**	**-5 700**	**-70 305**	**10 870**	**17 107**	**7 980**	**35 957**	**-34 348**

*Note: * The electricity levy was not introduced in 2008/09 but postponed to 2009/10.*

Maximum marginal tax rates as shown in Table 7 were mostly unchanged for all categories. The exceptions were the Secondary Tax on Companies (STC) where the rate was reduced to 10% from 1 October 2007 and then this tax was replaced by the Dividends Tax (DT) at a rate of 15% from 1 April 2012, and CIT where a 1% reduction came into effect from 1 April 2008. Despite the aforementioned relief over this period, growth in tax revenue was achieved as a result of economic growth and an increase in compliance.

Table 7: Maximum marginal tax rates – 2007/08 to 2012/13

Period	PIT*	CIT	STC/DT	VAT
	%	%	%	%
01 Apr 2007 – 30 Sep 2007	40.0%	29.0%	12.5%	14.0%
01 Oct 2007 – 31 Mar 2008	40.0%	29.0%	10.0%	14.0%
01 Apr 2008 – 31 Mar 2009	40.0%	28.0%	10.0%	14.0%
01 Apr 2009 – 31 Mar 2010	40.0%	28.0%	10.0%	14.0%
01 Apr 2010 – 31 Mar 2011	40.0%	28.0%	10.0%	14.0%
01 Apr 2011 – 31 Mar 2012	40.0%	28.0%	10.0%	14.0%
01 Apr 2012 – 31 Mar 2013	**40.0%**	**28.0%**	**** 15.0%**	**14.0%**

*Note: * An individual's tax year starts on 1 March and ends at the end of February the subsequent year.*
*** The Dividends tax (DT) was introduced from 1 April 2012 and replaced the Secondary tax on companies (STC).*

1.2 INCREASED CUSTOMS COMPLIANCE

The first core outcome of SARS is to increase customs compliance. In this section SARS reports on customs revenue, key initiatives including the Preferred Trader programme and other priorities such as the "whole of government view" at border posts and the strengthening of risk management in customs to increase customs compliance.

1.2.1 CUSTOMS REVENUE PERFORMANCE

Customs revenue collected amounted to R151.1 billion during the 2012/13 financial year. This was R0.9 billion above the revised estimate of R150.2 billion. Import VAT and customs duties were the largest sources of customs revenue with the other taxes contributing less than 1% of the total. Customs revenue collections are shown in Table 8.

Table 8: Customs revenue performance by tax type – 2012/13

Tax type	Printed estimate Feb 2012	Revised estimate Feb 2013	Actual result	Increase / decrease on Printed estimate	Increase / decrease on Revised estimate
	R million	R million	R million	R million	R million
Import VAT	105 000	112 000	111 427	6 427	-573
Customs duties	36 160	37 640	38 998	2 838	1 358
Miscellaneous customs & excise	150	400	496	346	96
Incandescent light bulb levy	110	130	137	27	7
Total customs revenue	**141 420**	**150 170**	**151 057**	**9 638**	**888**

Import VAT is paid on the import of goods into South Africa. Collections were R111.4 billion and slightly lower than the revised estimate of R112.0 billion. Year-on-year collections grew by 9.4%. Import VAT collections are shown in Table 9.

Table 9: Import VAT – 2007/08 to 2012/13

Year	Actual	% Year-on-year change	% of tax revenue	% of GDP
	R million	%	%	%
2007/08	77 929	16.5%	13.6%	3.8%
2008/09	92 010	18.1%	14.7%	4.0%
2009/10	70 320	-23.6%	11.7%	2.9%
2010/11	82 189	16.9%	12.2%	3.0%
2011/12	101 813	23.9%	13.7%	3.4%
2012/13	**111 427**	**9.4%**	**13.7%**	**3.5%**

Customs duties refer to all duties paid on the import of goods as determined by the different tariff codes under which goods are declared and cleared. Customs duties collections amounted to R39 billion in 2012/13. Collections were R1.4 billion higher than the revised estimate of R37.6 billion and grew year-on-year by 14%.

Customs duties collections are shown in Table 10.

Table 10: Customs duties – 2007/08 to 2012/13

Year	Actual	% Year-on-year change	% of tax revenue	% of GDP
	R million	%	%	%
2007/08	26 470	11.7%	4.6%	1.3%
2008/09	22 751	-14.0%	3.6%	1.0%
2009/10	19 577	-14.0%	3.3%	0.8%
2010/11	26 637	36.1%	4.0%	1.0%
2011/12	34 198	28.4%	4.6%	1.2%
2012/13	**38 998**	**14.0%**	**4.8%**	**1.2%**

1.2.2 DIFFERENTIATED SERVICE OFFERING IN THE CUSTOMS ENVIRONMENT

1.2.2.1 Roll-out of the Preferred Trader programme

The accreditation policy and standard operating procedures for the Customs Preferred Trader programme, drafted in the previous financial year, were completed and published.

During the 2012/13 financial year, 154 clients seeking Preferred Trader status were audited by SARS. Of the 20.72 million lines of declarations submitted to SARS, 4.92 million (23.76% of the total trade volume) were submitted by potential Preferred Traders.

Relationship management function

Through the Preferred Trader programme SARS is engaging with companies in a variety of trade sectors in order to raise levels of compliance. It aims to better understand the operations of these companies and develop service options more closely tailored to their needs. The appointment of the Preferred Trader programme's Customs Relationship Manager will help traders resolve queries and improve compliance.

SARS Accredited Economic Operator (AEO) Programme

SARS made progress in the 2012/13 financial year towards implementing an Accredited Economic Operator (AEO) programme for the international transport of goods.

SARS hosted customs specialists from the European Union (EU) for the third phase of the AEO capacity-building programme in September 2012.

The forum discussed and reviewed the requirements for a successful AEO programme. It also examined ways of linking the AEO programme to SARS' Preferred Trader programme. Among the topics explored were potential changes to legislation, improving operating procedures and greater alignment to the World Customs Organisation (WCO) SAFE framework of standards.

Assist Southern African Customs Union (SACU)

The Preferred Trader programme is supporting the development of an AEO programme for the Southern African Customs Union (SACU).

Together with the WCO it is drafting an AEO implementation plan, a legislative and policy framework and policies for accreditation, audit and risk.

Competency testing with supporting guides

SARS introduced, for the first time, an accreditation test for Preferred Traders. Client representatives responsible for accreditation now need to demonstrate sufficient knowledge of customs processes and procedures. The introduction of the accreditation test has raised the personal accountability of these representatives.

A total of 186 client representatives passed the accreditation with an average score of 86%.

Preferred Trader for Excise

SARS began the first phase of its Excise Preferred Trader programme during the 2012/13 financial year. SARS met with stakeholders and staff members around the country, as well as its development partners, to better understand the internal and external requirements of the programme. The Excise Preferred Trader programme is due to be implemented in the 2013/14 financial year.

1.2.3 ADOPTING A WHOLE OF GOVERNMENT VIEW AT BORDER POSTS

1.2.3.1 Strengthen border control and inter-governmental co-ordination at border posts

SARS is participating in the creation of the Border Management Agency (BMA). During the many years it chaired the Border Control Operations Co-ordinating Committee (BCOCC), SARS amassed a wealth of information about border management. This information is being forwarded to the Department of Home Affairs (DHA) which will lead the BMA.

Whole of government safety and security response

The National Border Management Co-ordination Centre (NBMCC) has begun developing systems that will form the foundation of an integrated response management facility. Once a Standard Operating Procedure (SOP) has been issued and the processes rolled out, the incident response system will be integrated with the operations of several Government agencies including the South African Police Service (SAPS), State Security Agency (SSA) and SARS.

Command and control capability to prioritise areas of intervention

The NBMCC monitors South Africa's ports of entry and initiates interventions where necessary. The nature and extent of these interventions are determined using risk analysis. The NBMCC works closely with other Government agencies involved in border management to disseminate information and co-ordinate interventions.

A modernisation and development component to develop the required automation, process re-engineering, legislative reform and facility needs

The creation of a combined, or "one-stop" border post, between South Africa and Mozambique took a big step forward in 2012 with the drafting of enabling annexes to the bilateral legal framework signed in 2007 between the two countries. The framework and the annexes will pave the way for a combined border post to be established between South Africa's Lebombo border post and Ressano-Garcia in Mozambique. Staffed by border control agencies from both countries, the "one-stop" facility will speed up the processing of travel and transport documents, reduce logistical costs and tighten security at Lebombo Ressano-Garcia border post.

After lengthy discussions, a bilateral agreement between South Africa and Mozambique to establish a combined border post between Lebombo and Ressano-Garcia, was signed in 2007. The move was supported by the SACU and the SADC.

The bilateral legal framework has been approved by the South African Government and sign-off by its Mozambican counterpart is expected soon. The bilateral legal framework and its annexes will then be presented to the South African Parliament for formal approval and ratification. In anticipation of the completion of the ratification of the bilateral legal framework and its annexes, legislation that enables all departments and agencies operating at the border to operate extra-territorially was approved in late 2012.

The joint task team of the Beitbridge Efficiency Management System (BBEMS) reconvened in 2012, at the request of the Zimbabwean Government, in an effort to reduce delays and congestion at the Beitbridge border post.

The joint task team recommended the creation of five subcommittees within the Presidential Infrastructure Championing Initiative (PICI) to help address congestion problems at Beitbridge. These subcommittees will focus on infrastructure, finance, legal security and institutional arrangements, procedures and modernisation. PICI was formed by the African Union (AU) Heads of States and Government Orientation Committee to develop road and rail infrastructure along Africa's North-South corridor.

Negotiations are underway for the signing of a Customs Mutual Assistance Agreement between South Africa and Zimbabwe.

SARS continues to chair the BCOCC. It has worked closely with the Department of Home Affairs in the implementation of the Enhanced Movement Control system to improve border controls at ports of entry around the country.

1.2.4 AUTOMATING AND DIGITISING THE CUSTOMS ENVIRONMENT

1.2.4.1 Deployment of cargo and container scanners at border posts

As part of its drive to improve the flow of cargo across South Africa's borders SARS has ordered two additional container scanners.

The two large "fixed" scanners currently under construction will be installed at the Cape Town Container Port Terminal and the New Pier in Durban in 2014. The mobile container scanner, currently working at Durban harbour, will then be moved to the Beitbridge border post on South Africa's border with Zimbabwe. These machines will improve the efficiency with which SARS' customs processes container traffic at these ports.

1.2.5 STRENGTHENING RISK MANAGEMENT IN CUSTOMS

SARS faces significant challenges in enforcing customs law at South Africa's borders while also facilitating the movement of legitimate trade in and out of the country. It has to process increasing volumes of international trade, meet Government's revenue collection requirements and reduce costs and delays at border posts. At the same time it must identify and combat illegal trade practices that damage the local economy.

Among the methods used by illicit traders to circumvent customs and other Government agencies are identity theft, falsification of documents, ghost businesses and alternative remittance schemes.

To meet these challenges, SARS must prioritise its objectives and direct its limited resources as efficiently and effectively as possible. This is accomplished by using a risk management strategy that incorporates risk assessment tools and techniques. The SARS compliance programme also helps highlight illicit trade and fraud.

During the year under review the compliance programme has enabled Customs Operations to clamp down on illicit and illegal clothing and textiles.

Illicit Cigarettes

Improved inventory management in Customs warehouses reduced the volume of cigarettes warehoused for export by 1.5 billion sticks. There has been a 74.23% decrease in the use of "Warehouse for Export" from 2 billion sticks to 528 million sticks whilst "Warehousing" dropped 57.49% from 647 million sticks declared to 275 million sticks. Duty paid declarations submitted have increased from 582 million sticks to 1.2 billion sticks.

Enforcement activities by Customs resulted in 3 298 contraband seizures, involving 53.7 million sticks valued at R37.2 million and 22 counterfeit seizures, involving 666 510 sticks worth R467 860.

Clothing and Textiles

Since the introduction of new reference pricing, average unit prices have seen a 16% increase in the average price of specific items being monitored against reference prices. The average unit price for blankets increased two fold; bed linen up by 35.9%, textiles by 26.6% and clothing (excluding baby clothing) increased by 19.3%. Of the 473 post-clearance inspections conducted, 151 resulted in letters of demand being issued, eight in the suspension of licences and two cases were referred for criminal prosecution. These post-clearance inspections raised R38.5 million in schedules. During financial year 2012/13 clothing seizures amounted to an amount of R155 million. The Illicit Trader Campaign visited 924 businesses and 67% of those visited were not registered for either Income Tax or VAT. Most of the unregistered businesses were in Mpumalanga where more than 254 000 items with an estimated value of R23.2 million were seized.

Customs together with representatives of the clothing and textile industry, requested the creation of additional Tariff Subheadings to "ring fence" some problematic products. Two specific tariff headings, for denim jeans (women's and men's) and for bedding were created to enable Customs to monitor the undervaluation of these commodities more effectively.

Development of a customs risk screening tool

SARS has pioneered the use of risk management tools since it began its Customs Modernisation Programme in 2010. The use of sophisticated risk engines backed by third party data enables SARS to conduct faster, more accurate and wider risk assessment of declarations in order to identify high-risk cases. This significantly improves the ability of SARS to detect and therefore deter non-compliance. The risk engines are constantly being tuned and enhanced to more effectively manage compliance risk.

Prioritise and allocate risks to the most appropriate follow-up

The Customs risk engine uses an embedded rule-set to constantly monitor risk. It applies the principles of automated, electronic processing of customs declarations coupled with automated risk assessments to differentiate legitimate or low-risk trade from illegitimate or high-risk trade.

Continually self-optimise; integrated information (VAT, CIT, Customs) for integrated audits

SARS conducts co-ordinated and integrated audits and investigations in order to combat and deter attempts to circumvent the regulations of Customs and other Government agencies. These audits and investigations use data collected and integrated from a variety of different sources.

Single registrations system for tax and customs

The Single Registration project will enable SARS to create a single consolidated profile for every taxpayer and trader. Instead of having to register separately for each tax or customs product, taxpayers and traders will in future only have to register with SARS once. All the tax products they use will be accommodated on a single integrated profile. Further products that may be required later will be added to the profile. The new consolidated profile will provide SARS with a comprehensive view of the tax and customs products used by a particular taxpayer or trader. It will also provide a platform for additional functions such as integrated account management, tax clearance status and consolidated business register.

SARS is working closely with the Department of Home Affairs and the Companies and Intellectual Property Commission to establish common electronic interfaces. This will enable SARS to validate registration information lodged with these organisations.

1.2.5.1 Customs Modernisation (Interfront SOC Ltd)

SARS launched the Customs Modernisation Programme in an effort to improve the efficiency and effectiveness of Customs and enhance the operations of traders that use its services. The programme is a key component of an extensive upgrade of Customs operations. Customs clearing processes at South Africa's ports, airports and land border posts have been harmonised, procedure codes standardised, and the SARS Service Manager introduced to support a variety of services.

Interfront SOC Ltd was incorporated as a wholly owned subsidiary of SARS in February 2010. It provides an efficient and effective means to build and support Customs' information technology requirements and is an integral part of SARS' strategy and accountability processes. The company is also looking to serve other customs operators.

Passenger Processing System (PPS)

The new Passenger Processing System (PPS) benefits travellers entering or leaving South Africa, enhances security and facilitates the exchange of information between border agencies. It comprises an extensive end-to-end business process that extends beyond SARS and incorporates other Government agencies.

The PPS has been installed at most land border posts. The rollout will be completed in the 2013/14 financial year. Alongside the PPS rollout, Customs has introduced an automated Traveller Card system that streamlines and automates key processes. Customs officers who are processing incoming travellers can now also process duty payments. This eliminates the need for travellers to join a separate queue. Traveller Cards (which contains information submitted by travellers with goods to declare) can be scanned together with passports. Signatures required from travellers can be captured electronically using a digital signature pad. The new Traveller Card system reduces the use of paper, is more efficient and ensures faster processing of travellers. Because information is gathered and stored electronically, it can be quickly and easily accessed by Customs officials.

Service Manager Dashboard

The legacy systems that supported Customs operations relied heavily on manual intervention to gather statistics and generate reports. The recently introduced Service Manager dashboard facility enables authorised officers to interrogate cases at various stages of processing and plan interventions.

SAP Payment and Account Management

SAP payment and account management applications have been installed to replace Customs' legacy financial systems. This has helped streamline accounting policies and practices and enables more effective management of taxpayer and trader obligations. By refining its processes, Customs aims to establish a consolidated account management solution that will control the allocation of payments, calculation of interest and processing of transactions.

To achieve this goal Customs is improving core capabilities within its legacy systems while also implementing the new SAP accounting platform. Organisational change will be kept to a minimum by introducing new processes and work methods for taxpayers, traders and SARS staff well before the switch to the new system. Payment and refund processing for both tax and customs have, for the first time, been integrated through the use of common processes and infrastructure.

The Service Manager cash desk was introduced at Customs branch offices. Reconciliation of payments and account management can now take place at a branch office. National rollout of this solution has enabled declarations to be better matched to payments and improved debt management.

Customs Declaration Form

SARS is using the advanced technology successfully applied to its tax return systems to deliver similar benefits to Customs. A new declaration form has been developed for Customs that uses dynamic technology for capturing and displaying information. This form enables Customs to automatically validate information soon after it has been submitted and thereby reduces the likelihood of later complex and time-consuming revisions. It also provides traders with a user friendly interface.

Traders can now submit declarations before cargoes leave or enter South Africa. This improves Customs efficiency and reduces delays and inconvenience for clients.

Before the introduction of the new form, manual declarations were captured by Customs on a variety of different systems. This resulted in frequent errors. The early validation of information submitted on the new form substantially reduces errors and deters the submission of inaccurate information. The facility is expected to further decrease paper-based submissions and encourage the use of Customs' electronic service.

The introduction of new technologies has transformed the way Customs officers perform their duties. A new electronic case management system, which allows Customs officers to use iPods™ to clear goods has gone live throughout the country. It incorporates high-speed bulk document scanners installed at four of SARS' regional processing centres. The electronic case management system simplifies administration processes for traders and relieves Customs personnel at branch offices of responsibility for processing large volumes of documents. Paper documents and manual authorising stamps have been replaced by information in electronic format. A recent enhancement to the system, which allows the electronic submission of supporting documents as well as declaration forms, has been well received by traders.

1.2.6 CUSTOMS AUDITS

Post Clearance Audit (PCA) performs risk-based and periodic audits on all registered traders in South Africa. Administrative penalties are imposed on traders that fail to comply with Customs laws and regulations to deter the recurrence of such practices. Traders who engage in unlawful activities are handed over to law enforcement agencies for criminal prosecution. This is in line with the SARS compliance model.

A total of 3 096 cases were completed against a target of 2 970 for the period under review. These cases involved clearing agents, operators of warehouses, clothing and textiles traders as well as suppliers of cigarettes and other tobacco products. These interventions enabled Customs to clamp down on non-compliance among importers that was damaging the local market. Details of these audits are presented in Table 11.

Table 11: Finalised cases

Focus Area	Target	Number of cases Finalised	Total Schedules Raised	Total Revenue Collected
			R	R
Warehouse	750	879	130 321 213	89 977 304
Clearing Agents	339	356	36 405 424	13 529 779
Clothing and Textiles	473	473	38 532 876	5 070 180
Cigarettes and Tobacco	70	70	77 559 132	72 249
Other Risk Areas	1 318	1 318	715 791 656	958 028 955

1.2.7 COMBATING ILLICIT TRADE

Customs Operations achieved considerable success in the detection of drugs, endangered species, explosives, firearms and ammunition, currency, illicit CDs, DVDs and tobacco products as well as counterfeit goods at ports of entry and mail centres. It secured an average of 26 "busts" a day at ports of entry across the country. There was a steady increase in the number of "busts" throughout the year under review.

SARS' Detector Dog Unit enjoyed great success. It detected illicit cigarettes worth R37.8 million, 351kg of cocaine valued at R90 million, 109kg of "crystal meth" worth R35.5 million, 60 800kg of cannabis valued at R2.9 million, counterfeit clothing worth R155 million and counterfeit CDs and DVDs worth R671 million.

SARS opened a Customs Water Wing in Durban during the 2012/13 financial year and deployed jet skis to patrol the Orange River bordering Namibia. These measures are expected to yield positive results in the new financial year.

1.3 INCREASED TAX COMPLIANCE

The second core outcome of SARS is to increase tax compliance. Tax compliance includes all legislative requirements to register for tax, submit returns on time, declare required information honestly and accurately and meet payment obligations. In this section SARS reports on tax revenue performance, the current state of compliance with the processes mentioned above and the progress of the compliance programme. An overview of specific projects to improve compliance is presented as well as highlights of SARS' education and outreach programmes.

1.3.1 TAX REVENUE PERFORMANCE

Tax revenue (excluding customs revenue) collected amounted to R662.8 billion for the 2012/13 financial year. This was R2.8 billion above the revised estimate of R660.0 billion as shown in Table 12.

Table 12: Tax revenue (excluding customs revenue) performance by tax type – 2012/13

Tax type	Printed estimate Feb 2012	Revised estimate Feb 2013	Actual result	Increase / decrease on Printed estimate	Increase / decrease on Revised estimate
	R million	**R million**	**R million**	**R million**	**R million**
Personal income tax (PIT)	286 928	274 842	276 679	-10 249	1 837
Company income tax (CIT)	169 751	157 680	160 896	-8 856	3 216
STC/DT	19 050	21 000	19 739	689	-1 261
Domestic VAT	242 675	243 000	242 416	-258	-584
VAT refunds	-138 000	-138 000	-138 820	-820	-820
Fuel levy	42 776	40 500	40 410	-2 365	-90
Specific excise duties	28 772	28 360	28 378	-395	18
Taxes on property	8 627	8 200	8 645	18	445
Skills development levy	11 131	11 400	11 378	247	-22
Other taxes and duties	13 271	12 999	13 047	-224	49
Total tax revenue (excl customs)	**684 981**	**659 980**	**662 768**	**-22 213**	**2 788**

PIT comprises assessed and provisional tax as well as Pay-As-You-Earn (PAYE) paid by individuals (net of refunds). It is the largest contributor to tax revenue. A total of R276.7 billion was collected against the revised estimate of R274.8 billion. PIT collections contributed 34.0% of total revenue collections for 2012/13. Despite muted job growth, PIT grew by 10.1% against the previous year due to higher growth in PAYE on the back of above-inflation wage settlements. Table 13 shows the trend in PIT collections from 2007/08 to 2012/13.

Table 13: PIT revenue including interest – 2007/08 to 2012/13

Year	Actual	% Year-on-year change	% of tax revenue	% of GDP
	R million	**%**	**%**	**%**
2007/08	169 539	19.9%	29.6%	8.2%
2008/09	196 068	15.6%	31.4%	8.5%
2009/10	206 484	5.3%	34.5%	8.4%
2010/11	228 096	10.5%	33.8%	8.3%
2011/12	251 339	10.2%	33.8%	8.5%
2012/13	**276 679**	**10.1%**	**34.0%**	**8.6%**

CIT comprises all provisional and assessed taxes paid by companies (net of refunds). CIT slumped due to a contraction in profits during the global financial crisis and has fared the worst of all the tax types. It has still not recovered to pre-crisis levels, and remains well below the high of R167.2 billion collected in 2008/09. Due to the mining strikes, growth in 2012/13 slowed to 5.0% against the previous year. This sluggish recovery of CIT primarily accounts for the slow recovery of the tax to GDP ratio. Table 14 shows the trend in CIT revenue from 2007/08 to 2012/13.

Table 14: CIT revenue including interest – 2007/08 to 2012/13

Year	Actual	% Year-on-year change	% of tax revenue	% of GDP
	R million	**%**	**%**	**%**
2007/08	141 635	17.9%	24.7%	6.8%
2008/09	167 202	18.1%	26.7%	7.3%
2009/10	136 978	-18.1%	22.9%	5.6%
2010/11	134 635	-1.7%	20.0%	4.9%
2011/12	153 272	13.8%	20.6%	5.2%
2012/13	**160 896**	**5.0%**	**19.8%**	**5.0%**

Sector CIT contributions were quite different during and after the global financial crisis. The mining sector registered sharp declines following the industrial upheaval in the latter part of 2012. The manufacturing and financial services sectors are both still struggling and lag 2008/09 performances. A detailed breakdown of CIT revenue by sector is provided in Table 15.

Table 15: CIT revenue by sector – 2010/11 to 2012/13

Sector *	2010/11	2011/12	Growth	2012/13	Growth
	R million	**R million**	**%**	**R million**	**%**
Agriculture	1 954	2 247	15.0%	2 584	15.0%
Mining	17 706	21 030	18.8%	14 754	-29.8%
Telecommunications	8 969	9 722	8.4%	10 388	6.9%
Financial services	33 299	40 306	21.0%	43 793	8.7%
Banks	*10 540*	*15 987*	*51.7%*	*16 688*	*4.4%*
Insurance	*13 482*	*13 656*	*1.3%*	*15 914*	*16.5%*
Other financial services	*9 277*	*10 662*	*14.9%*	*11 192*	*5.0%*
Manufacturing	28 882	35 943	24.4%	40 008	11.3%
Petroleum	*4 148*	*8 672*	*109.1%*	*8 352*	*-3.7%*
Other manufacturing	*24 734*	*27 271*	*10.3%*	*31 656*	*16.1%*
Wholesale and retail trade	14 985	17 052	13.8%	18 205	6.8%
Business services	12 983	11 800	-9.1%	14 639	24.1%
Medical and health	3 823	3 924	2.6%	4 071	3.7%
Transport	3 505	2 839	-19.0%	2 989	5.3%
Construction	4 062	3 486	-14.2%	3 631	4.2%
Catering and accommodation	1 344	1 343	0.0%	1 517	12.9%
Recreation and cultural	2 423	2 690	11.0%	3 259	21.2%
Other	700	891	27.3%	1 058	18.7%
Total	**134 635**	**153 272**	**13.8%**	**160 896**	**5.0%**

*Note: * SARS-defined sector.*

Legislative changes to replace the STC with a DT came into effect from 1 April 2012. DT is a tax imposed on shareholders at a rate of 15% on receipt of dividends, whereas STC was imposed on companies (at a rate of 10%) on the declaration of dividends. Small and medium-sized businesses pre-empted these legislative changes by declaring early to enjoy the benefit of paying STC at a rate of 10%, as opposed to 15% in DT that would be payable on dividends declared on or after 1 April 2012.

This increased STC collections in 2011/12 and resulted in STC/DT collections of R19.7 billion for 2012/13, a decline of 10.1% against the previous year. The STC/DT collections are shown in Table 16.

Table 16: STC and DT revenue – 2007/08 to 2012/13

Year	Actual	% Year-on-year change	% of tax revenue	% of GDP
	R million	%	%	%
2007/08	20 585	34.6%	3.6%	1.0%
2008/09	20 018	-2.8%	3.2%	0.9%
2009/10	15 468	-22.7%	2.6%	0.6%
2010/11	17 178	11.1%	2.5%	0.6%
2011/12	21 965	27.9%	3.0%	0.7%
2012/13	**19 739**	**-10.1%**	**2.4%**	**0.6%**
STC	*9 814*	*-55.3%*	*1.2%*	*0.3%*
DT	*9 925*		*1.2%*	*0.3%*

Domestic VAT collections growth recovered to 10.1% year-on-year in spite of sluggish economic growth that depressed household consumption expenditure. Notwithstanding, domestic VAT remained relatively stable, supported by moderate growth in aggregate domestic consumption, positive real income growth, credit extension to the private sector, low interest rates and growth in retail sales. All these factors are driving the recovery of VAT in general. Table 17 shows the domestic VAT collections.

Table 17: Domestic VAT – 2007/08 to 2012/13

Year	Actual	% Year-on-year change	% of tax revenue	% of GDP
	R million	%	%	%
2007/08	171 619	18.5%	30.0%	8.3%
2008/09	187 171	9.1%	29.9%	8.2%
2009/10	195 050	4.2%	32.6%	8.0%
2010/11	205 029	5.1%	30.4%	7.5%
2011/12	220 215	7.4%	29.7%	7.4%
2012/13	**242 416**	**10.1%**	**29.8%**	**7.5%**

VAT refunds grew moderately year-on-year by 6.0% with refunds increasing in the finance, mining as well as the machinery and related items sectors mainly as a result of increased capital expenditure and a rise in other production costs. VAT refunds are shown in Table 18.

Table 18: VAT refunds – 2007/08 to 2012/13

Year	Actual	% Year-on-year change	% of tax revenue	% of GDP
	R million	%	%	%
2007/08	-99 105	28.1%	-17.3%	-4.8%
2008/09	-124 838	26.0%	-20.0%	-5.4%
2009/10	-117 428	-5.9%	-19.6%	-4.8%
2010/11	-103 646	-11.7%	-15.4%	-3.8%
2011/12	-131 008	26.4%	-17.6%	-4.4%
2012/13	**-138 820**	**6.0%**	**-17.1%**	**-4.3%**

1.3.2 CURRENT COMPLIANCE LEVELS

1.3.2.1 Registration Compliance

Tax-base broadening activities ensure that entities not registered for tax are registered. SARS pursued increased registrations in a variety of ways including education, outreach and enforcement initiatives. Through the successful application and implementation of these compliance initiatives, the overall SARS tax and trader register grew 11.0% as shown in Table 19.

Table 19: Register data – 2009/10 to 2012/13

Registered taxpayers	2009/10	2010/11	2011/12	2012/13	% Growth
Income tax	8 131 422	12 751 006	16 039 801	17 926 869	11.8%
Individuals	*5 920 612*	*10 346 175*	*13 703 717*	*15 418 920*	*12.5%*
Trusts	*331 954*	*326 649*	*301 365*	*312 066*	*3.6%*
Companies	*1 878 856*	*2 078 182*	*2 034 719*	*2 195 883*	*7.9%*
Value-added tax (VAT)	685 523	664 267	652 349	650 540	-0.3%
Pay-as-you-earn (PAYE)	395 575	386 428	384 883	391 254	1.7%
Customs	*439 065*	*456 138*	*471 811*	*506 206*	*7.3%*
Importers	*229 442*	*238 779*	*247 595*	*265 497*	*7.2%*
Exporters	*209 623*	*217 359*	*224 216*	*240 709*	*7.4%*
Total register	**9 651 585**	**14 257 839**	**17 548 844**	**19 474 869**	**11.0%**

In 2010/11 SARS changed its policy and stipulated that everyone who is formally employed must register as a taxpayer rather than only those who are above the tax threshold. This approach has been very successful and the number of individuals on the register has increased from 5.9 million in the 2009/10 financial year to 15.4 million in the year under review.

1.3.2.2 Filing Compliance

Personal Income Tax filing

Since the introduction of the "percentage on time PIT filing compliance" measure in the 2008/09 financial year, PIT filing compliance has improved significantly. It increased from 57.76% in 2008 to 86.05% in the 2012 Tax Season.

Among the key factors that have encouraged this growth in compliance are improvements in the ease of submission through electronic filing, pre-population of returns and other enhancements that are part of the Modernisation Programme as well as the introduction of penalties for outstanding returns. These improvements are shown in Table 20.

Table 20: PIT Filing Compliance

Year	PIT Filing		
Financial Year	**Returns Required**	**Returns on Time**	**Returns on Time (%)**
2008/09	4 186 834	2 418 286	57.76%
2009/10	3 961 391	3 116 024	78.66%
2010/11	4 084 151	3 296 768	80.72%
2011/12	4 232 027	3 519 157	83.16%
2012/13	**4 896 969**	**4 213 996**	**86.05%**

Value-added tax filing

VAT filing on time remains a concern and has declined during the past five financial years. The full scale implementation of the modernisation project for the VAT system began in the 2011/12 financial year. It is already significantly contributing to higher levels of compliance and on-time filing, by increasing the ease of submission as well as improving the accuracy of the VAT register to identify dormant or non-existent VAT vendors. A slight improvement of 2.10% in the filing compliance level was achieved during the 2012/13 financial year as shown in Table 21.

Table 21: VAT Filing Compliance

Year	VAT Filing		
Financial Year	**Returns Required**	**Returns on Time**	**Returns on Time (%)**
2008/09	4 332 653	2 537 815	58.57%
2009/10	4 269 064	2 455 759	57.52%
2010/11	3 974 346	2 352 527	59.19%
2011/12	4 007 835	2 224 331	55.50%
2012/13	**4 008 631**	**2 309 163**	**57.60%**

Pay-As-You-Earn filing

Since the 2008/09 financial year there has been a gradual improvement in the filing compliance of employers, increasing from 61.22% in 2008/09 to 71.25% in 2012/13. The modernisation of the reconciliation process implemented during the 2010/11 financial year contributed to the improved compliance levels of employers as shown in Table 22.

Table 22: PAYE Filing Compliance

Year	PAYE Filing		
Financial Year	**Returns Required**	**Returns on Time**	**Returns on Time (%)**
2008/09	4 365 895	2 672 609	61.22%
2009/10	4 456 321	2 802 978	62.90%
2010/11	4 413 913	3 010 938	68.21%
2011/12	4 516 121	3 090 553	68.43%
2012/13	**4 587 699**	**3 268 885**	**71.25%**

1.3.2.3. Declaration Compliance

SARS has to confirm that the information declared by taxpayers is complete and accurate. The risk engines used to identify high risk declarations for further scrutiny have been enhanced. They use a variety of sources of information, including third party data and risk rules, to identify potential discrepancies between what was declared by taxpayers and traders and what they should have declared. When a potential discrepancy is identified the declaration is selected for further review. The majority of these cases are selected for an "assurance" audit. In the case where the "assurance" audit does not adequately address the identified anomaly, the return is referred for an in-depth audit. If necessary, cases are then forwarded for enforcement investigations, which determine whether taxpayers or traders have committed gross evasion or other criminal activities.

Audit coverage

Audit coverage target for the 2012/13 financial year was 3% of registered taxpayers (PIT, CIT, VAT, Excise and PAYE) above the threshold. This equated to a target of 318 244 audit cases to be conducted by Compliance Audit, Customs Audit, Operations Audit and Large Business Centre Audit (LBC Audit).

A total of 1 589 238 audit cases (14.98% coverage) were completed. This was about 400% above target and 42% more than the 2011/12 financial year. The increase in the total number of audits completed was primarily the result of a higher inflow of cases.

The Compliance Division completed 1.5 million assurance audits during the 2012/13 financial year. This represents 9.15% of registered taxpayers and traders. Assurance audits were conducted on the PIT, CIT, VAT and Excise. PIT assurance audits contributed the largest portion of the coverage. A 24.4% result rate was achieved and yielded R3.3 billion during the year. This result rate is slightly less than the 25.6% achieved in the 2010/11 financial year and indicates an improvement in the compliance of PIT declarations. The average yield of PIT assurance audits was 44% higher than the previous year.

The in-depth audit coverage target for the 2012/13 financial year was set at 0.4% of registered taxpayers (PIT, CIT, VAT, Excise and PAYE) above the threshold. This equated to a target of 42 433 high-risk, complex and high-impact audit cases, conducted by Customs Audit, Operations Audit and LBC Audit.

A total of 29 652 audit cases (0.25% coverage) were completed. This was 30% below the target and 2% below the 2011/12 financial year. Fewer cases were completed than planned because of the generally complex nature of these in-depth audit cases, limited available audit capacity and the substantial amount of time required to finalise cases. However the revenue yield has improved significantly.

The revised audit architecture continues to have a positive impact. The average assessment per auditor and per case for the 2012/13 financial year increased to R21.2 million and R294 103, respectively, as compared to R11.7 million and R157 994 the previous year. A result rate of 81% was achieved, above the target of 80%.

Forensic audits completed in the 2012/13 financial year resulted in assessments of R666 million, compared to a target of R450 million. Cash collections amounted to R144 million. Forensic audit cases, because they are usually complex, often take a long time to complete. Included in the assessments of R666 million is an amount of R400 million which was raised from forensic audits carried out on High Net Worth Individuals (HNWI). In total the assessments raised on HNWI by Audit is R724 million at an average of R4 million per case.

Operations Audit embarked on several specific initiatives during the 2012/13 financial year. Among the foremost was building the Audit Professional Development Framework ("the Framework") that was launched on 1 April 2013. The purpose of the Framework is to enhance and develop skills in Audit to the required competency levels, to enable it to effectively meet its mandate to strengthen tax compliance by carrying out complex, high value and high impact cases. The Framework offers Audit staff clear guidelines and requirements for skills development and leads them through a concise and structured process.

The generic development phase and the specific development phase of the Framework will result in a systematic progression of auditors from graduate trainee level to senior specialist level. The generic development phase will be monitored through specifically designed learner activity manuals.

Another special initiative, which will improve the professionalism of Audit operations, is the National Electronic Forensic Services programme.

This includes:

- A fully-functional mobile scanning solution, that incorporates laptops and mobile scanners
- A customised and fully-functional mobile computer forensics laboratory, as well as
- Computer forensic laboratories in Johannesburg, Durban and Cape Town

The purpose of this initiative is to enable SARS' Computer Assisted Audit Techniques (CAAT) division, and other divisions within the organisation, to conduct search and seizure operations that require hard copy documents to be converted into a digital format. It will also enable those divisions to secure the electronic data it requires for its investigations. This must be done in a manner that ensures that the integrity of both the process of securing the data, as well as the data itself, is beyond reproach and can pass the stringent evidentiary tests imposed by courts of law. This is especially important in investigations where the affected parties are likely to challenge the search and seizure operation.

Tax and Customs Enforcement Investigations (TCEI)

SARS supports its compliance strategy by investigating suspected non-compliance with tax and customs legislation. These Tax and Customs Enforcement Investigations (TCEIs) are intended to create a credible threat of discovery across the non-compliant taxpayer base; demonstrate technical expertise that would withstand the scrutiny of a court of law and prove that an offence has been committed; recover lost revenue; and where possible resolve non-compliance in a manner most beneficial to SARS and the general taxpayer population.

For the year under review a total of 1 129 investigations of possible serious tax and customs offences were completed; 1 713 formal enquiries into allegations of serious tax and customs offences were conducted and 20 151 tactical interventions aimed at disrupting organised smuggling networks were executed. A total of 338 cases were handed to the National Prosecuting Authority (NPA) for possible prosecution. Of the criminal prosecutions finalised this year a total of 246 cases received a guilty verdict and resulted in fines totalling R21 360 000 and effective prison sentences of 133 years.

Voluntary Disclosure Programme

A temporary Voluntary Disclosure Programme was implemented under legislation enacted in 2010 that allowed taxpayers in default to become compliant. More than 18 000 taxpayers made use of the programme and this resulted in the collection of more than R3 billion in tax revenue.

From 1 October 2012, a permanent Voluntary Disclosure Programme came into effect as part of the Tax Administration Act (2011). More than 1 200 taxpayers have already come forward with voluntary disclosures and this resulted in the collection of tax revenue of more than R250 million.

Focus on VAT refund fraud

In 2011 the VAT System was modernised significantly to improve processing efficiency and risk management of potential VAT revenue leakage. This first phase of the re-engineering is yielding remarkable results. As a result of taxpayer revisions, assurance and audit interventions, VAT claims were revised and lowered substantially. The implementation of the new re-engineered processes, improved accountability and traceability and has established a sound platform for SARS to grow its VAT audit capability.

Together with the implementation of the new debt management case solution, SARS has introduced additional changes to the VAT refund process. By extending the capabilities of the VAT risk engine, the process to identify cases where debt equalisation of a VAT refund across different tax types can occur, has now been automated to ensure VAT refunds for these vendors are systematically flagged. Refunds can be automatically held back until the debt equalisation has been completed. By standardising the taxpayer engagement process, SARS has been able to leverage its generic case workflow system. It has re-used several components of the workflow system to provide staff a standard suite of automated productivity tools.

1.3.2.4 Payment Compliance

Overdue Debt as a Percentage of Revenue

Debt Management had a successful year in tackling the level of debt and reduced debt levels by R6.4 billion to R82.3 billion. Debt as a percentage of tax revenue improved 15% from 11.9% last year to 10.1%. Excluding new debt types of Administrative Penalties (R3.6 billion), Small Business Amnesty Levies (R63 million), Estate duties (R244 million) and Donations Tax (R241 million), debt stood at 9.6% of tax revenues. This is its lowest level in 15 years and is a significant achievement as shown in Table 23 (page 34).

Table 23: Overdue debt as a percentage of revenue

Financial Year	Total Revenue	Debt (Excluding Admin Penalties, Estate Duty, Small Business Amnesty Levy and Donations Tax)	Debt (Including Admin Penalties, Estate Duty, Small Business Amnesty Levy and Donations Tax)	Debt (Excluding Admin Penalties, Estate Duty, Small Business Amnesty and Donations Tax) as % of Tax Revenue	Debt (Including Admin Penalties, Estate Duty , Small Business Amnesty and Donations Tax) as % of Tax Revenue
	R million	R million	R million	%	%
1989/1999	184 786	32 680	-	17.7%	
1999/2000	201 226	32 530	-	16.2%	
2000/2001	220 119	29 400	-	13.4%	
2001/2002	252 295	39 200	-	15.5%	
2002/2003	281 939	53 700	-	19.1%	
2003/2004	302 443	58 041	-	19.2%	
2004/2005	354 979	66 740	-	18.8%	
2005/2006	417 196	65 595	-	15.7%	
2006/2007	495 549	63 608	-	12.8%	
2007/2008	572 815	62 853	-	11.0%	
2008/2009	625 100	61 577	-	9.9%	
2009/2010	598 705	79 477	-	13.3%	
2010/2011	674 183	86 092	87 534	12.8%	13.0%
2011/2012	742 651	85 535	88 608	11.5%	11.9%
2012/2013	**813 834**	**78 149**	**82 250**	**9.6%**	**10.1%**

The financial year-end fell over the Easter holidays and during this period R4.5 billion of new debt came onto the books. This is included in the reported total debt of R82.3 billion. New debt arising in the year totalled R27.9 billion and represented 3.43% of taxes collected. This is highly satisfactory compared to R29 billion of new debt last year which represented 3.91% of taxes collected.

Notable debt reductions were achieved in Income Tax (R3 billion), VAT (R2 billion) and PAYE (R2.7 billion). Debt under objection or appeal is an area of focus and comprised R11.6 billion (14%) of the debt book where payment is generally suspended. The movement between debt under objection and debt under appeal was due to a consolidation and review of the objections and appeals database and subsequent refinements to the Management Information System (MIS). Debt under both objection and appeal declined in the year by 3.3%.

Debt from taxpayers, no longer operational, decreased by R4.7 billion from R8.6 billion to R3.9 billion. This decrease is attributed primarily to an increase in temporary write-offs as well as changes to taxpayer status during the year.

Debt from the recently introduced Dividends Tax is also new to the debtor's book but is regarded as a replacement of STC debt.

Administrative Penalty debt increased 34% as many taxpayers continue to be non-compliant in filing their returns. A review of the employer agent appointment processes and systems resulted in a recent software upgrade that improved their functionality and ease of use. This is expected to increase the payment of outstanding penalties. SARS remains challenged by the serial non-compliance of a small portion of the population.

Good progress was made on account maintenance debits. However much work is still required and old entries on the accounts can be very difficult to clear due to the unavailability of taxpayers' documents. Analysis across the debt and credit book shows almost 315 000 taxpayer cases where both a debit and a credit exist within common tax types but for different tax periods.

Write-offs amounted to R15.5 billion compared to R8.2 billion the previous year. An analysis of these write-offs is shown in Table 24. The increase is a result of improved critical assessments of both unrecoverable debts and debts which are uneconomical to pursue which led to a temporary suspension of collection activities.

Table 24: Overdue Taxpayer Debt

TAXES: Unaudited overdue taxpayer debt (receivables) as at 31 March 2013		
	2012/13	2011/12
Segmentation	**R**	**R**
Established Debt		
Active	47 098 766 565	46 798 194 506
Address Unknown	1 171 636 412	1 256 918 203
Estate	6 608 890 563	6 883 271 606
Total Established Debt	**54 879 293 540**	**54 938 384 315**
Uncertain Debt		
Objections	1 959 693 240	610 354 995
Appeals	9 623 762 418	11 372 466 735
Debt Under Dispute	11 583 455 658	11 982 821 730
Debt Older Than 4 Years	11 899 214 509	13 106 360 063
Taxpayers No Longer Operational	3 888 023 004	8 580 035 469
Total Uncertain Debt	27 370 693 171	33 669 217 262
Total overdue taxpayer debt	**82 249 986 711**	**88 607 601 577**
Comprising		
Capital	54 424 759 710	57 131 935 534
Penalty and Additional Tax	11 184 647 312	11 162 019 511
Interest	16 640 579 689	20 313 646 532
Total overdue taxpayer debt	**82 249 986 711**	**88 607 601 577**
Administered Tax Analysis		
Income Tax	32 611 082 404	35 665 861 751
Companies	*15 746 053 526*	*18 170 391 796*
Individuals and Trusts	*16 865 028 878*	*17 495 469 955*
PAYE	11 151 309 513	13 872 593 856
VAT	25 020 811 375	26 998 751 024
STC	3 563 453 468	3 569 635 601
SDL	1 237 930 872	1 374 686 159
UIF	2 008 593 312	2 177 477 627
Diesel	240 738 248	416 008 253
Customs	1 462 065 622	1 414 577 344
Excise	773 133 592	45 565 775
Administrative penalties	3 553 597 005	2 647 871 337
Estate Duty	243 712 131	361 747 705
Small Business Amnesty Levy	63 164 991	62 825 145
Dividends Tax	79 868 017	-
Donations Tax	240 526 161	-
Total overdue taxpayer debt	**82 249 986 711**	**88 607 601 577**

Credit book

At 31 March 2013 the credit book amounted to R42.8 billion. This is a net decrease of R1.8 billion compared to the previous year.

Account maintenance issues still continue to obscure the true liability within the credit book and further attention will be given to the credit book. Progress has been achieved this past year on credit entries in the PAYE book as shown in Table 25.

Table 25: Unaudited taxpayer credits

TAXES: Unaudited taxpayer credits (payables) as at 31 March 2013		
	2012/13	2011/12
	R	R
Income Tax	-12 393 510 273	-10 787 756 477
Unallocated payments	-41 933 371	-16 147 728
Income Tax	**-12 435 443 644**	**-10 803 904 205**
PAYE	-2 681 393 939	-4 538 925 093
Unallocated payments	-3 640 822 957	-3 993 683 958
Returns not received	352 054 702	497 774 699
PAYE	**-5 970 162 194**	**-8 034 834 352**
VAT	-18 969 381 125	-21 526 914 211
Unallocated payments	-3 431 933 894	-2 662 670 734
Returns not received	1 889 226 188	2 761 343 823
VAT	**-20 512 088 831**	**-21 428 241 122**
UIF	-278 741 207	-500 438 739
Returns not received	89 083 317	130 079 121
UIF	**-189 657 890**	**-370 359 618**
SDL	-227 988 406	-404 681 278
Returns not received	74 369 097	110 914 596
SDL	**-153 619 309**	**-293 766 682**
Diesel	-1 236 200 072	-1 160 430 077
Returns not received	1 079 115	16 413 819
Diesel	**-1 235 120 957**	**-1 144 016 258**
STC	-280 460 722	-827 288 328
Unallocated payments	-1 022 735 500	-1 656 626 709
STC	**-1 303 196 222**	**-2 483 915 037**
Estate Duty	-1 811 554 233	-2 102 644 087
Returns not received	1 811 554 233	2 102 644 087
Estate Duty	**-**	**-**
Dividends Tax	-951 844 898	-
Unallocated payments	-8 276 746	-
Dividends Tax	**-960 121 644**	**-**
Administrative Penalties	-16 339	-32 073
Unallocated payments	-3 157 128	-
Administrative Penalties	**-3 173 467**	**-32 073**
Small Business Amnesty levy	**-7 711 381**	**-7 513 272**
Customs	**-811 415**	**-**
Excise	**-193 120**	**-**
Total Taxpayer Credits	**-42 771 300 074**	**-44 566 582 619**

1.3.3 STRENGTHEN RISK MANAGEMENT IN THE TAX ENVIRONMENT

1.3.3.1 Targeted compliance interventions in high risk areas

SARS has developed a compliance programme, which comprises a set of compliance-improvement strategies that aims to systematically increase the compliance of target taxpayer groups, processes and tax products during the next few years. The programme carefully balances the need to achieve revenue targets (which might encourage the targeting of high-revenue generating taxpayer groups) with the principle of equity (which requires all taxpayers to be treated fairly and appropriately). A compliance culture cannot be built by focusing only on a specific group of taxpayers. This would erode the trust placed in the revenue authority by the country's citizens and undermine fiscal citizenship.

Wealthy South Africans and their Associated Trusts

SARS conducted 177 audits on wealthy South Africans in the year under review. A total of 14 wealthy South Africans have been identified as serious tax offenders because of their outstanding returns. About 241 exports cases related to VAT and Income Tax under-declaration and other 128 imports-related cases, with discrepancies between VAT and Income Tax turnovers in the game-farming industry, have been identified and selected for audit. Criminal investigations against four wealthy South Africans have been instituted.

Large Business and Transfer Pricing

Sixteen cases related to transfer pricing with audit results of R3.2 billion have been finalised. Two more transfer pricing related cases with potential audit results of more than R6 billion are being finalised.

Construction Industry

SARS has forged a partnership with the Construction Industry Development Board (CIDB) and the National Home Builders Registration Council (NHBRC) in order to improve tax compliance in the construction industry.

The process of modernising the Tax Clearance Certificate is currently underway and this will help alleviate associated risks. Legislative amendments to underpin developments in the Tax Clearance Certificate system have been enacted.

Risk profiling of companies receiving Government tenders resulted in 172 audit cases and another 88 companies were selected for audit. These audits yielded R380.4 million. Three criminal convictions have been secured in the Free State and 38 cases are being investigated for under declaration of income.

The 216 audits conducted on small and medium businesses in the construction industry yielded R479.5 million. The audit of five large construction companies yielded an average of R3 million a company.

Tax Practitioners and Trade Intermediaries

The amendment of the Tax Administration Act introduced guidelines to improve the regulation and monitoring of tax practitioners' legitimacy and compliance to ensure better protection of the taxpayers they serve. The amendment calls for the establishment and approval of regulated controlling bodies to govern the compliance criteria of their association and its tax practitioner members. Controlling bodies are required to have at least 1 000 members. They are required to advance the further education of their members, manage and oversee their members' tax compliance and ensure ethical and legal conduct among their members. The controlling bodies will liaise with SARS on behalf of their members and be responsible for ensuring their compliance. SARS has enhanced its systems to improve interaction with controlling bodies and tax practitioners. Enhancements include:

- Introduction of a process that works in conjunction with controlling bodies to verify practitioners' tax records, as well as possible criminal records and to check the status of professional qualifications
- Introduction of a bulk Hypertext Transfer Protocol Secure (HTTPS) facility for controlling bodies to enable them to electronically submit details of their members and their compliance status

- Introduction of a facility on the eFiling service that enables tax practitioners to identify their controlling body and list their professional associations
- Matching information submitted by controlling bodies and tax practitioners to identify and reconcile potential mismatches and quicken registration of practitioners
- Introducing practitioner accreditation and authentication enhancements
- Introducing a reporting tool for controlling bodies to record and manage practitioner compliance status

SARS investigated 19 errant tax practitioners. Ten of these practitioners entered into plea bargains. The investigation of five false VAT refund claims resulted in the recovery of more than R200 million. Compliance audit cases involving 254 registered and licensed clearing agents (trader intermediaries) resulted in revenue collections of R12.2 million. Seven clearing agents' licences are being revoked due to fraudulent activities. Two audit cases have been referred for criminal investigation and possible prosecution.

Small Business

SARS conducted 3 080 in-house workshops that involved 73 372 participants. It is introducing a simplified ITR14 tax return (companies) to further help small businesses. Since October 2012 the Mobile Registration Team has visited more than 330 micro and small businesses. These visits resulted in 156 new tax registrations.

A total of 64 VAT fraud investigations were conducted and 11 of these cases have been handed over to the National Prosecution Authority (NPA) for possible prosecution. These include eight cases with an estimated value of R9.7 million. Seven convictions for VAT fraud were secured during the 2012/13 financial year and these cases resulted in orders to pay R2.9 million.

1.3.3.2 Improved risk management in PIT, PAYE, CIT and VAT

1.3.3.2.1 Personal Income Tax

SARS again recorded phenomenal growth in tax compliance with a new record of 5.66 million income tax returns submitted during Tax Season 2012. The total number of returns received by 23 November 2012 (5.66 million) was 16.4% higher than the previous year.

The total includes 4.21 million returns from individuals for the 2012 tax year – an increase of 14.3% compared to 3.68 million in the 2011 Tax season.

In addition, SARS received 1.37 million outstanding returns for previous years. This is 25% (275 000) higher than the 1.09 million outstanding returns submitted by the 2011 deadline. This is a very encouraging indicator that the administrative penalties that SARS imposes for outstanding returns are improving levels of compliance.

The annual Tax Season is one of the biggest direct engagements between a public institution of the South African Government and the country's economically active citizens. It is also a key indicator of the levels of compliance among ordinary citizens with the laws of the country.

In the 2012 Tax Season 86.05% of taxpayers filed their return on-time, which is 2.9% higher than the 83.16% in 2011.

Six years after SARS began modernising the income tax system, the migration from paper or manual returns to electronic submission – via eFiling or at a SARS branch office – is almost absolute with 99.86% of all returns submitted electronically (98.74% in 2011). Only 5 529 manual returns were submitted this year compared to 32 071 in 2011 and 123 674 in 2010.

SARS also helped taxpayers at its branch offices to submit their returns electronically. A total of 2.59 million returns were submitted electronically at branch offices, an increase of 25.7% compared to 2011. Returns submitted by taxpayers themselves on the eFiling service totalled 3.08 million, 11.2% higher than in 2011.

The extensive adoption of electronic submission by taxpayers has enabled SARS to further improve its turnaround times. A remarkable 99.58% of returns were assessed within 24 hours. In 2011 it was 98.36%. This year 93% of all returns submitted were assessed within 3 seconds! SARS processed all PIT returns this year in an average of 0.26 days. This performance demonstrates the huge benefits SARS has attained through its increased use of technology and automation and underlines the value of the Modernisation Programme.

Faster turnaround times in assessing returns have enabled SARS to pay income tax refunds much quicker. Refunds of R14.55 billion were paid in 2012. This is 14.8% or R1.87 billion higher than the 2011 figure of R12.68 billion. This year SARS paid 94.5% of all refunds within 72 hours compared to 85.44% in 2011. The average refund per taxpayer amounts to R6 272 compared to approximately R6 600 in 2011.

Legislation amendments

The Standard Income Tax on Employees (SITE) system is being phased out, starting in the 2011/12 financial year and will be completed in the 2013/14 financial year. There are about 1.5 million taxpayers who, up to now, paid SITE only. With the phasing out of SITE individuals with more than one employer, who in the past only paid SITE, may be liable for Income Tax and have to submit Income Tax returns. The SARS tax collection system is now sufficiently sophisticated to handle the increased volume of returns. One of the reasons SITE is being phased out is because the Income Tax threshold for the 2011/12 tax year and was already at R59 750. This is very close to the SITE limit of R60 000. It no longer made sense to operate the two separate tax systems.

SITE-only taxpayers who receive an income from more than one source, even if their income from each source is less than R60 000 for a full year of assessment, will have to, from 2011/12, complete and submit an Income Tax Return (ITR12).

Income from all sources will be added and the amount of tax that is payable is calculated on the total amount earned. This may mean that some SITE taxpayers are liable for more income tax. To mitigate this, tax legislation provides phased relief to previously SITE-only taxpayers over two years.

Affected taxpayers will be eased into paying the full amount of Income Tax as follows:

- For the 2012 year of assessment they will pay the calculated SITE amount and one-third of the additional tax calculated
- For the 2013 year of assessment they will pay the calculated SITE amount (nil for the year) and two-thirds of the additional tax calculated
- As of the 2014 year of assessment they will be liable for the full tax on their total taxable income

Invalid and missing bank details case processes

Checking that banking details provided by taxpayers and traders match the key demographic information of the account holder before processing the refunds is now being systematically carried out in conjunction with the large commercial banks using the Account Verification Service (AVS). This has significantly reduced fraud and improved service to customers.

Enhancements for the 2012 Tax Filing Season

SARS has introduced a number of enhancements for the 2012 Tax Filing Season.

Changes for Tax Filing Season 2012 saw the introduction of real-time processing of the Income Tax return (ITR12) as well as real-time generation of the ITA34 assessment notice and statement of account. Taxpayers filing returns through eFiling or at the branches can now, in most cases, be told immediately whether their assessment has been finalised or if further supporting documents are required for SARS verification. These documents can be scanned, using the newly-introduced document scanning queues, and forwarded electronically for review. This is not only reassuring for taxpayers, it also reduces the number of enquiries about the status of submissions made at SARS branches and contact centre. SARS ensured that 99.91% of the tax returns received manually in 2012/13 were processed on the same day they were received, by scanning all incoming documents from taxpayers and traders.

Help-You-eFile is an online solution that assists taxpayers using the eFile service to complete their individual Income Tax return (ITR12). Specially trained contact centre agents are able to guide taxpayers while they are working in their eFiling profile and if necessary resolve any difficulties they encounter completing their return.

Taxpayers are now able to file their ITR12s via the SARS eFiling mobile channel. Mobisite is an option for people on the go who prefer to access the internet on their mobile phones and tablets. MobiApp is available to users of the eFiling service with Apple™ and Android™ mobile devices. When they go to www.sarsefiling.co.za on their mobile phones they are offered the opportunity to access eFiling through the mobile website, the full website or the MobiApp mobile application.

1.3.3.2.2 Pay-As-You-Earn

The 2012 Employer Filing Season was very successful and a record number of employers submitted their PAYE reconciliation submissions on time. Positive feedback was received from employers and industry bodies about the improvements and refinements SARS has introduced since the previous Employer Filing Season. To make it easier for employers and tax practitioners to interact with SARS the e@syFile™ Employer system has been improved and enhanced. New functions have been introduced to help users to simply, quickly and conveniently complete their EMP501 returns as well as manage their inter-actions with SARS. A new Notification Centre, for example, has been included in the e@syFile™ Employer system. This makes it easier for users, especially tax practitioners who file on behalf of many clients, to manage the letters they receive from SARS. The huge amounts of data involved in the reconciliation process, especially for big employers, meant that the e@syFile™ Employer software was sometimes slow. SARS rectified this issue. It has introduced new security features to the e@syFile™ Employer system to protect sensitive employee and payroll data. The latest e@syFile™ Employer update incorporates "industry-strength" encryption standards to protect the system's databases and backup files. Only users with valid e@syFile™ Employer login details will be able to access this information.

1.3.3.2.3 Corporate Income Tax

Corporate Income Tax and new ITR14 return

SARS is modernising the IT14 return form, and its supporting workflow and audit processing systems. The new return form is designed to help SARS better identify ratios, norms and trends that would improve its risk profiling. It will also help SARS identify other sources of information that could enhance the ability of its risk platform to identify potential non-compliance and improve the yields from cases selected for audit. Where possible, the declared information will be aligned to the International Financial Reporting Standards (IFRS). The design work has been completed and development and testing of a dynamic return is in progress. It incorporates the same technology used for the ITR12 return. This will ensure that only those information containers relevant to the specific taxpayer will be displayed and require completion. This will also allow the introduction of different size forms for different company types.

The average turnaround time for the assessment of CIT was 0.87 working days for the year under review. This is a decrease of two days compared to the 2011/12 financial year. The implementation of the SARS risk engine for CIT, together with the re-engineered return verification and audit business processes, will significantly improve SARS' capability to manage compliance for this tax. The introduction of the CIT risk engine is expected to follow the example of similar PIT and VAT implementations and become the foundation of improvements to the CIT audit capacity.

Enhance CIT risk engine to include IT14 supplementary declaration

The implementation of the SARS risk engine for CIT, together with the re-engineered return verification and audit business processes represented a significant shift in SARS capability to manage compliance for this tax type. The roll-out of Corporate Income Tax (CIT) on Service Manager (SM) introduced an end-to-end tracking and management system for the completion of CIT audit cases.

To further improve management of CIT, SARS has developed and will soon implement a new supplementary form (IT14SD). This form requests supporting documents in a standardised electronic format for further automated risk screening of the ITR14 returns selected for audit. The IT14SD form will enable audit cases to be resolved without the need for manual intervention.

Extension of assessment dispute processes

The 2012/13 financial year saw the implementation of several Tax Administration Act (TAA) compliance initiatives. They include:

- An on-line "guided procedure" that takes the taxpayer or SARS agent through an intuitive step-by-step procedure to ensure that the correct remedy is selected for the specific transaction being disputed and that the appropriate documentary evidence is submitted
- A comprehensive and easy to use case management system to internally manage disputes
- A central, configurable business rules engine that allows employees to prioritise and direct case management workflows in real-time according to specific criteria, such as an area of specialisation, dispute type and dispute value
- Integration with relevant tax accounts that enables transaction data to be easily viewed and assessments more accurately revised
- A comprehensive reporting capability that covers the entire dispute life-cycle

1.3.3.2.4 Value-Added Tax Refunds

The processing of VAT refunds has been improved by extending the capabilities of the VAT risk engine. The VAT risk engine was implemented in the previous financial year – as part of the Modernisation Programme.

Turnaround time on refunds has again improved dramatically with 59% of refunds paid within 48 hours in the 2012/13 financial year, compared to 46% in the previous financial year.

Enhanced risk engine

The recently modernised compliance and risk case-workflow system was designed to ensure that some of its components can be re-used for other applications within SARS. Among such features is the automated generation of letters to taxpayers who are non-compliant. A generic "eCase" workflow system has been implemented in SARS Operations to enable it to follow-up telephonically a variety of non-compliance issues with taxpayers. These include outstanding returns, unallocated payments and debt in arrears. The eCase system automatically creates a case if it detects possible non-compliance and alerts SARS' staff to telephone the taxpayer. This enables SARS to track the resolution of such risk items and if the taxpayer cannot be contacted, begin tracing the taxpayer. The generic eCase function has evolved from a simple four step process into a dynamic module that can be used to resolve multiple non-compliance issues.

Consolidation of VAT filing cycles to monthly VAT filing requirements

In 2011, the VAT System was modernised significantly. Processing efficiency and the risk management of potential VAT revenue leakage were enhanced. This first phase of the re-engineering of the VAT system is yielding remarkable results. Taxpayer revisions, assurance and audit interventions have resulted in VAT claims being revised and lowered by billions of rands in the past two years.

1.3.3.3 Expansion of the administrative penalty platform

During the 2012/13 financial year SARS focussed on streamlining the automated identification, imposition, recurrence, communication and collection processes for PIT administrative penalties and their associated AA88s which manages agents who collect outstanding debt on administrative penalties on behalf of SARS.

Automation of penalty imposition and taxpayer notification

The penalty imposition process and the associated AA88 imposition process have been centralised on one system. This comprehensive system identifies, imposes and monitors penalties. It also notifies taxpayers by issuing an SMS that they have been penalised. An important enhancement is the system's ability to process penalties on a daily basis for particular tranches of taxpayers. This is a significant advance on the previous monthly process. Since the implementation of the daily penalty process, SARS has imposed penalties on close to 644 000 taxpayers to a value of approximately R2.93 billion. An average of 13 000 taxpayers receive penalties each day.

Streamlining of AA88 process

The AA88 process is also being streamlined. The overhaul will use the same principles applied to the upgrade of the system for administrative penalties. The centralisation of the AA88 process has improved the monitoring and reconciliation of debt. Since July 2012, 458 000 taxpayers have had R3.82 billion worth of AA88s issued via 73 000 agents through a monthly batch process.

Automated reconciliation of penalty imposition, recurrence and remedy events

SARS has implemented rigorous transaction level checks between each of its core systems to ensure that all transactions are tracked from the identification and imposition of the penalty through to the communication of the penalty to the taxpayer.

1.3.4 CONTINUE OUTREACH PROGRAMMES TO ALL SOUTH AFRICANS IN ORDER TO BUILD A CULTURE OF FISCAL CITIZENSHIP

SARS offers free tax education workshops at most of its branches across the country. These in-house workshops provide taxpayers with a basic understanding of the types of tax administered by SARS. SARS has embarked on the following education and awareness initiatives:

- Mobile Tax Units have been deployed in rural areas around the country. Three mobile units were used in the 2012/13 financial year to help 4 560 taxpayers with tax filing and related queries. Based on the success of this channel, SARS will acquire additional mobile tax units in the coming year
- Co-located services with government institutions in areas where SARS is not visible
- Seminars and workshops for tax product education. These include the education of schoolchildren
- Targeted campaigns for specific tax products
- Points of Service and presence in shopping malls that reach people throughout the country, especially during tax filing season
- Small business interventions through seminars and co-operation with relevant stakeholders. These include tax registration drives aimed at small businesses

Automatically registering employed South Africans

Since 2011 employers have been required to include their employees' Income Tax reference number on the IRP5/IT3(a), certificates they issue. To help employers, SARS has introduced several methods by which they can register their employees and obtain Income Tax reference numbers.

Employers can register their employees for Income Tax through the online eFiling service using the e@syFile™ Employer software application. Alternatively they can register their employees annually by completing the ITREG form or employees can register themselves using the IT77 form. Employers are able to submit an online registration request for up to 1 000 employees at a time via the e@syFile™ software application. Employers are given feedback on the status of a registration request no matter which channel they use for registration. They are also informed of the reasons for any unsuccessful requests.

Registering businesses for tax

At the start of the 2012/13 financial year, the Minister of Finance announced there would be a concerted effort by SARS to get small businesses to become tax compliant. Particular attention would be given to suppliers in the construction industry. As a result, SARS forged relations with big construction companies and industry associations and offered tax education to small businesses to help them become tax compliant.

It conducted more than 2 000 workshops that were attended by representatives from over 44 000 small businesses.

SARS also launched the mobile registration drive that sought to register small businesses that were not on the tax register. It visited 67 business areas around the country. During these visits SARS engaged 1 351 business owners and registered 427 businesses by using mobile devices.

Additional Thusong Service Centres

Thusong Service Centres are joint Government initiatives formed to better deliver services to people throughout South Africa. SARS secured agreements with the Thusong Service Centre Management in the Western Cape and the Free State to set up regular Points of Service at these centres to provide tax information and assistance.

There are already agreements between SARS and Government institutions, such as municipalities and provincial government departments that enable SARS to be present at the premises of these institutions at specific times to help their constituencies with tax matters. In the 2012/13 financial year, SARS co-located at 79 Government agencies, including Thusong Service Centres around the country. SARS teams visited these centres 1 632 times and helped 88 587 taxpayers with their tax submissions and queries.

Tax education into schools; tax workbook; e-materials

SARS signed agreements with the Gauteng Provincial Education Department to host tax workshops for grade 11 and 12 learners at selected schools throughout the country. These workshops are intended to instil tax morality and good citizenship among future taxpayers. Tax education has been matched to the national life skills curriculum through the National Education Department. SARS has engaged both teachers and learners in tax education in order to promote tax morality. It engaged 263 schools and gave workshops to 43 962 learners who were awarded attendance certificates. SARS also promoted tax morality and discussed other tax matters with 3 633 educators at 175 schools.

SARS engaged about 4 000 students at 94 Institutions of Higher Learning, including Further Education and Training institutions (FETs), and taught them about good citizenship.

Media tax morality agreements with Primedia and eTV/eNews

Primedia

In 2012, SARS signed a Memorandum of Understanding with Primedia in an effort to spread the message of tax compliance and encourage tax morality. The Lead South Africa initiative, embarked on by SARS and Primedia, encourages good citizenship and tax morality. In terms of this initiative:

- Primedia will broadcast information about how tax fraud can be reported anonymously through Crime Line
- SARS will set up Points of Service every year at the Primedia premises in Cape Town and Sandton to help employees with tax issues
- Primedia will provide publicity for SARS in all of its affiliated media channels

eTV/eNews Channel Tax Day

SARS and the eNews Channel have an agreement that dates back four years whereby SARS hosts an Annual tax day in October or November each year during the Filing Season for individuals. The agreement provides SARS a platform to promote tax morality and to highlight its services.

The agreement includes:

- SARS setting up Points of Service at the eNews Johannesburg and Cape Town studios to help employees of the television channel file their tax returns as well as answer tax queries and help complete eFiling registrations
- Interviews with SARS executives are broadcast on the television channel throughout the Tax Day to promote tax morality and inform the public about important tax information

Partnering with academic institutions and industry partners to provide relevant tax assistance to small business owners

- SARS and the University of Johannesburg's Centre for Small Business Development (CSBD) forged a close relationship in 2011. As part of this relationship:
    - SARS participates in the annual CSBD lecture at the University of Johannesburg to students, academics and small business owners by assisting participants in the lecture and small business owners in and around Soweto
    - SARS uses the monthly Soweto Conversations sessions to present tax product information to small business owners
    - SARS sets up a Point of Service at the university every month to help students and staff at the university
- SARS and the Greater Alexandra Chamber of Commerce and Industry, together with legal firm Edward Nathan Sonnenberg, have agreed that SARS will continue reaching out to small businesses through a co-located Point of Service at Alexandra
- Through the Office of the Presidency, SARS has been engaging with musicians, actors and artists to promote tax education and compliance
- SARS is partnering ABSA to educate small business owners who receive loans from the bank about tax obligations
- SARS is working with the Aveng Group to help its small suppliers to become tax compliant
- SARS is partnering with the Master Builders' Association of South Africa to help small suppliers become tax compliant

1.3.5 IMPLEMENTATION OF THE TAX ADMINISTRATION ACT

The Tax Administration Act (TAA) promulgated on 4 July 2012, imposes a variety of new legislative requirements on SARS. These requirements resulted in large numbers of system and process changes that were implemented in the second and third quarter of 2012.

Though the SARS' Academy's School of Tax, a substantial number of training sessions were held on legislative and system changes. Table 26 below reflects the number of attendees, briefing packs and tax learns (documents with a link to training material) involved during this exercise.

Table 26: Training on Tax Administration Act

School of Tax: Modernisation Delivery - TAACT				
Work Stream	**Attendees**	**Briefing Packs**	**Tax Learns**	**Total**
Legislative	5 441	2 215	0	7 656
System	1 953	2 215	6 595	10 763
Total	**7 394**	**4 430**	**6 595**	**18 419**

1.4 INCREASED EASE AND FAIRNESS OF DOING BUSINESS WITH SARS

The third core outcome of SARS is to increase the ease and fairness of doing business with SARS. The SARS Compliance Model works on the principle that compliance will improve if it becomes easier for taxpayers and traders to comply. The critical drivers to achieve this goal are increasing accessibility, reducing the cost of compliance, optimising internal processes and extending outreach through education and workplace visits. In this section SARS reports on key initiatives that help to make it easier for taxpayers and traders to meet their tax and customs obligations.

1.4.1 REDUCE THE ADMINISTRATIVE BURDEN OF THE CIT AND OTHER TAX PROCESSES

1.4.1.1 Rationalisation of the CIT return forms

As part of the modernisation of Corporate Income Tax (CIT), aimed at improving efficiency and compliance, an enhanced Income Tax Return for Companies (ITR14) and Legal Entity Registration Form (REG01) was developed and will be released in 2013. The introduction of the dynamic Income Tax Return for Companies (ITR14) marks another milestone in SARS' Modernisation Programme. It ushers in the modernisation of Corporate Income Tax (CIT). The aim of this enhancement is to reduce the administrative burden of the CIT process on taxpayers and improve the efficiency and accuracy of data submitted to SARS. The ITR14 return will replace the IT14 and will offer business taxpayers the following benefits:

- The return can be customised to their specific requirements
- Pre-population of some data, thus improving accuracy and convenience
- Mandatory fields indicated in red, making the return easier to complete correctly
- The online return can be saved at any time and taxpayers can return to complete it at their convenience
- Built-in validations that prompt the taxpayer if amounts entered do not reconcile
- Introduction of a tax calculator which can be used to provide an estimate of the assessment outcome

The new dynamic return will adopt the same technology as used for the PIT return and ensures that only those information containers relevant to the specific taxpayer are displayed and need to be completed. This will allow the introduction of different sized forms for different company types, making the process much easier for taxpayers. Before completing the ITR14, taxpayers will be required to verify or update their company contact details, address, banking details and public officer details. This will be done by completing the newly introduced Registration Form (REG01) which will be generated automatically with the return.

1.4.1.2 Transfer Duty

Following the first wave of the Transfer Duty modernisation introduced in 2011, which introduced an automated engine to evaluate Transfer Duty declarations and identify applications warranting further attention while allowing automated processing of those applications assessed as low risk, the subsequent phase of the Transfer Duty solution was completed. The new solution includes the migration of Transfer Duty to a new processing platform, together with the introduction of a new Transfer Duty application form, which improves the upfront validation of submitted information and eliminates the need for supporting documents unless requested by SARS. This further reduces processing turnaround times by enabling the levels of automated processing to be increased. All Transfer Duty applications are now evaluated by the SARS risk engine and similar to the PIT, VAT and CIT compliance and audit cases, SARS interventions on cases requiring further scrutiny are now managed on the enterprise SARS Service Manager platform. The old Transfer Duty system was turned off in January 2013.

1.4.1.3 Withholding Tax on Dividends

As part of the progression of legislative tax changes in South Africa, the Secondary Tax on Companies (STC) was replaced with Dividends Tax. This has shifted the liability for the tax on dividends from the company to the beneficial owner of the dividend. A Dividends Tax return must now be submitted to SARS by each entity involved in distributing dividends to shareholders that, accounts for the withholding and payment of Dividends Tax or the payment of dividends to regulated intermediaries for further distribution.

SARS adopted a phased approach to implement these changes. Dividends Tax came into effect in the first quarter of the 2012/13 financial year and the first phase of the Dividends Tax solution was then successfully implemented. SARS made available a new electronic form to submit Dividends Tax returns using the eFiling service. As at the end of March 2013, more than 20 000 Dividends Tax returns had been successfully processed for this new tax.

Phase two of the Dividends Tax solution was introduced for industry testing during the fourth quarter of 2012. This involved the introduction of an 'end-to-end' solution based on new channels for submission of the return as well as the submission of the underlying supporting information to support the consolidated view contained in the return. In this phase of the implementation, SARS has leveraged its existing electronic channel infrastructure to provide a mechanism for listed and unlisted companies as well as intermediaries to submit their Dividends Tax Returns and supporting data.

1.4.2 DIGITISING OF TAXPAYER AND TRADER RECORDS AND TRANSACTIONS

SARS continues to improve its scanning capability. By scanning incoming documents SARS ensured that 99.91% of the tax returns received manually in the 2012/13 financial year were processed on the same day they were submitted. Although the number of tax returns submitted manually is rapidly declining, SARS remains committed to processing these documents on the day they are received. In the year under review no return submitted manually took longer than one day to process.

Back Scanning

Shifting from paper to digital documents is a crucial part of SARS' plans to improve client service. By ensuring that taxpayer information is quickly captured, processed and made available to service personnel, SARS is able to improve first-time resolution of queries across all its customer channels.

SARS' digitisation strategy aims to reduce and, as far as possible, ultimately eliminate paper documents within the organisation. The strategy focuses on two types of paper documents, files that are stored or archived and current correspondence. The number of documents converted to digital format during the past financial year is shown in Table 27.

Table 27: Back Scanning

Type of digitisation	2012/13	2011/12
Volume of pages digitised	72 734 733	36 038 268

The next stage of the digitisation strategy will begin this year. Once all paper files have been converted to digital format these files will be destroyed and the information they contain retained only as a digital image. This process will free considerable office space that is currently used to store paper files.

1.4.3 REDUCING THE ADMINISTRATION BURDEN IN SARS

Cargo related data take-on

Of the 5 940 767 declarations received for the year, 99.2% of those entries were processed electronically against a target of 96%. Service Manager has finally been rolled out to all Customs offices.

Risk analysis of cargo related data

The increase in the rate of electronic submission of cargo related data (bill of lading, air waybills and road manifest information) is enhancing SARS' risk assessment ability. This is facilitating legitimate trade and identifying potential non-compliant cargo where there is a material discrepancy between cargo declaration and goods declaration data.

Cargo related data (manifest) on its own is insufficient for comprehensive risk analysis. SARS is supplementing cargo related data with goods related data (bill of entry) and other data available in order to obtain a more holistic picture for risk management and risk analysis. The analysis of cargo data together with other data, especially in the maritime environment, has also led to the identification of trends and patterns of activities used to circumvent detection. Cargo, for example, is sometimes moved on through bills to inland terminals and depots and subsequently remains un-cleared for extended periods before importers attempt to clear the cargo using inaccurate descriptions and other irregular methods. This improved information will help SARS prioritise and direct its resources in the coming year.

Service Manager front-end for inspection case management

The recently introduced Service Manager case management solution provides the platform for Customs operations. It incorporates a graphical user interface for Customs and also provides a case flow management and tracking facility for all cases addressed by Customs operations.

The Physical Inspection

The Physical Inspector (PI) project aims to enhance the efficiency of physical inspections conducted by SARS. Co-ordination and control over inspections and facilities have long been outsourced to Licenced Depots in the sea and air environments. For several years inspection staff were office based and visited inspection sites by appointment. Inspection reports were only completed on the officer's return to the office and supervision over the inspection process was limited. The PI project has equipped the inspectors with a portable solution for the uploading of inspection results and placed staff as well as team leaders back at inspection facilities where there is a need for a permanent Customs presence. The South African Container Depot (SACD) was selected as a pilot site for the project based on the volumes processed on a daily basis as well as its close proximity to smaller depots where a permanent Customs presence is not required.

During January 2013 the physical inspectors in Cape Town and Port Elizabeth were equipped with networked enabled laptop computers. This enabled physical inspectors to upload inspection results at the time and place where and when the examination is conducted. Gains in total turnaround time, staff efficiency and client service were achieved.

Scanning of Supporting Documents

A new case management system went live that introduced, among other things the Service Manager front-end for officers and the electronic supporting documents process for traders. High speed bulk scanning was introduced at Alberton Processing Centre, Durban, Western Cape (P166) and Doringkloof. This facilitated trade by improving accessibility to the scanning centres, as well as by freeing up branch operations from processing bulk documents. All electronic entries submitted during office hours are processed centrally. This means that for external stakeholders, the biggest change is that if they submit their declarations electronically during office hours, all processing is done before the consignment arrives at the border. However, if submitted manually, processing takes place at the border post, which takes longer. The same applies to the submission of supporting documents. Traders can now submit them electronically through e@syScan and are being discouraged from submitting manually. Bureaus have been provided with third party software (called e@syPackager/e@syScan) which now enables traders to submit their scanned supporting documents directly to Customs. This enables the officer to view all documents pertinent to a case and eliminates the need for paper based submission, processing and storage

1.4.4 INCREASED FOOTPRINT AND SERVICE OFFERINGS TO TAXPAYERS

Footprint expansion

SARS has launched a footprint expansion strategy in an effort to increase its presence throughout the country. The strategy aims to make it easier, more convenient and more cost-effective for taxpayers to use SARS services. As part of the footprint expansion strategy SARS has opened new branches, moved several offices, refurbished some of its premises and introduced mobile tax units.

During the year under review SARS opened a new branch at Pretoria North. Staff at Pietermaritzburg were relocated to a new branch and moves to refurbish premises at Pinetown, Boksburg and Mthatha are underway. "Quick-fix" facilities were set up in Paarl, Worcester and Rustenburg.

Education and workplace visits

SARS' 50 branches received about 6.38 million taxpayers visits (an increase of more than 20% on the previous year). These visits were prompted by 27 745 interventions such as workplace visits, tax clinics and school education programmes. SARS initiated an average of 105 interventions a day. About 35.5% of these interventions were part of the SARS education programme while the remainder were part of public campaigns.

During the year under review SARS visited 687 schools and tertiary institutions to promote tax education.

SARS conducted 5 459 workshops and seminars, attended by 133 584 people, in the year to end March 2013. These events addressed: Income Tax (Basic and Intermediate), Pay-As-You-Earn, Provisional Tax, Small Business, Turnover Tax and VAT (Basic and Intermediate).

During Filing Season for individuals (July to November), SARS set up Points of Service at strategic centres such as shopping malls. In the 2012/13 financial year, 3 816 Points of Service helped 87 574 taxpayers file tax returns.

SARS visits certain employers twice a year to assist them with their PAYE reconciliations. During Filing Season for individuals, SARS visits employees to help them file their tax returns. It especially targets Government employees who provide essential services to the public. This ensures that essential services are not disrupted because employees are submitting their tax returns.

In the 2012/13 financial year, SARS visited 9 412 employers and assisted 107 001 employees as shown in Table 28.

Table 28: Engagement Interventions: April 2012 – February 2013

	Campaigns Interventions							Education Interventions					
Period	**Mobile Tax Units**	**POS Established**	**Workplace Visits**	**Govern-ment Drives**	**SMME Drives**	**Total**	**Total Walk-Ins**	**In-house Workshops**	**Off-Site Workshops**	**Tax Clinics**	**School Pro-gram**	**Total**	**Total Walk-Ins**
Apr 2012	47	594	444	77	136	1 298	6 887	245	230	28	9	512	6 579
May 2012	57	807	1 214	175	180	2 433	12 407	310	321	55	21	707	12 003
Jun 2012	48	624	529	216	167	1 584	11 740	235	349	35	19	638	14 003
Jul 2012	60	621	682	84	210	1 657	63 500	149	409	23	48	629	20 404
Aug 2012	68	847	1 207	76	41	2 239	88 289	375	362	30	87	854	23 033
Sep 2012	58	756	1 023	151	104	2 092	69 480	213	267	35	44	559	12 163
Oct 2012	57	717	1 432	352	186	2 744	44 474	163	316	69	34	582	15 986
Nov 2012	52	769	722	227	108	1 878	32 871	108	261	22	11	402	11 022
Dec 2012	2	156	367	40	56	621	2 280	25	46	3	4	78	600
Jan 2013	10	204	597	148	148	1 107	4 867	61	68	10	81	220	7 288
Feb 2013	38	424	761	314	318	1 855	12 208	184	338	51	469	1 042	45 750
Mar 2013	29	383	434	231	252	1 329	10 632	128	296	43	218	685	29 235
Year-to-Date	**526**	**6 902**	**9 412**	**2 091**	**1 906**	**20 837**	**359 635**	**2 196**	**3 263**	**404**	**1 045**	**6 908**	**198 066**

SARS Help-You-eFile (HYEF)

In order to achieve customer service excellence SARS is changing the way clients engage with Contact Centre staff. Callers to the Contact Centre can now receive live assistance from knowledgeable staff who guide them through all their queries that they require assistance with.

Taxpayer services at branches

Visits by taxpayers to SARS branches increased 21.4% to 6.3 million in the 2012/13 financial year. These visits, or "walk-ins", are measured using the Branch Queue Management System (BQMS) installed in 2010. The branch abandonment rate, which measures the number of people who leave SARS branches without being served, dropped from 2% of walks-ins to 1% in the 2012/13 financial year. The BQMS issues tickets to visitors when they walk into a SARS branch. The number of abandoned tickets dropped almost 25% to 97 559 in the 2012/13 financial year despite the increase in visitors. Average queue time and service time remained constant at around 10 minutes. Average queue time was within required standards but average service time was slightly longer than anticipated.

Mobile queue management was introduced as a pilot project in the Pretoria CBD office in May 2012 in order to capture and manage queue depths in the offices especially during peak times where they extend outside the doors of the office. Issuing tickets through mobile devices assists the office to identify the elderly and other visitors that might need preferential service. It also helps SARS to staff the counters at its branches to adequately meet the needs of the visitors in the queues. Lessons learnt during the pilot project were used to refine the system and processes. Following the success of the pilot the project was rolled out to a total of 22 branch offices countrywide.

In February 2013 there was a surge in Complex, Special, Tax Practitioner and VAT Registration queries. These queries tend to take longer to resolve than most other types of inquiry. This contributed to a 12% drop in March of the number of taxpayers served within the 30 minutes of being issued a visitors ticket. During this month 4.07 million taxpayers were served within the 30 minute timeframe.

SARS branches received 8.37 million queries in the 2012/13 financial year. This is 31.6% up on the previous year. The five most frequent queries were: Requests for Advice; Requests for ITR12; Request for Service; Taxpayer Details Changes and Request for Statement of Account. This constitutes 91% of all the inquiries received by SARS branches. This is down from 93% the previous year.

SARS' drive towards the end of the 2012/13 financial year, to encourage tax agents and consultants to become process compliant, resulted in a large number of "Request for Service" queries. This category of query is likely to be one of the most frequent inquiries during the year ahead.

Contact Centre Efficiencies

During the year under review SARS' Contact Centre moved closer to its goal of becoming a world class Contact Centre. It intensified its strategic focus by improving its cost effectiveness and internal efficiencies.

These performance gains were bolstered by the installation of an integrated quality and knowledge management framework as well as the introduction of leading resource optimisation practices. Advances in the SARS Modernisation Programme enabled the SARS Contact Centre to introduce a variety of innovative approaches to servicing customers. These innovations made it easier and more convenient for taxpayers to engage with SARS.

SARS' Contact Centre conducted more than 5.1 million telephone conversations with taxpayers. These conversations provided many opportunities to promote tax compliance. The improved efficiency of SARS' Contact Centre helped reinforce the message that all South Africans should fulfil their tax obligations. A key area of focus was the collection of debt under R50 000. This high-volume low-value debt was often difficult to recover in the past, but with the implementation of a "blended" technology system, which seamlessly integrates and manages service and debt collection activities, SARS was able to effectively address this debt category. SARS' Contact Centre made more than 1.94 million outgoing calls and initiated more than 1 million SMSs as part of its collection drive. This enabled SARS to collect an additional R6.47 billion. This exceptional achievement was accomplished by improving business process management, enhancing applications technology and raising levels of operational and performance management. A further vital contribution was the dedication of staff at SARS' Contact Centre and their continued commitment to the SARS "Higher Purpose".

Although SARS' Contact Centre performed exceptionally well during 2012/13 it is ready to shift up another gear and make a greater contribution to SARS' strategic objectives in the year ahead.

Taxpayer service queries

The introduction of the Operations Service Escalations and Support (OSES) team has enabled SARS to better service taxpayers by responding to their queries more quickly and effectively.

Established in January 2012, the OSES team, based at SARS head office, handles taxpayer queries that have been escalated from SARS branch offices or Contact Centre to various levels within the organisation.

Taxpayers can query the service they receive from SARS at any point in the registration, filing, declaration or payment processes. Most queries are addressed at SARS' Branch offices or at the Contact Centre. Taxpayers whose queries are not resolved immediately are given a case number. Calls from taxpayers pursuing the progress of their queries are routed to SARS' Contact Centre consultants. These consultants speed up the resolution of queries by ensuring that previously logged cases are referred to the correct SARS departments. Queries that cannot be resolved are escalated to higher levels within these departments.

The presence of the OSES team within SARS has also reduced the number of aggrieved taxpayers who have approached the SARS Service Monitoring Office (SSMO) about their queries. The number of cases referred to the SSMO fell 11% in the two years ending 31 March 2012 and stabilised in the year under review at 14 371.

The SSMO provides a high quality and very responsive service to aggrieved taxpayers while also helping SARS by highlighting areas of concern to its management. The role of the SSMO will be affected by the soon-to-be-formed Office of the Tax Ombuds and the expected review of the SARS complaints management process.

Nonetheless, the SSMO continues to improve its services. During the 2012/13 financial year it focussed on two areas of improvement:

- Reporting and providing feedback on systemic issues to SARS Operations
- Reviewing and refining the measurement of the SSMO employees' productivity

This has resulted in more visibility and presence within SARS and increased positive feedback from taxpayers. According to an external satisfaction survey, commissioned by SARS, taxpayers were more satisfied with the SSMO service in the 2012/13 financial year than in the previous year. Regular feedback to taxpayers during the complaints resolution process contributed to this improvement.

SARS continues to maintain good relations with external stakeholders and work with these parties to resolve common, and often complex, problems. It meets with representatives of the accounting profession and various sectors of industry as well as large accounting firms, payroll associations, the Law Society, the Fiduciary Institute of South Africa and the Master's Office of the High Court.

1.5 INCREASED COST EFFECTIVENESS, INTERNAL EFFICIENCY AND INSTITUTIONAL RESPECTABILITY

The fourth core outcome of SARS is to increase cost effectiveness, internal efficiency and institutional respectability. In pursuing its core outcomes, SARS strives to maintain tight control of the cost of achieving its objectives to improve internal processes and manage human resources effectively. SARS also works very closely with other Government departments and agencies from other countries to enhance its effectiveness. In this section SARS reports on the cost of revenue collection, internal efficiencies, its human capital management and leadership as well as its collaboration with other Government departments and agencies from other countries.

1.5.1 COST OF REVENUE COLLECTION

The cost of tax revenue collection is an important indicator of the efficiency of revenue authorities and is used for comparative purposes when benchmarking countries. This ratio is calculated by dividing the cost of internal operations by the total tax revenue. South Africa is in line with the international benchmark of 1% for this ratio. Over the past six years, the cost to revenue collection ratio varied between a low of 0.98% in 2007/08 to a high of 1.17% in 2009/10. For the 2012/13 financial year the ratio is 1.07%, slightly lower than the previous year due to costs increasing at a lower rate than revenue. The cost of revenue collections is shown in Table 29.

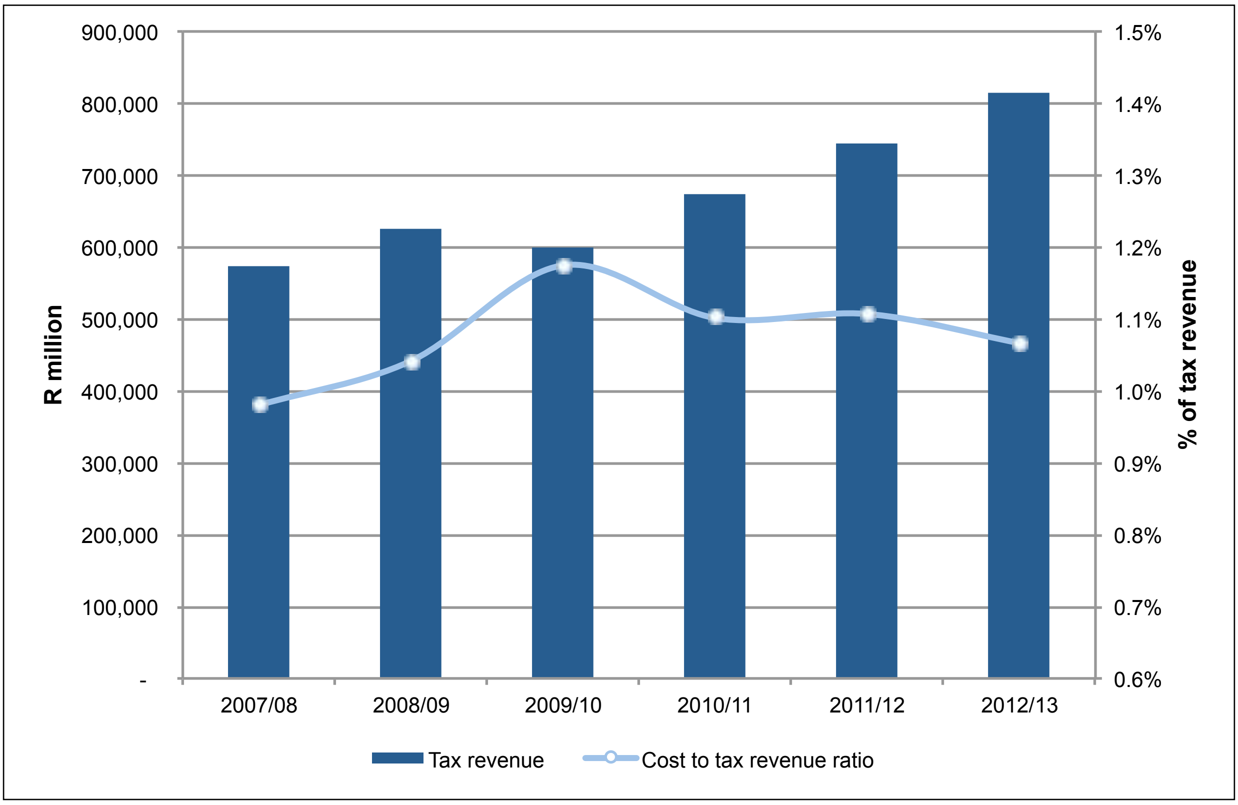
Table 29: Cost of revenue collection – 2007/08 to 2012/13

Year	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13
	R million	**R million**	**R million**	**R million**	**R million**	**R million**
Tax revenue	572 815	625 100	598 705	674 183	742 650	813 826
Operating cost *	5 615	6 511	7 032	7 426	8 221	8 679
	%	%	%	%	%	%
Cost to tax revenue ratio	0.98%	1.04%	1.17%	1.10%	1.11%	1.07%

*Note: * Controlling entity in SARS' Annual Financial Statements.*

SARS' cost of revenue collection remained in a band of 1.0% to 1.2% indicating that costs have been contained while more revenue has been collected as shown in Graph 2. This ratio does however not take into account the fact that SARS not only collects tax revenue but it also collects social security funds on behalf of other institutions such as the RAF and UIF, as well as some non-tax revenue such as the MPRR. If these are taken into account the cost to revenue ratio improves slightly.

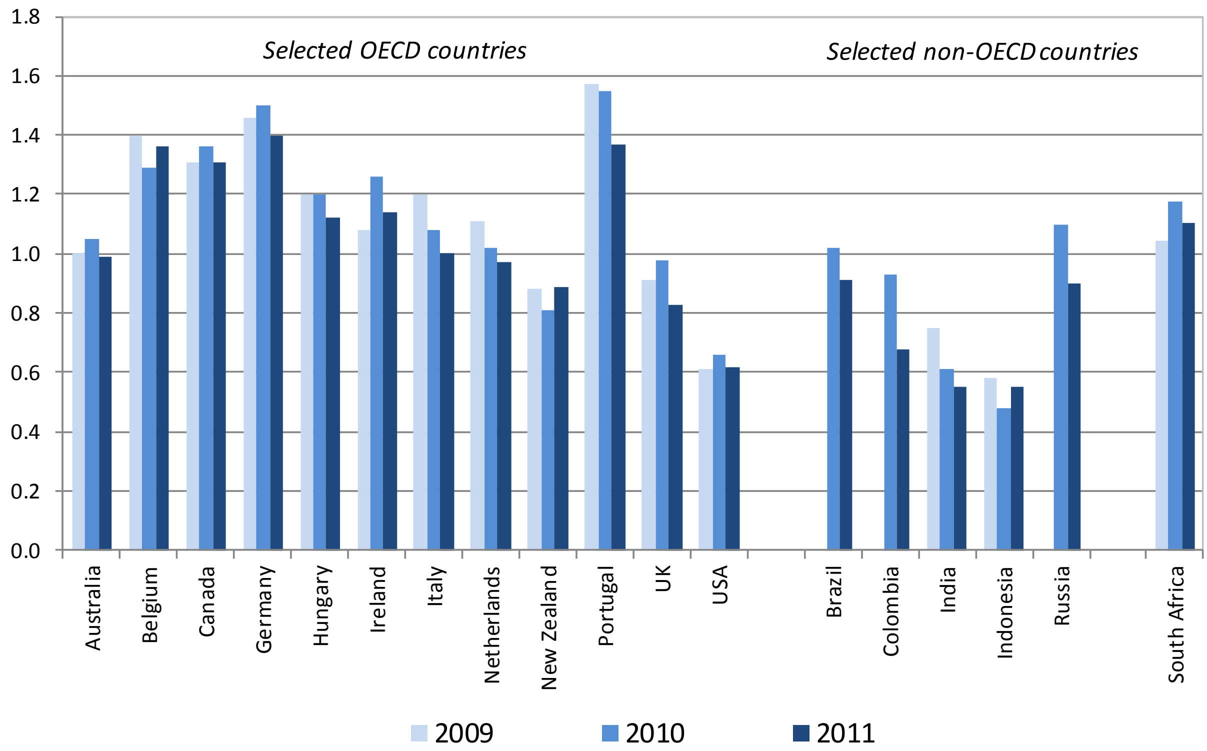
Graph 2: SARS' cost of revenue collection for 2007/08 to 2012/13



In the latest *OECD Tax Administration* 2013 publication the total revenue collections (i.e. administered revenue) is used to calculate the cost of collection ratios. Most countries' ratio ranges around the international benchmark of 1%, with the USA at a low of around 0.6% and Germany at a high of 1.5%. Brazil and Russia's ratio is also around the international benchmark of 1%. If administered revenue is used instead of tax revenue to calculate South Africa's cost of revenue, the 2012/13 ratio drops to 1.02% as opposed to 1.07%.

Graph 3 shows a comparison of selected countries' ratios from 2009 to 2011.

Graph 3: Comparison of cost collection ratios for 2009 to 2011



Source: *OECD Tax Administration 2013.*
Data for South Africa pertains to 2008/09, 2009/10 and 2010/11.

1.5.2 CREATION OF A DEDICATED ENFORCEMENT CAPABILITY WITHIN SARS

In the 2012/13 Annual Performance Plan SARS committed itself to creating a dedicated enforcement capability by grouping its customs and tax enforcement investigation-related activities.

In accordance with the refinement of the Operating Model, EXCO approved the establishment of a dedicated enforcement portfolio to co-ordinate, manage and be accountable for all enforcement investigation activities within SARS. The process of implementing this decision required SARS to group its Enforcement Investigation activities with investigations-related functions from the then Customs and Border Management.

The reorganisation of these functions into a single portfolio, called Tax and Customs Enforcement Investigations (TCEI) took into account the Operating Model principles of like functions and recommendations from an analysis conducted within Enforcement Investigations by a specialist from the Dutch Tax and Customs Administration. The analysis recommended a review of the span of control; separation of preliminary investigation activities from criminal investigations; noted the limited number of experienced investigators; and recommended embedding a case selection and project-based investigation method.

The ensuing reorganisation removed the co-ordinating responsibilities from Tax and Customs Enforcement Investigations (TCEI) and introduced a functional management structure. It separated preliminary investigations from criminal investigations and positioned preliminary investigations as a stand-alone function responsible for case selection. Financial investigations and debt recovery were placed within a broader enforcement projects portfolio and TCEI investigation capability was strengthened by adding a specialist tactical Customs enforcement facility.

1.5.3 ADOPTING A WHOLE OF GOVERNMENT VIEW TO ACHIEVE VALUE CHAIN EFFICIENCIES

SARS is adopting a "whole of government" view in its approach to business in order to enhance its efficiency and achieve its mandate to collect revenue in co-operation with other Government departments and agencies. It has already done a lot to align its activities with those of other Government departments and agencies. SARS is collaborating with the Companies and Intellectual Property Commission (CPIC) and the Department of Home Affairs (DHA). It has also participated in the work of the Justice, Crime Prevention and Security (JCPS) cluster and helped build cohesion and understanding among the State's security agencies. The Government's fight against corruption has also created new opportunities for SARS to work closely with other State agencies.

SARS is part of the Multi Agency Working Group (MAWG) and is co-operating with other State agencies to improve the Government procurement system.

SARS' co-operation with other Government departments and agencies has encouraged "peer learning" and enabled it to leverage its technology skills and resources to improve the delivery of Government services and reduce costs.

Collaborate with entities

Civil Society

Organised civil society performs a vital role in the delivery of social services. SARS has commissioned research and conducts its own studies to advance its engagement with civil society and promote its strategy of building fiscal citizenship.

It is working closely with the Department of Social Development (DSD), National Lotteries Board (NLB) and the National Development Agency (NDA). Significant progress has been made through SARS' participation in the Ministerial district and provincial dialogues facilitated by the DSD.

This culminated in a National Summit during August 2012 and the appointment of a Ministerial Task Team (MTT). The MTT is responsible for planning and advising DSD on the implementation of resolutions from provincial dialogues and the national summit. SARS' experience, expertise and modernisation techniques can benefit State organisations engaged in partnerships with civil society. The objective of these partnerships is to address the challenges of unemployment, poverty and inequality.

Private Sector

The main emphasis in 2012 was amending the Tax Administration Act (TAA) to improve the regulation of tax practitioners. These new measures allow SARS to effectively address the conduct of tax practitioners and the quality of service they provide the tax-paying public. Although the initial approach to the amendments to the TAA was to encourage self-regulation among tax practitioners, provision has been made in the new legislation for the Minister to intervene and appoint a retired judge or a person of a similar stature if a recognised controlling body does not enforce its disciplinary rules. This would change the self-regulation aspect of the new model.

The sector has been widely consulted about the amendments to the TAA. Professional associations that represent tax practitioners have welcomed the new regulations and worked with SARS to implement the changes in legislation. Several professional associations have applied to SARS for recognition as controlling bodies of tax practitioners. They will control tax practitioners and the work they perform on behalf of taxpayers.

SARS has published technical and procedural requirements for the re-registration of tax practitioners. All tax practitioners must re-register by 1 July 2013.

Integrity Promotion

SARS must constantly ensure its integrity if it is to deliver on its mandate. To attain voluntary compliance from taxpayers it is essential that the organisation, its leadership and employees are beyond reproach. SARS has developed several programmes to enhance the effectiveness of the organisation and its relations with stakeholders as well as to promote integrity.

It has established an integrity steering committee that comprises representatives from various business units whose operations affect the integrity of SARS. This committee processes reports on matters relating to integrity and makes recommendations to SARS leadership about decisions and actions that need to be taken.

The committee has identified the need for an annual report on the integrity of the organisation. It has studied ways of developing and presenting this report.

The steering committee launched an innovative "integrity ambassadors" programme that is intended to entrench a self-adjusting culture of integrity within the organisation. The committee recognised that rules and policies alone are insufficient to create an ethical culture and has therefore devised additional methods of encouraging ethical behaviour and deterring unacceptable practices.

It also addressed leaders within SARS because they shape the culture of the organisation. Several leadership conversations were conducted that provided a platform for leaders within SARS to reflect upon and engage with issues of integrity.

The current code of conduct is currently being reviewed and a new code of ethics for the organisation will be published. Because integrity is essential to SARS, the new code of ethics will contain specific guidelines and standards of conduct for senior management.

1.5.4 CONTINUE TO INTEGRATE INTERNAL AND EXTERNAL (THIRD) PARTY DATA ACROSS MULTIPLE TAX TYPES

SARS is comparing data submitted by taxpayers who use several different tax products to validate their returns. Customs data, for example, is being compared to VAT data to detect irregular VAT refunds or instances where the VAT payment is being reduced through fraudulent inputs or outputs. It is also working very closely with several credit bureaus.

The tedious and time-consuming process of tracing taxpayers by manually interrogating information held by third parties such as the Deeds Office and credit bureaus has been replaced. This is the first step towards eliminating manual intervention and instead sourcing information from third parties, including credit bureaus in real time. It will improve SARS tracing capability and enable it to relocate resources to focus on managing exceptions.

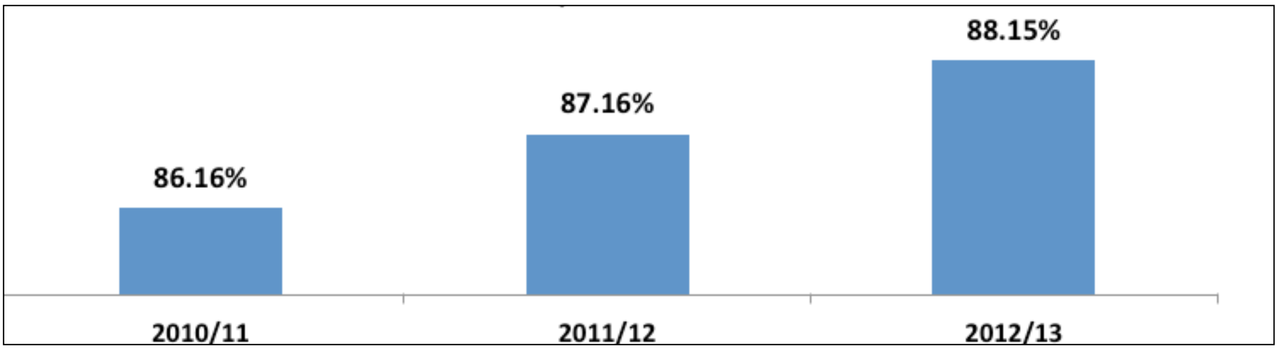
1.5.5 HUMAN CAPITAL MANAGEMENT AND LEADERSHIP

1.5.5.1 Fully integrated operating model and value-based leadership

The Leadership Effectiveness (LEI) 2012/13 survey was concluded among managers from Grade 7 upwards. This is the first time Grade 7 managers and specialists have been included.

The Leadership Effectiveness Index for Senior Management has climbed during the past three years as shown in Graph 4.

Graph 4: Leadership Effectiveness Index



1.5.5.2 Streamlined governance framework to reduce unnecessary levels and improve performance management capability

SARS' strategic aspirations and modernisation objectives require it to continuously enhance employee performance at all organisational levels.

Improvements to employees' performance management processes meant that remuneration and benefits policies also had to be reviewed. It was necessary to ensure that they complied with legislation and took into account the delegation of authority to appropriate levels of management.

1.5.5.3 Enabling our people to perform at their peak through compensating critical skills differently

Support impacted employees with change management and wellness interventions, re-skilling initiatives and redeployment opportunities

The SARS approach, principles and procedures for the redeployment of impacted employees were completed. Training programmes were developed that addressed the development requirements for impacted employees. Several re-skilling initiatives were implemented at divisions that contained employees identified for redeployment.

Build workforce planning methodology to identify critical skills

An integrated Workforce Planning Strategy has been drafted to help SARS identify its future human capital requirements. This strategy has enabled SARS to classify human capital and resources into key investment indicators and baseline critical skills. It has been presented to important role players involved in people management and is now being implemented within SARS.

Enhancement of the employee value proposition

SARS has implemented a flexible salary-package scheme. This enables employees to structure their salary package and choose how they wish to receive their service bonus. Further salary package options will be introduced in future.

Uproot corruption and non-compliance to organisational policies

SARS' Anti-Corruption and Security and Employee Relations divisions work closely together to address and eliminate corruption and non-compliance with organisational policies. Among the critical policies used to enforce compliance is the Disciplinary Code and Procedure. This was negotiated with the recognised SARS unions.

1.5.5.4 Enabling our people to perform to their peak through delegating authority effectively

The modernisation of SARS during the past five years has changed both the structure and the operations of the organisation. SARS managers now need to be empowered to take key decisions so that they can respond quickly and effectively to business needs. An important part of this process of empowerment has been the introduction of the formal Delegation of Authority (DOA) procedures. These procedures ensure that good governance is upheld when authority is delegated from executives to managers. During the year under review line managers were educated about DOAs and made aware of the complexity of these procedures.

1.5.5.5 Improve internal service through the re-engineering of core processes for human resources, procurement and asset management

As part of its drive to improve its internal processes SARS has introduced an online portal to help it better manage its human resources, procurement and asset management.

The eCentral portal will deliver critical information, in the form of reports or on electronic dashboard displays, that will enable management to quickly identify and address priority tasks. The portal will form the foundation for further improvements to SARS' internal processes.

Improvements in staff management processes

SARS has introduced several improvements to its staff management processes during the year under review. They include:

- Conceptual Design and Business Requirements specifications for Competency Management have been completed. This will ensure correct and standardised job grading and better matching of employees' talents with the needs of the organisation. These improvements are part of the Human Resources Division's important talent management initiative
- Access to information has been improved and administrative burdens lessened by standardising on a single set of employee information for user identification and lifecycle management. Employee data contained in SARS' SAP system will now be the sole source of such information. This will enable users to be quickly and easily assigned access rights depending on their job, position and role within the organisation
- The Human Resources Process Library project was completed. This project investigated a wide range of SARS processes and solutions and compiled a comprehensive library of "best possible" baseline processes for the organisation
- Baseline processes have been documented for Organisational Design, Staff Movement, Recruitment, Career and Succession management, Performance Management, Time and Leave Management, Payroll Administration, Personnel Administration, Health and Wellness, Employee Relations, and Learning and Development

Improvements in Asset Management

SARS has radically changed its approach to asset management. It has drawn up a policy framework that will provide the foundation for a comprehensive integrated set of systems and processes that will address all facets of the asset management lifecycle.

In line with SARS' policy of delegating authority wherever possible, cost centre managers have been given responsibility for approving lost, stolen or scrapped assets. They can also change details about asset owners, locations and barcodes.

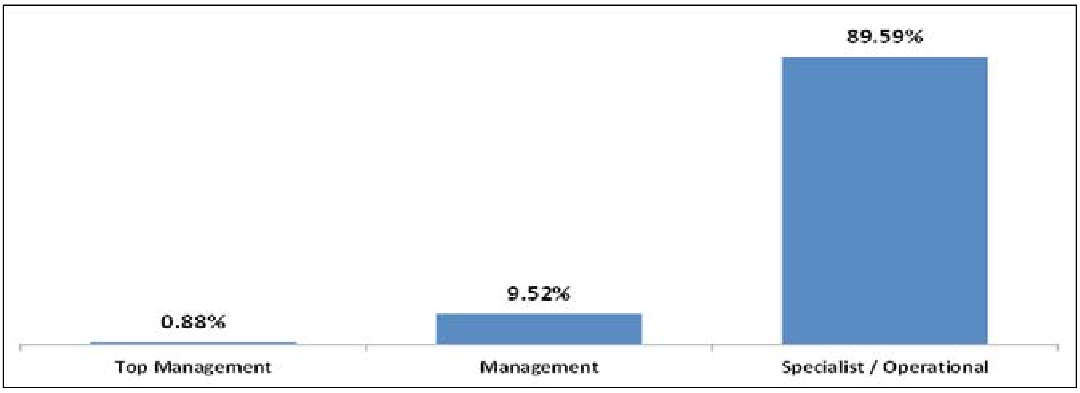
1.5.5.6 Improve organisational culture and Employee Engagement

The annual Employee Engagement survey was conducted and attracted the highest participation rate since its inception in 2007. This is due to several factors including timing the survey to take place outside the revenue collection drive. SARS exceeded its aim of 55% participation, with 70.58% of employees taking part in the survey in the 2012/13 financial year. Employee engagement measured 57.10% in the survey and has improved year-on-year by an average of 2.3% since it began. This trend continued in the year under review. It is thrilling to report that more people are happy to be at SARS and have a passion to go an extra mile.

1.5.5.7 SARS workforce profile

SARS workforce at the end of March 2013 numbered 14 701 employees. This excludes 79 temporary employees. The majority of SARS employees (67.45%) are between the ages of 30 and 45, while 13.44% of employees are younger than 30 years. The current workforce has an average tenure of 12 years as shown in Graph 5.

Graph 5: Workforce Profile



With 509 employees externally appointed during this period the SARS' headcount remains fairly stable. There was a slight decline in headcount of 243 employees. The overall net staff turnover is -1.63% as shown in Table 30.

Table 30: Net staff turnover

External Recruitment	Attrition	Recruitment Rate	Attrition Rate	Net Staff Turnover %
509	751	3.44%	5.07%	-1.63%

Table 31 provides comparative staff numbers at the end of each financial year over the past five years.

Table 31: Comparative staff numbers

	2008/09	2009/10	2010/11	2011/12	2012/13
Permanent Employees	14 751	14 738	14 967	14 944	14 701
Temporary Employees	556	525	329	332	79
Employee Total (incl. Temps)	**15 307**	**15 263**	**15 296**	**15 276**	**14 780**

1.5.5.8 Employment Equity and workplace diversity

SARS continues to prioritise employment equity and strives to achieve annual equity targets for race, gender and disability among its managers and other staff. Its employment equity and workforce diversity profile is shown in Table 32.

Table 32: Employment Equity

Workforce Profile with regards to Employment Equity											
Occupational Levels	Designated*							Non-Designated*			
	Male			Female				White Male	Foreign Nationals		Total
	A	C	I	A	C	I	W		M	F	
Top Management	8	5	4	3	2	1	3	14	2		42
Senior Management	342	71	112	229	44	82	264	330	10	4	1 488
Professionals	485	97	89	439	93	85	340	300	8	2	1 938
Skilled and Junior	2 109	342	186	2 944	604	292	1 848	511	8	7	8 851
Semi-Skilled	342	69	15	861	232	48	542	56	1	3	2 169
Unskilled	62	12		118	14		1	6			213
Grand Total	**3 348**	**596**	**406**	**4 594**	**989**	**508**	**2 998**	**1 217**	**29**	**16**	**14 701**

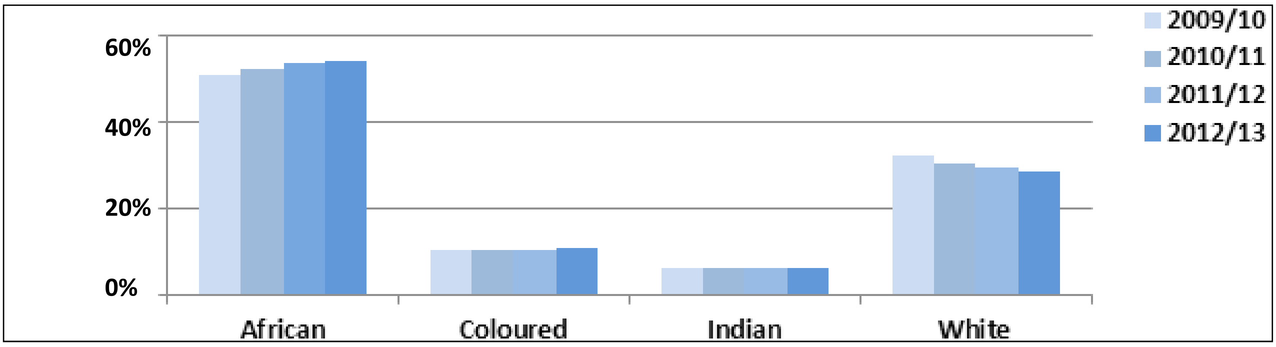
Occupational Levels	Explanation
Top Management	Grade: 9-10 represents SARS Commissioner, Chief Officers and Group Executives
Senior Management	Grade: 7-8B represents managerial positions with the following job titels: Executive, Senior Manager, Manager and Specialists
Professionals	Grade: 6 represents Operational Specialists and Team Leaders
Skilled and Junior	Grade: 0, 4-5 represents Graduate Trainees and Functional Operators
Semi-Skilled	Grade: 2-3 represents Support Staff
Unskilled	Grade: 1 represents General Assistants

Note: A = Africans, C = Coloured's, I = Indians, W = Whites. 'Designated' refers to those groups defined as previously disadvantaged in national legislation

1.5.5.9 Racial profile

The total SARS headcount among various racial sectors is reflected in Graph 6.

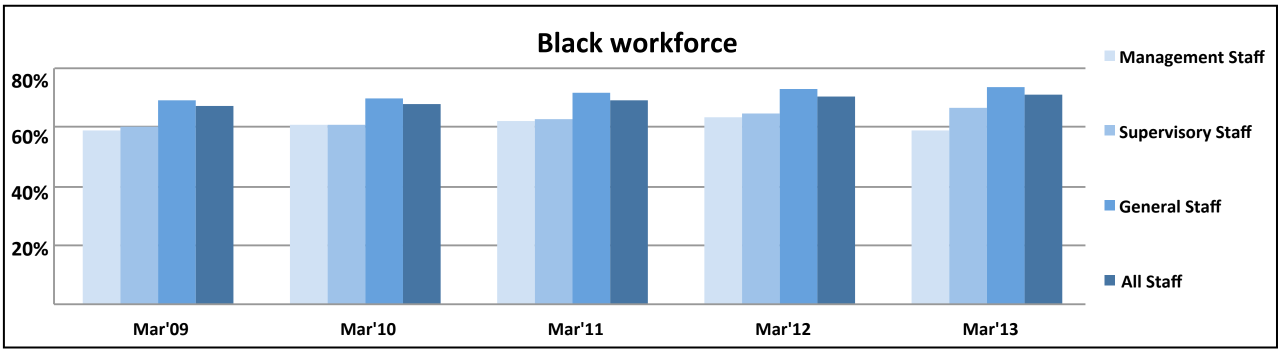
Graph 6: Racial Profile



1.5.5.10 Black workforce profile

The SARS black workforce profile has constantly increased during the past few years with a current overall representation of 71.02% as shown in Graph 7.

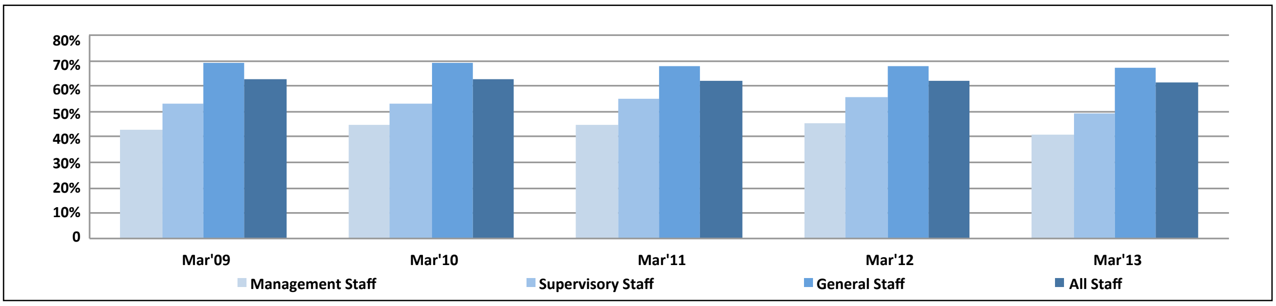
Graph 7: Black Workforce Profile



1.5.5.11 Female workforce profile

The overall female representation in SARS is stable at 61.83%. SARS aims to improve female representation at management levels. It currently stands at 41.07% as shown in Graph 8.

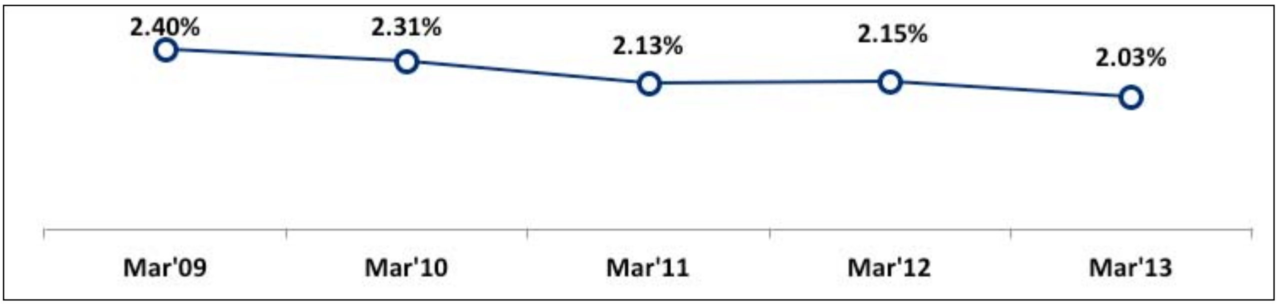
Graph 8: Female Workforce Profile



1.5.5.12 Disability profile

The number of employees with disabilities in SARS decreased 0.12% resulting in a disability representation of 2.03% as shown in Graph 9 below. This is below the set target of 2.3% and robust strategies will be undertaken in the next 18 months to address this issue.

Graph 9: Disability Profile



1.5.5.13 Employee relations

SARS subscribes to the principle of freedom of association as enshrined by the Labour Relations Act and 78.28% of its employees (as at 31 March 2013) belong to the Public Servants Association of South Africa (PSA) or National Education, Health and Allied Workers Union (NEHAWU). These trade unions are formally recognised by SARS.

SARS, furthermore, recognises the importance of worker representative bodies and appreciates the benefits of engaging with them in constructive dialogue about issues that affect the organisation and its employees. The value of this was evident in the conclusion of a multi-term wage agreement in 2011 which covered the period of 2011 to 2013. This agreement was achieved without any operational disruptions or industrial action.

SARS advocates fair employee relations practises throughout the organisation. It successfully defended 94% of its labour matters heard at the Council for Conciliation, Mediation and Arbitration (CCMA) in 2012/13. This includes cases amicably settled or dismissed from the CCMA case roll.

1.5.5.14 Skills pipeline and youth employment

The skills pipeline strategy was refined and expanded to include learners and potential employees as well as school leavers, university students and graduates.

Pipeline development programmes include: Chartered Accountant Development and Graduate Development as well as learnerships, internships and bursaries for learners at higher institutions of learning as shown in Table 33.

Table 33: Learners in Pipeline Development Programme

Skills Pipeline Programme 2012/13			
Programme	**Description**	**2013 Performance**	**2012 Performance**
Graduate Development Programme	A Graduate programme provides a combination of learning and workplace experience and is meant for individuals who are in possession of a tertiary qualification	286	301
Internship	An internship is a work based approach to learning and gaining experience as well as obtaining an academic or vocational qualification.	10	13
Learnership	A learnership is a work-based learning programme that combine a structural learning component with practical work experience and leads to a nationally recognized qualification directly related to an occupation and registered on the National Qualification Framework (NQF).	23	0
Chartered accountants	The CA (SA) Programme is a structured learning programme aimed at graduates who wish to become Chartered Accountants.	18	13
External Bursaries	A deliberate financial assistance intervention to disadvantaged students with potential at tertiary institutions for tuition, accommodation and books.	65	0

1.5.6 CO-OPERATIVE ADMINISTRATION

ATAF and Other International Engagements

Prevailing economic conditions have emphasised the importance of building sound tax and customs administrations to achieve greater efficiencies and effectiveness in mobilising domestic resources. Tax and transparency have ascended the global agenda and increasing focus is being placed on international co-operation to eliminate tax evasion. Focus areas for customs remain combatting illicit trade and trafficking as well as fraud.

Partnerships between SARS and other tax and customs administrations are increasingly important. They address issues of mutual concern and enable joint action plans to be developed and implemented. An example is the creation of a Joint Working Group between SARS and The People's Republic of China's General Administration of Customs in 2012. SARS has also deployed specialists in Washington, D.C. USA, and Beijing, China, to support SARS' international tax and customs presence and to consolidate relations with these strategic countries. These deployments were in addition to SARS' existing representation to the World Customs Organisation (WCO) in Brussels, Belgium.

During financial year 2012/13 SARS increased its co-operation with the European Union (EU) Development Fund. This will enhance the capabilities of SARS as well as other tax authorities in southern Africa. The EU fund approved three proposals aimed at improving customs capacity in tariff, valuation and rules of origin. These projects are expected to be completed by December 2014. SARS hosts one of the WCO's Regional Training Centres for the East and Southern Africa region. SARS, together with the WCO, secured funding for a two-year training programme on customs technical areas funded by the Department for International Development (DFID).

SARS continues to encourage customs interconnectivity within Southern Africa and efforts to strengthen the region's approach to addressing common risk areas and sharing information. Initiatives include support for the development of Preferred Trader programmes within the Southern African Customs Union (SACU) and the SACU interconnectivity initiative. SARS also participates in regional consultation and works with the members and secretariats of the Southern African Development Community (SADC) and Common Market for Eastern and Southern Africa (COMESA).

SARS continued to Chair the African Tax Administration Forum (ATAF). This was endorsed for a further two years by the ATAF General Assembly in September 2012. ATAF provides a forum for African tax administrations to work together to build capacity within the continent and deepen relations between its 36 members. ATAF achieved legal independence from SARS in late 2012 after the required instruments of ratification were deposited with the Secretariat.

SARS highlighted the strategic importance of South Africa by participating in a wide range of international forums during financial year 2012/13. These forums included the World Trade Organisation (WTO), World Customs Organisation (WCO), the Organisation for Economic Co-operation & Development (OECD) and the Global Forum on Transparency & Exchange of Information for Tax Purposes (GFTEI) as well as the India-Brazil South Africa (IBSA) and Brazil, Russia, India, China and South Africa (BRICS) alliances.

SARS is participating in a variety of trade negotiations that will affect customs operations. They include Tripartite Free Trade Area talks between SADC, COMESA and the East African Community (EAC); Economic Partnership Agreement (EPA) discussions between the EU, SADC and the WTO Trade Facilitation negotiations.

SARS was regional Deputy Vice Chair of the WCOs' East and Southern Africa region and a representative on the WCO's Policy Commission in 2011. It continued this two-year mandate during 2012/13 and provided strategic support to tax administrators in its region and their management committees.

SARS also increased its engagement with the Organisation for Economic Co-ordination and Development (OECD), during the past year. It signed a three-year co-operation agreement with the OECD's Centre for Tax Policy & Administration (CTPA) and hosted the plenary meeting of the OECD Task Force on Tax & Development that was co-chaired by SARS. SARS also championed the "Tax Inspectors without Borders" initiative and hosted the fifth plenary meeting of the 120-member Global Forum on Transparency and Exchange of Information (GFTEI) at which Mr Kosie Louw, SARS Chief Legal and Policy Officer was elected as Chair for 2013/14. The then-Commissioner also accepted his nomination as Vice Chair of the OECD's Forum on Tax Administration. At these forums commissioners from around the world work together to identify, discuss and influence global trends and develop new ways of enhancing international tax administration.

SARS continues to build on existing partnerships, such as the IBSA Revenue Administration Working Group, and explore new opportunities for co-operation. In preparation for South Africa's hosting of the 2013 BRICS Summit, SARS participated in the inaugural meeting of Heads of Tax Administration meeting in India. SARS also hosted the inaugural BRICS Heads of Customs Administrations meeting.

SARS remains committed to building an effective and efficient tax and customs administration; highlighting the importance of domestic resource mobilisation; countering aggressive tax planning, tax evasion and secrecy while underscoring the importance of tax fairness and transparency. It has demonstrated this commitment through its participation in the Development Working Group of the G20, which South Africa co-Chairs, its engagement with the African Partnership Forum and involvement in various other forums.

1.5.7 CORPORATE SOCIAL RESPONSIBILITY

During the 2012/13 financial year SARS increased its support for social development by embarking on several high-impact initiatives that changed the lives of members of many communities. These Corporate Social Responsibility (CSR) initiatives demonstrated how SARS lives its values outside the work environment. They aim to build relationships with beneficiaries and their communities and provide opportunities for SARS to educate people about the importance of their tax contributions.

The SARS CSR initiatives were linked to Government priorities such as education, health and crime prevention. The CSR plan for the year under review also emphasised education, relationship building and co-operative governance in order to further increase the impact of the SARS initiatives.

Education

As part of its commitment to education, SARS CSR continued to support South African border schools. Schools were adopted at the following borders: Jeppes Reef in Mpumalanga, Beitbridge in Limpopo, Nakop border post in the Northern Cape and Maseru Bridge in the Free State. Two schools, a primary school and the high school it feeds, were adopted at each border post. SARS provided the schools with IT equipment and related products. Staff at nearby SARS regional offices gave training, mentoring and administrative support to the schools.

SARS also donated IT equipment and furniture to a further 233 schools throughout the country (15 in Gauteng, 28 in Limpopo, two in North West, 27 in Free State, 27 in Western Cape, 11 in Eastern Cape, four in Northern Cape, 101 in KwaZulu Natal and 18 in Mpumalanga).

Health Care

SARS' CSR health care programme adopted Dudu Zwane Hospice in Malvern, east of Johannesburg, and Kings and Queens Community development organisation in rural Bizana, Eastern Cape. SARS continued to support the Leonard Cheshire home, for people living with disabilities, in Oshoek in Mpumalanga.

These NGOs were given IT equipment and related products by SARS and also received help with their tax returns. SARS staff also donated groceries and clothing to these institutions.

During its CSR programme SARS often worked closely with other State agencies. Its partners included the departments of Education, Health, Social Development, Local Government, Public Works and Safety and Security as well as the South African Social Security Agency (SASSA) and the South African Police Service (SAPS). Among the partnership projects were:

- SAPS provided special resources to secure donated goods in various parts of the country and also conducted education sessions at some of the schools adopted by SARS
- The Department of Public Works helped transport some of the goods donated by SARS around the country
- The Department of Social Development assigned a dedicated social worker to one of the schools adopted by SARS at the Maseru Border Post. The social worker addresses welfare issues at the school and helps parents access social grants
- At SARS CSR launch ceremonies at schools, teachers and other members of local communities are provided with tax education and advice. This has helped resolve some tax cases that have been outstanding for many years

Government Institutional Compliance

SARS has begun working with other Government institutions (at a national, provincial and local level), to understand the capability and capacity of State agencies to meet their tax obligations. This initiative is in line with the framework of Chapter 13 of the National Development Plan and is intended to build State capability. Special attention is being given to updating registration information, timeous and correct filing, and timeous and correct payment of the taxes by Government institutions.

SARS created the Government Institutional Compliance programme to engage with Government institutions about their tax matters. It seeks to understand:

- The specific needs of the Government sector with regard to tax matters
- The unique challenges faced by the Government sector
- How SARS can enhance its educational and service offering to Government institutions to enhance State capability

The programme has engaged metropolitan municipalities, national and provincial treasuries, national Parliament and provincial legislatures, national Government departments, and various stakeholders in the provincial and local spheres of Government. Feedback from these interactions is being used to inform SARS' approach to engaging with the Government sector.

PERFORMANCE INFORMATION

02

2.1 MEASURING SARS' PERFORMANCE

SARS has aligned its performance management to that of the Government's new planning, performance monitoring and evaluation approach, which focusses on measuring and assessing outcomes and impacts. SARS has researched the measurement and reporting approaches of revenue administrations elsewhere in the world.

It has identified four key outcomes it believes encompass not only SARS' mandate, but also it's commitment to the South African Government and the citizens of South Africa. These four outcomes are to improve customs compliance, to improve tax compliance, to improve the ease and fairness in doing business with SARS and lastly to increase cost effectiveness, internal efficiency and institutional respectability. SARS is committed to holding itself accountable to the predetermined targets set out in the 2012/13 SARS Annual Performance Plan and 2013/14 – 2016/17 Strategic Plan in order to deliver on these set outcomes.

SARS has made significant progress in finding the right measures of performance which are well defined and meet all the required standards of reliability, verifiablilty, cost-efficiency, and relevancy. SARS has identified several output measures for which it is establishing systems of data collection to ensure the necessary quality, verification and validation of information. These processes are complex and in some cases challenging, particularly when SARS is reliant on third parties to provide the required information. SARS has taken a multi year approach in developing these new measures and baselines.

For the year under review SARS has performed well against the predetermined targets, as set out in Table 34.

2.1.1 Table 34: Schedule of Performance Information 2012/13

SARS							
Predetermined Objectives: Schedule of Performance Information for 2012/13							
NO.	**STRATEGIC OUTCOME**	**STRATEGIC MEASURE**			**ACTUAL ACHIEVEMENT 2012/13**	**VARIANCE ON TARGET**	**COMMENTS/REASONS FOR NEGATIVE VARIANCES AND POSITIVE VARIANCES >20%**
		MEASURES	**BASELINE**	**2012/13 TARGET**			
1	Increased Customs compliance	Customs revenue collected (R bn)	Actual collections for 2011/12 R136.0 billion	As per agreed target with Minister of Finance R150.17 billion - (Revised estimate for 2012/13)	R151.1 billion	R0.93 billion	
2	Increased Customs compliance	% of trade that have been audited with a view to obtaining Preferred Trader status*	0	5	23.76	18.76	Importers submitted declarations consisting of 20 720 170 lines. Of this total, 4 922 127 lines were submitted by the potential preferred traders, which equates to 23.76% of the trade volume coverage by potential preferred traders.
3	Increased Customs compliance	% Of cargo declarations targeted (Number of declarations alerted vs. total number of declarations)	12	12	15	-3	During the year, an increased focus on Clothing and Textiles, Tobacco and suspicious Trade Intermediaries have led to higher than expected alert volumes.
4	Increased Customs compliance	% Uptake in electronic manifest submissions (Number of electronic manifest submissions vs. total number of manifest submissions)	88	90	95.7	5.7	
5	Increased Customs compliance	Interfront deliverables	Not defined currently	Develop and sign-off product sales strategy	Product sales strategy developed and signed-off	0	

** Measures and/or targets differ from the printed version of the Strategic plan due to a amendments approved by the Minister of Finance*

NO.	STRATEGIC OUTCOME	STRATEGIC MEASURE			ACTUAL ACHIEVEMENT 2012/13	VARIANCE ON TARGET	COMMENTS/REASONS FOR NEGATIVE VARIANCES AND POSITIVE VARIANCES >20%
		MEASURES	BASELINE	2012/13 TARGET			
6	Increased Customs compliance	Interfront governance	Not defined currently	Unqualified audit report for Interfront	Not available		Annual Measure. The Auditor General report was not available at the time that this report was being compiled.
7	Increased Customs compliance	% Increase in Customs compliance index	Measure and base-line developed	Track against baseline	In progress	0	The baseline for this measure is 0 as no traders have been accredited with the Preferred Trader status. This will be monitored on a continuous basis.
8	Increased Customs compliance	% Decrease in size of illicit economy	Not defined currently	Develop measure and baseline	In progress	0	Definition refinement and data sourcing in progress. Development to continue in 2013/14.
9	Increased Tax compliance	Total revenue (excluding Customs revenue) collected (Rbn)	Actual collections for 2011/12 R606.7 billion	As per agreed target with Minister of Finance R659.98 billion - Revised estimate 2012/13)	R662.8 billion	R2.82 billion	
10	Increased Tax compliance	% PIT filing compliance (Number of PIT returns submitted in tax year due vs. Total number of PIT returns required in tax year)	83	83	86.05	3.05	
11	Increased Tax compliance	Cash recovered from debt book (R bn)*	-	-	-	-	Measure has been removed with the approval of the Minister of Finance.
12	Increased Tax compliance	% Audit coverage of registered taxpayers (PIT, CIT, VAT/Excise and PAYE) above the threshold	2.4	3	14.98	11.98	As a result of the increased inflow of cases and the drive to achieve the revenue target, extra effort was put on finalisation of most Audit cases that result in tax payable.

** Measures and/or targets differ from the printed version of the Strategic plan due to a amendments approved by the Minister of Finance*

NO.	STRATEGIC OUTCOME	STRATEGIC MEASURE			ACTUAL ACHIEVEMENT 2012/13	VARIANCE ON TARGET	COMMENTS/REASONS FOR NEGATIVE VARIANCES AND POSITIVE VARIANCES >20%
		MEASURES	BASELINE	2012/13 TARGET			
13	Increased Tax compliance	% in-depth audit coverage of registered taxpayers (PIT, CIT, VAT/Excise & PAYE) above the threshold	0.2	0.4	0.25	-0.15	Due to the generally complex nature of the case, the available audit capacity and time required to finalise a case, less cases were completed than planned.
14	Increased Tax compliance	% Increase in the Small Business register	Measure and baseline developed	Track against baseline	In progress	0	The baseline for the measure has been developed and is currently being monitored. Tracking against baseline to continue in 2013/14.
15	Increased Tax compliance	Debt book as a % of tax revenue	Measure and baseline developed	Track against baseline	Baseline established	0	The baseline has been tracked and established at 10.11%. This measure will be introduced into SARS performance management.
16	Increased Tax compliance	% CIT filing compliance (Number of CIT returns submitted in tax year due vs. Total number of CIT required in tax year)	Measure and baseline developed	Track against baseline	In progress	0	The baseline for the measure has been developed and is currently being monitored. Tracking against baseline to continue in 2013/14.
17	Increased Tax compliance	Tax compliance index for each tax product	Not defined currently	Develop measure and baseline	In progress	0	Definition refinement and data sourcing in progress. Development to continue in 2013/14.
18	Increased Tax compliance	% VAT filing compliance	Measure and baseline developed	Track against baseline	In progress	0	The baseline for the measure has been developed and is currently being monitored. Tracking against baseline to continue in 2013/14.
19	Increased ease and fairness in doing business with SARS	% Uptake in electronic filing, declaration and payment submissions for all tax products [No. of electronic filing, declaration and payment submissions vs. total filing, declaration and payment submissions]	93	94	95.5	1.5	

NO.	STRATEGIC OUTCOME	STRATEGIC MEASURE			ACTUAL ACHIEVEMENT 2012/13	VARIANCE ON TARGET	COMMENTS/REASONS FOR NEGATIVE VARIANCES AND POSITIVE VARIANCES >20%
		MEASURES	BASELINE	2012/13 TARGET			
20	Increased ease and fairness in doing business with SARS	% Uptake in electronic customs bills/declarations (EDI)	96	96	99.2	3.2	
21	Increased ease and fairness in doing business with SARS	Average processing turnaround time for PIT returns (working days)	0.54	<1.0	0.26	0.74	The over achievement is due to the change to real time processing which was implemented during the financial year. Previously all returns received during the day were assessed at the end of the business day. This is now done real time.
22	Increased ease and fairness in doing business with SARS	Average processing turnaround time for CIT returns (working days)	1.92	<2.0	0.87	1.13	The over achievement is due to the change to real time processing which was implemented during the financial year. Previously all returns received during the day were assessed at the end of the business day. This is now done real time.
23	Increased ease and fairness in doing business with SARS	Average processing turnaround time for VAT refunds (working days)	45.82	21	30.51	-9.51	The 30.51 days achievement against this measure has significantly improved from last year's baseline. 59% of all refunds were paid within 48 hours in this financial year, compared to 46% in the previous financial year.
24	Increased ease and fairness in doing business with SARS	Average processing time for VAT registrations (working days)	Not defined currently	Develop measure and baseline	Not defined	0	Due to current system and process governance restrictions, the turnaround time for new VAT Registrations cannot be calculated at present. The baseline will also not be further investigated, as it is not traceable in the end-to-end engagement.

NO.	STRATEGIC OUTCOME	STRATEGIC MEASURE			ACTUAL ACHIEVEMENT 2012/13	VARIANCE ON TARGET	COMMENTS/REASONS FOR NEGATIVE VARIANCES AND POSITIVE VARIANCES >20%
		MEASURES	BASELINE	2012/13 TARGET			
25	Increased ease and fairness in doing business with SARS	% First contact resolution in contact centre and branches	Not defined currently	Develop measure and baseline	Measure and baseline developed	0	The measure and baseline has been developed and is currently being monitored.
26	Increased ease and fairness in doing business with SARS	% Reduction in escalated service queries*	-	-	-	-	Measure has been removed with the approval of the Minister of Finance.
27	Increased ease and fairness in doing business with SARS	Taxpayer and trader compliance burden	Not defined currently	Develop measure and baseline	In progress	0	Definition refinement and data sourcing in progress. Development to continue in 2013/14.
28	Increased cost effectiveness, internal efficiency and institutional respectability	Employee Engagement	49.50%	50.50%	57.10%	6.60	
29	Increased cost effectiveness, internal efficiency and institutional respectability	Leadership Effectiveness Index	86%	86.50%	88.15%	1.65	
30	Increased cost effectiveness, internal efficiency and institutional respectability	Employment Equity: Demographics	69.66%	70.50%	71.02%	0.52	
31	Increased cost effectiveness, internal efficiency and institutional respectability	Employment Equity: Gender on Management Level	40%	41.50%	41.07%	-0.43	The under performance is due to attrition and a low recruitment rate.
32	Increased cost effectiveness, internal efficiency and institutional respectability	Employment Equity: Disability	2.04%	2.3%	2.03%	-0.27	The under performance is due to attrition and a low recruitment rate.
33	Increased cost effectiveness, internal efficiency and institutional respectability	Treasury allocation to revenue percentage	Not available	Between 1.0 and 1.2	1.07	0	
34	Increased cost effectiveness, internal efficiency and institutional respectability	Unqualified report by Auditor-General	Unqualified report	Unqualified report	Unqualified report	0	

** Measures and/or targets differ from the printed version of the Strategic plan due to a amendments approved by the Minister of Finance*

NO.	STRATEGIC OUTCOME	STRATEGIC MEASURE			ACTUAL ACHIEVEMENT 2012/13	VARIANCE ON TARGET	COMMENTS/REASONS FOR NEGATIVE VARIANCES AND POSITIVE VARIANCES >20%
		MEASURES	BASELINE	2012/13 TARGET			
35	Increased cost effectiveness, internal efficiency and institutional respectability	Unit cost per process	Measure and baseline developed	Track against baseline	In progress	0	The baseline for the measure has been developed and is currently being monitored. Tracking against baseline to con-tinue in 2013/14.
36	Increased cost effectiveness, internal efficiency and institutional respectability	Productivity per employee	Measure and baseline developed	Track against baseline	In progress	0	The baseline for the measure has been developed and is currently being monitored. Tracking against baseline to continue in 2013/14.

GOVERNANCE, LEGAL AND RISK MANAGEMENT

03

3.1 THE SARS EXECUTIVE COMMITTEE

The Executive Committee (EXCO) is an oversight committee of SARS and is accountable to the Commissioner. Its powers and terms of reference are delegated and approved by the Commissioner.

The SARS Operating Model is being implemented in a phased and gradual approach and is based on aligning related and complementary activities within the organisation under new operating portfolios. The aim of this model is to continually improve SARS' efficiency and productivity by optimising co-operation, co-ordination, reducing duplication and isolated “silos”.

The Operating Model has been welcomed by managers and staff and is improving efficiencies, co-ordination, alignment and accountability. This is especially evident within the Operations portfolio where the most significant changes have been introduced. Among its tangible benefits have been improvements to overall compliance, service, risk management and the efficiency and effectiveness of the implementation of modernisation initiatives across the organisation.

In line with this approach, similar efficiency and effectiveness gains can be achieved within the enforcement area of SARS by grouping together all enforcement investigation functions under the direction of a Chief Officer: Tax and Customs Enforcement Investigations.

This portfolio incorporates all investigative and enforcement operations in respect of both tax and customs legislation.

The creation of a dedicated Enforcement Investigation portfolio migrated the following Customs operations functions, formally undertaken by Customs and Border Management, to the Customs Trade Operations:

- Management of the ports of entry
- All routine processing
- All routine inspections and examinations
- Baggage and traveller searches
- Containerised Cargo Scanner Operations

In addition, the function of The Border Control Operations Co-ordinating and Committe (BCOCC) was moved to Operations because of the co-ordinating and largely operational nature of this function

The EXCO members that served during the 2012/13 financial year were:

Table 35: SARS Executive Committee

Full name	Role
Oupa Magashula	Commissioner and EXCO Chairperson
Ivan Pillay	Deputy Commissioner
Barry Hore	Chief Operating Officer
Kosie Louw	Chief Officer: Legal and Policy
Trix Coetzer	Chief Financial Officer
Gene Ravele	Chief Officer: Tax and Customs Enforcement and Investigations (Since May 2012)
Elsie Pule	Chief Officer: Human Resources (Until November 2012)
Takalani Musekwa	Acting Chief Officer: Human Resources (From December 2012)
Sunita Manik	Group Executive: Large Business Centre
Bob Head	Special Advisor to the Commissioner

Departure of Oupa Magashula

Although occurring outside the period under review it is necessary to mention the departure of Mr Oupa Magashula as SARS Commissioner. On 24 March 2013 the Minister of Finance undertook to institute an investigation into media reports containing serious allegations against Mr Magashula. Retired Constitutional Court Judge Zak Yacoob and Advocate Muzi Sikhakhane were thus appointed to undertake this investigation.

The Committee submitted its report to the Minister of Finance on Monday 8 July. The findings of the Committee are a matter of public record. A day after receiving a copy of the report, Mr Magashula tendered his resignation with effect from 12 July 2013.

Mr Ivan Pillay was appointed Acting Commissioner until the appointment of a new SARS Commissioner.

3.1.1 RESIGNATIONS

Elsie Pule resigned from the Executive Committee on 30 November 2012

3.2 THE SARS AUDIT COMMITTEE

The SARS Audit Committee has ensured its independence in accordance with Section 77 of the Public Finance Management Act (PFMA) and Treasury Regulations 27.1.3 and 27.1.4, through the appointment of an external chairperson Mr Bongani Nqwababa and three additional external (non-executive) members. The Chairperson and all the other members complied with statutory required competency, independence and conflict of interest requirements. The Chairperson temporarily recused himself from March 2013 pending finalisation of a company taxation matter.

In the year under review, the Audit Committee reviewed the effectiveness of SARS' internal control systems; the effectiveness of SARS' internal audit function; the risk areas of SARS' operations to be covered in the scope of internal and external audits; the adequacy, reliability and accuracy of financial information provided to management and other users of such information; and any accounting and auditing concerns identified as a result of internal and external audits. Also reviewed were SARS' compliance with legal and regulatory provisions, the activities of the internal audit function, (including its annual work Programme), co-ordination with the Auditor-General, reports of significant investigations and the responses of management to specific recommendations.

The Audit Committee Report comprising, among other things, details of membership and meetings conducted is included in Part Four.

3.3 THE JOINT HUMAN RESOURCE AND REMUNERATION COMMITTEE

The Human Resources Committee (HRC) continued to advise the Minister and Commissioner on matters concerning the terms and conditions of employment of all employees in the management structure of SARS and broader Human Resource practices. During the year under review the committee made recommendations and gave direction in respect of the SARS performance management system and remuneration framework, in particular its application to senior management.

The Minister is considering new membership for the HRC.

3.3.1 THE COMMITTEE COMPRISED SIX NON-EXECUTIVE MEMBERS, NAMELY:

Ms Judy Parfitt (Chairperson HR Committee): Resigned in January 2013
Director of the Resolve Group
BJourn HDE (Rhodes), BA Hons (UPE), MA (UPE), MA (Warwick), Certified Executive Coach

Mr Mike Olivier (Chairperson Remuneration Committee):
Managing Director: Synchrona Leadership Strategies
BSc (UCT), BSc Honours (Wits), MSc (Wits), MBA (Stanford University Graduate School of Business in California)

Prof Dilip Garach:
Chief Executive Officer. Garach & Garach. Financial Advisory Services
B.Com; CA(SA); B.Com Hons(Tax Law); M.Com; Dip.A.P.P; CFA (SA); CFP; CEA

Ms Humaira Mooketsi-Choonara:
Executive Manager, Human Capital Service Delivery, Transnet Freight Rail.
Master's Degree in Social Science (RAU), BA Psych Hons (Vista University), MSc in Business Engineering (Warwick University)
Leadership Development Programme: United States Internship (Madison, New Jersey),
Management Advanced Programme (MAP) (Wits University), Advanced Diploma in Human Resources (UNISA)

Laura Machaba-Abiodun: Resigned in July 2012
Executive Organisational Consultant, advisers chief executives and chairs of companies on unlocking value and accelerating growth through people and affective boards.

HDip.Ed Information Systems (Wits), BCom Law (University Of The North), MA Communication and Training - Human Performance Technology (Governors State University, USA), MBA - General Management (Rosary College, USA), Organisational Change Leadership & Executive Programme (Harvard University, USA) PhD (8 Credits) (University of Indiana, USA)

The last four people listed above are also members of the Remuneration Subcommittee. The Chairpersons of the Committee and subcommittee, as well as all the other members complied with statutorily required competency, independence and conflict of interest requirements.

3.4 LEGAL SERVICES

3.4.1 LEGISLATIVE RESEARCH, DRAFTING AND IMPLEMENTATION

Legislative research was performed to finalise several acts, tax proposals; and international tax and customs agreements.

3.4.1.1 Tax Administration Act

The Tax Administration Act was promulgated on 4 July 2012 and implemented by proclamation with effect from 1 October 2012 (without the exclusions listed in the Schedule to the proclamation).

Seven public notices have also been issued during financial year 2012/13 in terms of the Tax Administration Act.

Various subdivisions within the Legal and Policy Division were instrumental in ensuring SARS' readiness for the implementation of the Tax Administration Act.

The SARS Academy's School of Tax conducted a substantial number of training sessions that addressed both legislative and system changes. The Legal and Policy Division provided information about the legislative changes in the training sessions.

SARS also drafted the Tax Administration Laws Amendment Act, 2012, that was promulgated on 20 December 2012.

3.4.1.2 Draft Customs Bills

The rewriting of customs aspects of the Customs and Excise Act, is at an advanced stage.

Comments received during the second round of comments on both customs Bills, have been incorporated in the draft. The next stage is the certification of the Bills by the State Law Adviser and the continuation of the Cabinet process. This will continue in the 2013/14 financial year.

3.4.1.3 Amendment Acts

Although SARS is no longer responsible for drafting Money Bills as far as tax is concerned, it plays an active role in the formulation of amendments to existing legislation and drafts tax administration legislation, regulations and notices. It regularly meets with relevant parties to address these aspects.

SARS played a vital role in finalising the following acts that were promulgated during the financial year:

- Rates and Monetary Amounts and Amendment of Revenue Laws Act, 2012, Act No. 13 of 2012 (promulgated 9 October 2012)
- Taxation Laws Amendment Act, 2012, Act No. 22 of 2012 (promulgated 1 February 2013)

3.4.1.4 International tax and customs agreements

As part of its drive to improve South Africa's international treaty network and co-operation between tax administrations, SARS concluded 20 international tax agreements during the 2012/13 financial year.

These agreements included:
ATAF Multilateral Agreement on Mutual Assistance in Tax Matters, OECD / SARS Memorandum of Co-operation (MOC) , Belize TIEA, Barbados TIEA, Cameroon DTA, Cayman Islands CA Memorandum of Understanding (MOU), Monaco TIEA & Joint Declaration, Turks and Caicos Islands TIEA, Turks and Caicos Islands MOU on Costs, Liechtenstein TIEA, British Virgin Islands TIEA, British Virgin Islands MOU between CAs on Costs, Hong Kong, China DTA, ATAF/SADC MOC, Kenya MOC on capacity building, Isle of Man TIEA, Isle of Man MOU on Costs, Kenya Customs MAA, SACU Annex E MAA and the One-stop Border Post Model. The last three agreements relate to customs.

3.4.2 PROVISION OF CLARITY, CONSISTENCY AND CERTAINTY ON THE INTERPRETATION OF LAWS ADMINISTERED BY SARS

SARS helped to provide clarity, consistency and certainty on the interpretation of tax legislation and other laws it administers. It achieved this by:

- Determination of national policy through the issuing of interpretation notes and brochures on new and contentious areas of legislation
- Updating interpretative tax policy documents, including brochures
- Issuing of binding private and binding class rulings on future transactions
- Issuing non-binding rulings on PIT, CIT and retirement fund matters
- Issuing binding VAT Rulings

Some of the most important documents published in 2012/13 are listed in Table 36. A substantial number of documents were also updated to incorporate the provisions introduced by the TAA.

Table 36: Important new and updated Interpretative Tax Policy Documents 2012/13

Document	Purpose of document
Draft Interpretation Note on the determination of "group of companies" for purposes of the corporate rules contained in Part III of Chapter II	This Draft Note provides guidance on the interaction of the definitions of a "group of companies" contained in sections 1(1) and 41(1) of the Act.
Draft Interpretation Note: Section 24C	The Draft Note provides guidance on the interpretation and application of section 24C where income is received in advance while the expenditure under the contract will only be incurred in a future year of assessment.
Draft Interpretation Note: Determination of the taxable income of certain persons from international transactions: Thin Capitalisation	This Draft Note provides taxpayers with guidance on the application of the arm's length basis in the context of determining whether a taxpayer is thinly capitalised under section 31.
Interpretation Note 69: Game farming	This Interpretation Note provides guidance on the application of selected sections of the Act and paragraphs of the First Schedule to persons carrying on game farming operations.
Draft Guide: VAT 421 - Guide for short-term insurance	This Guide is a general guide concerning the application of the VAT Act to short-term insurance transactions in South Africa. Although fairly comprehensive, the guide does not deal with all the legal detail associated with VAT and is not intended for legal reference. Technical and legal terminology has also been avoided wherever possible.
Interpretation Note 70: Supplies made for no consideration	This Note serves to set out the legal framework for the VAT treatment of supplies of goods or services which are made by vendors for no consideration in certain circumstances.

The Advance Tax Ruling (ATR) system, available on the eFiling service, is intended to promote clarity, consistency and certainty of the interpretation and application of a variety of tax laws. In February 2013 SARS introduced a new fee structure for advance tax rulings. Advance tax rulings issued this year included rulings providing clarity on the vesting date of a restricted financial instrument, distribution of shares in an unbundling transaction and the disposal of a business as a going concern by a trust to a company in exchange for shares in the company.

A centralised VAT rulings process has been implemented. The receipt, allocation and issue of all VAT rulings have been in place since November 2012. Further enhancements will be implemented in the current financial year.

3.4.3 DISPUTE RESOLUTION

Disputes were either dealt with through litigation, the alternative dispute resolution process, or both. A break-down of revenue and customs cases dealt with through litigation is set out in Table 37.

Table 37: Breakdown of revenue and customs cases dealt with through litigation

Revenue Appeal cases		Customs Appeal cases	
Tax Court	**Quantity**	**Magistrate Court**	**Quantity**
Won	11	Won	0
Lost	2	Lost	0
Total cases	13	Total cases	0
High Court		**High Court**	
Won	10	Won	4
Lost	4	Lost	2
Total cases	14	Total cases	6
Supreme Court of Appeal cases		**Supreme Court of Appeal cases**	
Won	5	Won	2
Lost	3	Lost	0
Total cases	8	Total cases	2

A total of 333 cases were addressed through the Alternative Dispute Resolution process at head office level and 2 379 at regional level. A further 44 matters were dealt with through the Tax Board.

3.4.4 PRODUCT OVERSIGHT

Product Oversight involves, among other things:

- Facilitating the design of tax legislation in a manner that gives effect to tax policy, but also takes cognisance of SARS' administrative capability and the ability to administer such legislation
- Facilitating overall alignment between tax policy intent, tax law, the conversion of law into operational policies and procedures and operational delivery through the SARS branches

The tax policy alignment function of the unit ensures a multi-way process to facilitate the correct design and implementation of tax law. It also encourages understanding of where the law needs to change to accommodate operational challenges or alternatively where operations should change to correctly give effect to tax law or tax policy.

3.4.5 LEGAL SERVICES PROVIDED IN THE REGIONS

Legal services have been provided to areas focusing on tax and customs in the SARS regions. These included services relating to the resolution of dispute-related matters. Dispute-related matters have already been covered under Dispute Resolution. Assistance on other customs matters included, amongst other things, the drafting of legal opinions, as well as warrants within the prescribed statutory periods. Assistance on other tax matters included the issuing of opinions on tax matters, support and guidance through the various governance committees and the management of SSMO escalations.

3.4.6 CORPORATE LEGAL SERVICES

Legal services and advice were provided to SARS on a broad range of corporate law issues, as well as on the impact that non-tax legislation might have on SARS' operations and administration. A supportive role was also played to ensure corporate compliance with legislation and applicable regulatory provisions and to mitigate the risks faced by SARS in its commercial dealings.
Activities performed included:

- Provision of pro-active and re-active corporate legal advice and opinions to SARS
- Ensuring legal compliance of all SARS Contracts
- Management of corporate and commercial litigation on non-tax matters, including general matters, cheque fraud litigation and staff debt recoveries
- Legal risk identification sessions with specific business units. Some of the sessions included discussions with internal stakeholders on the importance of knowing and understanding the Promotion of Access to Information Act (PAIA), document storage, the Protection of Personal Information Bill (POPI), cheque fraud and EFT fraud, and software reseller discussions.

3.4.7 TRAINING

Apart from the assistance provided to the SARS Tax Academy during the training sessions held on the legislative changes introduced by the TAA, the Legal and Policy Division also provided several training interventions to other business areas in SARS in order to transfer knowledge.

These training interventions include:

- Training on contentious tax issues
- Training on dispute resolution principles
- Post budget information sessions
- Training workshops on international tax (agreements)
- Regional workshops which focused on the areas covered by Corporate Legal Services

3.5 SARS ENTERPRISE RISK MANAGEMENT

During the financial year under review, Internal Audit completed an audit of the SARS Enterprise Risk Management unit. Due to a lack of resources within Internal Audit (IA), Ernest and Young (E&Y) was contracted by IA to conduct the audit of the risk management process. The audit of the risk management process for SARS was conducted in terms of the SARS Internal Audit plan for 2011/12 and based on IA discussion with management. The period covered was 1 April 2011 to January 2012. The audit covered risk governance, risk topology and risk approach. The risk management process was rated as "Established", based on comprehensive substantive testing and interviews and SARS passed the audit of Enterprise Risk Management.

SARS has an established Risk Methodology, Risk Governance Framework and Risk Policy in place. The Risk Strategy is continuously reviewed to align it with new thinking and benchmarks in the global risk environment. The concept of three lines of defence is being analysed, evaluated and formulated for the SARS environment.

The Enterprise Risk Committee and the Compliance Risk Committee, chaired by the Deputy Commissioner meet quarterly. They continue to oversee the management of key enterprise-wide risks and important taxpayer and trader compliance risks. The SARS Strategic Risks presented in the previous financial year have been reviewed and remain the profile of the organisation. The Strategic Risks have been published in the SARS Strategic Plan and Annual Performance Plan and continue to influence and direct, the development of both these plans.

Operational risk, is managed within key decision-making processes and through the inclusion of risk management principles in SARS' strategic and divisional business planning processes. Risk identification, linked directly to objective setting is facilitated by the planning process at all levels of the organisation. The control environment at the operational level was strengthened by linking external and internal audit findings to risk identification and mitigation.

The baseline operational risk profile, which captures credible risks (planning and business risks, Auditor-General findings and major operational risks) that might negatively affect achievement of key organisational and divisional objectives, has been extensively analysed and summarised. This resulted in the identification of high-end operational risks which subsequently formed an important component in the definition of the strategic risk profile.

SARS' centralised electronic risk repository is fully functional and business ownership, knowledge and usage of the facility is continually improving. Implementation, training and roll-out is continuing across SARS divisions. The risk repository is maintained in accordance with the recommendations and practices of the supplier and SARS continues to evaluate new functionality.

FINANCIALS

04

4.1 REPORT OF THE AUDIT COMMITTEE

Berenice Lue-marais, Acting Chairperson

REPORT OF THE AUDIT COMMITTEE

We are pleased to present our report for the financial year ended 31 March 2013 in terms of Treasury Regulations 3.1.1.9 and 10 whereby the Audit Committee is required to report amongst others on the effectiveness of the internal controls, the quality of the monthly and quarterly reports, as well as its own evaluation of the annual financial statements.

AUDIT COMMITTEE MEMBERS AND ATTENDANCE

The Audit Committee operates in terms of approved written terms of reference, which deals with its membership, authority and responsibilities. These terms of reference are reviewed on an on-going basis to ensure their continued relevance (Treasury Regulations 27.1.6).

The composition of the Audit Committee members is such that all Treasury Regulations requirements are met in terms of financial literacy and independence. The Audit Committee consisted of four external members listed hereunder and held four meetings for the financial year under review. Mr Sathie Gounden was appointed as a member of the Audit Committee on 24 May 2012. Mr Bongani Nqwababa voluntarily recused himself from the Audit Committee since March 2013.

Audit Committee Attendance

Audit Committee Members	Meeting Dates			
	25 May 2012	27 July 2012	23 Nov 2012	15 March 2013
Mr Bongani Nqwababa (Chairperson Audit Committee): Finance Director: Anglo American Platinum Limited; B. Acc Hons (University of Zimbabwe), CA (ZIM), MBA in Finance (Universities of Manchester and Wales), Bangor	√	X	√	X(Recused)
Ms Berenice Lue-Marais: Head: Strategic Contracts, CSIR; MBA International Finance (The American University, Washington, DC), Bachelor of Arts, BA Economics (The University of the District of Columbia, Washington, DC)	√	√(Chair)	√	√(Chair)
Mr Vuyo Kahla: Group Executive: Advisory & Assurance and Company Secretary: Sasol Limited; Bachelor of Arts (Rhodes University), LLB (Rhodes University)	√	√	X	√
Sathie Gounden: Professional Director B. Compt. - Unisa Diploma in Accounting - University of Durban- Westville Diploma in Accounting - University of Durban-Westville Chartered Accountant (S.A.) Registered Auditor Certificate in Forensic Accounting & Fraud Examination - University of Pretoria Fellow of the Institute of Chartered Secretaries (CIS)	√	√	√	√

AUDIT COMMITTEE RESPONSIBILITY

The Audit Committee reports that it has complied with its responsibilities arising from section 51(1)(a)(ii) and 76(4)(d) of the PFMA, and Treasury Regulation 27.1. The Audit Committee has regulated its affairs in compliance with its Terms of Reference and has discharged all its responsibilities as contained therein.

THE EFFECTIVENESS OF INTERNAL CONTROL

The system of internal controls is designed to provide cost effective assurance that assets are safeguarded and that liabilities and working capital are efficiently managed. From the various reports issued by the Internal Audit function, the external Audit Report on the Annual Financial Statements and management letters of the Auditor-General, it was noted that no significant or material non-compliance with prescribed policies and procedures has been reported.

In line with the PFMA and the King III Report on Corporate Governance, the Internal Audit function provided the Audit Committee and management with assurance that the internal controls are appropriate and effective. This is achieved by means of the risk management process, as well as the identification of corrective actions and suggested enhancements to the controls and processes.

The Audit Committee satisfied itself that SARS took the necessary steps to maintain the effective functioning of its Internal Audit unit. Accordingly, the committee reports that the systems of internal controls for the period under review were effective and efficient.

EVALUATION OF FINANCIAL STATEMENTS

The Audit Committee has:

a) Reviewed and discussed the audited Annual Financial Statements to be included in the annual report with the Auditor-General and the Accounting Officer;
b) Reviewed the Auditor-General's management letters and management's responses thereto;
c) Reviewed accounting policies; and
d) Reviewed significant adjustments resulting from the audit.

The Audit Committee concurs and accepts the Auditor-General's conclusions on the Annual Financial Statements and recommends that the audited Annual Financial Statements be accepted and read together with the report of the Auditor-General.

Berenice Lue-marais
Acting Chairperson

30 July 2013

CONTENTS

The attached annual financial statements were approved and signed by:

Ivan Pillay
Acting Commissioner

31 July 2013

REPORT OF THE AUDITOR-GENERAL TO PARLIAMENT ON SOUTH AFRICAN REVENUE SERVICE: ADMINISTERED REVENUE

REPORT ON THE FINANCIAL STATEMENTS

Introduction

1. I have audited the financial statements of the South African Revenue Service (SARS): Administered Revenue set out on pages 92 to 103 which comprise the statement of financial position as at 31 March 2013, the statement of financial performance, statement of changes in net assets and the cash flow statement for the year then ended, and the notes, comprising a summary of significant accounting policies and other explanatory information.

Accounting Authority's responsibility for the financial statements

2. The Accounting Authority is responsible for the preparation of these financial statements in accordance with the basis of accounting, as set out in the accounting policy note 1.1 to the financial statements and the requirements of the Public Finance Management Act of South Africa, 1999 (Act No.1 of 1999) (PFMA), and for such internal control as the accounting authority determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor-General's responsibility

3. My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA), the *General Notice* issued in terms thereof and International Standards on Auditing. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

4. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

5. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

6. In my opinion, the financial statements present fairly, in all material respects, the financial position of the SARS Administered Revenue as at 31 March 2013, and its financial performance and cash flows for the year then ended in accordance with the basis of accounting, as set out in the accounting policy note 1.1 to the financial statements and the requirements of the PFMA.

EMPHASIS OF MATTER PARAGRAPHS

7. The following emphasis of matter paragraphs will be included in our auditor's report to draw the users' attention to matters presented or disclosed in the financial statements:

The reporting entity- administered revenue and own accounts

8. As disclosed in the Basis of presentation note 1.1 to the financial statements clarity regarding SARS dividing its reporting activities into two sets of financial statements will be addressed during the 2013/14 financial year.

Financial reporting framework

9. As disclosed in the basis of presentation note 1.1 to the financial statements, the Minister of Finance has approved a departure from the financial reporting framework applicable to SARS: Administered Revenue for the reasons indicated.

Financial reporting framework- going forward

10. As disclosed in the basis of preparation note 1.1 to the financial statements, SARS is intending to apply *The Departmental Financial Reporting Framework (modified cash basis of accounting)* prescribed by the National Treasury, as of the financial year ending 31 March 2014.

ADDITIONAL MATTER

11. I draw attention to the matter below. My opinion is not modified in respect of this matter.

Financial reporting framework

12. The financial reporting framework applied by SARS: Administered Revenue is a compliance framework. The wording of my opinion on a compliance framework should reflect that the financial statements have been prepared in accordance with this framework and not that they "present fairly". Section 20(2)(a) of the PAA, however, requires me to express an opinion on the fair presentation of the financial statements. The wording of my opinion therefore reflects this requirement.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

13. In accordance with the PAA and the *General Notice* issued in terms thereof, I report the following findings relevant to performance against predetermined objectives, compliance with laws and regulations and internal control, but not for the purpose of expressing an opinion.

Predetermined objectives

14. I performed procedures to obtain evidence about the usefulness and reliability of the information in the SARS Predetermined Objectives: Schedule of Performance Information for 2012-13 as set out on pages 68 to 73 of the annual report.

15. The reported performance against predetermined objectives was evaluated against the overall criteria of usefulness and reliability. The usefulness of information in the SARS Predetermined Objectives: Schedule of Performance Information relates to whether it is presented in accordance with the National Treasury's annual reporting principles and whether the reported performance is consistent with the planned objectives. The usefulness of information further relates to whether indicators and targets are measurable (i.e. well defined, verifiable, specific, measurable and time bound) and relevant as required by the *National Treasury Framework for managing programme performance information.*

    The reliability of the information in respect of the selected objectives is assessed to determine whether it adequately reflects the facts (i.e. whether it is valid, accurate and complete).

16. The material findings are as follows:

Usefulness of information - Measurability

Performance targets not specific

17. The *National Treasury Framework for managing programme performance information (FMPPI)* requires that performance targets be specific in clearly identifying the nature and required level of performance. A total of 32% of the significantly important targets in relation to overall mandate of the entity were not specific in clearly identifying the nature and the required level of performance. This was due to the fact that management included performance targets in the SARS *Strategic Plan 2012/13 - 2016/17* where the related baselines are still in the process of being developed.

Performance targets not measurable

18. The FMPPI requires that performance targets be measurable. The required performance could not be measured for a total of 32% of the significantly important targets in relation to the overall mandate of the entity. This was due to the fact that management included performance targets in the SARS *Strategic Plan 2012/13-2016/17* where the related baselines are still in the process of being developed.

Performance targets not time bound

19. The FMPPI requires that the time period or deadline for delivery be specified. A total of 32% of the significantly important targets in relation to overall mandate of the entity were not time bound in specifying a time period or deadline for delivery. This was due to the fact that management included performance targets in the SARS *Strategic Plan 2012/13 - 2016/17* where the related baselines are still in the process of being developed

Performance measure not verifiable

20. The National Treasury *FMPPI* requires that it must be possible to validate the processes and systems that produce the indicator. A total of 32% of the significantly important measures in relation to the overall mandate of the entity were not verifiable in that valid processes and systems that produce the information on actual performance did not exist. This was due to the fact that management included performance targets in the SARS *Strategic Plan 2012/13- 2016/17* where the related baselines are still in the process of being developed

Compliance with laws and regulations

21. I did not identify any instances of material non-compliance with specific matters in key applicable laws and regulations as set out in the *General Notice* issued in terms of the PAA.

Internal control

22. I considered internal control relevant to my audit of the financial statements, SARS Predetermined Objectives: Schedule of Performance Information and compliance with laws and regulations. The matters reported below under the fundamentals of internal control are limited to the significant deficiencies that resulted in the findings on the SARS Predetermined Objectives: Schedule of Performance Information and the findings on the compliance with laws and regulations included in this report.

Leadership

23. Leadership insight and oversight responsibility regarding certain performance reporting measures and regulations relating to National Treasury frameworks in terms of outcome measures require ongoing refinement.

Financial and Performance Management

24. Management was aware of the *National Treasury Framework for managing performance information* and the principles of the framework. However, management's interpretation of the outcome measures to be included as part of SARS' annual predetermined objectives resulted in 32% of targets not being measureable.

Governance

25. The implementation of inputs made by the Audit Committee on performance reporting requires consistent monitoring.

SUBSEQUENT EVENT

26. The Commissioner of SARS resigned on 12 July 2013.

Auditor-General

Pretoria
31 July 2013

AUDITOR - GENERAL
SOUTH AFRICA

Auditing to build public confidence

STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2013

	Notes	2013	2012
		R '000	R '000
ADMINISTERED ASSETS			
Amount due by National Revenue Fund		127 697	-
Current assets		**5 167**	**135 347**
- Cash and cash equivalents	3	5 166	8 493
- Other assets	4	1	3
- Bank	5	-	126 851
Non-current assets		**-**	**187**
- Provincial administration	6	-	187
Total administered assets		**132 864**	**135 534**
ADMINISTERED LIABILITIES			
Amount due to National Revenue Fund		-	135 534
Current liabilities		**132 864**	-
- Bank	5	132 864	-
Total administered liabilities		**132 864**	**135 534**

ANNUAL FINANCIAL STATEMENTS: ADMINISTERED REVENUE
STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 31 MARCH 2013

	Notes	2013	2012
		R '000	R '000
Income tax	7	457 313 238	426 583 400
Value-added tax		215 023 035	191 020 199
Fuel levy	8	58 031 812	53 230 281
Customs duties		38 997 934	34 197 901
Excise duties		30 609 652	27 239 495
Unemployment insurance fund		13 381 984	12 183 955
Skills development levy		11 378 478	10 173 133
Environmental levy	9	9 838 931	8 244 690
Other taxes	10	8 645 705	7 814 606
Mineral and petroleum resource royalty		5 015 037	5 611 539
Air passenger tax		873 060	762 416
State miscellaneous revenue	11	513 019	(133 743)
Universal service fund		155 084	75 089
Diamond export levy		55 375	64 229
Turnover tax on small business		11 319	5 703
Mining leases and ownership		11 107	80 047
Provincial administration receipts		2 652	3 290
Small business tax amnesty		597	330
TOTAL ADMINISTERED REVENUE		**849 858 019**	**777 156 560**
Less: South African Customs Union Agreement			
Quarterly payments made by National Treasury in terms of the South African Customs Union Agreement	12	42 151 276	21 759 965
NET REVENUE FOR THE YEAR		**807 706 743**	**755 396 595**

STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED 31 MARCH 2013

	R '000
AMOUNT DUE (TO) / BY NATIONAL REVENUE FUND	
Balance at 31 March 2011	**407**
Net gains and losses not recognised in the statement of financial performance	(135 941)
Net revenue for the year	(755 396 595)
Transfer to the National Revenue Fund	755 260 654
Balance at 31 March 2012	**(135 534)**
Net gains and losses not recognised in the statement of financial performance	263 231
Net revenue for the year	(807 706 743)
Transfer to the National Revenue Fund	807 969 974
Balance at 31 March 2013	**127 697**

CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 MARCH 2013

	Notes	2013 R '000	2012 R '000
CASH FLOW FROM OPERATING ACTIVITIES			
Cash received from operating activities	13	**849 858 208**	**777 156 556**
Total cash received		849 858 208	777 156 556
Cash transferred		**(850 121 250)**	**(777 020 619)**
Payments in respect of Customs Union Agreement		(42 151 276)	(21 759 965)
Cash to National Revenue Fund		(807 969 974)	(755 260 654)
Net cash (transferred)/retained from operations		(263 042)	135 937
Cash and cash equivalents at beginning of year		135 344	(593)
Cash and cash equivalents at end of year	14	**(127 698)**	**135 344**

1. Accounting Policies

1.1 Basis of presentation

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

Any uncertainty regarding the legal basis for dividing the reporting activity of SARS as described above will be addressed in the 2013/14 financial year.

The annual financial statements have been prepared on the cash basis of accounting, in accordance with the powers vested in the Minister of Finance and promulgated in government notice no. R1 095 (30 October 2001).

In terms of the Public Finance Management Act No.1 of 1999 (PFMA), SARS is required to comply with Generally Accepted Accounting Practice unless the Accounting Standards Board (ASB) approves the application of Generally Recognised Accounting Practice (GRAP).

The Standard of GRAP on Revenue from Non-exchange Transactions (GRAP 23) was issued by the ASB in 2008. This standard provides for the accrual principle to be adopted when recognising and measuring taxation revenue arising from Non-Exchange Transactions. The Minister of Finance announced the effective date of the standard as 1 April 2012. SARS applies the transitional provisions of GRAP 23, as prescribed in Directive 6, from 1 April 2012. Directive 6 allows a 6 year transitional period within which to change accounting policies for taxes, starting from the effective date of the standard. The transitional period ends on 31 March 2018.

SARS takes advantage of the transitional provisions in terms of paragraph .06 of Directive 6 and will change the accounting policies in respect of the recognition and measurement of taxation revenue over the 6 year period. For the year under review taxation revenue collected for government is not accounted for on an accrual basis. The disclosure of taxpayer debt and credits, as previously approved by the National Treasury, will continue to be included as unaudited annexures to the annual financial statements for 2012/13. Revenue recognition and the disclosure of taxpayer debt and credits will progressively form part of the migration to accrual accounting as reflected in 1.4 below.

In order to facilitate a smooth transition to accrual accounting, SARS will adopt the Departmental Financial Reporting Framework prescribed by the National Treasury (new framework). In accordance with the new framework financial statements are prepared on a modified cash basis. The modified cash basis constitutes the cash basis of accounting supplemented with additional disclosure items. The financial statements for the year ending 31 March 2014 will be prepared in accordance with the new framework. In South Africa, the new framework is regarded as an acceptable general purpose, compliance framework. The required approvals applicable to adopting a new framework will be obtained.

Any deviations by SARS from any additional disclosure requirements imposed by the new framework will be addressed by obtaining approvals applicable to the circumstances.

Adopting the new framework should not impact on the transitional provisions of Directive 6. Any inconsistencies that may occur will be addressed by obtaining approvals applicable to the circumstances.

1.2 Revenue recognition

1.2.1 Definition of revenue

Revenue includes all taxes, levies, duties, royalties, fees, contributions, penalties, interest and other monies imposed and collected by SARS.

1.2.2 Recognition of revenue

Revenue is recognised on a cash basis when payments are received and refunds are effected.

South Africa is the administrator of the Southern African Customs Union (SACU) Agreement. All collections in respect of the Common Customs Union are included in the statement of financial performance as revenue according to the nature of the collection (duties, excise, etc.) while payments made to member countries are disclosed separately.

1.3 Revenue not recognised - tax evasion

SARS acknowledges that its fiduciary responsibilities to 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 government. No assertion, either implicit or explicit, is made in the financial statements that all such transactions have been brought to account.

1.4 Transition to Accrual Accounting

Revenue will in future be recognised when: a taxable event has occurred, the revenue can be measured reliably and it is probable that the economic benefits from the taxable event will flow to SARS.

The taxable event is the event that gives rise to SARS' right to collect taxes. The taxable event is defined in the Tax Administration Act No. 28 of 2011 (TAAct) and is defined per tax type in the relevant tax or any other applicable act. Revenue from taxes will be measured at the fair value.

The accrual accounting policies (GRAP 23 compliant accounting policies), rules for identifying the "taxable event", the development of models to reliably measure taxes, will be phased in over the period allowed in terms of Directive 6.

The accounting transformation initiatives form part of the overall modernisation agenda of SARS as embodied in the Strategic Plan. During the year under review substantial progress was made to ensure future compliance with the requirements of GRAP 23. Special reference is made to the following actions undertaken:

- Promulgation of the TAAct, on 4 July 2012 (Government Gazette 35491) and which came in to effect on 1 October 2012. This act contains provisions to align legislation with GRAP 23;
- Introduction of a new Transfer Duty account for property transactions;
- Implementation of Dividends Tax which involved the adoption of improved payment processing rules, account management and statement capabilities;
- Implementation of changes to the Payroll taxes system to improve data accuracy;
- Replacement of Customs payment, accounting, debt collection and financial reporting processes and systems;
- Progressive implementation of real-time over-the-counter receipt processing at Customs branch offices;
- Reduction in volume of unreferenced and/or incorrectly referenced payments to avoid unallocated credits to accounts; and
- Improved Operational reporting on revenue collected.

A high level delivery schedule on SARS' migration to accrual accounting for Administered Revenue is as follows:

Action item	Anticipated date	Description	Legislation (if any changes required)
SACU	2013/14	Consult National Treasury to ensure alignment on the requirements of GRAP 23	N/A
Interest and penalties levied in terms of Tax Acts and rulings by the Tax Court and other law enforcement bodies	2013/14	Consult with internal stakeholders, ASB and the AG on the accounting treatment under either GRAP 23 or GRAP 9	N/A
Customs	2013/14	• Finalisation of the definition of taxable event • Measurement of taxation transaction • Recognition of asset arising from taxation transaction • Matching of payments and refunds	6 months before technology roll out
Excise	2013/14	• Finalisation of the definition of taxable event • Measurement of taxation transaction • Recognition of asset arising from taxation transaction • Matching of payments and refunds	6 months before technology roll out
Employment taxes (PAYE, UIF & SDL)*	Early part of 2014	• Finalisation of the definition of taxable event • Measurement of taxation transaction • Recognition of asset arising from taxation transaction • Matching of payments and refunds	6 months before technology roll out
VAT *	2014/15	• Finalisation of the definition of taxable event • Measurement of taxation transaction • Recognition of asset arising from taxation transaction • Matching of payments and refunds	6 months before technology roll out
PIT & CIT	2015/16	• Finalisation of the definition of taxable event • Measurement of taxation transaction • Recognition of asset arising from taxation transaction • Matching of payments and refunds	6 months before technology roll out
Final evaluation and possible impairment of take-on debt	2015/16	Determine the fair value of take-on debt as part of transition to accrual accounting	N/A
Estimation models for the measurement of assets arising from taxation transactions	2015/16	Determine the revenue recognition basis for the assets arising from taxation transactions not supported by declarations or returns	N/A

Action item	Anticipated date	Description	Legislation (if any changes required)
Finalisation of fair value accounting principles and calculations	2015/16	Finalise the basis for the calculation to determine possible impairments	N/A
Non-Core Taxes	2012-2016	• Finalisation of the definition of taxable event • Measurement of taxation transaction • Recognition of asset arising from taxation transaction • Matching of payments and refunds	6 months before technology roll out

* *Employment taxes and VAT could be interchanged.*

The delivery against project plans, complete and stable project implementation outcomes and sufficient funding are assumed in this migration plan.

1.5 Cash and cash equivalents

SARS does not have any term loan or bank overdraft facilities. All balances at the major banks participating in the cash management function of central government are cleared to the National Revenue Fund on a daily basis.

Cash includes VAT collected by the South African Post Office Limited which is in transit.

1.6 Bank

The bank balance comprises cheques issued but not yet presented for payment and bank account balances at year end not transferred to the National Revenue Fund by the banks.

1.7 Amount due to/by the National Revenue Fund

Amount due to/by the National Revenue Fund reflect the cumulative difference between the transfer of revenue to the National Revenue Fund and revenue recorded per the Statement of Financial Performance.

1.8 Prior year comparative figures

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are reclassified. The nature and reason for the reclassification is disclosed. The details of any changes in accounting policies are explained in the relevant policy.

VAT collected by the South African Post Office Limited and not yet paid over to SARS has previously been classified as Accounts Receivable. This policy has been amended in the year under review to include these monies under cash and cash equivalents due to the fact that it is cash-in-transit. This change will provide more reliable and relevant information about the impact of these transactions and events on the financial statements. (Refer note 2.)

	2013	2012
	R '000	R '000

2. Change in accounting policy

SARS previously accounted for monies collected by South African Post Office Limited but not yet paid over to SARS as Accounts Receivable. As part of SARS' preparations to the migration of Standards of GRAP, these monies were reclassified to provide more reliable and relevant information.

These monies were retrospectively reclassified as Cash-in-Transit under Cash and Cash Equivalents (previously Accounts Receivable). The reclassification has the following impact:

STATEMENT OF FINANCIAL POSITION	After reclassification	Prior to reclassification
Opening balance 2011/12		
Accounts Receivable 1 April 2011	-	5 629
Cash and cash equivalents 1 April 2011	7 029	1 400
Closing balance 2011/12		
Accounts Receivable 31 March 2012	-	6 183
Cash and cash equivalents 31 March 2012	8 493	2 310
Closing balance 2012/13		
Accounts Receivable 31 March 2013	-	5 166
Cash and cash equivalents 31 March 2013	5 166	-
STATEMENT OF FINANCIAL PERFORMANCE	No impact	
CASH FLOW STATEMENT		
Opening balance 2011/12		
Cash received from operating activities 1 April 2011	704 217 065	704 215 345
Cash and cash equivalents 1 April 2011	(593)	(6 222)
Closing balance 2011/12		
Cash received from operating activities 31 March 2012	777 156 556	777 156 002
Cash and cash equivalents 31 March 2012	135 344	129 161
Closing balance 2012/13		
Cash received from operating activities 31 March 2013	849 858 208	849 859 225
Cash and cash equivalents 31 March 2013	(127 698)	(132 864)

3. Cash and cash equivalents

	2013	2012
3. Cash and cash equivalents	**5 166**	**8 493**
South African Post Office Limited (VAT)	5 166	6 183
Cash on hand	-	2 310

4. Other assets

	2013	2012
4. Other assets	**1**	**3**
Receivables	1	3

	2013 R '000	2012 R '000

5. Bank

The bank balance of R132 864 011 for the 2012/13 financial year represents a liability, whilst the balance of R126 850 985 for the 2011/12 financial year represented an asset.

2012/13: Bank comprises cheques issued but not yet presented for payment amounting to (R132 718 539) and monies not transferred to the National Revenue Fund at month-end amounting to (R145 472).

2011/12: Bank comprises net reconciling items amounting to R226 982 395, cheques issued but not yet presented for payment amounting to (R100 411 533) and monies not transferred to the National Revenue Fund at month-end amounting to R280 123.

	2013 R '000	2012 R '000
6. Non-current assets	**-**	**187**
Eastern Cape Provincial administration	-	187

	2013 R '000	2012 R '000
7. Income tax	**457 313 238**	**426 583 400**
Pay As You Earn	270 912 820	245 612 213
Persons individuals and companies	166 661 550	158 999 113
Withholding tax on dividends *	9 925 078	-
Secondary Tax on Companies	9 813 631	21 965 409
Tax on Retirement Fund industry	159	6 665

* *Withholding Tax on dividends replaced Secondary Tax on Companies on 1 April 2012.*

	2013 R '000	2012 R '000
8. Fuel levy	**58 031 812**	**53 230 281**
Fuel levy	39 993 617	35 497 061
Road Accident Fund levy	17 621 424	16 628 018
Road Accident Fund recoupment	1 955 358	1 236 663
Pipeline levy	1 737 377	1 624 729
Diesel refunds	(3 275 964)	(1 756 190)

	2013 R '000	2012 R '000
9. Environmental levy	**9 838 931**	**8 244 690**
Electricity levy	7 983 940	6 322 932
Carbon dioxide vehicle emissions tax	1 567 382	1 617 352
Plastic bag levy	150 817	160 619
Incandescent light bulb levy	136 792	143 787

	2013 R '000	2012 R '000
10. Other taxes	**8 645 705**	**7 814 606**
Transfer duties	4 278 277	3 833 565
Securities transfer tax	3 271 693	2 884 035
Estate duty	1 012 978	1 045 163
Donations tax	82 101	52 657
Stamp duty and master fees	494	(2 894)
Marketable securities tax	162	2 080

	2013 R '000	2012 R '000
11. State miscellaneous revenue	**513 019**	**(133 743)**
Customs miscellaneous revenue	495 813	(141 146)
Taxes miscellaneous revenue	17 206	7 403

12. Payments in terms of Customs Union Agreement

Contributions to the Common Customs Pool	**66 620 097**	**61 437 395**
Namibia	846 951	571 067
Botswana	459 060	427 153
Lesotho	161 516	157 758
Swaziland	132 587	146 624
Sub-total	**1 600 114**	**1 302 602**
South Africa	**65 019 983**	**60 134 793**

All SACU member countries collect customs and excise duties at SACU border posts as well as excise duties from domestic producers and remit these into the Tax and Loan accounts held by SARS. Revenue collected by SARS is remitted continuously whilst Botswana, Lesotho, Namibia and Swaziland (BLNS) remit their collections in this regard to SARS on a quarterly basis.

Received from the Common Customs Pool	**66 620 097**	**61 437 395**
Botswana	15 283 134	8 948 678
Namibia	13 795 784	7 136 965
Swaziland	7 062 523	2 881 093
Lesotho	5 966 327	2 752 650
Secretariat	43 508	40 579
Sub-total	**42 151 276**	**21 759 965**
South Africa	**24 468 821**	**39 677 430**

Payments out of the SACU revenue pool from South Africa to the BLNS countries are effected at the beginning of each quarter. The share of these payments is determined annually according to the structure of the revenue sharing formula. The National Treasury effects these payments into the nominated bank accounts of the BLNS countries.

13. Reconciliation of net revenue for the year to total cash received

Net revenue for the year as per statement of financial performance	807 706 743	755 396 595
Adjusted for: Payments in terms of Customs Union Agreement	42 151 276	21 759 965
(Increase) / Decrease in non-current assets	187	-
Decrease / (Increase) in other assets	2	(3)
Increase / (Decrease) in other liabilities	-	(1)
Total cash received	**849 858 208**	**777 156 556**

	2013 R '000	2012 R '000
14. Cash and cash equivalents in respect of cash flow statement	**(127 698)**	**135 344**
Bank (as per statement of financial position)	(132 864)	126 851
Cash and cash equivalents (as per statement of financial position)	5 166	8 493

VAT collected by the South African Post Office Limited and not yet paid over to SARS has been reclassified as cash-in-transit under cash and cash equivalents to provide more reliable and relevant information. It was previously classified as Accounts Receivable.

15. Guarantees

Guarantees issued in favour of SARS amounting to R461 614 701 (R16 426 385: 2011/12) as well as shares attached to the value of R756 278 434 are held as security for various taxes payable.

Guarantees issued in favour of SARS amounting to R5 157 388 976 (R5 603 216 991: 2011/12) are held as security for various duties payable.

16. Write-off of irrecoverable debt

Irrecoverable debt in respect of administered taxes and duties to the amount of R15 493 601 987 (R8 184 190 298: 2011/12) has been written off on or prior to 31 March 2013. Amounts still awaiting approval for write-off do not form part of the actual write-off's. (The write-off is in accordance with section 207 of the TAAct No. 28 of 2011.)

	2013	2012
Summary of write-off		
Taxes	**15 206 320**	**8 048 560**
VAT	6 635 395	5 259 648
Income tax	5 517 545	1 834 526
PAYE	1 995 852	834 586
STC	716 360	-
UIF	224 840	76 341
SDL	112 900	43 459
Diesel	3 309	-
Administrative penalties	119	-
Duties	**287 282**	**135 630**
Customs and Excise	287 282	135 630
Total write off	**15 493 602**	**8 184 190**
Breakdown of total write-off		
Total write off	**15 493 602**	**8 184 190**
Capital	7 965 190	3 860 335
Penalty and additional tax	3 906 385	2 407 318
Interest	3 622 027	1 916 537
Breakdown by type of write-off		
Total write-off	**15 493 602**	**8 184 190**
Temporary write-off	12 494 837	5 736 126
Permanent write-off	1 985 735	2 448 064
Compromise	1 013 030	-

CONTENTS

The annexures do not form part of the audited financial statements and are presented as additional information.

ANNEXURE 1.1

TAXES and DUTIES: Unaudited overdue taxpayer debt (receivables) as at 31 March 2013

2012/2013	0 - 3 Months	4 - 6 Months	7 - 9 Months	10 - 12 Months	13 - 24 Months	25 - 36 Months	37 - 48 Months	49 - 60 Months	More Than 60 Months	Overdue Debt	Returns Received: Taxes not yet Due (Previously "New Debt")
	Rands	Rands	Rands	Rands	Rands	Rands	Rands	Rands	Rands	Rands	Rands
Income Tax	6 499 334 186	2 661 726 780	2 222 275 729	1 722 755 968	7 071 039 347	3 523 883 238	2 295 485 844	1 606 497 000	5 008 084 312	32 611 082 404	4 373 988 433
Individuals	2 752 870 537	1 216 879 063	953 717 075	854 417 645	2 529 045 462	1 827 664 766	1 403 334 014	1 112 942 371	3 632 317 575	16 283 188 508	1 510 669 494
Trusts	325 379 423	39 534 031	13 117 538	22 192 777	47 470 592	43 781 796	30 888 672	19 935 664	39 539 877	581 840 370	75 968 803
Companies	3 421 084 226	1 405 313 686	1 255 441 116	846 145 546	4 494 523 293	1 652 436 676	861 263 158	473 618 965	1 336 226 860	15 746 053 526	2 787 350 136
PAYE	569 060 408	659 244 734	530 508 515	730 290 825	1 719 059 288	1 381 108 667	1 449 959 258	1 088 373 807	3 023 704 011	11 151 309 513	1 887 804 966
VAT	2 440 046 719	2 277 544 826	1 570 208 532	1 243 026 090	4 518 582 114	3 154 837 980	3 023 236 600	2 215 207 293	4 578 121 221	25 020 811 375	-
STC	(23 168 026)	455 037	216 208	380 599 752	475 037 124	270 482 498	338 285 674	226 978 558	1 894 566 643	3 563 453 468	34 849 664
Sub-Total	**9 485 273 287**	**5 598 971 377**	**4 323 208 984**	**4 076 672 635**	**13 783 717 873**	**8 330 312 383**	**7 106 967 376**	**5 137 056 658**	**14 504 476 187**	**72 346 656 760**	**6 296 643 063**
Diesel	98 523	2 254 789	4 693 724	6 809 953	53 231 715	52 114 678	27 188 348	26 727 368	67 619 150	240 738 248	-
SDL	91 104 854	79 927 224	55 179 184	93 430 121	244 571 586	225 822 689	133 138 930	88 490 333	226 265 951	1 237 930 872	89 131 064
UIF	111 616 852	113 271 370	83 624 203	121 371 392	353 533 923	335 195 125	255 483 064	203 689 656	430 807 727	2 008 593 312	98 271 958
Customs	390 893 253	35 432 619	126 314 906	178 449 223	378 431 980	115 795 489	97 024 462	44 467 055	95 256 635	1 462 065 622	2 222 622 595
Excise	71 834 422	261 009 458	153 467 160	80 415 869	157 404 518	30 824 754	11 039 931	4 385 322	2 752 158	773 133 592	483 541 294
Sub-Total	**10 150 821 191**	**6 090 866 837**	**4 746 488 161**	**4 557 149 193**	**14 970 891 595**	**9 090 065 118**	**7 630 842 111**	**5 504 816 392**	**15 327 177 808**	**78 069 118 406**	**9 190 209 974**
Adminstrative Penalties	706 858 395	473 772 608	350 256 478	361 976 616	1 237 767 801	356 174 487	66 790 620	-	-	3 553 597 005	12 584 822
Estate duty	55 366 294	18 003 578	35 231 941	6 154 052	26 423 577	28 813 138	32 065 534	5 832 890	35 821 127	243 712 131	-
Small Business Amnesty Levy	565 329	76 318	53 894	38 122	3 664 780	19 078 518	35 353 846	4 094 846	239 338	63 164 991	-
Dividends Tax	51 329 541	4 555 574	3 083 197	20 899 705	-	-	-	-	-	79 868 017	63 234 334
Donations Tax	240 526 161	-	-	-	-	-	-	-	-	240 526 161	-
Total Taxpayer Debt	**11 205 466 911**	**6 587 274 915**	**5 135 113 671**	**4 946 217 688**	**16 238 747 753**	**9 494 131 261**	**7 765 052 111**	**5 514 744 128**	**15 363 238 273**	**82 249 986 711**	**9 266 029 130**

ANNEXURE 1.2

TAXES and DUTIES: Unaudited overdue taxpayer debt (receivables) as at 31 March 2012

2011/2012	0 - 3 Months	4 - 6 Months	7 - 9 Months	10 - 12 Months	13 - 24 Months	25 - 36 Months	37 - 48 Months	49 - 60 Months	More Than 60 Months	Overdue Debt	Returns Received: Taxes not yet Due (Previously "New Debt")
	Rands	Rands	Rands	Rands	Rands	Rands	Rands	Rands	Rands	Rands	Rands
Income Tax	5 766 832 561	3 095 332 333	4 475 660 900	1 744 759 500	5 786 345 169	4 030 462 966	2 469 584 643	1 588 479 068	6 708 404 611	35 665 861 751	6 008 932 882
Individuals	2 570 554 510	1 259 432 588	1 495 133 685	710 408 672	2 758 774 075	2 467 352 882	1 322 491 940	937 286 851	3 535 562 776	17 056 997 979	1 460 961 600
Trusts	95 717 487	58 105 942	26 188 984	28 212 770	98 734 625	44 564 005	26 128 421	24 307 195	36 512 547	438 471 976	141 564 906
Companies	3 100 560 564	1 777 793 803	2 954 338 231	1 006 138 058	2 928 836 469	1 518 546 079	1 120 964 282	626 885 022	3 136 329 288	18 170 391 796	4 406 406 376
PAYE	225 790 772	688 403 322	656 874 222	729 337 783	2 924 834 438	2 039 696 854	1 692 266 579	1 425 677 621	3 489 712 265	13 872 593 856	2 550 343 753
VAT	1 847 710 842	3 155 750 904	1 564 715 689	1 243 876 729	3 756 615 141	4 176 670 166	3 531 267 983	2 305 255 021	5 416 888 549	26 998 751 024	622 085
STC	12 873 745	106 524 438	254 371 480	87 351 340	188 030 260	97 306 076	95 898 687	269 341 567	2 457 938 008	3 569 635 601	1 773 324 952
Sub-Total	**7 853 207 920**	**7 046 010 997**	**6 951 622 291**	**3 805 325 352**	**12 655 825 008**	**10 344 136 062**	**7 789 017 892**	**5 588 753 277**	**18 072 943 433**	**80 106 842 232**	**10 333 223 672**
Diesel	1 434 090	4 938 274	6 894 223	9 171 842	114 068 308	70 019 104	90 904 350	56 056 302	62 521 760	416 008 253	-
SDL	66 518 815	67 122 163	90 723 120	101 889 854	418 678 453	185 163 526	125 054 131	85 660 990	233 875 107	1 374 686 159	107 844 967
UIF	123 824 923	109 679 254	106 956 027	125 055 674	489 658 386	314 811 594	268 016 640	236 384 589	403 090 540	2 177 477 627	110 731 015
Customs and Excise	353 207 032	34 751 032	267 891 754	37 896 332	131 787 413	322 337 832	-	312 271 724	-	1 460 143 119	-
Taxes and Duties Debt	**8 398 192 780**	**7 262 501 720**	**7 424 087 415**	**4 079 339 054**	**13 810 017 568**	**11 236 468 118**	**8 272 993 013**	**6 279 126 882**	**18 772 430 840**	**85 535 157 390**	**10 551 799 654**
Adminstrative Penalties	400 629 626	618 057 433	521 855 625	302 017 785	623 900 639	181 410 229	-	-	-	2 647 871 337	-
Estate duty	11 673 048	10 555 309	20 604 765	25 434 110	94 525 547	106 586 950	92 367 976	-	-	361 747 705	-
Small Business Amnesty Levy	170 642	61 349	745 609	2 692 882	19 126 590	35 639 322	4 162 808	225 943	-	62 825 145	-
Total Taxpayer Debt	**8 810 666 096**	**7 891 175 811**	**7 967 293 414**	**4 409 483 831**	**14 547 570 344**	**11 560 104 619**	**8 369 523 797**	**6 279 352 825**	**18 772 430 840**	**88 607 601 577**	**10 551 799 654**

ANNEXURE 2

TAXES and DUTIES: Unaudited taxpayer credits (payables) as at 31 March 2013

	2012/13 Rands	2011/12 Rands
Income Tax	-12 393 510 273	-10 787 756 477
Unallocated payments	-41 933 371	-16 147 728
Income Tax	**-12 435 443 644**	**-10 803 904 205**
PAYE	-2 681 393 939	-4 538 925 093
Unallocated payments	-3 640 822 957	-3 993 683 958
Returns not received	352 054 702	497 774 699
PAYE	**-5 970 162 194**	**-8 034 834 352**
VAT	-18 969 381 125	-21 526 914 211
Unallocated payments	-3 431 933 894	-2 662 670 734
Returns not received	1 889 226 188	2 761 343 823
VAT	**-20 512 088 831**	**-21 428 241 122**
UIF	-278 741 207	-500 438 739
Returns not received	89 083 317	130 079 121
UIF	**-189 657 890**	**-370 359 618**
SDL	-227 988 406	-404 681 278
Returns not received	74 369 097	110 914 596
SDL	**-153 619 309**	**-293 766 682**
Diesel	-1 236 200 072	-1 160 430 077
Returns not received	1 079 115	16 413 819
Diesel	**-1 235 120 957**	**-1 144 016 258**
STC	-280 460 722	-827 288 328
Unallocated payments	-1 022 735 500	-1 656 626 709
STC	**-1 303 196 222**	**-2 483 915 037**
Estate Duty	-1 811 554 233	-2 102 644 087
Returns not received	1 811 554 233	2 102 644 087
Estate Duty	**-**	**-**
Dividend Tax	-951 844 898	-
Unallocated payments	-8 276 746	-
Dividend Tax	**-960 121 644**	**-**
Administrative Penalties	-16 339	-32 073
Unallocated payments	-3 157 128	-
Administrative Penalties	**-3 173 467**	**-32 073**
Small Business Amnesty levy	**-7 711 381**	**-7 513 272**
Customs	**-811 415**	**-**
Excise	**-193 120**	**-**
Total Taxpayer Credits	**-42 771 300 074**	**-44 566 582 619**

CONTENTS

The annual financial statements set out on pages 109 to 168 , which have been prepared on the going concern basis, were approved and signed by:

Ivan Pillay
Acting Commissioner

30 July 2013

REPORT OF THE AUDITOR-GENERAL TO PARLIAMENT ON THE SOUTH AFRICAN REVENUE SERVICE (SARS): OWN ACCOUNTS

REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

Introduction

1. I have audited the consolidated and separate financial statements of the South African Revenue Service (SARS): Own Accounts and its subsidiary set out on pages 112 to 168 of which comprise the consolidated and separate statement of financial position as at 31 March 2013, the consolidated and separate statement of financial performance, statement of changes in net assets and the cash flow statement for the year then ended, and the notes, comprising a summary of significant accounting policies and other explanatory information.

Accounting authority's responsibility for the consolidated financial statements

2. The accounting authority is responsible for the preparation and fair presentation of these consolidated and separate financial statements in accordance with the South African Standards of Generally Recognised Accounting Practice (SA Standards of GRAP) and the requirements of the Public Finance Management Act of South Africa, 1999 (Act no. 1 of 1999) (PFMA) and for such internal control as the accounting authority determines is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

Auditor-General's responsibility

3. My responsibility is to express an opinion on these consolidated and separate financial statements based on my audit. I conducted my audit in accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA), the *General Notice* issued in terms thereof and International Standards on Auditing. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated and separate financial statements are free from material misstatement.

4. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated and separate financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated and separate financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated and separate financial statements.

5. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

6. In my opinion, the consolidated and separate financial statements present fairly, in all material respects, the financial position of the SARS Own Accounts and its subsidiary as at 31 March 2013, and their financial performance and cash flows for the year then ended in accordance with SA Standards of GRAP and the requirements of the PFMA.

EMPHASIS OF MATTER PARAGRAPH

7. The following emphasis of matter paragraph will be included in our auditor's report to draw the users' attention to matters presented or disclosed in the financial statements:

The reporting entity - Administered Revenue and Own Accounts

8. As disclosed in the presentation of financial statements note 1 to the financial statements clarity regarding SARS dividing its reporting activities into two sets of financial statements will be addressed during the 2013/14 financial year.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

9. In accordance with the PAA and the General Notice issued in terms thereof, I report the following findings relevant to performance against predetermined objectives, compliance with laws and regulations and internal control, but not for the purpose of expressing an opinion.

Predetermined objectives

10. I performed procedures to obtain evidence about the usefulness and reliability of the information in the SARS Predetermined Objectives: Schedule of Performance Information for 2012-13 (SoPI) as set out on pages 68 to 73 of the annual report.

11. The reported performance against predetermined objectives was evaluated against the overall criteria of usefulness and reliability. The usefulness of information in the SoPI relates to whether it is presented in accordance with the National Treasury's annual reporting principles and whether the reported performance is consistent with the planned objectives. The usefulness of information further relates to whether indicators and targets are measurable (i.e. well defined, verifiable, specific, measurable and time bound) and relevant as required by the *National Treasury Framework for managing programme performance information*.

    The reliability of the information in respect of the selected objectives is assessed to determine whether it adequately reflects the facts (i.e. whether it is valid, accurate and complete).

12. The material findings are as follows:

Usefulness of information

Measurability

Performance targets not specific

13. The *National Treasury Framework for managing programme performance information* (*FMPPI*) requires that performance targets be specific in clearly identifying the nature and required level of performance. A total of 32% of the significantly important targets in relation to overall mandate of the entity were not specific in clearly identifying the nature and the required level of performance. This was due to the fact that management did not separate measures that were not well defined. Additionally, strategic measures and related baselines are still in the process of being developed, yet were stated in the SARS Strategic Plan as part of the developed strategic measures.

Performance targets not measurable

14. The *National Treasury Framework for managing programme performance information* (*FMPPI*) requires that performance targets be measurable. The required performance could not be measured for a total of 32% of the significantly important targets in relation to the overall mandate of the entity. This was due to the fact that management did not separate measures that were not well defined. Additionally, strategic measures and related baselines are still in the process of being developed, yet were stated in the SARS Strategic Plan as part of the developed strategic measures.

Performance targets not time bound

15. The *National Treasury Framework for managing programme performance information* (*FMPPI*) requires that the time period or deadline for delivery be specified. A total of 32% of the significantly important targets in relation to overall mandate of the entity were not time bound in specifying a time period or deadline for delivery. This was due to the fact that management did not separate measures that were not well defined. Additionally, strategic measures and related baselines are still in the process of being developed, yet were stated in the SARS Strategic Plan as part of the developed strategic measures.

Performance measure not verifiable

16. The *National Treasury Framework for managing programme performance information* (*FMPPI*) requires that it must be possible to validate the processes and systems that produce the indicator. A total of 32% of the significantly important measures in relation to the overall mandate of the entity were not verifiable in that valid processes and systems that produce the information on actual performance did not exist. This was due to the fact that management did not separate measures that were not well defined. Additionally, strategic measures and related baselines are still in the process of being developed, yet were stated in the SARS Strategic Plan as part of the developed strategic measures.

Compliance with laws and regulations

17. I performed procedures to obtain evidence that the entity has complied with applicable laws and regulations regarding financial matters, financial management and other related matters.

18. I did not identify any instances of material non-compliance with specific matters in key applicable laws and regulations as set out in the General Notice issued in terms of the PAA.

Internal control

19. I considered internal control relevant to my audit of the financial statements, Schedule of Performance Information (SoPI) and compliance with laws and regulations. The matters reported below under the fundamentals of internal control are limited to the significant deficiencies that resulted in the findings on the SoPI included in this report.

Leadership

20. Leadership insight and oversight responsibility regarding certain performance reporting measures and related National Treasury frameworks in terms of outcome measures requires ongoing refinement.

Financial and Performance Management

21. Management was aware of the *National Treasury Framework for managing performance information* (*FMPPI*) and the principles of the framework. However, management's interpretation of the outcome measures to be included as part of SARS' annual predetermined objectives resulted in 32% of targets not being measureable.

Governance

22. The implementation of inputs made by the Audit committee oversight on performance reporting requires monitoring on a consistent basis.

Subsequent Event

23. The Commissioner of SARS resigned on 12 July 2013.

Auditor-General

Pretoria
31 July 2013

AUDITOR - GENERAL
SOUTH AFRICA

Auditing to build public confidence

REPORT BY THE SARS ACCOUNTING AUTHORITY FOR THE YEAR ENDED 31 MARCH 2013

INTRODUCTION

The Accounting Authority presents his Annual Report that forms part of the Annual Financial Statements of SARS Own Accounts for the year ended 31 March 2013. Specific reference has been made to Administered Revenue, where applicable, otherwise all other statistics quoted are for SARS Own Accounts.

The South African Revenue Service (SARS) was established in terms of the South African Revenue Service Act No. 34 of 1997 (SARS Act) as an organ of the State within the public administration, but as an institution outside the public service. It is listed as a national public entity in schedule 3A of the Public Finance Management Act, 1999, (PFMA).

In terms of the SARS Act, the Commissioner for SARS is the Chief Executive Officer and Accounting Authority of SARS.

1. EXECUTIVE MEMBERS

The Executive Committee (EXCO) is an oversight committee of SARS and is accountable to the Commissioner. Its powers and terms of reference are delegated and approved by the Commissioner.

The EXCO members that served during the 2013 Financial Year were:	
Oupa Magashula	Commissioner and EXCO Chairperson
Ivan Pillay	Deputy Commissioner
Barry Hore	Chief Operating Officer
Kosie Louw	Chief Officer: Legal and Policy
Trix Coetzer	Chief Financial Officer
Gene Ravele	Chief Officer: Customs & Border Management
Elsie Pule	Chief Officer: Human Resources*
Takalani Musekwa	Acting Chief Officer: Human Resources (from December 2012)
Sunita Manik	Group Executive: Large Business Centre
Bob Head	Special Advisor to the Commissioner

***Resignations**
Elsie Pule resigned from the Executive Committee on 30 November 2012.

2. ORGANISATIONAL STRUCTURE

The organisational structure of SARS is reviewed when required, to enable it to fulfil its obligations towards Parliament and the Constitution.

3. PRINCIPAL ACTIVITIES

The SARS Act gives the entity the mandate to perform the following tasks:

- collect all revenues that are due;
- ensure maximum compliance with legislation that it administers; and
- provide a Customs service that will maximise revenue collection, protect our borders as well as facilitate trade.

4. REVIEW OF OPERATIONS AND RESULTS

OWN ACCOUNTS (amounts disclosed in R'000)

The revenue for the year, for the economic entity, comprises:

	2013	2012	% change
Operating revenue	9 164 796	8 664 861	5.8
- Transfers from National Treasury	9 149 374	8 653 573	5.7
- Rendering of services	15 422	11 288	36.6
Other Income	428 068	421 482	1.6
- Interest received	146 858	155 677	-5.7
- Other income	281 210	265 805	5.8
	9 592 864	**9 086 343**	**5.6**

The transfers from National Treasury increased in line with the approvals obtained through the Medium Term Expenditure Framework (MTEF). Interest received fluctuated in line with applicable interest rates and funds temporarily available for investment.

Other income consists mainly of commissions earned from acting as the agent for the Department of Labour in collecting Unemployment Insurance Fund (UIF) contributions in terms of the Unemployment Insurance Contributions Act, 2002, and Skills Development Levies (SDL) in terms of the Skills Development Levies Act, 1999.

In addition to the commissions earned, SARS also applied for and received payments from Fasset via the Department of Higher Education and Training for SARS's contribution to skills development in the form of training provided internally. SARS is entitled to claim a grant equivalent to 50% of the total levies paid by SARS as an employer to the Skills Development Fund in accordance with the Skills Development Act, 1998 (Act No.97 of 1998).

The accumulated surplus comprises:

	2013	2012
Accumulated surplus at 1 April as previously reported	1 877 776	2 232 420
Prior year adjustments	16 707	11 156
Restated balance 1 April	1 894 483	2 243 576
Net surplus/(deficit) for the year	871 641	(381 457)
Transfer of capital reserve to accumulated surplus	-	32 364
Accumulated surplus at 31 March	**2 766 124**	**1 894 483**

ADMINISTERED REVENUE

OWN ACCOUNTS (amounts disclosed in R'000)

The net revenue for the year was R807 706 743 (2012: R755 396 595). Administered Revenue does not retain funds as taxes collected are transferred to the National Revenue Fund on a daily basis.

Revenue for Administered Revenue comprises taxes, levies, duties, fees and other monies collected for the year. The net revenue is the amount collected after deduction of payments made by the National Treasury in terms of the South African Customs Union Agreement. The operating expenditure for Administered Revenue is provided for in SARS Own Accounts.

	2013	2012	% change
Total revenue	849 858 019	777 156 560	9.4
SA Customs Union Agreement	42 151 276	21 759 965	93.7
Net revenue	**807 706 743**	**755 396 595**	**6.9**

Revenue collected is a function of the prevailing economic conditions, their effect on the South African economy and the level of compliance of taxpayers.

5. JUDICIAL PROCEEDINGS

SARS has been mandated by the provisions of the SARS Act to perform legal acts, or institute or defend any legal action in its own name. By virtue of its mandate SARS is involved in litigation on a continuous basis.

6. REVIEW OF THE FINANCIAL POSITION

Reserves and accumulated surplus

Reserves and surpluses consist mainly of the initial capital reserve on the establishment of SARS, the reserve for revaluation of assets and accumulated surpluses. The initial capital reserve on establishment of SARS has been reallocated to accumulated surpluses in accordance with advice from National Treasury in the 2012 financial year.

Assets

For the period under review SARS has continued to invest in selected categories of assets to achieve its strategic objectives.

7. SURRENDER OF SURPLUS FUNDS (amounts disclosed in R'000)

SARS surrendered surplus funds during the financial year under review in cash amounting to R794 000 to National Treasury and did not provide for an obligation to surrender surplus funds for the 2013 financial year. Calculations that were performed indicated that no surrender of surplus funds needed to be made for the 2013 financial year.

8. PUBLIC/PRIVATE PARTNERSHIPS

There are currently no Public/Private Partnerships in operation or under consideration.

9. EVENTS SUBSEQUENT TO THE BALANCE SHEET DATE

The Commissioner of SARS, Mr Oupa Magashula, resigned with effect from 12 July 2013. The Deputy Commissioner, Mr Ivan Pillay, was appointed as Acting Commissioner.

10. ADDRESSES

The entity's business, postal and registered addresses are:

Business address	Postal address	Registered address
299 Bronkhorst street Nieuw Muckleneuk 0181	Private bag X923 Pretoria 0001	299 Bronkhorst street Nieuw Muckleneuk 0181

Addresses for SARS' other offices are available from SARS.

Ivan Pillay
Acting Commissioner
South African Revenue Service

25 July 2013

STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2013

		Economic entity		Controlling entity	
		2013	2012	2013	2012
	Note(s)	R '000	R '000	R '000	R '000
Assets					
Current Assets					
Trade and other receivables	3	69 898	72 572	68 398	70 562
Current tax receivable - controlled entity	9	2 300	-	-	-
Prepayments	25	84 751	61 422	84 751	61 422
VAT receivable/payable - controlled entity		121	(843)	-	-
Cash and cash equivalents	4	1 747 705	2 473 848	1 732 375	2 470 377
		1 904 775	**2 606 999**	**1 885 524**	**2 602 361**
Non-Current Assets					
Property, plant and equipment	5	1 533 569	1 013 592	1 529 882	1 007 797
Intangible assets	6	1 015 786	863 632	1 097 317	881 251
Investment in controlled entity	7	-	-	-	-
Loan to controlled entity	8	-	-	66 559	75 218
Deferred tax - controlled entity	23	1 021	1 526	-	-
		2 550 376	**1 878 750**	**2 693 758**	**1 964 266**
Total Assets		**4 455 151**	**4 485 749**	**4 579 282**	**4 566 627**
Liabilities					
Current Liabilities					
Finance lease obligation	10	11 431	23 132	11 399	23 043
Trade and other payables	11	618 724	634 592	628 931	634 419
Deferred income	12	539	244	539	244
Provisions	13	400 320	1 172 711	399 000	1 171 207
		1 031 014	**1 830 679**	**1 039 869**	**1 828 913**
Non-Current Liabilities					
Finance lease obligation	10	17 396	129 036	17 396	129 003
Deferred income	12	67	146	67	146
Employee benefits	26&27	301 239	282 691	301 239	282 691
Operating lease liability		245 843	287 035	245 482	286 655
		564 545	**698 908**	**564 184**	**698 495**
Total Liabilities		**1 595 559**	**2 529 587**	**1 604 053**	**2 527 408**
Net Assets		**2 859 592**	**1 956 162**	**2 975 229**	**2 039 219**
Net Assets					
Asset revaluation reserve	14	93 468	61 679	93 468	61 679
Accumulated surplus		2 766 124	1 894 483	2 881 761	1 977 540
Total Net Assets		**2 859 592**	**1 956 162**	**2 975 229**	**2 039 219**

STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 31 MARCH 2013

		Economic entity		Controlling entity	
		2013	2012	2013	2012
	Note(s)	R '000	R '000	R '000	R '000
Revenue					
Transfer from government entity	16	9 149 374	8 653 573	9 149 374	8 653 573
Rendering of services	16	15 422	11 288	-	-
Other income	17	281 210	265 805	281 210	265 805
Interest received		146 858	155 677	153 778	162 158
Total revenue		**9 592 864**	**9 086 343**	**9 584 362**	**9 081 536**
Expenditure					
Employee cost		(5 873 189)	(5 560 274)	(5 821 216)	(5 502 519)
Administrative expenses		(1 494 405)	(1 521 371)	(1 491 114)	(1 517 113)
Professional and special services		(751 010)	(701 924)	(755 790)	(699 126)
Depreciation and amortisation		(509 097)	(450 213)	(506 180)	(446 828)
Impairment loss	18	(71 128)	(7 402)	(87 280)	(33 224)
Finance cost	19	(15 498)	(21 389)	(15 487)	(21 366)
Other expenses		1 319	(3 169)	(2 082)	(819)
Total expenditure		**(8 713 008)**	**(8 265 742)**	**(8 679 149)**	**(8 220 995)**
Operating surplus		**879 856**	**820 601**	**905 213**	**860 541**
Surrender of surplus funds		(66)	(1 201 934)	(66)	(1 201 934)
Loss on disposal of assets		(926)	(1 153)	(926)	(1 153)
		(992)	**(1 203 087)**	**(992)**	**(1 203 087)**
Surplus / (deficit) before taxation		**878 864**	**(382 486)**	**904 221**	**(342 546)**
Taxation	20	(7 223)	1 029	-	-
Surplus / (deficit) for the year		**871 641**	**(381 457)**	**904 221**	**(342 546)**

STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED 31 MARCH 2013

	Revaluation reserve	Capital Reserve	Total reserves	Accumulated surplus	Total net assets
	R '000	R '000	R '000	R '000	R '000
Economic entity					
Opening balance as previously reported	70 234	32 364	102 598	2 232 420	2 335 018
Adjustments					
Prior year adjustments	(10 724)	-	(10 724)	11 156	432
Balance at 01 April 2011 as restated	**59 510**	**32 364**	**91 874**	**2 243 576**	**2 335 450**
Changes in net assets					
Deficit for the year	-	-	-	(381 457)	(381 457)
Surplus in revaluation of land and buildings	2 606	-	2 606	-	2 606
Depreciation on the revalued portion of assets	(437)	-	(437)	-	(437)
Transfer of capital reserve to accumulated reserve	-	(32 364)	(32 364)	32 364	-
Total changes	2 169	(32 364)	(30 195)	(349 093)	(379 288)
Opening balance as previously reported	77 142	-	77 142	1 877 776	1 954 918
Adjustments					
Prior year adjustments	(15 463)	-	(15 463)	16 707	1 244
Balance at 01 April 2012 as restated	**61 679**	**-**	**61 679**	**1 894 483**	**1 956 162**
Changes in net assets					
Surplus for the year	-	-	-	871 641	871 641
Surplus in revaluation of land and buildings	32 393	-	32 393	-	32 393
Depreciation on the revalued portion of assets	(604)	-	(604)	-	(604)
Total changes	31 789	-	31 789	871 641	903 430
Balance at 31 March 2013	**93 468**	**-**	**93 468**	**2 766 124**	**2 859 592**
	Refer note 14	Refer note 15			

STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED 31 MARCH 2013

	Revaluation reserve	Capital Reserve	Total reserves	Accumulated surplus	Total net assets
	R '000	R '000	R '000	R '000	R '000
Controlling entity					
Opening balance as previously reported	70 234	32 364	102 598	2 276 849	2 379 447
Adjustments					
Prior year adjustments	(10 724)	-	(10 724)	10 873	149
Balance at 01 April 2011 as restated	**59 510**	**32 364**	**91 874**	**2 287 722**	**2 379 596**
Changes in net assets					
Surplus in revaluation of land and buildings	2 606	-	2 606	-	2 606
Depreciation on the revalued assets	(437)	-	(437)	-	(437)
Transfer of capital reserve to accumulated surplus	-	(32 364)	(32 364)	32 364	-
Deficit for the year	-	-	-	(342 546)	(342 546)
Total changes	2 169	(32 364)	(30 195)	(310 182)	(340 377)
Opening balance as previously reported	77 142	-	77 142	1 962 028	2 039 170
Adjustments					
Prior year adjustments	(15 463)	-	(15 463)	15 512	49
Balance at 01 April 2012 as restated	**61 679**	**-**	**61 679**	**1 977 540**	**2 039 219**
Changes in net assets					
Surplus for the year	-	-	-	904 221	904 221
Surplus in revaluation of land and buildings	32 393	-	32 393	-	32 393
Depreciation on the revalued assets	(604)	-	(604)	-	(604)
Total changes	31 789	-	31 789	904 221	936 010
Balance at 31 March 2013	**93 468**	**-**	**93 468**	**2 881 761**	**2 975 229**
	Refer note 14	Refer note 15			

CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 MARCH 2013

	Note(s)	Economic entity		Controlling entity	
		2013	2012	2013	2012
		R '000	R '000	R '000	R '000
Cash flows from operating activities					
Receipts					
Rendering of services		23 353	5 505	-	-
Transfer from government entity		9 149 374	8 653 573	9 149 374	8 653 573
Interest received		150 037	147 106	149 464	146 991
Other income		284 910	249 283	283 793	249 279
		9 607 674	**9 055 467**	**9 582 631**	**9 049 843**
Payments					
Employee costs		(5 837 489)	(5 474 192)	(5 786 196)	(5 418 667)
Suppliers		(2 334 487)	(2 185 056)	(2 319 577)	(2 170 893)
VAT paid		(964)	-	-	-
Tax paid		(9 018)	-	-	-
Surrender of surplus funds		(794 000)	(408 000)	(794 000)	(408 000)
		(8 975 958)	(8 067 248)	(8 899 773)	(7 997 560)
Net cash flows from operating activities	**21**	**631 716**	**988 219**	**682 858**	**1 052 283**
Cash flows from investing activities					
Acquisition of property, plant and equipment	5	(855 836)	(351 112)	(855 175)	(350 640)
Proceeds from sale of property, plant and equipment		1 670	684	1 670	684
Acquisition of intangible assets	6	(365 880)	(297 728)	(429 643)	(351 053)
Proceeds from sale of intangible assets		1 026	-	1 026	-
Loan advanced to controlled entity		-	-	-	(12 890)
Net cash flows from investing activities		**(1 219 020)**	**(648 156)**	**(1 282 122)**	**(713 899)**
Cash flows from financing activities					
Finance lease and interest payments (including settlements)		(138 839)	(28 733)	(138 738)	(28 632)
Net (decrease)/increase in cash and cash equivalents		**(726 143)**	**311 330**	**(738 002)**	**309 752**
Cash and cash equivalents at the beginning of the year		2 473 848	2 162 518	2 470 377	2 160 625
Cash and cash equivalents at the end of the year	**4**	**1 747 705**	**2 473 848**	**1 732 375**	**2 470 377**

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
FOR THE YEAR ENDED 31 MARCH 2013

	Approved budget	Adjustments	Final Budget	Actual amounts	Difference between final budget and actual	Reference
	R '000	R '000	R '000	R '000	R '000	
Controlling entity						
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Interest received	100 000	-	**100 000**	153 778	53 778	Note 1
Other income	238 001	-	**238 001**	281 210	43 209	Note 2
Total revenue from exchange transactions	**338 001**	**-**	**338 001**	**434 988**	**96 987**	
Revenue from non-exchange transactions						
Transfer from government entity	9 149 374	-	**9 149 374**	9 149 374	-	
Total revenue	**9 487 375**	**-**	**9 487 375**	**9 584 362**	**96 987**	
Expenditure						
Employee cost	(5 929 995)	-	**(5 929 995)**	(5 821 216)	108 779	Note 3
Depreciation and amortisation	(487 584)	-	**(487 584)**	(506 180)	(18 596)	
Impairment loss	(1)	-	**(1)**	(87 280)	(87 279)	Note 4
Finance costs	(12 055)	-	**(12 055)**	(15 487)	(3 432)	
Other expenses	(1 286)	-	**(1 286)**	(2 082)	(796)	
Administrative expenses	(1 716 649)	-	**(1 716 649)**	(1 491 114)	225 535	Note 5
Professional and special services	(863 788)	-	**(863 788)**	(755 790)	107 998	Note 5
Total expenditure	**(9 011 358)**	**-**	**(9 011 358)**	**(8 679 149)**	**332 209**	
Operating surplus	**476 017**	**-**	**476 017**	**905 213**	**429 196**	
Loss on disposal of assets	-	-	-	(926)	(926)	
Surrender of surplus funds	-	-	-	(66)	(66)	
	-	**-**	**-**	**(992)**	**(992)**	
Surplus before taxation	**476 017**	**-**	**476 017**	**904 221**	**428 204**	
Actual amounts	**476 017**	**-**	**476 017**	**904 221**	**428 204**	

EXPLANATION OF DIFFERENCES

Timing difference	
The interest variance represents interest earned on short term investments as a result of delays in project roll-outs, settlement of provisions and business as usual activities.	Note 1
The variance is due to a higher than anticipated income on commission received from the Unemployment Insurance Fund and equipment leases to the Department of Home Affairs.	Note 2
Delays in recruitment resulted in an underspend in employee costs.	Note 3
Impairment loss is based on annual valuations and is not budgeted for.	Note 4
Savings in administrative, professional and special services are due to cost efficiencies, tighter controls and negotiation of better rates with service providers. The effect of straight lining of operating leases is included as part of the actual amount.	Note 5

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
FOR THE YEAR ENDED 31 MARCH 2013

	Approved budget	Adjustments	Final Budget	Actual amounts	Difference between final budget and actual
	R '000	R '000	R '000	R '000	R '000
Controlling Entity					
Statement of Financial Position					
Assets					
Current Assets					
Trade and other receivables	71 673	-	**71 673**	68 398	(3 275)
Prepayments	63 867	-	**63 867**	84 751	20 884
Cash and cash equivalents	1 665 139	-	**1 665 139**	1 732 375	67 236
	1 800 679	**-**	**1 800 679**	**1 885 524**	**84 845**
Non-Current Assets					
Property, plant and equipment	1 246 499	49	**1 246 548**	1 529 882	283 334
Intangible assets	1 118 415	-	**1 118 415**	1 097 317	(21 098)
Loan to controlled entity	75 218	-	**75 218**	66 559	(8 659)
	2 440 132	**49**	**2 440 181**	**2 693 758**	**253 577**
Total Assets	**4 240 811**	**49**	**4 240 860**	**4 579 282**	**338 422**
Liabilities					
Current Liabilities					
Finance lease obligation	22 905	-	**22 905**	11 399	(11 506)
Trade and other payables	628 924	-	**628 924**	628 931	7
Deferred income	244	-	**244**	539	295
Provisions	464 099	-	**464 099**	399 000	(65 099)
	1 116 172	**-**	**1 116 172**	**1 039 869**	**(76 303)**
Non-Current Liabilities					
Employee benefits	202 826	-	**202 826**	301 239	98 413
Finance lease obligation	119 426	-	**119 426**	17 396	(102 030)
Operating lease liability	287 200	-	**287 200**	245 482	(41 718)
Deferred income	-	-	**-**	67	67
	609 452	**-**	**609 452**	**564 184**	**(45 268)**
Total Liabilities	**1 725 624**	**-**	**1 725 624**	**1 604 053**	**(121 571)**
Net Assets	**2 515 187**	**49**	**2 515 236**	**2 975 229**	**459 993**
Net Assets					
Asset revaluation reserve	77 142	(15 463)	**61 679**	93 468	31 789
Accumulated surplus	2 438 045	15 512	**2 453 557**	2 881 761	428 204
Total Net Assets	**2 515 187**	**49**	**2 515 236**	**2 975 229**	**459 993**

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
FOR THE YEAR ENDED 31 MARCH 2013

	Approved budget	Adjustments	Final Budget	Actual amounts	Difference between final budget and actual	Reference
	R '000	R '000	R '000	R '000	R '000	
Controlling Entity						
Cash Flow Statement						
Cash flows from operating activities						
Receipts						
Transfer from government entity	9 149 374	-	**9 149 374**	9 149 374	-	
Interest received	100 000	-	**100 000**	149 464	49 464	Note 1
Other income	238 000	-	**238 000**	283 793	45 793	Note 2
	9 487 374	**-**	**9 487 374**	**9 582 631**	**95 257**	
Payments						
Employee costs	(5 796 654)	-	**(5 796 654)**	(5 786 196)	10 458	
Suppliers	(2 715 978)	-	**(2 715 978)**	(2 319 577)	396 401	Note 3
Finance cost	(12 055)	-	**(12 055)**	-	12 055	
Surrender of surplus	(794 000)	-	**(794 000)**	(794 000)	-	
	(9 318 687)	**-**	**(9 318 687)**	**(8 899 773)**	**418 914**	
Net cash flows from operating activities	**168 687**	**-**	**168 687**	**682 858**	**514 171**	
Cash flows from investing activities						
Acquisition of property, plant and equipment	(409 137)	-	**(409 137)**	(855 175)	(446 038)	Note 4
Proceeds from sale of property, plant and equipment	-	-	**-**	1 670	1 670	
Acquisition of intangible assets	(554 463)	**-**	**(554 463)**	(429 643)	124 820	
Proceeds from sale of intangible assets	-	-	**-**	1 026	1 026	
Net cash flows from investing activities	**(963 600)**	**-**	**(963 600)**	**(1 282 122)**	**(318 522)**	
Repayment of finance leases	(9 715)	-	**(9 715)**	(138 738)	(129 023)	Note 4
Borrowing activities	(610)	-	**(610)**	-	610	
Net cash flows from financing activities	**(10 325)**	**-**	**(10 325)**	**(138 738)**	**(128 413)**	
Net increase/(decrease) in cash and cash equivalents	(805 238)	-	**(805 238)**	(738 002)	67 236	
Cash and cash equivalents at the beginning of the year	2 470 377	-	**2 470 377**	2 470 377	**-**	
Cash and cash equivalents at the end of the year	**1 665 139**	**-**	**1 665 139**	**1 732 375**	**67 236**	

EXPLANATION OF DIFFERENCES

Timing difference

The interest variance represents interest earned on short term investments as a result of delays in project roll-outs, settlement of provisions and business as usual activities.	Note 1
The variance is due to a higher than anticipated income on commission received from the Unemployment Insurance Fund and equipment leases to the Department of Home Affairs.	Note 2
Savings in operating activities are due to cost efficiencies, tighter controls and negotiation of better rates with service providers.	Note 3
The increased spend in investing activities is due to the purchase of two buildings. Alberton Campus was an early settlement of a finance lease and Lehae Le SARS a pre-emptive right of acquistion that was exercised.	Note 4

1. Presentation of Financial Statements

The reporting activity of SARS has been divided into Administered Revenue and Own Accounts. Any uncertainty regarding the legal basis for dividing the reporting activity of SARS as described above will be addressed in the 2013/14 financial year.

The annual financial statements have been prepared in accordance with the effective Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise. They are presented in South African Rand.

A summary of the significant accounting policies, which have been consistently applied, are disclosed below. These accounting policies are consistent with the previous period.

1.1 Consolidation

Basis of consolidation

Consolidated annual financial statements are the annual financial statements of the economic entity presented as those of a single entity.

The consolidated annual financial statements incorporate the annual financial statements of the controlling entity.

Control exists when the controlling entity has the power to govern the financial and operating policies of another entity so as to obtain benefits from its activities.

The results of the controlled entity are included in the consolidated annual financial statements from the effective date of acquisition or date when control commences to the effective date of disposal or date when control ceases.

The annual financial statements of the controlling entity and its controlled entity used in the preparation of the consolidated annual financial statements are prepared as of the same reporting date.

All intra-entity transactions, balances, revenues and expenses are eliminated in full on consolidation, except for VAT on inter-company transactions. This is due to the fact that the controlling entity is not a registered VAT vendor.

1.2 Significant judgements and sources of estimation uncertainty

In preparing the financial statements, management is required to make estimates and assumptions that affect the amounts represented in the financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the financial statements. Significant judgements and estimates include:

Loans and receivables

The economic entity assesses its loans and receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, management makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

Fair value estimation

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the applicable interest rates that are available to the economic entity for similar financial instruments.

1.2 Significant judgements and sources of estimation uncertainty (continued)

Impairment testing

The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair value less cost to sell. These calculations require the use of estimates and assumptions. It is reasonably possible that the assumed future cashflows from assets may change which may impact estimations and may then require a material adjustment to the carrying value of assets.

The economic entity reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable.

If there is objective evidence that an impairment loss on the carrying value of assets has been incurred, the amount of the loss is the difference between the asset's carrying amount and estimated recoverable amount. The amount of the loss is recognised in surplus or deficit.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed. The reversal does not result in a carrying amount of the financial asset that exceeds what the amortised cost model would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

Provisions

Provisions were raised and management was prudent in determining estimates based on the information available. Additional disclosure of these estimates of provisions are included in note 13 - Provisions.

Taxation

This policy is not applicable to the controlling entity. In respect of the controlled entity judgement is required in determining the provision for income taxes due to the complexity of legislation. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The controlled entity recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

The controlled entity recognises the net future tax benefit related to deferred income tax assets to the extent that it is probable that the deductible temporary differences will reverse in the foreseeable future. Assessing the recoverability of deferred income tax assets requires the controlled entity to make significant estimates related to expectations of future taxable income. Estimates of future taxable income are based on forecast cash flows from operations and the application of existing tax laws in each jurisdiction. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the controlled entity to realise the net deferred tax assets recorded at the end of the reporting period could be impacted.

Allowance for doubtful debts

For debtors an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the debtors carrying amount and the present value of estimated future cash flows discounted at the applicable ministerial rate, computed at initial recognition.

1.3 Property, plant and equipment

Property, plant and equipment are tangible non-current assets that are held for use for administrative purposes and are expected to be used during more than one period.

The cost of an item of property, plant and equipment is recognised as an asset when:
- it is probable that future economic benefits or service potential associated with the item will flow to the entity; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired through a non-exchange transaction, at no cost or at nominal cost, its cost is its fair value as at date of acquisition.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Costs include costs incurred initially to acquire an item of property, plant and equipment and costs incurred subsequently to add to or replace part of it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses except for land and buildings which are carried at revalued amount being the fair value at the date of revaluation less any subsequent accumulated depreciation and impairment losses.

Revaluations are made with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is not eliminated against the gross carrying amount of the asset and the net amount restated to the revalued amount of the asset. The cost price will reflect the grossed up value instead of the revalued amount. This does not have any effect on the values as per the statement of position.

Any increase in the carrying amount of an asset, as a result of a revaluation, is credited directly to a revaluation surplus. The increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

Any decrease in the carrying amount of an asset, as a result of a revaluation, is recognised in surplus or deficit in the current period. The decrease is debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

The revaluation surplus in equity related to a specific item of property, plant and equipment is transferred directly to retained earnings as the asset is used. The amount transferred is equal to the difference between depreciation based on the revalued carrying amount and depreciation based on the original cost of the asset.

1.3 Property, plant and equipment (continued)

Property, plant and equipment are depreciated on the straight line basis over their expected useful lives to their estimated residual value.

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	**Average useful life**
Buildings	15 years to 50 years
Plant and equipment	7 years to 10 years
Furniture, fittings and office equipment	3 years to 6 years
Land & water vehicles	5 years to 8 years
Computer equipment	3 years to 5 years
Leasehold improvements	Over the life of the asset or the lease period whichever is shorter
Generators	10 years
Security equipment	5 years

The useful life of motor vehicles included in land & water vehicles was reviewed at the reporting date and changed from 5 to 8 years. The change was accounted for as a change in accounting estimate.

At the reporting date the entity reviewed the residual value of the computer equipment class. The residual value of personal computers, notebooks and monitors were changed from 5% of the initial cost of the asset to zero percent due to the items being donated to educational institutions as identified by the SARS Corporate Social Responsibility department. The change was accounted for as a change in accounting estimate.

The residual value, and the useful life and depreciation method of each asset are reviewed at each reporting date. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

Items of the economic entity are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

1.4 Intangible assets

An asset is identified as an intangible asset when it:

- is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, asset or liability; or
- arises from contractual rights or other legal rights, regardless of whether those rights are transferable or separate from the economic entity or from other rights and obligations.

An intangible asset is recognised when:

- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the economic entity; and
- the cost or fair value of the asset can be measured reliably.

Intangible assets are initially recognised at cost. The cost of an intangible asset acquired at no or nominal cost, shall be its fair value as at the date of acquisition.

1.4 Intangible assets (continued)

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:

- it is technically feasible to complete the asset so that it will be available for use or sale;
- there is an intention to complete and use or sell it;
- there is an ability to use or sell it;
- it will generate probable future economic benefits or service potential;
- there are available technical, financial and other resources to complete the development and to use or sell the asset; and
- the expenditure attributable to the asset during its development can be measured reliably.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight line basis over their useful life.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

Item	**Useful life**
Intellectual property	Indefinite
Computer software	5 years

Intangible assets are derecognised:

- on disposal; or
- when no future economic benefits or service potential are expected from its use.

The gain or loss is the difference between the net disposal proceeds, if any, and the carrying amount. It is recognised in surplus or deficit when the asset is derecognised.

1.5 Investment in controlled entity

Economic entity annual financial statements

The economic entity annual financial statements include those of the controlling entity and its controlled entity. The revenue and expenses of the controlled entity are included from the effective date of acquisition.

Controlling entity's annual financial statements

In the entity's separate annual financial statements, investment in the controlled entity is carried at cost less any accumulated impairment.

The cost of an investment in the controlled entity is the aggregate of:

- the fair value, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the entity; plus
- any costs directly attributable to the purchase of the controlled entity.

1.6 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or a residual interest of another entity.

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility.

The controlled entity's concessionary loan is a loan granted on terms that are not market related.

Derecognition is the removal of a previously recognised financial asset or financial liability from an entity's statement of financial position.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction.

A financial asset is:

- cash; or
- a residual interest in another entity; or
- a contractual right to:
  - » receive cash or another financial asset from another entity; or
  - » exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity.

A financial liability is any liability that is a contractual obligation to:

- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the entity.

A financial asset is past due when a counterparty has failed to make a payment when contractually due.

Loan commitment is a firm commitment to provide credit under agreed terms and conditions.

Financial instruments at amortised cost are non-derivative financial assets or non-derivative financial liabilities that have fixed or determinable payments, excluding those instruments that:

- the entity designates at fair value at initial recognition; or
- are held for trading.

Financial instruments at fair value comprise financial assets or financial liabilities that are instruments that are designated at fair value.

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

1.6 Financial instruments (continued)

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Liquidity risk is the risk encountered by an entity in the event of difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

Classification

The entity has the following types of financial assets (classes and categories) as reflected in the statement of financial position or in the notes thereto:

Class	Category
Loan to controlled entity	Financial asset measured at amortised cost
Trade and other receivables	Financial asset measured at amortised cost
Cash and cash equivalents	Financial asset measured at fair value

The entity has the following types of financial liabilities (classes and categories) as reflected in the statement of financial position or in the notes thereto:

Class	Category
Finance lease obligation	Financial liability measured at amortised cost
Trade and other payables	Financial liability measured at amortised cost
Employee benefits	Financial liability measured at amortised cost and fair value

Initial recognition

The entity recognises a financial asset or a financial liability in its statement of financial position when the entity becomes a party to the contractual provisions of the instrument.

The entity recognises financial assets using trade date accounting (transaction date).

Initial measurement of financial assets and financial liabilities

The entity measures a financial asset and financial liability initially at its fair value plus transaction cost that is directly attributable to the acquisition or issue of the financial asset or financial liability.

Subsequent measurement of financial assets and financial liabilities

The entity measures all financial assets and financial liabilities after initial recognition using the following categories:

- financial instruments at fair value; and
- financial instruments at amortised cost.

All financial assets measured at amortised cost are subject to an impairment review.

Fair value measurement considerations

The best evidence of fair value is quoted prices in an active market. If the market for a financial instrument is not active, the entity establishes fair value by using a valuation technique. The objective of using a valuation technique is to establish what the transaction price would have been on the measurement date in an arm's length exchange motivated by normal operating considerations.

1.6 Financial instruments (continued)

Gains and losses

A gain or loss arising from a change in the fair value of a financial asset or financial liability is recognised in surplus or deficit.

For financial assets and financial liabilities measured at amortised cost or cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired through the amortisation process.

Impairment and uncollectibility of financial assets

The entity assesses at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

Financial assets measured at amortised cost:

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced directly or through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed directly or by adjusting an allowance account. The reversal does not result in a carrying amount of the financial asset that exceeds what the amortised cost model would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

Derecognition

Financial assets

The entity derecognises financial assets using trade date accounting (transaction date).

The entity derecognises a financial asset only when the contractual rights to the cash flows from the financial asset expire, are settled or waived.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received is recognised in surplus or deficit.

Financial liabilities

The entity removes a financial liability (or a part of a financial liability) from its statement of financial position when it is extinguished.

Presentation

Interest relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Losses and gains relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

1.6 Financial instruments (continued)

A financial asset and a financial liability are only offset and the net amount presented in the statement of financial position when the entity currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

1.7 Tax - this policy is not applicable to the controlling entity

Current tax assets and liabilities

In respect of the controlled entity current tax for current and prior periods is, to the extent unpaid, recognised as a liability. If the amount already paid in respect of current and prior periods exceeds the amount due for those periods, the excess is recognised as an asset.

Current tax liabilities (assets) for the current and prior periods are measured at the amount expected to be paid to (recovered from) the tax authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and liabilities

A deferred tax liability is recognised for all taxable temporary differences, except to the extent that the deferred tax liability arises from the initial recognition of an asset or liability in a transaction which at the time of the transaction, affects neither accounting surplus nor taxable profit (tax loss).

A deferred tax asset is recognised for all deductible temporary differences to the extent that it is probable that taxable surplus will be available against which the deductible temporary difference can be utilised. A deferred tax asset is not recognised when it arises from the initial recognition of an asset or liability in a transaction at the time of the transaction, affects neither accounting surplus nor taxable profit (tax loss).

A deferred tax asset is recognised for the carry forward of unused tax losses to the extent that it is probable that future taxable surplus will be available against which the unused tax losses can be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

Tax expense

Current and deferred taxes are recognised as an income or an expense and included in surplus or deficit for the period.

Current tax and deferred taxes are charged or credited to net assets if the tax relates to items that are credited or charged, in the same or a different period, to net assets.

1.8 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

Finance leases

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

1.8 Leases (continued)

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease.

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate on the remaining balance of the liability.

Operating leases

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease liability.

1.9 Impairment of cash-generating assets

Cash-generating assets are those assets held by the economic entity with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the future economic benefits or service potential through depreciation (amortisation) of the asset.

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets held with the primary objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation and amortisation is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

Useful life is the period of time over which an asset is expected to be used by the economic entity.

Identification

When the carrying amount of a cash-generating asset exceeds its recoverable amount, it is impaired.

The economic entity assesses at each reporting date whether there is any indication that a cash-generating asset may be impaired. If any such indication exists, the economic entity estimates the recoverable amount of the asset.

Irrespective of whether there is any indication of impairment, the economic entity also tests a cash-generating intangible asset with an indefinite useful life or a cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset is tested for impairment before the end of the current reporting period.

1.9 Impairment of cash-generating assets (continued)

Recognition and measurement

If the recoverable amount of a cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

Any impairment loss of a revalued cash-generating asset is treated as a revaluation decrease.

After the recognition of an impairment loss, the depreciation or amortisation charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Cash-generating units

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the economic entity determines the recoverable amount of the cash-generating unit to which the asset belongs (the asset's cash-generating unit).

Cash-generating units are identified consistently from period to period for the same asset or types of assets, unless a change is justified.

The carrying amount of a cash-generating unit is determined on a basis consistent with the way the recoverable amount of the cash-generating unit is determined.

An impairment loss is recognised for a cash-generating unit if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment is allocated to reduce the carrying amount of the cash-generating assets of the unit on a pro rata basis, based on the carrying amount of each asset in the unit. These reductions in carrying amounts are treated as impairment losses on individual assets.

In allocating an impairment loss, the entity does not reduce the carrying amount of an asset below the highest of:
- its fair value less costs to sell (if determinable);
- its value in use (if determinable); and
- zero.

Reversal of impairment loss

The economic entity assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a cash-generating asset may no longer exist or may have decreased. If any such indication exists, the entity estimates the recoverable amount of that asset.

An impairment loss recognised in prior periods for a cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a cash-generating asset is recognised immediately in surplus or deficit. Any reversal of an impairment loss of a revalued cash-generating asset is treated as a revaluation increase. After a reversal of an impairment loss is recognised, the depreciation or amortisation charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

1.9 Impairment of cash-generating assets (continued)

An impairment loss recognised for goodwill shall not be reversed in subsequent periods.

1.10 Employee benefits

Employee benefits are all forms of consideration given by an entity in exchange for service rendered by employees.

Other long-term employee benefits are employee benefits (other than post-employment benefits and termination benefits) that are not due to be settled within twelve months after the end of the period in which the employees render the related service.

Short-term employee benefits

Short-term employee benefits are employee benefits that are due to be settled within twelve months after the end of the period in which the employees render the related service.

Short-term employee benefits include items such as:
- wages, salaries and social security contributions;
- short-term compensated absences where the compensation for the absences is due to be settled within twelve months after the end of the reporting period in which the employees render the related employee service; and
- bonus, incentive and performance related payments payable within twelve months after the end of the reporting period in which the employees render the related service.

When an employee has rendered service to the entity during a reporting period, the entity recognises the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:
- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the entity recognises that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs. The entity measures the expected cost of accumulating compensated absences as the additional amount that the entity expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

The entity recognises the expected cost of bonus, incentive and performance related payments when the entity has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made. A present obligation exists when the entity has no realistic alternative but to make the payments.

Post-employment benefits: Defined contribution plans

Defined contribution plans are post-employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

When an employee has rendered service to the entity during a reporting period, the entity recognises the contribution payable to a defined contribution plan in exchange for that service:
- as a liability (accrued expense), after deducting any contribution already paid. If the contribution already paid exceeds the contribution due for service before the reporting date, an entity recognises that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the contribution in the cost of an asset.

1.10 Employee benefits (continued)

Where contributions to a defined contribution plan do not fall due wholly within twelve months after the end of the reporting period in which the employees render the related service, they are discounted. The rate used to discount reflects the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the obligation.

1.11 Provisions and contingencies

Provisions are recognised when:

- the economic entity has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditure expected to settle the obligation.

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation.

A provision is used only for expenditure for which the provision was originally recognised. Provisions are not recognised for future operating deficits.

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

The Economic Entity recognises a provision for financial guarantees and loan commitments when it is probable that an outflow of resources embodying economic benefits and service potential will be required to settle the obligation and a reliable estimate of the obligation can be made.

Determining whether an outflow of resources is probable in relation to financial guarantees requires judgement. Indications that an outflow of resources may be probable are:

- financial difficulty of the debtor; and
- a decline in prevailing economic circumstances (e.g. high interest rates, inflation and unemployment) that impact on the ability of entities to repay their obligations.

1.12 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

An exchange transaction is one in which the entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value to the other party in exchange.

1.12 Revenue from exchange transactions (continued)

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the economic entity;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When services are performed by an indeterminate number of acts over a specified time frame, revenue is recognised on a straight line basis over the specified time frame unless there is evidence that some other method better represents the stage of completion. When a specific act is much more significant than any other act, the recognition of revenue is postponed until the significant act is executed.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

1.13 Revenue from non-exchange transactions

Revenue comprises gross inflows of economic benefits or service potential received and receivable by an entity, which represents an increase in net assets, other than increases relating to contributions from owners.

Conditions on transferred assets are stipulations that specify that the future economic benefits or service potential embodied in the asset are required to be consumed by the recipient as specified or future economic benefits or service potential must be returned to the transferor.

Control of an asset arises when the entity can use or otherwise benefit from the asset in pursuit of its objectives and can exclude or otherwise regulate the access of others to that benefit.

In a non-exchange transaction, an entity either receives value from another entity without directly giving approximately equal value in exchange, or gives value to another entity without directly receiving approximately equal value in exchange.

Recognition

An inflow of resources from a non-exchange transaction recognised as an asset is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

Measurement

Revenue from a non-exchange transaction is measured as the increase in net assets recognised by the entity.

1.13 Revenue from non-exchange transactions (continued)

When, as a result of a non-exchange transaction, the entity recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability is recognised as revenue.

Gifts and donations, including goods in-kind

Donations, including goods in kind, are recognised as assets and revenue when it is probable that the future economic benefits or service potential will flow to the entity and the fair value of the assets can be measured reliably.

1.14 Government grants

SARS' main source of income is an annual grant from Parliament for its services, based on estimated expenditure for performing any specific act or function on behalf of Government in the collection of administered revenue.

1.15 Investment income

Investment income is recognised on a time-proportion basis using the effective interest rate method.

1.16 Translation of foreign currencies

Foreign currency transactions

A foreign currency transaction is recorded on initial recognition in Rand, by applying to the foreign currency amount the spot exchange rate between the functional currency and the foreign currency at the date of the transaction.

At each reporting date foreign currency monetary items are translated using the closing rate.

Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition during the period or in previous financial statements are recognised in surplus or deficit in the period in which they arise.

Cash flows arising from transactions in a foreign currency are recorded in Rands by applying to the foreign currency amount the exchange rate between the Rand and the foreign currency at the date of the cash flow.

1.17 Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

1.18 Research and development expenditure

Research costs are charged against operating surplus as incurred.

Development costs are recognised as assets when the following criteria are met:

- the product or process is clearly defined and the costs attributable to the process or product can be separately identified and measured reliably;
- the technical feasibility of the product or process can be demonstrated;
- the existence of a market or, if to be used internally rather than sold, its usefulness to the economic entity can be demonstrated; and

1.18 Research and development expenditure (continued)

- adequate resources exist, or their availability can be demonstrated, to complete the project and then market or use the product or process.

1.19 Budget information

The controlling entity is subject to appropriations of budgetary limits, which is given effect through authorising legislation.

General purpose financial reporting by the controlling entity shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

The approved budget is prepared on an accrual basis and presented by economic classification linked to performance outcome objectives.

The approved budget covers the fiscal period from 2012/04/01 to 2013/03/31. This accounting policy applies only to the approved budget of the controlling entity.

The financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the statement of comparison of budget and actual amounts.

The statement of comparative and actual information has been included in the financial statements as the recommended disclosure when the financial statements and the budget are on the same basis of accounting as determined by National Treasury.

Comparative information is not required.

1.20 Related parties

The controlling entity operates in an economic sector currently dominated by entities directly or indirectly owned by the South African Government. As a consequence of the constitutional independence of the three spheres of government in South Africa, only entities within the national sphere of government are considered to be related parties.

Only transactions with related parties not at arm's length or not in the ordinary course of business are disclosed.

Management, members of the executive committee, are those persons responsible for planning, directing and controlling the activities of the controlling entity, including those charged with the governance of the controlling entity in accordance with legislation, in instances where they are required to perform such functions.

Close family members of a person considered to be a member of management are those family members who may be expected to influence, or be influenced by each other in their dealings with the controlling entity.

1.21 Changes in accounting policy

The financial statements have been prepared in accordance with the effective Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board on a basis consistent with the prior year.

Transfer of functions between entities under common control

During the prior year, the economic entity formulated an accounting policy based on GRAP105 – transfer of functions between entities under common control with respect to the treatment of the capital reserve on establishment. The controlling entity now recognises the surplus of assets over liabilities transferred from government on 1 october 1997 in accumulated surplus (R32 363 631).

2. New standards and interpretations

2.1 Standards and interpretations effective and adopted in the current year

In the current year, the economic entity has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• GRAP 24: Presentation of Budget Information in the Financial Statements	01 April 2012	Adoption of this standard resulted in additional disclosure for the entity.
• GRAP 104: Financial Instruments	01 April 2012	The impact of this standard was not material as the Financial Instruments policy adopted in the prior period was based on GRAP 104.

2.2 Standards and interpretations issued, but not yet effective

The economic entity has not applied the following standards and interpretations, which have been published and are mandatory for the economic entity's accounting periods beginning on or after 01 April 2013 or later periods:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• GRAP 25: Employee benefits	01 April 2013	The adoption of this standard is expected to impact the results of the entity.
• GRAP 105: Transfers of functions between entities under common control	01 April 2014	The impact of this standard is not expected to be material as the current Transfers of functions between entities under common control policy adopted in the prior period was based on GRAP 105.
• GRAP 20: Related parties	01 April 2013	The adoption of this standard is not expected to impact the results of the entity.
• IGRAP16: Intangible assets website costs	01 April 2013	The adoption of this standard is not expected to impact the results of the entity.

	Economic entity		Controlling entity	
	2013	2012	2013	2012
	R '000	R '000	R '000	R '000

3. Trade and other receivables

Government departments	43 984	49 206	43 984	49 206
Other receivables	12 572	12 417	12 957	15 693
Deposits	6 513	3 095	6 498	3 080
Staff accounts receivables	4 241	2 472	4 241	2 472
Trade debtors	1 870	5 271	-	-
Advanced Tax Ruling (ATR) debtors	718	111	718	111
	69 898	**72 572**	**68 398**	**70 562**

Fair value of trade and other receivables

Trade and other receivables	69 898	72 572	68 398	70 562

Trade and other receivables are carried at original invoice amounts, which approximates fair value, less provision made for impairment of these receivables.

Trade and other receivables past due but not impaired

At 31 March 2013, R10 589 169 (2012: R3 869 045) were past due but not impaired.

The ageing of amounts past due but not impaired is as follows:

1 month past due	6 820	2 258	11	174
2 months past due	1 956	921	86	7
3 months and more past due	1 813	690	1 556	571

Included in the 3 months and more past due balance is an amount of R150 329 (2012: R 498 670) relating to the Government Pensions Administration Fund and an amount of R1 372 340 relating to the Eastern Cape Department of Health who paid the balance subsequent to the reporting date.

All amounts for the controlled entity were settled subsequent to the reporting date.

Trade and other receivables impaired

As at 31 March 2013, trade and other receivables of R837 388 (2012: R4 038 566) were impaired and provided for.

The ageing of these receivables is as follows:

1 to 3 months	-	260	-	260
Over 3 months	837	3 779	837	1 494

Reconciliation of provision for impairment of trade and other receivables

Opening balance	4 039	3 205	1 754	3 205
Provision for impairment	(2 572)	1 810	(287)	(444)
Amounts written off as uncollectible	(630)	(976)	(630)	(1 007)
Closing balance	**837**	**4 039**	**837**	**1 754**

	Economic entity		Controlling entity	
	2013	2012	2013	2012
	R '000	R '000	R '000	R '000

4. Cash and cash equivalents

Cash and cash equivalents consist of:

Bank balances	1 747 218	2 473 377	1 731 892	2 469 912
Cash on hand	487	471	483	465
	1 747 705	**2 473 848**	**1 732 375**	**2 470 377**

Credit quality of cash at bank and short term deposits, excluding cash on hand

Bank balances comprise cash and short term investments that are held with registered banking institutions. The carrying amount of these assets approximate their fair value.

Figures in Rand thousand

5. Property, plant and equipment

Economic entity	2013			2012		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
IT equipment	902 671	(628 230)	274 441	848 494	(532 095)	316 399
Buildings	615 233	(25 517)	589 716	190 697	(17 633)	173 064
Leasehold improvements	453 530	(321 500)	132 030	399 855	(272 799)	127 056
Furniture, fittings and office equipment	379 820	(244 379)	135 441	372 840	(224 368)	148 472
Land and water vehicles	163 142	(72 999)	90 143	138 747	(71 795)	66 952
Security equipment	137 874	(67 840)	70 034	143 535	(47 662)	95 873
Land	137 589	-	137 589	40 030	-	40 030
Generators	60 932	(18 122)	42 810	46 767	(11 504)	35 263
Assets under construction	56 719	-	56 719	4 643	-	4 643
Plant and equipment	19 488	(14 842)	4 646	18 475	(12 635)	5 840
Total	**2 926 998**	**(1 393 429)**	**1 533 569**	**2 204 083**	**(1 190 491)**	**1 013 592**

Controlling entity	2013			2012		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
IT Equipment	895 964	(622 945)	273 019	842 433	(528 375)	314 058
Buildings	615 233	(25 517)	589 716	190 697	(17 633)	173 064
Leasehold improvements	453 530	(318 751)	134 779	399 855	(271 021)	128 834
Furniture, fittings and office equipment	378 932	(243 876)	135 056	371 967	(224 054)	147 913
Land and water vehicles	163 142	(72 999)	90 143	138 747	(71 795)	66 952
Security equipment	133 327	(67 835)	65 492	138 988	(47 660)	91 328
Land	137 589	-	137 589	40 030	-	40 030
Generators	60 728	(18 005)	42 723	46 563	(11 428)	35 135
Assets under construction	56 719	-	56 719	4 643	-	4 643
Plant and equipment	19 488	(14 842)	4 646	18 475	(12 635)	5 840
Total	**2 914 652**	**(1 384 770)**	**1 529 882**	**2 192 398**	**(1 184 601)**	**1 007 797**

Figures in Rand thousand

5. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - Economic entity - 2013

	Opening balance	Additions	Disposals	Transfers	Revaluations	Donations received	Compensation for replacement assets	Depreciation	Impairment loss	Impairment reversal	Total
IT equipment	316 399	111 388	(1 215)	4 017	-	-	2 443	(154 236)	(4 435)	80	274 441
Buildings	173 064	456 158	-	-	23 808	-	-	(5 146)	(58 168)	-	589 716
Leasehold improvements	127 056	57 511	(2)	622	-	-	-	(50 534)	(2 623)	-	132 030
Furniture, fittings and office equipment	148 472	33 964	(314)	-	-	6	24	(45 370)	(1 937)	596	135 441
Land and water vehicles	66 952	36 673	(1 098)	-	-	-	-	(12 357)	(27)	-	90 143
Security equipment	95 873	(219)	(253)	199	-	-	-	(25 395)	(175)	4	70 034
Land	40 030	94 021	-	-	7 981	-	-	-	(4 443)	-	137 589
Generators	35 263	12 404	-	-	-	-	-	(4 857)	-	-	42 810
Assets under construction	4 643	52 931	-	(855)	-	-	-	-	-	-	56 719
Plant and equipment	5 840	1 005	(1)	-	-	-	-	(2 198)	-	-	4 646
	1 013 592	**855 836**	**(2 883)**	**3 983**	**31 789**	**6**	**2 467**	**(300 093)**	**(71 808)**	**680**	**1 533 569**

The controlling entity exercised a pre-emptive right as per the lease agreement of the SARS Head Office, Lehae Le SARS to purchase the building. Title transferred to the controlling entity on 10 December 2012.

The finance lease for the Alberton south campus was settled early and title transferred to the controlling entity on 19 December 2012.

Figures in Rand thousand

5. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - Economic entity - 2012

	Opening balance	Additions	Disposals	Transfers	Revaluations	Depreciation	Impairment loss	Impairment reversal	Total
IT equipment	287 750	189 383	(1 238)	(564)	-	(154 128)	(4 906)	102	316 399
Buildings	172 617	-	-	-	2 169	(1 722)	-	-	173 064
Leasehold improvements	105 704	43 412	(2)	19 148	-	(41 016)	(190)	-	127 056
Furniture, fittings and office equipment	143 473	45 122	(393)	6 734	-	(44 587)	(2 136)	259	148 472
Land and water vehicles	66 258	16 728	(201)	-	-	(15 673)	(160)	-	66 952
Security equipment	70 483	11 146	(3)	33 608	-	(18 991)	(375)	5	95 873
Land	40 030	-	-	-	-	-	-	-	40 030
Generators	34 137	320	-	5 258	-	(4 451)	(1)	-	35 263
Assets under construction	24 782	44 802	-	(64 941)	-	-	-	-	4 643
Plant and equipment	7 778	199	-	-	-	(2 137)	-	-	5 840
	953 012	**351 112**	**(1 837)**	**(757)**	**2 169**	**(282 705)**	**(7 768)**	**366**	**1 013 592**

Figures in Rand thousand

5. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - Controlling entity - 2013

	Opening balance	Additions	Disposals	Transfers	Revaluations	Donations received	Compensation for replacement assets	Depreciation	Impairment loss	Impairment reversal	Total
IT equipment	314 058	110 743	(1 215)	4 017	-	-	2 443	(152 672)	(4 435)	80	273 019
Buildings	173 064	456 158	-	-	23 808	-	-	(5 146)	(58 168)	-	589 716
Leasehold improvements	128 834	57 511	(2)	622	-	-	-	(49 563)	(2 623)	-	134 779
Furniture, fittings and office equipment	147 913	33 948	(314)	-	-	6	24	(45 181)	(1 936)	596	135 056
Land and water vehicles	66 952	36 673	(1 098)	-	-	-	-	(12 357)	(27)	-	90 143
Security equipment	91 328	(219)	(253)	199	-	-	-	(25 392)	(175)	4	65 492
Land	40 030	94 021	-	-	7 981	-	-	-	(4 443)	-	137 589
Generators	35 135	12 404	-	-	-	-	-	(4 816)	-	-	42 723
Assets under construction	4 643	52 931	-	(855)	-	-	-	-	-	-	56 719
Plant and equipment	5 840	1 005	(1)	-	-	-	-	(2 198)	-	-	4 646
	1 007 797	**855 175**	**(2 883)**	**3 983**	**31 789**	**6**	**2 467**	**(297 325)**	**(71 807)**	**680**	**1 529 882**

The controlling entity exercised a pre-emptive right as per the lease agreement of the SARS Head Office, Lehae Le SARS to purchase the building. Title transferred to the controlling entity on 10 December 2012.

The finance lease for the Alberton south campus was settled early and title transferred to the controlling entity on 19 December 2012.

Figures in Rand thousand

5. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - Controlling entity - 2012

	Opening balance	Additions	Disposals	Transfers	Revaluations	Depreciation	Impairment loss	Impairment reversal	Total
IT equipment	283 719	188 965	(1 238)	(564)	-	(152 020)	(4 906)	102	314 058
Buildings	172 617	-	-	-	2 169	(1 722)	-	-	173 064
Leasehold improvements	106 512	43 411	(2)	19 148	-	(40 045)	(190)	-	128 834
Furniture, fittings and office equipment	142 765	45 087	(393)	6 734	-	(44 403)	(2 136)	259	147 913
Land and water vehicles	66 258	16 728	(201)	-	-	(15 673)	(160)	-	66 952
Security equipment	65 954	11 128	(3)	33 608	-	(18 989)	(375)	5	91 328
Land	40 030	-	-	-	-	-	-	-	40 030
Generators	33 968	320	-	5 258	-	(4 410)	(1)	-	35 135
Assets under construction	24 782	44 802	-	(64 941)	-	-	-	-	4 643
Plant and equipment	7 778	199	-	-	-	(2 137)	-	-	5 840
	944 383	**350 640**	**(1 837)**	**(757)**	**2 169**	**(279 399)**	**(7 768)**	**366**	**1 007 797**

	Economic entity		Controlling entity	
	2013	2012	2013	2012
	R '000	R '000	R '000	R '000

5. Property, plant and equipment (continued)

Assets subject to finance lease (Net carrying amount)

Buildings	-	169 410	-	169 410
Land	-	39 835	-	39 835
Furniture, fittings and office equipment	29 463	37 268	29 443	37 176
	29 463	**246 513**	**29 443**	**246 421**

Revaluations

The effective date of the revaluations was 31 March 2013. Revaluations were performed by Mr. WJ Hewitt (NDPV, C.I.E.A., FIV (SA),MRICS), Professional valuer of Mills Fitchet (TVL) cc.

The valuation was performed using the direct comparatable basis method.

The carrying value of the revalued assets under the cost model would have been:

Buildings	600 571	151 247	600 571	151 247
Land	105 570	11 549	105 570	11 549

Property, plant and equipment fully depreciated and still in use (Gross carrying amount)

Property, plant and equipment	569 907	322 579	569 542	322 438

Figures in Rand thousand

6. Intangible assets

Economic entity	2013			2012		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Computer software	1 646 608	(950 594)	696 014	1 315 308	(744 266)	571 042
Software under development	246 189	-	246 189	219 007	-	219 007
Intellectual property and other rights	73 583	-	73 583	73 583	-	73 583
Total	**1 966 380**	**(950 594)**	**1 015 786**	**1 607 898**	**(744 266)**	**863 632**

Controlling entity	2013			2012		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Computer software	1 645 741	(950 312)	695 429	1 314 705	(744 133)	570 572
Software under development	401 888	-	401 888	310 679	-	310 679
Total	**2 047 629**	**(950 312)**	**1 097 317**	**1 625 384**	**(744 133)**	**881 251**

Reconciliation of intangible assets - Economic entity - 2013

	Opening balance	Additions	Disposals	Transfers	Amortisation	Total
Computer software	571 042	76 764	(739)	257 951	(209 004)	696 014
Software under development	219 007	289 116	-	(261 934)	-	246 189
Intellectual property and other rights	73 583	-	-	-	-	73 583
	863 632	**365 880**	**(739)**	**(3 983)**	**(209 004)**	**1 015 786**

Disposals represents a refund received for licenses returned due to the product not being able to work in the controlling entity's environment.

Figures in Rand thousand

6. Intangible assets (continued)

Reconciliation of intangible assets - Economic entity - 2012

	Opening balance	Additions	Transfers	Amortisation	Total
Computer software	445 194	41 803	251 553	(167 508)	571 042
Software under development	213 878	255 925	(250 796)	-	219 007
Intellectual property and other rights	73 583	-	-	-	73 583
	732 655	**297 728**	**757**	**(167 508)**	**863 632**

Reconciliation of intangible assets - Controlling entity - 2013

	Opening balance	Additions	Disposals	Transfers	Amortisation	Total
Computer software	570 572	76 500	(739)	257 951	(208 855)	695 429
Software under development	310 679	353 143	-	(261 934)	-	401 888
	881 251	**429 643**	**(739)**	**(3 983)**	**(208 855)**	**1 097 317**

Disposals represents a refund received for licenses returned due to the product not being able to work in the controlling entity's environment.

Reconciliation of intangible assets - Controlling entity - 2012

	Opening balance	Additions	Transfers	Amortisation	Total
Computer software	444 922	41 526	251 553	(167 429)	570 572
Software under development	251 948	309 527	(250 796)	-	310 679
	696 870	**351 053**	**757**	**(167 429)**	**881 251**

Details of impairment test

An impairment test was performed by the controlled entity during the financial year to determine whether the intangible asset's value should be impaired. The effective date of the valuation was 31 March 2013. The valuation was performed by the independent valuer, KPMG. KPMG is not connected to the entity and has recent experience in valuing similar assets.

The valuation technique adopted in undertaking this valuation has been the relief from royalty method.

The relief from royalty method estimates the cost of licensing the acquired intangible asset from an independent third party using a royalty rate. Since the company owns the intangible assets, it is relieved from making royalty payments. The resulting cash flow savings attributed to the owned intangible assets are estimated over the intangible asset's remaining useful life and discounted to present value.

This approach focuses on the income producing capability of the intangible asset i.e. intellectual property, that best represents the present value of the future economic benefits expected to be derived from it. It reflects the present value of the operating cash flows generated by the IP after taking into account the cost to realise the revenue, the relative risk of the revenue streams and an appropriate discount rate to reflect the time value of invested capital.

	Economic entity		Controlling entity	
	2013	2012	2013	2012
	R '000	R '000	R '000	R '000

6. Intangible assets (continued)

The following key inputs were used:

Intellectual property valuation 2013 to 2018 forecast.

Royalty rate	20.00%
KPMG calculated weighted average cost of capital	19.36%
Tax rate	28.00%

The impairment test did not indicate an impairment of the intellectual property.

7. Investment in controlled entity

Name of company	Held by	% holding 2013	% holding 2012	Carrying amount 2013	Carrying amount 2012
International Frontier Technologies SOC Ltd	South African Revenue Service	100 %	100 %	-	-

The carrying amount of the controlled entity is shown net of impairment loss. The controlled entity has a share capital of R1 (One Rand).

8. Loan to the controlled entity

	Economic entity 2013	Economic entity 2012	Controlling entity 2013	Controlling entity 2012
Interfront	-	-	102 712	102 712
Provision for impairment of loan to controlled entity	-	-	(36 153)	(27 494)
	-	**-**	**66 559**	**75 218**

The loan is unsecured, bears no interest and is not due before 31 March 2014. Payment terms will be negotiated before the loan becomes due. SARS will provide Interfront with operational funding in accordance with pre-approved annual budgets until 31 March 2014.

The loan has been subordinated in favour of other creditors of Interfront until such time as the assets of the company, fairly valued, exceed its remaining liabilities.

Fair value of the loan to the controlled entity

	Economic entity 2013	Economic entity 2012	Controlling entity 2013	Controlling entity 2012
Loan to controlled entity	-	-	94 924	74 736

The loan to Interfront was valued by discounting the expected future cash flows from the asset with the original effective interest rate.

	Economic entity		Controlling entity	
	2013	2012	2013	2012
	R '000	R '000	R '000	R '000

8. Loan to the controlled entity (continued)

Impairment of the loan to the controlled entity

As at 31 March 2013, the loan to Interfront of R102 711 836 (2012: R102 711 836) was impaired by R36 152 681 (2012: R27 494 069.)

The ageing of the loan, although not past due is as follows:

Current	-	-	-	138
1 to 6 months	-	-	-	2 300
Over 6 months	-	-	102 712	100 274

Reconciliation of the provision for impairment of the loan to the controlled entity

Opening balance	-	-	27 494	8 268
Provision for impairment (refer note18)	-	-	16 152	25 822
Impairment provision	-	-	(6 821)	25 822
Adjustment due to change in estimated future cash flows	-	-	22 973	-
Interest income	-	-	(7 493)	(6 596)
	-	**-**	**36 153**	**27 494**

The provision for impairment of the loan to the controlled entity have been included in operating expenses in the statement of financial performance (note 18).

9. Tax paid - controlled entity

Current tax for the year recognised in surplus or deficit	(6 718)	-	-	-
Balance at end of the year	(2 300)	-	-	-
	(9 018)	**-**	**-**	**-**

	Economic entity		Controlling entity	
	2013	**2012**	**2013**	**2012**
	R '000	**R '000**	**R '000**	**R '000**

10. Finance lease obligation

Land and buildings - Alberton lease				
Minimum lease payments due				
- within one year	-	23 501	-	23 501
- in second to fifth year inclusive	-	111 644	-	111 644
- more than five years	-	24 295	-	24 295
	-	159 440	-	159 440
less: future finance charges	-	(43 657)	-	(43 657)
Present value of minimum lease payments	**-**	**115 783**	**-**	**115 783**

Office equipment				
Minimum lease payments due				
- within one year	17 378	17 586	17 345	17 485
- in second to fifth year inclusive	26 102	37 514	26 102	37 480
	43 480	55 100	43 447	54 965
less: future finance charges	(14 653)	(18 715)	(14 652)	(18 702)
Present value of minimum lease payments	**28 827**	**36 385**	**28 795**	**36 263**

Non-current liabilities	17 396	129 036	17 396	129 003
Current liabilities	11 431	23 132	11 399	23 043
	28 827	**152 168**	**28 795**	**152 046**

Land and buildings - Alberton lease

The finance lease for the Alberton south building was settled early and title transferred to SARS on 19 December 2012.

Office equipment

Certain photocopiers and fax machines were capitalised and the corresponding finance lease liability raised in accordance with GRAP13. The leases are payable in 36 or 60 monthly installments.

11. Trade and other payables

Trade accounts payables and accruals	392 047	419 573	404 788	421 887
Accruals for salary related expenses	211 852	214 555	209 318	212 068
Other payables	14 822	464	14 822	464
Donations for distributions	3	-	3	-
	618 724	**634 592**	**628 931**	**634 419**

	Economic entity		Controlling entity	
	2013	2012	2013	2012
	R '000	R '000	R '000	R '000

12. Deferred income

Donor funding	459	164	459	164
Tenant allowances	147	226	147	226
	606	**390**	**606**	**390**

Current liabilities	539	244	539	244
Non-current liabilities	67	146	67	146
	606	**390**	**606**	**390**

Tenant allowances represent amounts received from landlords for improvements made by the tenant to leased properties.

Donor funding represents outstanding claims against donor funds and membership fees from ATAF.

13. Provisions

Reconciliation of provisions - Economic entity - 2013

Figures in Rand thousand	Opening balance	Additions	Utilised during the year	Adjustments during the year	Total
Surrender of surplus funds	793 934	-	(794 000)	66	-
Performance bonuses	375 504	400 096	(343 352)	(31 928)	400 320
Other sundry provisions	3 273	-	-	(3 273)	-
	1 172 711	**400 096**	**(1 137 352)**	**(35 135)**	**400 320**

Reconciliation of provisions - Economic entity - 2012

	Opening balance	Additions	Utilised during the year	Reversed during the year	Total
Surrender of surplus funds	-	793 934	-	-	793 934
Performance bonuses	339 409	375 280	(335 060)	(4 125)	375 504
Other sundry provisions	3 186	9 419	(7 284)	(2 048)	3 273
	342 595	**1 178 633**	**(342 344)**	**(6 173)**	**1 172 711**

13. Provisions (continued)

Reconciliation of provisions - Controlling entity - 2013

Figures in Rand thousand

	Opening balance	Additions	Utilised during the year	Adjustments during the year	Total
Surrender of surplus funds	793 934	-	(794 000)	66	-
Performance bonuses	374 000	399 000	(342 072)	(31 928)	399 000
Other sundry provisions	3 273	-	-	(3 273)	-
	1 171 207	**399 000**	**(1 136 072)**	**(35 135)**	**399 000**

Reconciliation of provisions - Controlling entity - 2012

	Opening balance	Additions	Utilised during the year	Reversed during the year	Total
Surrender of surplus funds	-	793 934	-	-	793 934
Performance bonuses	338 000	374 000	(333 875)	(4 125)	374 000
Other sundry provisions	3 186	9 419	(7 284)	(2 048)	3 273
	341 186	**1 177 353**	**(341 159)**	**(6 173)**	**1 171 207**

Surrender of surplus

The provision for the surrender of the operating surplus relates to the possibility that SARS may be requested by National Treasury, under section 53(3) of the Public Finance Management Act 1999, to surrender a portion of the operating surplus. The amount provided represents the operating surplus in excess of the recognised liabilities and certain projects that have been contracted for. The extent to which an outflow of funds will be required is dependent on National Treasury's consideration of pertinent facts, including SARS' future funding needs.

Performance bonuses

Performance bonuses represent the obligation for annual performance bonuses payable to employees in terms of performance agreements. The uncertainty with performance bonuses resides in the final quantum.

Other sundry provisions

Other sundry provisions represents the amounts approved in principle for back pay due to employees. The uncertainty in this provision resides with timing and final quantum.

	Economic entity		Controlling entity	
	2013	2012	2013	2012
	R '000	R '000	R '000	R '000

14. Asset revaluation reserve

Opening balance	61 679	59 510	61 679	59 510
Current year revaluation	32 393	2 606	32 393	2 606
Depreciation on the revalued portion of assets	(604)	(437)	(604)	(437)
	93 468	**61 679**	**93 468**	**61 679**

15. Capital reserve on establishment

Surplus of assets over liabilities transferred from Government on 1 October 1997	-	32 364	-	32 364
Reversal of capital reserve to accumulated surplus	-	(32 364)	-	(32 364)
	-	**-**	**-**	**-**

16. Revenue

The amount included in revenue arising from exchanges of goods or services is as follows:				
Rendering of services	**15 422**	**11 288**	**-**	**-**
The amount included in revenue arising from non-exchange transactions is as follows:				
Transfer revenue				
Transfer from government entity	**9 149 374**	**8 653 573**	**9 149 374**	**8 653 573**

17. Other income

Commission received	234 014	231 108	234 014	231 108
SDL training grant	26 136	21 944	26 136	21 944
Sundry receipts	18 587	12 753	18 587	12 753
Compensation for replacement assets	2 467	-	2 467	-
Donations received	6	-	6	-
	281 210	**265 805**	**281 210**	**265 805**

18. Impairment of assets

Property, plant and equipment	71 128	7 402	71 128	7 402
Loan to controlled entity (refer note 8)	-	-	16 152	25 822
Total impairment losses recognised	**71 128**	**7 402**	**87 280**	**33 224**

	Economic entity		Controlling entity	
	2013	2012	2013	2012
	R '000	R '000	R '000	R '000

18. Impairment of assets (continued)

Assets impaired represent items that are either obsolete or not physically verifiable. Events and circumstances which have led to assets being scrapped are similar for all asset categories.

Impairment of property, plant and equipment represents normal scrappings on assets as well as R63.7million VAT paid on the acquisition of LeHae La SARS.

The loan to Interfront was measured at amortised cost. This resulted in an impairment in the current financial year.

19. Finance costs

Finance lease and interest payments	**15 498**	**21 389**	**15 487**	**21 366**

20. Taxation - controlled entity

Major components of the tax expense (income)

Current				
Local income tax - current period	6 718	-	-	-
Deferred				
Originating and reversing temporary differences	505	(1 029)	-	-
	7 223	**(1 029)**	**-**	**-**

Reconciliation of the tax expense

Reconciliation between applicable tax rate and and average effective tax rate.

Applicable tax rate	28 %	28 %	- %	- %
Accounting Profit subject to tax	30 008	(5 565)	-	-
Tax at 28%	8 402	(1 558)	-	-
Originating temporary difference	(505)	708	-	-
Utilised prior year unrecognised tax losses	(1401)	-	-	-
Effect of non-deductible expenses	222	222	-	-
Tax losses available for set-off against future taxable income	-	628	-	-
	6 718	**-**	**-**	**-**

Current taxation for the controlled entity comprises taxation payable, calculated on the basis of the expected taxable income for the year, using the taxation rates substantively enacted at the balance sheet date.

The controlled entity is exempt from the payment of income tax in terms of section 10(1)(cA) of the Income Tax Act of 1962

	Economic entity		Controlling entity	
	2013	2012	2013	2012
	R '000	R '000	R '000	R '000

21. Cash generated from operations

Surplus / (deficit)	871 641	(381 457)	904 221	(342 546)
Adjustments				
Depreciation and amortisation	509 097	450 213	506 180	446 828
Loss on disposal of assets	926	1 153	926	1 153
Compensation of replacement assets	(2 467)	-	(2 467)	-
Donations received	(6)	-	(6)	-
Finance costs	15 498	21 389	15 487	21 366
Impairment deficit	71 128	7 402	87 280	33 224
Movement in operating lease liability	(41 192)	13 424	(41 173)	13 326
Movement in employee benefits	18 548	25 734	18 548	25 734
Movement in provisions	(772 391)	830 117	(772 207)	830 022
Movement in tax receivable and payable	(2 300)	-	-	-
Movement in deferred tax	505	(1 029)	-	-
Interest income intercompany loan	-	-	(7 493)	(6 596)
Changes in working capital				
Trade and other receivables	2 674	(24 681)	2 164	(26 136)
Prepayments	(23 329)	4 201	(23 329)	4 201
Trade and other payables	(15 868)	46 309	(5 489)	51 798
VAT	(964)	(4 465)	-	-
Deferred income	216	(91)	216	(91)
	631 716	**988 219**	**682 858**	**1 052 283**

22. Financial assets by category

The accounting policies for financial instruments have been applied to the line items below:

Trade and other receivables at amortised cost	69 898	72 572	68 398	70 562
Cash and cash equivalents at fair value	1 747 705	2 473 848	1 732 375	2 470 377
Loan to controlled entity at amortised cost	-	-	66 559	75 218
	1 817 603	**2 546 420**	**1 867 332**	**2 616 157**

	Economic entity		Controlling entity	
	2013	2012	2013	2012
	R '000	R '000	R '000	R '000

23. Deferred tax - controlled entity

Deferred tax asset				
Provision against net assets	1 021	1 526	-	-

Reconciliation of deferred tax asset				
At beginning of the year	1 526	497	-	-
Originating/(reversing) temporary difference on doubtful debt allowance	(500)	500	-	-
Originating temporary difference on property, plant and equipment	65	162	-	-
Reversing temporary difference on finance lease	(25)	(22)	-	-
Originating/(reversing) temporary difference on operating lease	(5)	27	-	-
Movement in provision and accruals	(40)	41	-	-
Prior year adjustment	-	321	-	-
	1 021	**1 526**	**-**	**-**

24. Employee benefit obligations

Defined contribution retirement fund

Entitlement to retirement benefits is governed by the rules of the pension fund. The economic entity has no legal or constructive obligation to pay for future benefits, this responsibility vests with the pension fund.

The total contribution to such schemes	355 167	321 522	352 861	319 460

25. Prepayments

Employee costs in advance	19 412	17 276	19 412	17 276
Prepaid expenses	65 339	44 146	65 339	44 146
	84 751	**61 422**	**84 751**	**61 422**

	Economic entity		Controlling entity	
	2013	2012	2013	2012
	R '000	R '000	R '000	R '000

26. Employee benefits - leave accumulated prior to 1999

Leave pay represents the entitlements of amounts due to personnel for leave accumulated prior to 1999. The uncertainty with leave pay resides with timing and final quantum.

Opening balance	79 402	78 115	79 402	78 115
Additions	11 637	-	11 637	-
Utilised during the year	(3 865)	-	(3 865)	-
Actuarial gain	(9 565)	-	(9 565)	-
Change in estimate	-	1 287	-	1 287
	77 609	**79 402**	**77 609**	**79 402**

27. Employee benefits - accumulated annual leave

Accumulated annual leave is the portion of 5 working days per annum that may be accumulated up to a maximum of 20 working days.

Accumulated annual leave	**223 630**	**203 289**	**223 630**	**203 289**

28. Financial liabilities by category

Finance lease obligation at amortised cost	28 827	152 168	28 795	152 046
Trade and other payables at amortised cost	618 724	634 592	628 931	634 419
Employee benefits at amortised cost and fair value (refer note 26 & 27)	301 239	282 691	301 239	282 691
	948 790	**1 069 451**	**958 965**	**1 069 156**

29. Auditors' remuneration

Current year fees	29 970	25 872	29 292	25 577
Prior year fees	12 359	16 422	12 359	16 422
	42 329	**42 294**	**41 651**	**41 999**

30. Operating lease

Building rentals	411 955	448 300	410 487	448 300

The lease periods range from 1 year to 15 years and the escalation rates vary between 4% and 12% per annum.

	Economic entity		Controlling entity	
	2013	2012	2013	2012
	R '000	R '000	R '000	R '000

31. Commitments

Authorised capital expenditure				
Already contracted for but not provided for				
• Intangible assets	107 453	92 461	107 453	92 461
• Property, plant and equipment	117 917	31 736	117 917	31 736
	225 370	**124 197**	**225 370**	**124 197**

Authorised but not yet contracted for				
• Intangible assets	4 159	2 186	4 159	2 186
• Property, plant and equipment	-	15 337	-	15 337
	4 159	**17 523**	**4 159**	**17 523**

Operating leases - as lessee (expense)				
Minimum lease payments due				
- within one year	355 897	364 677	354 284	363 190
- in second to fifth year inclusive	920 138	1 236 690	918 700	1 233 639
- more than five years	336 022	639 080	336 022	639 080
	1 612 057	**2 240 447**	**1 609 006**	**2 235 909**

32. Related parties

Relationships

Interfront	Refer to note 7
Close family member of the executive committee	Ms. BJ Hore
	Ms. ME Hargreaves

SARS is a Schedule 3A Public Entity in terms of the PFMA. Related parties include other state owned entities, government departments and all other entities within the spheres of Government.

The Government provided SARS with a grant to cover its operating expenditure and to fund specific projects.

Related party transactions were made on terms equivalent to those that prevail in arm's length transactions. Outstanding balances at year end are unsecured, interest free and settlement occurs in cash. No provision for doubtful debt relating to outstanding balances has been made and no expense has been recognised during the period in respect of bad or doubtful debts due from related parties. In terms of IPSAS 20 - Related Party Disclosure, SARS is not required to disclose any of the above transactions.

32. Related parties (continued)

	Controlling entity	
	2013	2012
	R '000	R '000
Related party balances - Controlling entity		
Loan accounts - Owing by related parties		
Interfront	66 559	75 218
Amounts included in Trade Receivables regarding related parties		
Department of Home Affairs (DHA)	24 571	14 581
Rendering of services to related parties		
Department of Home Affairs (DHA)	24 571	13 676
Related party transactions - Controlling entity		
Amounts included in Trade and other Payables		
Interfront	13 333	4 530
Rendering of services by related parties		
Interfront	82 253	61 106

The controlling entity continues to assist the Department of Home Affairs (DHA) in maintaining and rolling out its electronic movement control system. In addition, SARS is assisting DHA in the design of the new "Who Am I Online" live capture platform

Compensation to close family member of key management		
Ms. BJ Hore (GE: Enterprise Business Enablement)	2 219	2 155
Ms. ME Hargreaves (Executive: Advisory)	1 863	-
	4 082	**2 155**

33. Executive committee members emoluments

Figures in Rand thousand

2013

	Salary	Bonus	Allowances including leave payments	Contributions medical & pension	Total
Commissioner for SARS	2 950	800	496	25	4 271
Deputy Commissioner for SARS	1 948	660	244	25	2 877
Chief Officer: Operations	2 821	900	194	26	3 941
Chief Officer: Legal & Policy	1 783	680	427	239	3 129
Chief Officer: Tax & Customs Enforcement Investigations	1 928	520	285	25	2 758
Chief Officer: Finance	2 373	700	258	25	3 356
Chief Officer: Human Resources (8 months)	1 236	620	340	157	2 353
Chief Officer: Human Resources (Acting) (4 months)	428	-	74	58	560
Group Executive: Large Business Centre	2 033	606	296	25	2 960
Special Advisor: Commissioner	2 796	-	212	24	3 032
	20 296	**5 486**	**2 826**	**629**	**29 237**

2012

	Salary	Bonus	Allowances including leave payments	Contributions medical & pension	Total
Commissioner for SARS	2 791	860	411	24	4 086
Deputy Commissioner for SARS	1 855	648	241	24	2 768
Chief Officer: Operations	2 612	857	307	24	3 800
Chief Officer: Legal & Policy	1 682	652	402	226	2 962
Chief Officer: Tax & Customs Enforcement Investigations	1 780	462	278	24	2 544
Chief Officer: Finance	2 238	653	243	24	3 158
Chief Officer: Human Resources	1 669	506	330	224	2 729
Group Executive: Large Business Centre	1 673	485	141	22	2 321
Special Advisor: Commissioner	233	-	19	2	254
	16 533	**5 123**	**2 372**	**594**	**24 622**

34. Change in estimate

Property, plant and equipment

The useful life of vehicles and vehicle tracking systems was estimated in 2012 to be 5 years. In the current period management have revised their estimate to 8 years. The effect of this revision has decreased the depreciation charges for the current period by R7 258 431.

The residual value of personal computers, notebooks and monitors was estimated in 2012 to be 5% of the cost of the asset. In the current period management have revised their estimate to 0%. The effect of this revision has increased the depreciation charges for the current period by R6 295 418.

35. Prior period adjustments

The correction of the error(s) results in adjustments as follows:

	Economic entity		Controlling entity	
	2012	2011	2012	2011
Figures in Rand thousand				
Statement of Financial Position				
Trade and other receivables	254	-	-	-
Trade and other payables	(746)	-	(103)	-
Property, plant and equipment	(65)	(149)	(49)	(149)
Intangible assets	119	-	103	--
Effect of reclassification	**-**	**-**	**-**	-
Provisions	(79 402)	-	(79 402)	-
Employee benefits	79 402	-	79 402	-
Deferred tax - controlled entity	(646)	-	-	-
Revaluation reserve	(15 463)	(10 724)	(15 463)	(10 724)
Accumulated surplus	5 391	10 873	4 639	10 873
Opening retained earnings	11 156	-	10 873	-
Statement of Financial Performance				
Rendering of services	189	-	-	-
Depreciation expense	(4 639)	-	(4 639)	-
Professional and special services	(360)	-	-	-
Other expenses	65	-	-	-
Deferred taxation	(646)	-	-	-

The controlling entity's property, plant and equipment was understated due to buildings not carrying a residual value. Depreciation has subsequently been written back and the reserve reduced. (Refer to Statement of Changes in Net Assets).

In 2012, the controlled entity's intangible assets were incorrectly classified as property, plant and equipment. The net effect of the reclassification is zero.

The controlled entity revalued their Luxembourg debtor account due to a new agreement and an additional forex loss was recognised. This resulted in the Interfront debtors control account being overstated (R254 242).

Aligning the treatment of audit fees to that of the controlling entity, trade and other payables (audit fee accrual) was overstated in both 2012 (R359 640) and 2011 (R282 919).

35. Prior period adjustments (continued)

During 2012 the controlling entity classified a portion of its leave pay as a provision. Entitlements of amounts due to personnel for leave accumulated prior to 1999 are now classified as an employee benefit. The net effect of the reclassification is zero.

The impact of the above resulted in the deferred tax asset being overstated in 2012 (R646 223).

During 2012 the controlling entitys' trade and other payables were understated due to an under accrual relating to intangible assets (R102 600).

36. Risk management

Financial risk management

The economic entity’s activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk and cash flow interest rate risk), credit risk and liquidity risk.

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in raising funds to meet commitments associated with financial instruments.

The economic entity’s risk to liquidity is a short fall in funds available to cover commitments. The economic entity manages liquidity risk through an ongoing review of all commitments and maintaining sufficient cash and cash equivalents.

The controlling entity's chief source of income is an annual grant from The National Treasury for funding of its operational and capital requirements. This grant is allocated in accordance with the provisions governing the Medium Term Expenditure Framework (MTEF). The economic entity follows an extensive planning and governance process to determine its operational and capital requirements.

The table below analyses the economic entity's financial liabilities and net-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position to the contractual maturity date.

Figures in Rand thousand

Economic entity

At 31 March 2013	1 year	2 - 5 years	Beyond 5 years	Total
Finance lease obligation	17 378	26 102	-	**43 480**
Trade and other payables	618 724	-	-	**618 724**
Employee benefits	-	-	301 239	**301 239**
Operating lease liability	355 897	920 138	336 022	**1 612 057**

At 31 March 2012	1 year	2 - 5 years	Beyond 5 years	Total
Finance lease obligation	41 087	149 158	24 295	**214 540**
Trade and other payables	634 592	-	-	**634 592**
Employee benefits	-	-	282 691	**282 691**
Operating lease liability	364 677	1 236 690	639 080	**2 240 447**

36. Risk management (continued)

Figures in Rand thousand

Controlling entity

At 31 March 2013	1 year	2 - 5 years	Beyond 5 years	Total
Finance lease obligation	17 345	26 102	-	**43 447**
Trade and other payables	628 931	-	-	**628 931**
Employee benefits	-	-	301 239	**301 239**
Operating lease liability	354 284	918 700	336 022	**1 609 006**

At 31 March 2012	1 year	2 - 5 years	Beyond 5 years	Total
Finance lease obligation	40 986	149 124	24 295	**214 405**
Trade and other payables	634 419	-	-	**634 419**
Employee benefits	-	-	282 691	**282 691**
Operating lease liability	363 190	1 233 639	639 080	**2 235 909**

It is worth to note that included in the table above the controlling entity recognised an accrued leave liability included in employee benefits for leave prior to 1 January 1999. At the reporting date the fair value of this liability is estimated to be R77 609 420 (2012: R79 401 733) in comparison to a nominal value of R93 928 392 (2012: R96 731 137).

Over and above the amounts disclosed in the table, the controlling entity also have housing guarantees that are recovered from the employee's salary and/or pension when the guarantees are claimed. The full liquidity risk at 31 March 2013 was R1 149 843 (2012: R1 970 095).

Interest rate risk

Exposure to interest rate risk on financial assets and liabilities is monitored on a continuous and proactive basis.

The economic entity's exposure to interest rate risk is limited. Interest rates implicit to the finance leases are not varied over the term of the lease contracts.

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The economic entity is exposed to credit-related losses in the event of non-performance by counter-parties to financial instruments.

The economic entity only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Staff debts are recovered in terms of the applicable policy and procedures directly from the employee's salary and/or pension.

Management have evaluated the probability of non repayment of the loan by the subsidiary and have determined that in the case of default the loan could be restructured or converted into equity.

36. Risk management (continued)

Foreign exchange risk

Currency risk is the risk that the value of a financial instrument will fluctuate because of changes in foreign exchange rates. The controlling entity has limited exposure to various foreign currencies. The controlled entity utilises various foreign currencies and consequently may be exposed to exchange rate fluctuations that may have an impact on cash flows. Foreign exchange risks are mainly managed by the controlled entity's policy on foreign exchange transactions.

37. Fraudulent activities

The fraudulent activity reported in 2010 of staff members colluding with outside suppliers to the value of R11.5 million has been transferred to the High Court with a trial date set for July 2013.

Management is committed to the process and continues to investigate and report all fraudulent activities identified. In the interest of improved disclosure, alleged fraudulent activities to the value of R8 500 was investigated and both employees involved were dismissed upon finalisation of the investigation.

UNAUDITED ANNEXURE 1

DONATIONS IN KIND

		Economic entity		Controlling entity	
		2013	2012	2013	2012
		R '000	R '000	R '000	R '000

Particulars of each donation or bequest accepted by SARS must be disclosed in accordance with section 24 (2) (b) of the South African Revenue Service Act (Act No. 34 of 1997).

1)	Belgian Development Cooperation & Belgian Development Agency	248		248	-

Travel, accommodation and subsistence for attending the APEC Customs, Taxes and Trade Affairs Training Course.

2)	ACBPS - Australian Customs and Border Protection Service	52	-	52	-

Transport, accommodation and subsistence for attending the Indian Ocean Rim Association for Regional Cooperation (IOR-ARC) Trade Facilitation workshop.

3)	OPCW - Organisation for the Prohibition of Chemical Weapons	48	87	48	87

Travel and accommodation for attending the OPCW Training Course: Chemical Weapons Convention in East and Southern Africa on Technical Aspects of the Transfers Regime (2012: Travel and accommodation to attend the sub-regional training courses for Customs Officials from East and Southern Africa on the technical aspects of the Transfers Regime of the Chemical Weapons Convention and Weapons of Mass Destruction (WMD) Commodity Identification).

4)	WCO - World Customs Organisation	48	15	48	15

Accommodations and subsistence to attend the WCO Leadership and Management Development Workshop in June, as well as to co-present and facilitate the WCO Leadership and Management Development Workshop in July (2012: Travel and accommodation to attend the ICCWC Workshop on "Establishing a Network of Controlled Delivery Units for Forest and Wildlife Law Enforcement").

5)	USAID - United States Agency for International Development ARREST Programme	47	-	47	-

Travel, accommodation and subsistence for attending the Special Investigation Group (SIG) on Pangolins, Elephant Ivory and Rhino Horn.

6)	ILEA - International Law Enforcement Academy	46	-	46	-

Travel, accommodation and subsistence to attend the ILEA Detect Managers course.

		Economic entity		Controlling entity	
		2013	2012	2013	2012
		R '000	R '000	R '000	R '000
DONATIONS IN KIND (continued)					
7)	Swedish Government	42	-	42	-

Travel and accommodation to attend the WCO Project GAPIN II workshop for front line customs officers.

8)	IAEA - International Atomic Energy Agency	36	14	36	14

Travel, accommodation and subsistence for attending the Regional Training Course on Security in the Transport of Radioactive Material (2012: Travel and accommodation to attend the Regional Training Course on Security of Radioactive Sources).

9)	AUSTRAC - Australian Transaction Reports and Analysis Centre	27	-	27	-

Travel, accommodation and subsistence for attending the AUSTRAC Typologies Workshop for the ESAAMLG TWG.

10)	The WCO Japan Customs Cooperation Fund	24	-	24	-

Accommodation and subsistence for attending the WCO Regional Seminar on Combating Counterfeiting and Piracy.

11)	UN - United Nations	23	70	23	70

Travel and accommodation for attending the meeting of the United Nations Committee of Experts on International Cooperation in Tax Matters (2012: Travel and accommodation for attendance of the meeting of the UN Committee of Experts on International Cooperation in Tax Matters, regional seminar on International Merchandise Trade Statistics and expert group meeting of the Compilation of the Compendium of Intra-African and Related Trade Statistics).

12)	SRC - Seychelles Revenue Commission	22	152	22	152

Accommodation and subsistence to present and facilitate a technical training intervention on Tax Agreements with SRC (2012: Travel and accommodation to provide technical assistance to the Seychelles Revenue Commission's Audit Capacity).

13)	Tax Justice Network	20	-	20	-

Travel and accommodation for attending the Seminar on Transfer Pricing and "The Future of Taxing Multinational Corporations" event.

14)	ATAF - African Tax Administrative Forum	19	102	19	102

Travel and accommodation for attending the ATAF Revenue Analysis Forecasting and Reporting Seminar (2012: Travel and accommodation for attending meetings and technical events on Organisation and Management of Tax Administration, Revenue Administration and Exchange of Information).

		Economic entity		Controlling entity	
		2013	2012	2013	2012
		R '000	R '000	R '000	R '000
DONATIONS IN KIND (continued)					
15)	MTA - Malaysian Tax Academy	16	63	16	63

Accommodation and subsistence for attending the Advanced Seminar on Transfer Pricing at the Malaysian Tax Academy (2012: Accommodation and subsistence to attend the Taxation of International Transaction Workshop (TIOT)).

16)	Malaysian Government	16	-	16	-

Accommodation and subsistence for attending the Seminar on Anti-Money Laundering and Tax Evasion organised by the Inland Revenue Board of Malaysia in collaboration.

17)	MRA - Mauritius Revenue Authority	12	63	12	63

Travel, accommodation and subsistence to conduct the 3rd quarter on-site assessment of the detector dog programme (2012: Travel and accommodation to facilitate the quarterly assessment of the narcotic detector dog and handler training as part of the international training assistance given to the Mauritius Revenue Authority).

18)	UNDP - United Nations Development Programme	6	-	6	-

Travel, accommodation and subsistence for attending the Regional Workshop on the Enforcement of IP Rights for the Judiciary and Law Enforcement Officials (WIPO).

19)	BDA - Belgium Development Agency	-	791	-	791

Travel and accommodation for attending the APEC Port Logistics Training Course held in Antwerp/Flanders.

20)	IRBM - Internal Revenue Board of Malaysia	-	76	-	76

Travel and accommodation for attendance of the Advance Transfer Pricing Seminar and the Revenue Management Training Course.

21)	SADC - Southern African Development	-	74	-	74

Travel and accommodation to attend the SADC Transit Task Team meeting.

22)	OECD - Organisation for Economic Cooperation and Development	-	45	-	45

Travel and accommodation to present a seminar of ITSAX and attendance of 2GE.

		Economic entity		Controlling entity	
		2013	2012	2013	2012
		R '000	R '000	R '000	R '000
DONATIONS IN KIND (continued)					
23)	AusAID - Australian Agency for International Development	-	35	-	35

Participation in a technical assistance building programme for the ZIMRA Large Tax Office.

24)	IMF - International Monetary Fund and ATAF	-	34	-	34

Travel and accommodation to participate in the IMF mission on Taxpayer Services and the ATAF Taxpayer Services technical event.

25)	SIDA - Swedish International Development Agency and National Board of Trade	-	33	-	33

Travel and accommodation to attend the Rules of Origin Training Programme.

26)	Angola	-	30	-	30

Travel and accommodation to attend the seminar on the Organisational Structure and Procedure for a Customs Training Unit or Customs Academy.

27)	IMF - International Monetary Fund	-	26	-	26

Travel and accommodation to follow up on the IMF mission on Taxpayer Services.

28)	WB - World Bank	-	23	-	23

Travel and accommodation to participate in a panel on Tax and Development arranged by the World Bank and the Norwegian Agency for Development Cooperation (NORAD).

29)	ICTD - International Centre for Tax and Development	-	22	-	22

Travel and accommodation to attend the ICTD conference on Taxation, Governance and Development.

30)	RRA - Rwanda Revenue Authority	-	19	-	19

Travel and accommodation to attend the first Tripartite Heads of Customs meeting held from 17 to 18 November 2011.

		Economic entity		Controlling entity	
		2013	2012	2013	2012
		R '000	R '000	R '000	R '000
DONATIONS IN KIND (continued)					
31)	WHO - World Health Organisation	-	15	-	15

Travel and accommodation to attend the WHO Regional Training Workshop on Tobacco Taxes.

32)	SACU - South African Customs Union	-	14	-	14

Travel and accommodation to attend the SACU Enforcement workshop.

33)	EU - European Union	-	13	-	13

Travel and accommodation to attend the Workshop on Mining Taxation: Transforming Mineral Resource Wealth into Sustainable Development.

34)	Italian Customs & Italian Revenue Agency	-	13	-	13

Travel and accommodation to attend the seminar on the Enhanced Relationship in the Banking Sector.

35)	Oxford University Centre for Business Tax	-	10	-	10

Travel and accommodation to attend the General Anti Avoidance Rules seminar.

36)	AU - African Union	-	8	-	8

Travelling to attend the AU Customs Technical Working Group Workshops.

37)	ZIMRA - Zimbabwe Revenue Authority	-	7	-	7

Travel and accommodation to attend the WCO regional workshop on the Authorised Economic Operator (AEO).

38)	Centre for Training Projects Development	-	5	-	5

Travel and accommodation to attend the Forensic Investigation, IT Cyber and Fraud Prevention Conference.

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