ANNUAL REPORT

South African Revenue Service

2018/19

SARS exists to serve the **HIGHER PURPOSE** of Enabling Government to build a democratic state that fosters sustainable economic growth and social development in the interest and wellbeing of all South Africans

South African Revenue Service

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RP212/2019
ISBN: 978-0-621-47511-1

Message from the Minister of Finance

The South African Revenue Service collects more than 90% of all Government revenue and as such, a key institution to enable our delivery agenda. Their mandate also includes the facilitation of legitimate trade as well as the safeguarding of our society and economy.

Gross collections, which exceeded R1.5 trillion, represented year-on-year growth of 8.6% was a significant achievement in context of the slow economy which grew at a much lower rate. Equally remarkable, was the progress made against long outstanding refunds, which is reflected in the growth rate exceeding 22%, amounting to a staggering R287 billion. It was unfortunate that net collections still fell slightly short of expectations by just over 1%, yet maintained a tax-to-GDP ratio of around 26%.

SARS received extensive media coverage regarding Customs busts, which were prominent throughout the year and rather encouraging, however, certain industries still raised concerns about Government's ability to protect our economy and society; specific reference is made to textiles and tobacco.

SARS remains an example of an institution that continues to do more with less, which is very important in context of the tight fiscal framework we find ourselves in. Due to the difficult macroeconomic environment, the budget allocated by the National Treasury to run SARS, reduced significantly over the years as evidenced by the drop in the cost to revenue ratio below 1%; the downward trend reflected in the numbers have placed some stress on the institution but are commendable, 0.93% in 2016/17, 0.89% in 2017/18 and 0.84% in 2018/19. This reflected a resilient financial performance in a challenging operating and macroeconomic environment.

I was disappointed to note the devastating findings contained in the Nugent Commission's Report. The President has already demonstrated his commitment to implementing the recommendations of the report by appointing a new Commissioner.

Despite the challenges and a difficult collection climate, we acknowledge the loyal staff members who stayed the course and congratulate them for the achievements over the past financial year under the leadership of the acting Commissioner, Mr Mark Kingon. We acknowledge him for his efforts to stabilise SARS during this time and who kindly accepted several 3-monthly renewals during his acting term.

I welcome Mr Edward Kieswetter at the helm of SARS and wish him all the best in restoring this institution to its former glory.

In conclusion, I express my sincere appreciation to compliant taxpayers, traders and intermediaries for their contribution to make South Africa great.

Mr TT Mboweni, MP
MINISTER OF FINANCE

Commissioner's Overview

I assumed the privileged role as SARS Commissioner on 1 May 2019. I believe the rigorous, thorough and transparent process leading up to the appointment should become a standard for all senior leadership positions in Government and public entities. Leadership is one of the most defining factors that underpin our success.

On the one hand, it is an inordinate privilege and humbling to lead an organisation so significant to our democracy. At the same time, I am acutely aware of the damage done to the capacity and reputation of SARS since 2014. The Commission of Inquiry into Tax Administration and Governance by SARS (Nugent Report) concludes that there has been a "significant failure of integrity and governance at SARS". The Nugent Report points to a deliberate dismantling of key governance elements, the systematic hollowing out of critical capabilities and a fundamental breakdown of important relationships.

Notwithstanding significant challenges faced by SARS, there were numerous commendable efforts and achievements during the course of the 2018/19 that require mentioning; this bears testimony to the resilience and perseverance of the majority of the SARS workforce who, despite difficult circumstances, endeavoured to honour their commitment to the higher purpose.

For the financial year (FY) ending 31 March 2019, SARS collected a net amount of R1 287.7 billion, against the 2019 Budget (Revised Estimate) of R1 302.2 billion, resulting in a deficit of R14.5 billion (-1.1%). The net revenue outcome of R1 287.7 billion represents a growth of R71.2 billion (5.9%) compared to the 2017/18 FY. Measured against the 2018/19 Budget (Printed Estimate) of R1 345.0 billion, it is a deficit of R57.3 billion (-4.3%), and against the Revised Estimate of R1 302.2 billion, a shortfall of R14.5 billion (-1.1%).

Tax season for Personal Income Tax is SARS' largest single engagement with taxpayers. SARS received 5.785 million returns by the close of tax season, with 2.11% more returns received year-on-year for non-provisional taxpayers by Friday, 31 October 2018. These comprise of 4.2 million submissions by individuals for the 2017/18 tax year, 1.5 million returns submitted for previous years and 42 087 submissions by trusts for the 2017/18 tax year. 91.18% of tax returns were processed within 24 hours, 241 583 taxpayers used the Help-You-eFile service, 73 663 taxpayers used the SARS Mobi-App to file returns and R17.9 billion refunds were paid to more than 2 million non-provisional individual taxpayers.

Targeted Customs interventions led to 6 828 seizures to the value of R3.7 billion, which represented a 41% increase year-on-year in respect of volume and a 48% increase in value.

The Health Promotion Levy on Sugary Beverages was implemented on 1 April 2018. The Health Promotion Levy on sugary beverages is a new levy in support of the Department of Health's deliverables to decrease diabetes, obesity and other related diseases in South Africa.

During 2018, SARS re-established the Large Business Unit and created capacity in Enforcement to deal with the illicit economy. The decision was based on the pivotal role that these units play in enabling SARS to provide effective and efficient service to large corporate taxpayers and the high net-worth individuals segment, as well as fighting illicit trade.

The capacity created in Enforcement to deal with the illicit economy commenced work on 13 of the 15 allocated projects with an estimated prejudice to the fiscus exceeding R13.1 billion. This is a multi-year work-in-progress, that will require hard work, single-minded focus and additional funding.

Within the multilateral tax space, SARS signed a trilateral Memorandum of Co-operation (MOC) on 11 January 2019 with the Organisation for Economic Co-operation and Development (OECD) and the National Treasury, which provides for the continuation of co-operation towards the achievement of the common objective of promoting fair and efficient tax systems and administrations, and strengthening and modernising international taxation areas through the sharing of experiences between SARS, National Treasury and the OECD member countries.

The 2nd phase implementation of the Automatic Exchange of Information (AEOI) solution for Country-by-Country Reporting was implemented in June 2018 and enables SARS to exchange data with relevant OECD partner jurisdictions.

The new SARS Service Charter was launched during 2018 and this report starts our journey to measure the commitments made therein.

As we begin the daunting task to restore SARS to the admired and respected organisation it once was there is clearly much to build upon. Some of our immediate priorities will be to restore internal integrity, governance and internal employee confidence, as well as working hard to re-establish public trust in SARS.

Our 2024 Vision is to build a smart modern SARS with unquestionable integrity, trusted and admired by Government, the public, as well as our international peers. As such, we signpost our 9 strategic objectives in this report that form the cornerstone of our new 5-year Strategic Plan. Within those strategic objectives the forging of greater collaboration with key government agencies, as well as the increased engagement with the public to build credibility, trust and confidence in the tax administration system is of paramount importance.

I would like to thank my predecessor, Mr Mark Kingon, for his efforts to stabilise the organisation during the year under review and for ensuring a smooth transition upon my arrival as well as the Minister of Finance for his confidence in me, and my colleagues in National Treasury for their support.

Edward Chr Kieswetter
SARS COMMISSIONER

About This Report

This report is primarily intended, but not limited to address the information requirements of the PFMA and National Treasury's Annual Report guidelines. This Annual Report includes SARS' performance information for the 2018/19 FY, governance, risks, stakeholder and human resource information, as well as the Annual Financial Statements for SARS' own accounts.

SARS presents its performance information in accordance with Government's performance monitoring methodology and therefore aligned this report with its 2016/17 to 2020/21 Strategic Plan and its 2018/19 Annual Performance Plan. The Annual Financial Statements (Own-Accounts) for the year ended 31 March 2019 were prepared in accordance with the effective Standards of Generally Recognised Accounting Practice, issued by the Accounting Standards Board, in accordance with section 91(1) of the PFMA.

As part of SARS' commitment to align the organisation with the King Report for Corporate Governance, it continues on its journey to inculcate the principles of integrated thinking and integrated reporting to promote a more cohesive approach to reporting, that considers a broad range of reporting dimensions and communicates all relevant factors that materially affect the ability of SARS to create value over the short, medium and long term. On the journey towards a fully integrated report, SARS embedded some of the concepts from the International Intergrated Report Framework (IIRF) into this report.

The Annual Financial Statements in this report were audited by the Auditor-General of South Africa and issued an opinion. This report is approved by SARS' Accounting Authority, the Commissioner for SARS.

01

PART ONE GENERAL INFORMATION

Who We Are

SARS was established in terms of the South African Revenue Service Act, 1997 (Act No. 34 of 1997) as an organ of 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, 1997, the Commissioner for SARS is the Chief Executive Officer and Accounting Authority of SARS.

Our Mandate

To collect all revenues due, ensure optimal compliance with Tax and Customs legislation and provide a Customs and Excise service that will facilitate legitimate trade, as well as protect our economy and society.

Our Vision

To administer our Tax, Customs and Excise duties in a manner that encourages fiscal citizenship and increased revenue for the State.

Our Mission

To optimise revenue yield, facilitate trade and enlist new tax contributors by promoting awareness of the obligation to comply with South African Tax and Customs Laws, and to provide quality and responsive service to the public.

Our People

SARS recognises that its people are an indispensable driver of performance and hold the key to the organisation's ability to operate efficiently and effectively. Our people philosophy is characterised by care and concern, employee growth, recognition for excellence and engagement.

Our Values

Accountability

Assuming responsibility for actions, products, decisions and policies within the scope of the employment position

Trust

Firm belief in the reliability, truth or ability of someone or something

Honesty

Quality of being upright, sincere and freedom from deceit or fraud

Fairness

Just and reasonable treatment in accordance with acceptable rules, and free from favouritism and bias

Respect

The ability to be considerate towards others

Transparency

Full, accurate and timely disclosure of information or a clear, unhindered honesty in the way SARS does business

Integrity

Guided by values and having an ability to demonstrate moral judgement and doing the right thing consistently

The Volumes We Processed

Tax Return Submissions
17.2 million
(2017/18: 17.2 million)

Payments Processed
19.1 million
(2017/18: 15.4 million)

Taxpayers Served in Branches
6.5 million
(2017/18: 6.5 million)

Inbound Calls Answered
4.6 million
(2017/18: 5.4 million)

Customs Declarations Processed
7.1 million
(2017/18: 6.9 million)

Audits Conducted
1.9 million
(2017/18: 1.6 million)

Tax Clearance Status Requests
1.2 million
(2017/18: 1.1 million)

Outbound Calls
3.7 million
(2017/18: 3.4 million)

Debt Collection SMSs to Taxpayers
1.8 million
(2017/18: 1.7 million)

Complaints Received
38 218
(2017/18: 26 820)

Strategic Intent

Our 2024 Vision is to build a smart modern SARS with unquestionable integrity, trusted and admired by Government, the public, as well as our international peers. We have defined 9 strategic objectives in this report that form the cornerstone of our new 5-year Strategic Plan.

SARS Executive Committee as at 31 March 2019

MARK KINGON
Acting Commissioner

TEBOHO MOKOENA
Chief Officer: Human Capital and Development

JOHNSTONE MAKHUBU
Chief Officer: Finance

HLENGANI MATHEBULA
Chief Officer: Governance, International Relations, Strategy and Communication

MAKUNGU MTHEBULE
Acting Chief Officer: Legal Counsel

VIWE MLENZANA
Acting Chief Officer: Enforcement

TAU MASHIGO
Acting Chief Officer: Digital Information Services and Technology

FABIAN MURRAY
Acting Chief Officer: Business and Individual Taxes

BEYERS THERON
Acting Chief Officer: Customs and Excise

NARCIZIO MAKWAKWA
Acting Chief Officer: Large Business Centre

Statement of Responsibility and Confirmation of Accuracy of the Annual Report

To the best of my knowledge, I confirm the following:

All information and amounts disclosed in the Annual Report are consistent with the Annual Financial Statements audited by the Auditor-General. The Annual Report is complete, accurate and free from any omissions. This report has been prepared in accordance with the Annual Report guidelines issued by National Treasury.

The Annual Financial Statements included in this Annual Report were prepared in accordance with the applicable accounting standards. The Accounting Authority is responsible for preparing the Annual Financial Statements, and for the judgements made in this information.

The Accounting Authority is also responsible for establishing and implementing a system of internal control that has been designed to provide assurance as to the integrity and reliability of the performance information, the Human Resource information and the Annual Financial Statements.

The Auditor-General was engaged to express an independent opinion on the Annual Financial Statements.

In my opinion, the Annual Report fairly reflects the operations, the performance information, the Human Resource information and financial affairs of SARS for the FY ended 31 March 2019.

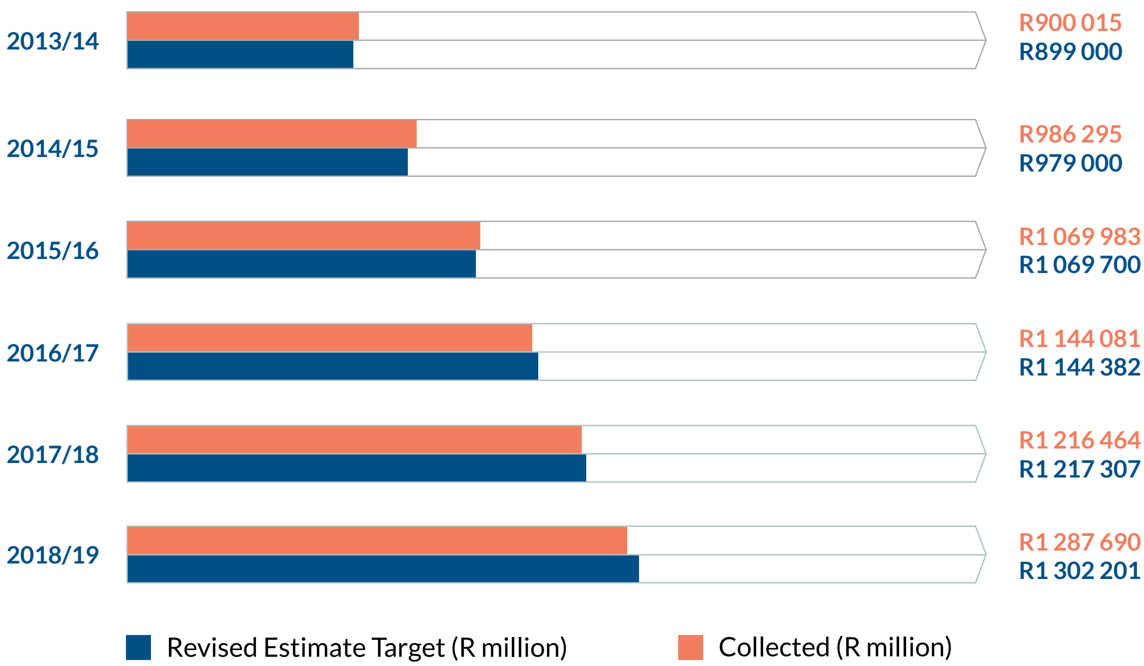
Mr EC Kieswetter
SARS COMMISSIONER

02

PART TWO

PERFORMANCE INFORMATION

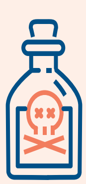
Revenue Collection



Gross Revenue Collected
R1 575.6 bn
8.6% on PY

Refunds Paid
R287.9 bn
22.8% on PY

Net Revenue Collected
R1 287.7 bn
5.9% on PY
Collected 99% of RE target



6 828
Customs seizures
Value **R3.7 billion**
48% on PY

Situational Analysis

Global Economic Environment

The global economy continues on a treacherous path, with 2018 having had its fair share of rolling calamities. Some old threats persisted and recurred while new risks emerged.

» International trade and investment softened in 2018, and the World Trade Organisation (WTO) projected merchandise trade volume growth projected to fall to 2.6% in 2019, down from 3.0% in 2018.
» Trade tensions remain elevated (United States and China) in the wake of the tariffs imposed by the US on Chinese imports.
» A further escalation of reciprocal tariff increases could force global Gross Domestic Product (GDP) growth to weaken further in 2019.
» Throughout 2018, some large emerging markets and developing economies experienced substantial financial market pressures and exchange rate volatility.
» The slowdown in the Chinese economy, the lowest since the financial crisis, had a major influence in 2018, as GDP growth eased to 6.4% in Q4-2018 from 6.5% in Q3-2018.

The global International Monetary Fund (IMF) flagship World Economic Outlook (WEO) report in April 2019 extended the view that growth is set to moderate in the short term, before moderately increasing pace in the medium term. The IMF has thus downgraded the global growth outlook slightly by 0.2 percentage point from the January 2019 WEO update, to 3.3%, emphasising that growth will pick up pace in the second half of 2019; unchanged from the previous outlook.

Growth of 4.5% in 2018 and 4.4% in 2019 estimated for Emerging Markets reflecting lower growth in China, before improving to 4.8% in 2020. In China, regulatory tightening in 2018 to rein in debt, constrain shadow financial intermediation, and place growth on a sustainable footing, contributed to slower domestic investment, particularly in infrastructure. China's economy is expected to decrease from 6.6% in 2018, to 6.3% and 6.1% in 2019 and 2020 respectively, reflecting weaker growth in 2018, and the impact of lingering trade tensions with the US.

Growth in advanced economies is expected to decrease from 2.2% in 2018 to 1.8% in 2019, and further to 1.7% in 2020. The slow down would be due to the downward revisions in the Eurozone, weakening consumer and business sentiment and fiscal policy uncertainty. Eurozone GDP growth is set to moderate from an estimated of 1.8% in 2018 to 1.3% in 2019, and moderately increase to 1.5% in 2020. The weak outlook for the US is due to unwinding fiscal stimulus, which will result in GDP growth declining from 2.9% in 2018, to 2.3% in 2019 and 1.7% in 2020. Moderated growth of 0.8% in 2018 to 1.0% in 2019 in Japan is expected. In the United Kingdom (UK), the IMF expects growth to slow by 0.2 percentage point to 1.2% in 2019, after recording a growth of 1.4% in 2018, as uncertainty about Brexit persists.

Domestic Economic Environment

The domestic economy faced a number of headwinds in 2018. The domestic economic growth conundrum largely reflected factors related to lower demand for commodities, poor confidence levels, policy uncertainty, and declining competitiveness rankings. Medium term risks remain tilted to the downside, and these risks include tighter global financial conditions, a weaker exchange rate, higher wage growth, unemployment and inflation.

Last year's technical recession led to a slow growth in revenue collections, which culminated in a downward revision of revenue targets. Beside GDP, other factors that contributed to the revision included the backlog of Value-Added Tax (VAT) refunds, relating to previous periods, higher refunds for the current period, as well as slower growth in Company Income Tax (CIT) collections.

Domestic economic growth is a major determinant of tax revenue. As such, a higher GDP is associated with a larger tax base, and consequently, higher tax revenue. The tax buoyancy ratio, which explains the responsiveness of tax revenue growth to changes in GDP, eased to 1.23 in the 2018/19 FY from 1.00 in the 2017/18 FY due to a subdued economy in 2018, and is estimated to be 1.31 in the 2019/20 FY. Total tax revenue growth rates have eased since the technical recession, and major tax types that contributed to the contraction of growth rates are CIT, PIT, dividends tax and VAT refunds. After the technical recession, tax buoyancy went up above 1.0, thus tax revenues increased more than proportionately in response to a rise in national income or output.

The seasonally adjusted annual GDP growth rate contracted by 3.2% quarter-on-quarter in Q1-2019, down from the growth of 1.4% in Q4-2018. On an annual basis, GDP showed no growth, following growth of 1.1% in Q4-2018. The contraction in GDP in Q1-2019 was on the back of large negative contributions from the production side of the economy, thus:

- Manufacturing decreased by 8.8% and contributed -1.1 of a percentage point.
- Mining decreased by 10.8% and contributed -0.8 of a percentage point.
- Trade decreased by 3.6% and contributed -0.5 of a percentage point.

Positive contributions came from finance, general government and personal service industries, contributing both 0.2 and 0.1 of percentage point respectively in Q1-2019. The manufacturing sector recorded the largest negative contribution to overall GDP growth, and further underpinned by the fall in Purchasing Managers Index (PMI). The slowdown in manufacturing could have been impacted by the slow global growth and domestic demand. The National Treasury forecasts growth in South Africa to register at 1.5% for 2019 and is expected to increase marginally to 1.7% in 2020 before quickening to 2.1% in 2021. Tax-to-GDP ratio is also estimated at 26.3% in 2019/20 from 26.2% in 2018/19 while buoyancy will likely increase from 1.23 to 1.31 over the same period.

In addition, high public debts, failing state-owned entities, trade uncertainties, low business and consumer confidence became prominent in 2018, and their legacies will rollover into the medium term. The mining and manufacturing sectors' operating conditions remain at risk, complicated further by perennial wage related labour tensions and industrial action, escalating production costs and costly and unreliable infrastructure.

Policy Developments

South Africa's fiscal policy is, in the main, captured in the Budget Review, which sets out the fiscal framework. The 2018 Budget Review sets out the tax proposals, most of which were implemented in the 2018/19 FY and partially set the context for revenue collected during the year. The 2018 tax proposals reflect Government's commitment to narrow the budget deficit, stabilise debt and maintain sustainable public finances. The VAT standard rate was increased by one percentage point to 15% after a review of tax instruments, to determine their potential contribution to medium term fiscal objectives. The Health Promotion Levy on sugary beverages was implemented on 1 April 2018 and applies to beverages with more than 4 grams of sugar content per 100ml. To support the progressivity of South Africa's tax system, the top four personal income tax brackets were not adjusted for inflation, and ad valorem excise duties for luxury purchases were increased. Government remains committed to strengthening the efforts to combat Base Erosion and Profit Shifting. The aim is to ensure that the tax system remains fair, efficient, equitable and progressive. The 2018 Budget tax proposals were expected to raise R36 billion to revenue in the 2018/19 FY. The following proposed changes were presented in Chapter 4 of the 2018 Budget Review:

- A one percentage point increase in VAT to 15%.
- No adjustments to the top four income tax brackets, and below inflation adjustments to the bottom three brackets.
- An increase of 52c/litre for fuel, consisting of a 22c/litre increase in the general fuel levy and 30c/litre increase in the Road Accident Fund levy.
- Higher ad valorem excise duties for luxury goods.
- Increased estate duty, to be levied at 25% for estates above R30 million.
- Increases in the plastic bag levy, the motor vehicle emissions tax and the levy on incandescent light bulbs, to promote eco-friendly choices.

Auditor-General Report on Predetermined Objectives

Report on the Audit of the Annual Performance Report

Introduction and scope

1. In accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA) and the general notice issued in terms thereof, I have a responsibility to report material findings on the reported performance information against predetermined objectives for selected objectives presented in the annual performance report. I performed procedures to identify findings but not to gather evidence to express assurance.
2. My procedures address the reported performance information, which must be based on the approved performance planning documents of the public entity. I have not evaluated the completeness and appropriateness of the performance indicators included in the planning documents. My procedures also did not extend to any disclosures or assertions relating to planned performance strategies and information in respect of future periods that may be included as part of the reported performance information. Accordingly, my findings do not extend to these matters.
3. I evaluated the usefulness and reliability of the reported performance information in accordance with the criteria developed from the performance management and reporting framework, as defined in the general notice, for the following selected objectives presented in the annual performance report of the SARS Own Accounts for the year ended 31 March 2019:

Objectives	Pages in the annual performance report
Outcome 1 – increased customs and excise compliance	18 – 19
Outcome 2 – increased tax compliance	19 – 23
Outcome 3 – increased ease and fairness of doing business with SARS	24 – 25

4. I performed procedures to determine whether the reported performance information was properly presented and whether performance was consistent with the approved performance planning documents. I performed further procedures to determine whether the indicators and related targets were measurable and relevant, and assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.
5. I did not raise any material findings on the usefulness and reliability of the reported performance information for the following objectives:

» Outcome 1 – increased customs and excise compliance
» Outcome 2 – increased tax compliance
» Outcome 3 – increased ease and fairness of doing business with SARS

Other matters

6. I draw attention to the matters below.

Achievement of planned targets

7. Refer to the annual performance report on pages 18 to 28 for information on the achievement of planned targets for the year and explanations provided for the under- or overachievement of a number of targets.

Predetermined Performance Objectives

The performance measurement and reporting philosophy at SARS remains aligned with the South African Government's outcomes-based approach. The outcomes-based approach focuses on what is to be achieved, how it will be achieved and how entities will know whether they have achieved what was intended. This approach goes beyond the output-approach in that it plots the impact of the outputs, which should resonate with the intended objectives. The SARS 2016/17 – 2020/21 Strategic Plan provides the basis for the organisation's outcomes-based performance management and planning processes. The SARS Strategic Plan itemises its short term, medium term and long term objectives, and articulates the associated action plans to achieve the objectives. From the Strategic Plan, SARS develops an Annual Performance Plan, annual budgets and annual performance measures.

In developing and setting out these strategic performance measures, SARS continues to look for new ways to reflect and report on performance meaningfully. Performance measures and their requisite targets are largely informed by legislative requirements, best practice, past performance, resource constraints, the SARS Service Charter, the four perspectives of the Balanced Scorecard, namely Financial, Customer, Internal Process and Learning and Growth, as well as the SMART (Specific, Measurable, Achievable, Realistic and Time-bound) principle. Subsequently, SARS added performance measures, relegated some measures, updated performance targets, baselines and calculation basis of some strategic measures in the year under review.

This also reflects how SARS is transitioning the organisation to the ultimate desired end state of outcomes-based performance, measurement and reporting.

This section displays SARS' achievements for the period 1 April 2018 – 31 March 2019. For each strategic measure, the achievement is measured against the targets set in SARS' Annual Performance Plan for the 2018/19 FY and the 2017/18 FY achievements (the baseline). For the year under review, SARS monitored 33 strategic measures. Of the 33 measures SARS achieved 16, while 5 were just below target. The following table provides a summary of the performance results.

	Green	Amber	Red
Outcome 1: Increased Customs & Excise Compliance	3	1	1
Outcome 2: Increased Tax Compliance	2	2	8
Outcome 3: Increased Ease and Fairness of doing buisness with SARS	6	0	1
Outcome 4: Increased Cost Effectiveness and Internal Efficiencies	1	0	0
Outcome 5: Increased Public Trust and Credibility	4	2	2
	16	**5**	**12**

Annual Performance Report

Outcome 1 - Increased Customs and Excise Compliance

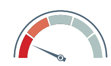
Customs and Excise revenue collected (R billion)

Intention	To track the revenue emanating from customs and excise activities, and is one of the proxies for measuring customs and excise compliance.
Achievement	R366.45 billion[1] (audited)
Target	As per agreed target with Minister of Finance R364.84 billion - (Revised Estimate for 2018/19)
Variance	R1.61 billion
Baseline (2017/18 Achievement)	R326.75 billion

Reason for variance: The Customs and Excise revenue collected for the year resulted in a surplus of R1.61 billion. The Customs segment exceeded the Revised Estimate target by R0.2 billion mainly due to an Import VAT surplus, which was as a result of increases in key chapters such as original equipment components and machinery. The Excise segment yielded a surplus of R1.4 billion.

[1]The criteria used for determining the 2018/19 actual achievement differs from the criteria used in determining the baseline, i.e. the actual achievement for 2017/18. The new Sugar Beverage Levy tax was implemented in April 2018, and is levied on both imported and domestic sugar beverage products.

% of trade attributable to preferred traders



Intention	To track and monitor the trade contribution of traders accredited for the preferred trader programme against total trade.
Achievement	8.45%[2]
Target	20.00%
Variance	-11.55
Baseline (2017/18 Achievement)	25.49%

Reason for variance: The definition for this measure has been amended. Only the share of trade attributable to the accredited traders is calculated, where as previously, the trade attributed to the total potential preferred traders were calculated. Whilst the definition has changed, the target remained the same, hence the significant variance of actual against target. During the 2018/19 FY, a total of 35 clients were accredited.

[2]The criteria used for determining the 2018/19 actual achievement differs from the criteria used in determining the baseline, i.e. the actual achievement for 2017/18. The definition for this measure was amended. Only the accredited traders' lines are expressed as a percentage of the total trade where previously, the total potential preferred traders' lines were used.

% of goods targeted for the purpose of reducing non-compliance

Intention	To track efforts put in by SARS in uncovering under-declarations of goods.
Achievement	4.60%
Target	4.00%
Variance	-0.60
Baseline (2017/18 Achievement)	6.60%

Reason for variance: Of the total declarations (7 043 774), 324 324 were alerted, which equates to the annual achievement of 4.60%. There was continuous monitoring and adjustment of rules in an attempt to bring the actual achievement to the target range of 4.00%.

% Audit coverage of Excise clients

Intention	To track and monitor the Excise audits completed against the Excise register.
Achievement	43.97%[3]
Target	40.00%
Variance	3.97
Baseline (2017/18 Achievement)	92.03%

Reason for variance: 1 287 excise clients were audited YTD. The over-achievement is as a result of Excise Audit management prioritising cases based on risk, and appropriately allocating the resources and skills required.

[3]The criteria used for determining the 2018/19 actual achievement differs from the criteria used in determining the baseline, i.e. the actual achievement for 2017/18. The definition for this measure was amended and Diesel refunds are excluded.

Interfront Governance - Unqualified report by Auditor-General

Intention	To assess SARS' commitment to maintain and promote good governance in the organisation. This measure seeks to monitor Interfront's compliance to all Government's statutory requirements.
Achievement	Clean Audit Report
Target	Clean Audit Report
Variance	0.00
Baseline (2017/18 Achievement)	Clean Audit Report

Reason for variance: The Auditor-General report for Interfront is a clean audit report.

Outcome 2 - Increased Tax Compliance

Total revenue (excluding Customs and Excise revenue) collected (R billion)

Intention	To track revenue emanating from all tax-generating activities, excluding revenue from Customs and Excise activities, and is one of the proxies for measuring tax compliance.
Achievement	R921.24 billion (audited)
Target	As per agreed target with the Minister of Finance R937.36 billion - (Revised Estimate for 2018/19)
Variance	-R16.12 billion
Baseline (2017/18 Achievement)	R889.71 billion

Reason for variance: Total revenue (excluding Customs and Excise revenue) collected for the year resulted in a deficit of R16.12 billion. The deficit was mainly due to CIT, PIT Provisional Tax, PIT Assessment Taxes and Domestic VAT, which fell short of the Revised Estimate (RE) target. Furthermore, CIT refunds and VAT refunds were higher than the RE.

Debt to Revenue Ratio

Intention	To monitor the growth in the total debt book relative to the total revenue that SARS collects.
Achievement	8.79% (audited)
Target	6.40%
Variance	-2.39
Baseline (2017/18 Achievement)	7.28%

Reason for variance: The contributing factor to the negative variance year-to-date is the normal inflow of different tax types into the debt book, which increased the undisputed debt book. Debt Management has experienced increased difficulty with collection due to the slow rate in economic recovery, which resulted in an increase in defaulters, lower compromise and low settlement offers, late payments and non-payments by mainly SMMEs. Furthermore, there was an increase in assessments raised by audit on fraudulent returns. All these factors impacted the debt book negatively.

Debtor Days

Intention	To measure how long SARS takes to collect taxes owed by taxpayers/traders.
Achievement	32.07 days (audited)
Target	23.00 days
Variance	-9.07 days
Baseline (2017/18 Achievement)	New Measure

Reason for variance: The contributing factor to the negative variance year-to-date is the normal inflow of different tax types into the debt book, which increased the undisputed debt book. Debt Management has experienced increased difficulty with collection due to the slow rate in economic recovery, which resulted in an increase in defaulters, lower compromise and low settlement offers, late payments and non-payments by mainly SMMEs. Furthermore, there was an increase in assessments raised by audit on fraudulent returns. All these factors impacted the debt book negatively.

% PIT payment compliance

Intention	To track and monitor the compliance of individual taxpayers in settling their gross PIT payment obligations in full and on time.
Achievement	45.07%
Target	49.00%
Variance	-3.93
Baseline (2017/18 Achievement)	44.28%

Reason for variance: The general economic growth, which remained low in 2018 compared to 2017, continued to put pressure on payment compliance. Another factor which contributes to low payment compliance is that taxpayers can only make payments either at a bank or through eFiling. SARS is currently exploring various and innovative payment options to assist taxpayers to meet their tax obligations.

% PIT filing compliance

Intention	To track and monitor the filing compliance of individual taxpayers with their filing obligations during a year of assessment.
Achievement	60.94%[4]
Target	92.50%
Variance	-31.56
Baseline (2017/18 Achievement)	94.00%

Reason for variance: PIT filing has dropped significantly compared to the 92.50% target, and the previous year performance of 94.00%. The reduction is however not a true reflection, and is attributable to the change in measurement methodology and the underlying expected taxpayer base. However, if the same base was applied in 2017/18, the filing trend would remain very similar to the previous years with a slight downward trajectory. Since the increase in the quality and the number of the third party data submitted, SARS has become more empowered and intelligent in understanding and determining the tax base. More refinements were made in the register in order to address the previous gaps in determining the tax base due to the lack of information. The two main contributors to the filing non-compliance are the new registrants and new offenders. According to our analysis, the bulk of non-filers are taxpayers who are required to file due to an investment income requirement per legislation but did not file.

As part of the 2019 PIT Filing Season, communication strategies have been put in place to remind and encourage the population that did not file in 2018. The administrative penalty regime will continue to be implemented for those taxpayers who do not file their tax returns as and when required.

[4]The criteria used for determining the 2018/19 actual achievement differs from the criteria used in determining the baseline, i.e. the actual achievement for 2017/18. The measurement methodology and the underlying expected taxpayer base changed. Previously, the taxpayer base was derived from taxpayer historic behaviour in application of the Tax law where as in 2018/19, our taxpayer base was enhanced through the utilisation of 3rd Party data to apply Tax law.

% CIT filing compliance

Intention	To track and monitor the compliance of registered companies with their filing obligations.
Achievement	24.67%
Target	46.00%
Variance	-21.33
Baseline (2017/18 Achievement)	38.26%

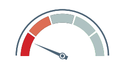
Reason for variance: SARS achieved 24.67% compliance on the CIT Register. During 2018/19, SARS undertook several initiatives to improve the integrity of the CIT register, including legislative changes in respect of dormant companies and better alignment of SARS and CIPC registers. CIT administrative penalties were introduced in January 2019, and SARS will continue with criminal prosecution for continuous non-compliance.

% CIT payment compliance

Intention	To track and monitor the extent to which assessed corporate taxpayers are settling their CIT gross payment obligations in full and on time.
Achievement	67.76%
Target	70.60%
Variance	-2.84
Baseline (2017/18 Achievement)	66.93%

Reason for variance: The underperformance can be attributed to depressed economic conditions. SARS will continue with strategies to improve CIT payment compliance.

% VAT filing compliance



Intention	To track and monitor the compliance of registered vendors with their filing obligations.
Achievement	52.09%
Target	58.50%
Variance	-6.41
Baseline (2017/18 Achievement)	52.23%

Reason for variance: The VAT filing compliance is lower than the annual target. VAT registration requirements were simplified to allow vendors to apply for VAT online. In 2018/19, approximately 38 146 new VAT vendors were registered. These vendors already have 35 172 outstanding VAT returns, which contributed to the underperformance. Remedial action of cleaning the VAT register together with bulk SMS and email notifications on a monthly basis to defaulting vendors, has paid dividends.

% VAT payment compliance

Intention	To track and monitor the extent to which assessed vendors are settling their VAT payment obligation in full and on time.
Achievement	88.15%
Target	88.40%
Variance	-0.25
Baseline (2017/18 Achievement)	85.12%

Reason for variance: The VAT payment compliance is marginally below the target. SARS initiated strategic activities to improve VAT payment compliance, and high penalties and interests contribute to payments being made on time.

% PAYE filing compliance

Intention	To track and monitor the compliance of registered employers with their filing obligations.
Achievement	58.82%
Target	63.00%
Variance	-4.18
Baseline (2017/18 Achievement)	59.19%

Reason for variance: The PAYE filing compliance is lower than the annual target. The main factors contributing to the low compliance are:

- No penalties for non-filing.
- Sluggish economic conditions.
- Employers omitting to file monthly returns as they intend filing on reconciliation. Although they make monthly payments to SARS, monthly returns remain outstanding.

During the 2018/19 FY, SARS continued with efforts to improve filing compliance, among others:

- Bulk SMS and emails.
- Continuous engagements with Government and SOE.
- Dedicated efforts to improve the integrity of the tax register by embarking on the register clean-up project.

% PAYE payment compliance

Intention	To track and monitor the extent to which assessed employers are settling their gross PAYE payment obligation in full and on time.
Achievement	87.11%
Target	86.20%
Variance	0.91
Baseline (2017/18 Achievement)	85.83%

Reason for variance: The achievement is slightly above the annual target, a significant improvement from the 85.83% achievement in the 2017/18 FY. SARS will continue to improve payment compliance, and ensure that late and outstanding payments are improved through these activities:

- Maintaining legislated penalty on late payments.
- Continuing engagements with Government and SOEs.
- Using Enhanced Case Communication tools for targeted messaging for late and non-payers.

% Audit coverage of registered taxpayers (PIT, CIT, VAT, PAYE and Trusts)

Intention	To monitor SARS' audit coverage of registered taxpayers, to ensure a fair and equitable tax system.
Achievement	13.00%[5]
Target	12.00%
Variance	1.00
Baseline (2017/18 Achievement)	14.47%

Reason for variance: SARS concluded audits on 1 597 102 taxpayers, of which the majority were compliance verification audits.

[5]The criteria used for determining the 2018/19 actual achievement differs from the criteria used in determining the baseline, i.e. the actual achievement for 2017/18. The definition for this measure was amended. The total taxpayers audited are included in the calculation and not the total audited cases.

Outcome 3 - Increased Ease and Fairness of Doing Business with SARS

% System Uptime for e-channels

Intention	To monitor electronic channel availability targeted at e-filing and business-to-business gateway.
Achievement	99.65%
Target	99.00%
Variance	0.65
Baseline (2017/18 Achievement)	99.67%

Reason for variance: The positive achievement is due to the overall stability of systems.

% Uptake of PIT e-filing channel

Intention	To assess the extent to which SARS is providing an advanced service to PIT taxpayers to engage using eFiling.
Achievement	54.59%
Target	52.50%
Variance	2.09
Baseline (2017/18 Achievement)	52.51%

Reason for variance: For the year, SARS received 4 886 360 PIT returns. Of this total, 2 667 667 were submitted electronically, which equates to a 54.59% uptake. The over performance is due to ongoing compliance efforts prompting the use of this channel.

Average processing turnaround time for PIT returns (working days)

Intention	To assess the duration that SARS takes to process PIT returns. It is in line with SARS' commitment to provide an advanced service delivery to all taxpayers and traders.
Achievement	0.22 days
Target	Less than I day
Variance	0.78 days
Baseline (2017/18 Achievement)	0.43 days

Reason for variance: The performance is within acceptable performance levels.

Average processing turnaround time for CIT returns (working days)

Intention	To assess the duration that SARS takes to process CIT returns.
Achievement	0.86 days
Target	Less than I day
Variance	0.14 days
Baseline (2017/18 Achievement)	0.54 days

Reason for variance: The performance is within acceptable performance levels.

Average processing turnaround time for VAT refunds (working days)

Intention	To assess the duration that SARS takes to process VAT refunds.
Achievement	27.88 days
Target	21.00 days
Variance	-6.88 days
Baseline (2017/18 Achievement)	23.17 days

Reason for variance: The VAT refund turnaround time is still high, and invalid banking details from taxpayers is the biggest contributor to this underperformance.

% first contact resolution in Contact Centre

Intention	To provide and maintain a high standard of service at the second tier of engagement between the taxpayer/tax practitioner/trader and the SARS Contact Centre, with a view to achieving "first time" resolution, thereby minimising undue escalations and complaints.
Achievement	97.23%[6]
Target	96.00%
Variance	1.23
Baseline (2017/18 Achievement)	New Measure

Reason for variance: This performance is attributed to competent staff with the ability to effectively resolve service queries on first contact, where possible, whilst ensuring high customer satisfaction levels.

[6] In order to make this measure more robust, some business rule changes were required when data was extracted and populated from Q2 onwards. The current definition calculates the first contact resolution cases as a percentage of all SARS service manager cases created. With the business rule changes, this measure is now calculated by expressing the first contact resolution cases as a percentage of all the Inbound SARS service manager cases created.

Customer satisfaction with Contact Centre Service

Intention	To provide and maintain a high quality of service at the Contact Centre point of engagement between SARS and the customer (taxpayer/vendor/trader).
Achievement	90.53%
Target	90.00%
Variance	0.53
Baseline (2017/18 Achievement)	New Measure

Reason for variance: The over-performance is attributed to competent staff with the ability to effectively resolve service queries irrespective of value-chain challenges.

Outcome 4 - Increased Cost Effectiveness and Internal Efficiencies

Cost to Revenue Ratio

Intention	To assess the extent to which SARS is achieving its five outcomes in a cost-effective manner.
Achievement	0.84% (audited)
Target	0.92%
Variance	0.11
Baseline (2017/18 Achievement)	0.89%

Reason for variance: SARS has contained costs while increasing the amount of revenue it has collected.

Outcome 5 - Increased Public Trust and Credibility

Employee Engagement (%)

Intention	To monitor the extent to which employees feel valued and involved in their everyday work, which helps to improve their level of commitment and affiliation to the SARS employer brand. This measure is tracked biennially (after every 2 years).
Achievement	N/A
Target	N/A
Variance	N/A
Baseline (2017/18 Achievement)	63.60%

Reason for variance: Measured every second year.

Leadership Effectiveness Index (%)

Intention	To gauge the effectiveness of SARS managers through the use of a 360 degree assessment process.
Achievement	88.52%
Target	88.00%
Variance	0.52
Baseline (2017/18 Achievement)	88.08%

Reason for variance: The LEI score is above target, and 0.44% higher than the 2017/18 year.

Employment Equity: Demographics (%)

Intention	To gauge how adequately SARS is representing the country's demographics in the workforce, and to promote gender equality and create opportunities for people with disabilities.
Achievement	76.03%
Target	78.30%
Variance	-2.27
Baseline (2017/18 Achievement)	76.01%

Reason for variance: The race equity for the end of the financial year is 76.03%. The target was not met due to a shortfall of 290 employees.

Employment Equity: Gender on management level (%)

Intention	To gauge how adequately SARS is representing the country's demographics in the workforce, and to promote gender equality and create opportunities for people with disabilities
Achievement	49.08%
Target	49.00%
Variance	0.08
Baseline (2017/18 Achievement)	48.78%

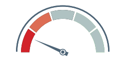
Reason for variance: The target was met. The decision to halt recruitment impacted on the gender status.

Employment Equity: Disability (%)

Intention	To gauge how adequately SARS is representing the country's demographics in the workforce, and to promote gender equality and create opportunities for people with disabilities.
Achievement	2.13%
Target	2.90%
Variance	-0.77
Baseline (2017/18 Achievement)	1.92%

Reason for variance: The disability representation for the end of the financial year is 2.13%. The target was not met due to a shortfall of 99 employees.

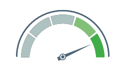
Public opinion index (%)



Intention	To gauge the public's perceptions and attitudes towards tax compliance. The purpose of this measure is to help SARS better understand the public's attitudes towards tax compliance, and obtain feedback to enable SARS to track and monitor tax compliance over time.
Achievement	66.00%
Target	72.00%
Variance	-6.00
Baseline (2017/18 Achievement)	Not conducted

Reason for variance: There were no concrete plans developed and implemented to influence public perceptions on tax compliance from the previous Public Opinion Survey. The survey was undertaken between October and November 2018 when the Nugent Commission of Inquiry was underway. The revelations on the collapse of governance within SARS and the negative media narrative may have contributed to the underperformance.

% of acquisition spend through B-BBEE level 1-4 Compliant Entities



Intention	To gauge the extent to which SARS' procurement spend is achieving supplier base transformation.
Achievement	79.98%
Target	60.00%
Variance	19.98%
Baseline (2017/18 Achievement)	New Measure

Reason for variance: SARS spent a total of 79.98% on 1 002 compliant suppliers between the 1 to 4 B-BBEE recognition level.

% of acquisition spend through Black Women Owned Entities

Intention	To gauge the extent to which SARS' procurement spend is achieving supplier base transformation (in this case, black women owned entities).
Achievement	6.21%
Target	5.00%
Variance	1.21
Baseline (2017/18 Achievement)	New Measure

Reason for variance: SARS spent a total of 6.21% on 182 entities with at least 30% black woman ownership.

Unqualified report by Auditor-General

Intention	To assess SARS' commitment to maintain and promote good governance in the organisation.
Achievement	Unqualified Audit Report with findings
Target	Clean Audit Report
Variance	0.00
Baseline (2017/18 Achievement)	Unqualified Audit Report with findings

Reason for variance: The Auditor-General report for SARS Own-Accounts is an unqualified audit report with findings.

Revenue Performance

Overall Revenue Performance in 2018/19

The 2018/19 FY total tax revenue estimate (Printed Estimate), based on a 1.5% Gross Domestic Product (GDP) growth outlook, was set at R1 345.0 billion in the February 2018 Budget. The estimate was then revised to R1 302.2 billion in the February 2019 Budget (Revised Estimate), based on deteriorating economic conditions. Collections for the 2018/19 FY amounted to R1 287.7 billion, R14.5 billion below the revised target of R1 302.2 billion. The gross amount collected is R1 575.6 billion which was offset by refunds of R287.9 billion, resulting in net collections of R1 287.7 billion. The net revenue outcome of R1 287.7 billion represents a growth of R71.2 billion (5.9%) compared to the 2017/18 FY.

The ratio of revenue growth to economic growth (buoyancy) is 1.23 for the 2018/19 FY, which is above the long term average of 1.09. Furthermore, a tax-to-GDP ratio of 26.2% was achieved in a very weak economic growth environment. This tax extraction rate is close to the long term average of 24.2%. Revenue collection is driven by the state of the economy, the fiscal policy choices, legislation, administrative efficiency, taxpayer compliance, tax morality and sentiment.

Figures have been rounded so discrepancies may show between the component items and totals in the tables.

Budget Estimates for 2017/18 and 2018/19

Estimate description	Date announced	2017/18 Estimate	Date announced	2018/19 Estimate
		R million		R million
Printed Estimate	22 February 2017	1 265 488	21 February 2018	1 344 965
Medium Term Budget Policy Statement (MTBPS) Estimate	25 October 2017	1 214 727	24 October 2018	1 317 600
Revised Estimate	**21 February 2018**	**1 217 307**	**20 February 2019**	**1 302 201**

Revenue estimates for the next three years and the medium term, are set or adjusted on three occasions during the FY. For the 2018/19 FY, estimates were announced in the February 2018 Budget (generally referred to as the Printed Estimate), in October 2018 in the Medium Term Budget Policy Statement (MTBPS), and in the February 2019 Budget (the Revised Estimate). Revenue estimates are predicted using various statistical models. They take into account prevailing and forecasted economic conditions, and provide detailed analysis of the likely performance of the different tax types.

Budget Revenue Performance for 2018/19

Tax type	Printed estimate Feb 2018	Revised estimate Feb 2019	Actual result	Increase / decrease on Printed estimate	Increase / decrease on Revised estimate
	R million	R million	R million	R million	R million
Tax revenue	1 344 965	1 302 201	1 287 690	-57 274	-14 511
Non-tax revenue	24 470	31 473	32 830	8 360	1 357
Mineral and Petroleum Resource Royalties	*7 986*	*8 340*	*8 612*	*626*	*272*
Mining leases and ownership	*194*	*441*	*413*	*220*	*-27*
Other non-tax revenue and extraordinary receipts	*16 290*	*22 693*	*23 805*	*7 514*	*1 111*
Less: SACU payments	-48 289	-48 289	-48 289	-	-
Total budget revenue	**1 321 146**	**1 285 386**	**1 272 232**	**-48 915**	**-13 154**

The table above shows the contribution of tax revenue and non-tax revenue to the total national budget revenue. Payments to Botswana, eSwatini Lesotho and Namibia (BELN), in terms of the Southern African Customs Union (SACU) agreement are deducted. Included in the total non-tax revenue that SARS collects is Mineral and Petroleum Resource Royalties (MPRR), mining leases and ownership, as well as receipts from other State departments and extraordinary receipts. SARS also collects Unemployment Insurance

Fund (UIF) and Skills Development Levy (SDL) contributions for the Department of Labour, and Road Accident Fund (RAF) levies on behalf of the Department of Transport.

Tax Revenue Performance by Tax Type for 2018/19

Tax type	Printed estimate Feb 2018	Revised estimate Feb 2019	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)	507 520	499 137	493 829	-13 691	-5 308
Company Income Tax (CIT)	233 957	221 699	214 388	-19 569	-7 311
Secondary Tax on Companies (STC) / Dividends Tax (DT)	30 829	30 341	29 898	-931	-443
Value-Added Tax (VAT)	348 110	325 917	324 766	-23 344	-1 151
Domestic VAT	*378 556*	*379 887*	*378 733*	*177*	*-1 155*
Import VAT	*169 553*	*174 030*	*175 185*	*5 632*	*1 154*
VAT refunds	*-199 999*	*-228 000*	*-229 151*	*-29 153*	*-1 151*
Fuel levy	77 509	75 374	75 372	-2 136	-1
Customs duties	52 601	55 638	54 968	2 367	-670
Specific excise duties	40 652	40 276	40 830	177	553
Taxes on property	17 311	16 035	15 252	-2 059	-783
Skills development levy	16 929	17 312	17 439	510	127
Other taxes and duties	19 547	20 472	20 948	1 401	477
Total tax revenue	**1 344 965**	**1 302 201**	**1 287 690**	**-57 274**	**-14 511**
Customs and Excise revenue	360 045	364 842	366 450	6 406	1 608
Tax revenue (excluding Customs and Excise revenue)	984 920	937 359	921 240	-63 680	-16 119
Total tax revenue	**1 344 965**	**1 302 201**	**1 287 690**	**-57 274**	**-14 511**

Personal Income Tax (PIT), which accounts for approximately 38.3% of the total revenue, grew by 6.7% in the 2018/19 FY. This growth was lower compared to previous years, as a result of lower wage settlements, job shedding and an increase in unemployment.

Company Income Tax (CIT) collections were substantially lower compared to 2017/18 FY. The contraction was on the back of a significant number of CIT refunds, which were paid to the large business segment and relate to multiple periods that were under audit review, as well as continued efforts to clear the Income Tax credit book. Furthermore, the continuing power cuts imposed by the utility company because of plant-related problems, as well as diesel shortages for planned maintenance, also contributed to the decline, as business activities and company operations were severely affected, thus affecting their profitability.

Customs and Excise revenue collections, recorded at the bottom of the table, exceeded the Revised Estimate by R1.6 billion (0.4%). This was largely due to Excise collecting R1.4 billion (1.1%) more than the Revised Estimate, driven by higher collections from the Health Promotion Levy (domestic), Beer, Wine and Spirits. Customs collections were in line with the year's Revised Estimate, albeit recording a narrow R0.2 billion (0.1%) surplus, driven by the revenue impact of the 1 percentage point increase in the VAT rate, combined with steady levels of imports of key contributing commodities.

Domestic VAT collections were below the Revised Estimate by 0.3%, this is as real household consumption expenditure declined to 1.8% in 2018 from 2.1% in 2017. High unemployment, sluggish household income growth and high indebtedness, continue to subdue consumer spending.

Breakdown of Tax Revenue Collections and Contribution to Tax Revenue from 2013/14 to 2018/19

PIT, CIT and VAT remain the largest sources of tax revenue, and comprise approximately 80% of total tax revenue collections. The table below provides a breakdown of the relative contributions of the different taxes. The relative contribution of taxes to the tax revenue portfolio has changed over the past six years. The relative contribution of CIT fell from 19.9% in the 2013/14 FY to 16.6% in the 2018/19 FY, while PIT increased from 34.5% to 38.3%, and VAT declined from 26.4% to 25.2% during this period.

The Tax-to-GDP ratio has increased from 24.9% in the 2013/14 FY to 26.2% in the year under review.

Breakdown of Revenue Collected and Contribution of Tax Revenue

Year	PIT	CIT	DT/STC	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
2013/14	310 929	179 520	17 309	237 667	43 685	44 179	66 727	900 015	3 614 459
2014/15	353 918	186 622	21 247	261 295	48 467	40 679	74 068	986 295	3 865 119
2015/16	389 280	193 385	23 934	281 111	55 607	46 250	80 414	1 069 983	4 124 704
2016/17	425 924	207 027	31 130	289 167	62 779	45 579	82 475	1 144 081	4 419 437
2017/18	462 903	220 239	27 894	297 998	70 949	49 152	87 330	1 216 464	4 698 724
2018/19	**493 829**	**214 388**	**29 898**	**324 766**	**75 372**	**54 968**	**94 469**	**1 287 690**	**4 921 564**
	%	%	%	%	%	%	%	%	%
2013/14	34.5%	19.9%	1.9%	26.4%	4.9%	4.9%	7.4%	100.0%	24.9%
2014/15	35.9%	18.9%	2.2%	26.5%	4.9%	4.1%	7.5%	100.0%	25.5%
2015/16	36.4%	18.1%	2.2%	26.3%	5.2%	4.3%	7.5%	100.0%	25.9%
2016/17	37.2%	18.1%	2.7%	25.3%	5.5%	4.0%	7.2%	100.0%	25.9%
2017/18	38.1%	18.1%	2.3%	24.5%	5.8%	4.0%	7.2%	100.0%	25.9%
2018/19	**38.3%**	**16.6%**	**2.3%**	**25.2%**	**5.9%**	**4.3%**	**7.3%**	**100.0%**	**26.2%**

** Source: Q1-2019 GDP, Statistics SA.*

Tax Policy Measures

Tax policy measures implemented during the past six years increased taxpayers' tax obligations by notably higher indirect tax increases, due to an increase in the VAT standard rate in the 2018/19 FY and the annual inflation adjustments on excise goods and the fuel levy. Reforms applied across a variety of tax products resulted in net tax increases to taxpayers of R36.0 billion in the 2018/19 FY.

Summary Effects of Tax Proposals

Year	Direct				Indirect				Other	Total relief/ Increase
	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
2013/14	-7 382	-860	-	-8 242	2 065	3 270	495	5 830		-2 412
2014/15	-9 250	-1 000	-	-10 250	2 110	2 565	-	4 675		-5 575
2015/16	-	-150	100	-50	1 835	6 490	-	8 325		8 275
2016/17	-5 650	1 000	100	-4 550	2 284	6 800	-	9 084	456	4 990
2017/18	16 516	-	6 374	22 891	1 936	3 197	-	5 133		28 024
2018/19	**7 510**	**-350**	**150**	**7 310**	**2 360**	**1 220**	**25 110**	**28 690**		**36 000**
Total	1 744	-1 360	6 724	7 109	12 590	23 542	25 605	61 738	456	69 302

Maximum marginal tax rates remained unchanged across most tax types. The exception was Personal Income Tax (PIT) and Secondary Tax on Companies (STC). The marginal tax rate for PIT increased from 41% to 45% effective 1 March 2017. STC was replaced with Dividends Tax (DT), imposed at a rate of 15% from 1 April 2012. From 22 February 2017, the DT rate increased to 20%. The standard VAT rate increased by one percentage point to 15%, effective 1 April 2018.

Maximum Marginal Tax Rates

Period	PIT*	CIT	STC/DT	VAT
	%	%	%	%
01 Apr 2014 – 28 Feb 2015	40.0%	28.0%	15.0%	14.0%
01 Mar 2015 – 31 Mar 2015	***41.0%**	28.0%	15.0%	14.0%
01 Apr 2015 – 31 Mar 2016	41.0%	28.0%	15.0%	14.0%
01 Apr 2016 – 21 Feb 2017	41.0%	28.0%	15.0%	14.0%
22 Feb 2017 – 28 Feb 2017	41.0%	28.0%	**** 20.0%**	14.0%
01 Mar 2017 – 31 Mar 2017	***45.0%**	28.0%	20.0%	14.0%
01 Apr 2017 – 31 Mar 2018	45.0%	28.0%	20.0%	14.0%
01 Apr 2018 – 31 Mar 2019	**45.0%**	**28.0%**	**20.0%**	*****15%**

* *An individual's tax year starts on 1 March and ends at the end of February the subsequent year. The marginal rate for Individuals increased from 40% to 41% with effect from 1 March 2015 and from 41% to 45% on 01 March 2017.*

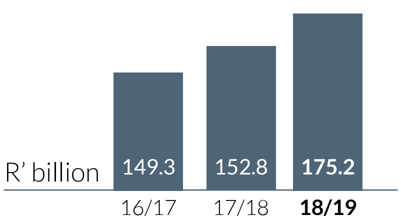
** *The rate of DT was increased to 20% on 22 February 2017.*

****VAT rate increased from 14% to 15% as from 1 April 2018*

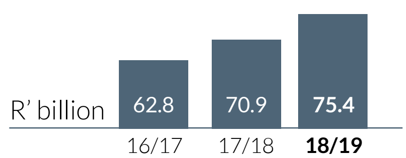
OUTCOME 1 Increased Customs and Excise Compliance

Customs and Excise Revenue Collected

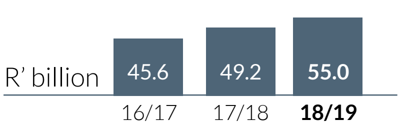
Import VAT



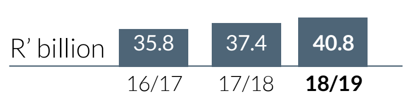
Fuel Levy



Custom Duties



Specific Excise



Customs and Excise Revenue Performance

Maximise Customs and Excise Revenues

SARS collected R366.5 billion in Customs and Excise revenue during the 2018/19 FY, R1.6 billion (0.4%) above the Revised Estimate of R364.8 billion, with over-collections of Import VAT and Health Promotion Levy (domestic) accounting for most of this surplus. Import VAT is levied on goods imported into South Africa, and is calculated according to the value of these products.

Customs Revenue Performance by Tax Type for 2018/19

Tax type	Printed estimate Feb 2018	Revised estimate Feb 2019	Actual result	Increase / decrease on Printed estimate	Increase / decrease on Revised estimate
	R million	R million	R million	R million	R million
Import VAT	169 553	174 030	175 185	5 632	1 154
Customs duties	52 601	55 638	54 968	2 367	-670
Specific excise	40 652	40 276	40 830	177	553
Fuel levy	77 509	75 374	75 372	-2 136	-1
Electricity levy	8 621	8 434	8 404	-217	-31
Incandescent light bulb levy	91	41	41	-50	-0
Miscellaneous customs & excise	1 103	918	624	-480	-295
Health promotion Levy	1 930	2 474	3 248	1 318	774
Other*	7 986	7 656	7 779	-206	123
Total customs and excise revenue	**360 045**	**364 842**	**366 450**	**6 406**	**1 608**

** Other includes Air departure tax, Plastic bags levy, CO2 tax, Tyre levy, International Oil pollution levy fund, Diamond Export levy and Ad Valorem excise*

Import VAT collections of R175.2 billion in the 2018/19 FY, grew by a rate of 14.7% against the previous year's 2.4%, resulting in the Revised Estimate being exceeded by R1.2 billion (0.7%). Despite a subdued economic environment with passive levels of investment, domestic demand and household consumption, Import VAT was driven by the revenue impact of the 1 percentage point increase in the VAT rate from 14% to 15%, effective 1 April 2018. This combined with the steady levels of imports in key contributing commodities such as original equipment components and machinery, factoring into an overall 9.7% expansion in merchandise imports for the 2018/19 FY.

Year	Actual	% Year-on-year change	% of tax revenue	% of GDP
	R million	%	%	%
2013/14	131 085	17.6%	14.6%	3.6%
2014/15	136 544	4.2%	13.8%	3.5%
2015/16	150 745	10.4%	14.1%	3.7%
2016/17	149 265	-1.0%	13.0%	3.4%
2017/18	152 789	2.4%	12.6%	3.3%
2018/19*	**175 185**	**14.7%**	**13.6%**	**3.6%**

**Includes VAT collected on goods imported through the South African Post Office*

Customs duty collections in the 2018/19 FY amounted to R55.0 billion, representing a growth rate of 11.8% against the previous year's 7.8%. However, this was below the required growth rate of 13.2%, which resulted in the Revised Estimate being missed by R0.7 billion (1.2%). Similar to Import VAT, despite difficult economic conditions, the double-digit growth rate was driven by increases in contributions from key commodities, namely, electrical machinery, vehicles, clothing and beverages, among others; culminating into an overall 9.7% expansion in merchandise imports for the 2018/19 FY.

Year	Actual	% Year-on-year change	% of tax revenue	% of GDP
	R million	%	%	%
2013/14	44 179	13.3%	4.9%	1.2%
2014/15	40 679	-7.9%	4.1%	1.1%
2015/16	46 250	13.7%	4.3%	1.1%
2016/17	45 579	-1.5%	4.0%	1.0%
2017/18	49 152	7.8%	4.0%	1.0%
2018/19	**54 968**	**11.8%**	**4.3%**	**1.1%**

Specific Excise revenue collected during the 2018/19 FY was R40.8 billion. The percentage contribution to total tax revenue collected by SARS declined from 3.2% during the 2013/14 FY to 3.1% at the end of the 2016/17 FY, and increased again to 3.2% at the end of the 2018/19 FY. The year-on-year growth of 9.3% is higher than the growth of 4.4% in the previous year. Year-on-year growth is impacted by changes in consumption and demand, as well as changes in activities by companies producing these goods.

Year	Actual	% Year-on-year change	% of tax revenue	% of GDP
	R million	%	%	%
2013/14	29 039	2.3%	3.2%	0.8%
2014/15	32 334	11.3%	3.3%	0.8%
2015/16	35 077	8.5%	3.3%	0.9%
2016/17	35 774	2.0%	3.1%	0.8%
2017/18	37 356	4.4%	3.1%	0.8%
2018/19	40 830	9.3%	3.2%	0.8%

Fuel levy registered a growth of 6.2% in collections, mainly as a result of a 4.5% rate increase announced from April 2018. The growth decreased from 14.7% at the end of the 2015/16 FY, to 6.2% at the end of the 2018/19 FY. Fuel levy on imports were lower than expected, which can be ascribed to high costs as a result of exchange rate fluctuations. Diesel refunds, included under the fuel levy, increased by R2.8 billion (93.3%) compared to the previous year. Refunds are higher because of a drive to finalise and release older cases and clear other cases on the credit book.

Year	Actual	% Year-on-year change	% of tax revenue	% of GDP
	R million	%	%	%
2013/14	43 685	8.1%	4.9%	1.2%
2014/15	48 467	10.9%	4.9%	1.3%
2015/16	55 607	14.7%	5.2%	1.3%
2016/17	62 779	12.9%	5.5%	1.4%
2017/18	70 949	13.0%	5.8%	1.5%
2018/19	75 372	6.2%	5.9%	1.5%

Electricity levy collections in the 2018/19 FY, compared to the previous year, contracted by 1.1%. Collections displayed double digit growths in earlier years, but started to decline in the 2014/15 FY. The growth in collections during the earlier few years was mainly driven by the rate increase (from 2.5 cents per k/Wh to 3.5 cents per k/Wh) which was implemented in July 2012. Although the duty rate increased by 40.0% effective 1 July 2012, growth in consumption was slow. The expectation is that the demand for electricity will decrease as a result of the muted economy, as well as a continued interest in, and migration to renewable energy sources.

Year	Actual	% Year-on-year change	% of tax revenue	% of GDP
	R million	%	%	%
2013/14	8 819	10.5%	1.0%	0.2%
2014/15	8 648	-1.9%	0.9%	0.2%
2015/16	8 472	-2.0%	0.8%	0.2%
2016/17	8 458	-0.2%	0.7%	0.2%
2017/18	8 501	0.5%	0.7%	0.2%
2018/19	8 404	-1.1%	0.7%	0.2%

The Health Promotion Levy on sugary beverages was implemented on 1 April 2018. The Health Promotion Levy on sugary beverages is a new levy in support of the Department of Health's deliverables to decrease diabetes, obesity and other related diseases in South Africa.

The levy applies to beverages with more than 4 grams of sugar content per 100ml. A tax of 2.1 cents per gram is applied for every gram of sugar beyond the first 4 grams, which are levy-free. To avoid erosion in the value of the tax due to inflation, the levy rate increased to 2.21 cents per gram, in excess of 4 grams of sugar per 100ml, from 1 April 2019.

The Health Promotion Levy on sugary beverages is payable by manufacturers thereof in the Republic of South Africa, is a domestic consumption tax, and is therefore not payable on sugary beverages that are exported or processed in the manufacture of other dutiable goods. It is payable on sugary beverages manufactured in, or imported into South Africa, specifically:

» Identified imported products will be taxed when they are cleared for home consumption.
» Locally manufactured products will be taxed at the source.

The provision in the Printed Estimate during February 2018 for the Health Promotion Levy on sugary beverages was R1.9 billion in total, and was increased to R2.5 billion during the February 2019 Revised Estimate. Collections in the 2018/19 FY exceeded the Printed Estimate by R1.3 billion and the Revised Estimate by R0.8 billion. About 98.4% of these received payments were paid on locally manufactured products.

Health Promotion Levy 2018/19

Tax type	Printed estimate Feb 2018	Revised estimate Feb 2019	Actual result	Increase / decrease on Printed estimate	Increase / decrease on Revised estimate
	R million	R million	R million	R million	R million
Health promotion levy[1]	1 685	2 396	3 195	1 510	799
Health promotion levy on imports	245	78	53	-192	-25
Total Health promotion levy	**1 930**	**2 474**	**3 248**	**1 318**	**774**

[1] *Levy on locally manufactured products*

Improve Control over the Flow of all Goods and Travellers Entering and Leaving the Country

It is vital to strengthen the risk controls, promote high visibility and full accountability for all goods entering and leaving the country at various ports of entry. This includes goods passing through the traveller sections at the various border posts. SARS endeavours to deliver fully operational command centres with tracking tools, for the movement of imported and exported goods both inside and outside the ports. Other activities in support of this project include the following:

» SARS embarked on a focussed compliance campaign on 1 November 2018 to increase electronic reporting levels from the reported 52% for Import Sea, and 26% for Import Air, since the reporting compliance for sea and air import cargo manifest submissions was not at the desired level of 70%.

» The Inter-Agency Cargo Control strategy to secure the movement of Customs controlled cargo to and from the City Deep container terminal and depots was presented and approved at the Customs and Excise MANCO meeting on 12 March 2019.

» It is important for SARS to implement the track and trace marker technology for excisable goods, which enables SARS to monitor the journey of goods from manufacturing to sale, including importation or exportation. The scope of the project was focused on cigarettes and fuel by EXCO in October 2018. The project was to commence the procurement process to appoint a preferred service provider for the technology solution. SARS made progress in establishing a new Bid Specification and Bid Evaluation Committee, and published the tender advertisement in the Government Gazette.

» A feasibility study of the Customs Marine Wing was completed to determine the viability of expanding the marine unit to other ports of entry. SARS will consider the outcomes of the study to ensure incorporation and alignment with the draft marine strategy.

» For City Deep, the deployment of the mobile container cargo scanner was to take place on 25 March 2019, but was suspended based on the security risks to the scanner vehicle that were identified by SARS' Physical Security unit.

Electronic Reporting of Manifests

Import Sea
52%

Import Air
26%

Import Land
99%

» At OR Tambo International Airport (ORTIA) the site drawings for the air cargo scanner were modified. This submission of the updated drawings is dependent on the procurement of a structural engineer to review and support the designs. The tender for structural engineer services closed on 9 April 2019. It is envisaged that the scanner will be operational by December 2019.

Improve Customs and Excise Risk Identification and Targeting Capabilities

» Total Customs seizures amounted to 6 828 for the FY year, compared to the previous year's 4 840. The value of these seizures totalled R3.7 billion for the 2018/19 FY compared to the R2.5 billion for the 2017/18 FY. This is an improvement of almost 50% from the previous year.

» Narcotic seizures specifically increased from 729 in 2017/18 to 892 in the reporting period.

» Development of the Excise risk engine has commenced, and is scheduled for completion by the end of July 2019. The Customs Risk Engine was delivered in April 2018.

» SARS continued with the accreditation of qualifying traders, in accordance with the Preferred Trader Programme. Since the start of the programme, 90 applications were approved for accreditation, and the percentage for trade volume coverage of these accredited traders was 8.45% for the year.

» A comprehensive paper, in respect of the benchmark studies to define the Customs risk coverage for import and export, as well as a paper on the benchmarking study of the Authorised Economic Operator (AEO) were completed, and will provide valuable information in future strategies.

» A draft strategy for a National Targeting Centre for Customs and Excise was completed. The conceptual design was approved by all relevant parties.

» SARS managed to conduct excise audits on 43.97% of their active excise clients.

Improve State Warehouse Infrastructure

» The refurbishment of the New Pier Durban State Warehouse is progressing with the final construction and is currently 60% complete. A temporary solution with minimum infrastructure requirements was approved to enable this site to be operational. The deliverables will be implemented by mid-April 2019.

» The state warehouse strategy was approved by the Customs and Excise management team in March 2019.

Adopt a Whole-of-Government Approach

» SARS embarked on collaborations with the Department of Agriculture, Forestry and Fisheries (DAFF) to build a workflow for DAFF permits on current SARS technology platforms, to improve effectiveness across the trade value chain, with particular focus on exports. The Memorandum of Understanding (MOU) and Service Level Agreement (SLA) are in the process of finalisation with DAFF, and the completion of

892 Narcotic seizures

% of R535 million

59% — **489 Cannabis** 7 322kg

23% — **16 Miscellaneous** 3 332kg

10% — **78 Cocaine** 183kg

3% — **11 Ephedrine** 44kg

2% — **35 Crystal Meth** 41kg

2% — **30 Heroin** 1 953kg

1% — **219 Khat** 1 953kg

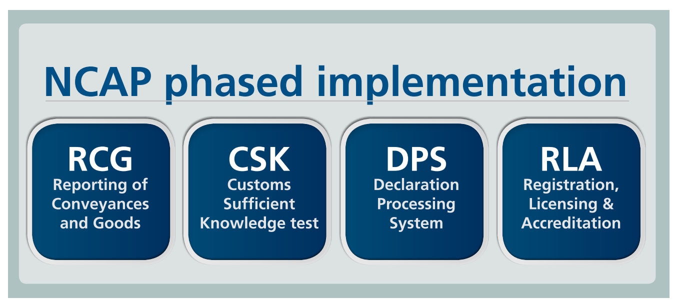
0% — **14 Ecstacy** 4kg

this process will result in the contracting of vendors for commencement of the project.

» SARS supports a facilitative role in the establishment of the Border Management Authority (BMA). SARS re-engaged with the task teams established by the BMA Project Management Office, starting with participation in a joint workshop held on 26 February 2019, aimed at setting out the direction for 2019.
» The implementation of the WCO – Southern African Customs Union (SACU) Information Technology Connectivity initiative with the Swaziland Revenue Authority (SRA) started and is progressing well. The data exchange between SARS and SRA went live on 12 October 2018, and data matching analysis is in progress. The implementation of IT connectivity with the Botswana Unified Revenue Service (BURS) has also progressed, with the signing of an implementation arrangement by the Acting Commissioner for SARS and the Commissioner General of BURS on 21 November 2018. The two administrations will now also be able to start the incremental implementation of live customs data exchange between them.

Implement the Requirements of the New Customs Acts Programme

» In July 2014, the Customs Control Act, 2014 and the Customs Duty Act, 2014 were promulgated into law, replacing the provisions of the current Customs and Excise Act, 1964 relating to customs control of all means of transport, goods and persons entering or leaving South Africa.
» The SARS strategic plan for 2016/17 - 2020/21 underpins the strategic objective to implement the Customs and Excise legal framework. The Customs Control Act, 2014 and Customs Duty Act, 2014 collectively provided an effective legal framework that guarantees prompt, transparent and predictable Customs procedures that enable better control of vehicles, goods and people entering or leaving South Africa. It also makes it easier for SARS clients to comply.
» The development of processes and systems to support the implementation of the Customs Control Act and Customs Duty Act are required. Processes and systems have to be built and tested incrementally, with co-operation from the Business community, so that the Acts may be made effective once the systems are stable to ensure minimum impact on the flow of trade and the economy.
» The New Customs Acts Programme (NCAP) is managed as a programme consisting of various phases to plan and implement the above requirements.



» Due to the size and complexity of the programme and each of the projects, the programme and projects have been divided into several releases per project over a period of nine years.
  o **Registration, Licensing and Accreditation (RLA):** Release 1 (implementing segments of client types according to the 1964 Act. Introducing an automated application, case and workflow management system). From a systems perspective, all analysis and design activities were concluded. Development continued as from 2016, and sprint releases were delivered to Quality Assurance (QA) from November 2018. To date, the development is still in progress and behind schedule. All scoped items are scheduled for implementation by the 3rd quarter of 2019. In a previous decision made to implement RLA on the 1964 Act, the tasks in terms of the legal process are on track to publish legal rules, and the DA185 and DA8 forms for external comment. A pilot is planned to commence after the technical implementation. When the system is stable, a port by port roll-out will be done at Customs Branch front-end offices, when all functionality has been delivered and tested successfully.

  o **Reporting of Conveyances and Goods (RCG):** The receipt of advance electronic cargo reports as implemented under the Reporting of Conveyances and Goods (RCG) project is a key enabler of supply chain security, trade facilitation, fiscal assurance and increased border efficiencies.

    The RCG implementation of mandatory electronic advance containerised loading notices is the first by any country in Africa and has resulted in SARS joining other advanced customs administrations such as the US, China, Korea and the EU who have implemented the same requirement - referred to commonly as the 24 hour reporting rule. As a result SARS is fully aligned to the World Customs Organisation (WCO) SAFE Framework of Standards to Secure and Facilitate Global Trade and, consequently, SARS' advance electronic cargo information requirements for inbound, outbound and transit shipments are harmonised to the global standard.

This fact enables SARS to fully partake in international effort to secure and facilitate legitimate trade flows and to lay the foundation for the implementation of the Authorised Economic Operator (AEO) concept which, in turn, contributes to socio-economic development through increased levels of trade and higher revenue collection.

As a revenue authority, the RCG implementation supports the core revenue collection mandate of SARS by utilising and applying the RCG cargo reports generated at key points in the supply chain by numerous participants (e.g. carriers, terminal operators and depot licensees) as Customs Third Party (C3P) data in order to corroborate, or cast doubt over, the accuracy of customs clearance declarations submitted to SARS by importers. This RCG Goods Accounting (GAC) solution provides additional assurance that all relevant taxes and duties due to the fiscus on goods have, in fact, been paid to SARS.

RCG's impact on border efficiencies has been significant too. In this regard more than 99% of all commercial truck cargo moving across South African land borders do so on the basis of an electronic road freight manifests submitted prior to their arrival at the border. The standardised paper rendition of the manifest presented by the driver for arrival management processing is bar-coded thus enabling the scanning thereof and the instant retrieval of the electronic manifest data, thus greatly improving turn-around times, eliminating errors and reducing opportunities for fraud. Furthermore, electronic arrival and departure messages are automatically generated and transmitted to the applicable declarant and carrier. The above, as well as the recent addition of an automated solution to the management of part-shipment cargo has earned the RCG project team a WCO award for its contribution to "SMART borders for Seamless Trade, Travel and Transport" during the recent International Customs Day held in January 2019.

- **Declaration Processing System (DPS):** The legal request for amendment of the Customs and Excise Act of 1964 was approved by the Acting Commissioner during April 2018. However, due to a misalignment, SARS decided that the DPS Tactical Release 1 system will only be implemented as a technical deployment. A mandate was given that a controlled and restricted pilot will be conducted once all outstanding matters have been finalised.

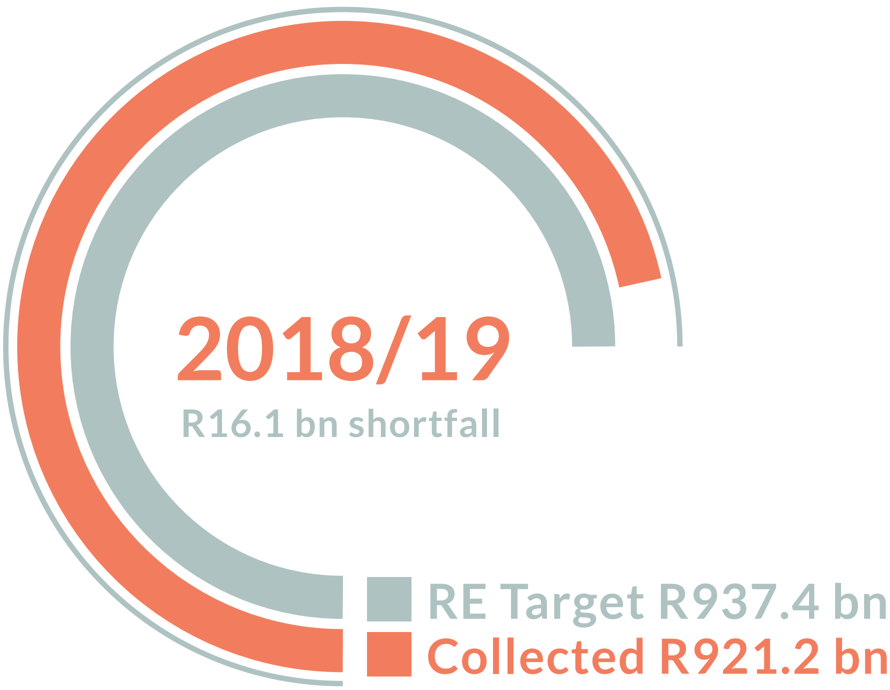
Develop a Professional and Disciplined Customs and Excise Workforce

» The ideal capacity norms and standards for a hub exercise were concluded, and recommendations have been made in respect of the 24 hour operation and the optimum hub workload balancing. In respect of Customs branches, a review of all functions for all ports of entry has been conducted. The ideal capacity requirements, as well as the current scenario, with limited funding, have been specified via the Capacity Plan requirements. An extended study to indicate the people impact during the various NCAP phased deployments and rollouts, as well as the impact on the approved Customs Turnaround Strategy activities, will be issued in a report with appropriate recommendations.

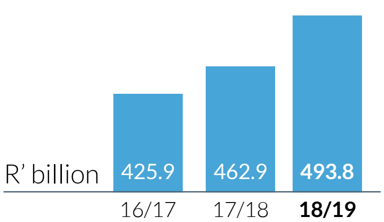
» A diagnostic exercise to derive a proposed menu of Customs and Excise business performance indicators for a hub was concluded. In respect of Customs branches, SARS' internal data experts were engaged to create an automated dashboard that will generate operational measurements at each key touch point of the operational process. A dashboard was developed, and access to the dashboard has been granted to the relevant managers. An inspection dashboard has also been developed, and will be finalised in the 2019/20 FY.

OUTCOME 2 Increased Tax Compliance

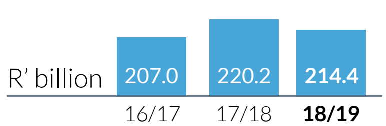
Tax Revenue Collected



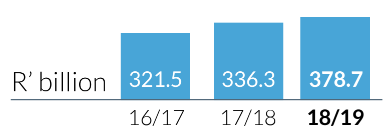
Personal Income Tax



Company Income Tax



Domestic VAT



VAT Refunds Paid

- R181.6 bn	**- R191.1 bn**	**- R229.2 bn**
2016/17	2017/18	2018/19

Tax Revenue Performance (excluding Customs)

Tax revenue, excluding Customs Revenue, collected during the 2018/19 FY amounted to R921.2 billion. This was R16.1 billion below the Revised Estimate of R937.4 billion.

Tax Revenue (Excluding Customs Revenue) Performance by Tax Type for 2018/19

Tax type	Printed estimate Feb 2018	Revised estimate Feb 2019	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)	507 520	499 137	493 829	-13 691	-5 308
Company Income Tax (CIT)	233 957	221 699	214 388	-19 569	-7 311
STC/DT	30 829	30 341	29 898	-931	-443
Domestic VAT	378 556	379 887	378 733	177	-1 155
VAT refunds	-199 999	-228 000	-229 151	-29 153	-1 151
Taxes on property	17 311	16 035	15 252	-2 059	-783
Skills development levy	16 929	17 312	17 439	510	127
Other taxes and duties	-184	948	852	1 036	-96
Total tax revenue (excl customs and excise)	**984 920**	**937 359**	**921 240**	**-63 680**	**-16 119**

PIT collections grew to R493.8 billion, R5.3 billion lower than the Revised Estimate of R499.1 billion, and contributed 38.3% of total revenue collections for the year under review. PIT is the largest contributor to tax revenue. It comprises of assessed and provisional tax, as well as Pay-As-You-Earn (PAYE) collected by employers on behalf of employees (net of refunds).

Year	Actual	% Year-on-year change	% of tax revenue	% of GDP
	R million	%	%	%
2013/14	310 929	12.4%	34.5%	8.6%
2014/15	353 918	13.8%	35.9%	9.2%
2015/16	389 280	10.0%	36.4%	9.4%
2016/17	425 924	9.4%	37.2%	9.6%
2017/18	462 903	8.7%	38.1%	9.9%
2018/19	**493 829**	**6.7%**	**38.3%**	**10.0%**

Legislative changes arising from retirement reforms account for a substantial amount of the shortfall in PIT collections. These changes allowed higher tax deductions for retirement contributions, which resulted in higher than expected PIT refunds, as well as lower PAYE collections. Furthermore, the poor growth in PIT collections was as a result of lower wage settlements, lower bonus pay-outs, job shedding, increased unemployment and inflation. PIT, as a percentage of GDP, has grown during this period from 9.4% in 2015/16 to 9.9% in 2017/18 and further increased to 10.0% in 2018/19. The table shows the trend of increasing PIT collections from the 2013/14 to 2018/19 FYs.

CIT revenue, which comprises all provisional as well as assessed taxes paid by companies (net of refunds), contracted by 2.7% to R214.4 billion, compared to the previous year. During the year under review, CIT revenue contracted substantially due to a significant number of CIT refunds which were paid to the large business segment and relate to multiple periods that were under audit review, as well as the continued efforts to clear the Income Tax credit book. The sluggish recovery of CIT during the past five years is the main reason for the fluctuating Tax-to-GDP ratio.

Year	Actual	% Year-on-year change	% of tax revenue	% of GDP
	R million	%	%	%
2013/14	179 520	11.6%	19.9%	5.0%
2014/15	186 622	4.0%	18.9%	4.8%
2015/16	193 385	3.6%	18.1%	4.7%
2016/17	207 027	7.1%	18.1%	4.7%
2017/18	220 239	6.4%	18.1%	4.7%
2018/19	**214 388**	**-2.7%**	**16.6%**	**4.4%**

Sector contributions to CIT revenue have changed significantly since the global financial crisis. The contribution of the mining sector has improved following an improvement in the manganese price in 2018/19, although the mining and quarrying, as well as the financial intermediation, insurance, real estate and business services sectors were affected by a number of developments such as continuing power cuts imposed by the utility company. These sectors continue to be the biggest contributors to the overall CIT collections, although at a lower rate. Increased contributions from the mining sector (up by 9.2%) and financial services sectors (up by 1.9%) bolstered CIT collections during the 2018/19 FY.

Sector*	2017/18	Growth	2018/19	Growth
	R million	%	R million	%
Agriculture	5 345	28.9%	5 335	-0.2%
Mining	30 772	22.4%	33 598	9.2%
Telecommunication	9 673	5.0%	7 982	-17.5%
Financial services	60 136	6.8%	61 290	1.9%
Banks	*23 169*	*5.4%*	*23 522*	*1.5%*
Insurance	*20 101*	*7.0%*	*20 445*	*1.7%*
Other financial services	*16 866*	*8.7%*	*17 323*	*2.7%*
Manufacturing	41 415	0.9%	34 382	-17.0%
Petroleum	*7 105*	*-7.4%*	*3 993*	*-43.8%*
Other manufacturing	*34 310*	*2.8%*	*30 389*	*-11.4%*
Wholesale and retail trade	25 183	1.5%	25 474	1.2%
Business services	21 455	4.2%	22 083	2.9%
Medical and health	5 672	-2.9%	5 703	0.5%
Transport	4 627	6.9%	4 047	-12.5%
Construction	5 410	-5.4%	4 342	-19.7%
Catering and accommodation	3 131	3.6%	2 991	-4.5%
Recreation and cultural	5 204	-3.6%	5 319	2.2%
Other	2 216	52.9%	2 141	-3.4%
Total	**220 239**	**6.4%**	**214 388**	**-2.7%**

** SARS-defined sector.*
As these figures have been rounded, discrepancies may occur between the numbers of the component items and the totals in the tables

Dividends Tax/Secondary Tax on Companies (DT/STC) collections of R29.9 billion are significantly higher against 2017/18 by R2.0 billion (7.2%), as company profits are recovering from a technical recession. GDP recorded a consecutive growth of 2.6% and 1.4% quarter-to-quarter in Q3-2018 and Q4-2018, with transport, manufacturing and finance industries being the main drivers of the growth in the fourth quarter. The transport, storage and communication industry increased by 7.7%, and contributed 0.7 of a percentage point to GDP growth.

Year	Actual	% Year-on-year change	% of tax revenue	% of GDP
	R million	%	%	%
2013/14	17 309	-12.3%	1.9%	0.5%
STC	*911*	*-90.7%*	*0.1%*	*0.0%*
DT	*16 398*	*65.2%*	*1.8%*	*0.5%*
2014/15	21 247	22.8%	2.2%	0.5%
STC	*547*	*-39.9%*	*0.1%*	*0.0%*
DT	*20 700*	*26.2%*	*2.1%*	*0.5%*
2015/16	23 934	12.6%	2.2%	0.6%
STC	*428*	*-97.9%*	*0.0%*	*0.0%*
DT	*23 507*	*13.6%*	*2.2%*	*0.6%*
2016/17	31 130	30.1%	2.7%	0.7%
STC	*423*	*-1.1%*	*0.0%*	*0.0%*
DT	*30 707*	*30.6%*	*2.7%*	*0.7%*
2017/18	27 894	-10.4%	2.3%	0.6%
STC	*176*	*-58.4%*	*0.0%*	*0.0%*
DT	*27 719*	*-9.7%*	*2.3%*	*0.6%*
2018/19	**29 898**	**7.2%**	**2.3%**	**0.6%**
STC	*53*	*-69.7%*	*0.0%*	*0.0%*
DT	*29 845*	*7.7%*	*2.3%*	*0.6%*

Domestic VAT collections amounted to R378.7 billion in 2018/19, higher than the previous year by R42.5 billion (12.6%). There was double digit growth in Domestic Value-Added Tax (VAT) since May 2018 due to the impact of the 1 percentage point increase in the VAT rate. The small to medium vendors remained the major drivers of growth at R28.5 billion (14.9%), compared to R13.5 billion (7.2%) in the previous year. The payments from large vendors grew by R14.0 billion (9.7%) compared to a growth of R1.3 billion (1.0%) in the previous year. The major contributing sectors to the Domestic VAT growth were finance R16.9 billion (11.8%), manufacturing R5.5 billion (11.4%), as well as wholesale and retail trade R4.8 billion (9.3%). While the finance sector is the largest nominal contributor (42.3%), its 2018/19 growth of 11.8% is low compared to the required 13.0% to achieve the revised estimate.

Year	Actual	% Year-on-year change	% of tax revenue	% of GDP
	R million	**%**	**%**	**%**
2013/14	263 461	8.7%	29.3%	7.3%
2014/15	286 889	8.9%	29.1%	7.4%
2015/16	297 422	3.7%	27.8%	7.2%
2016/17	321 475	8.1%	28.1%	7.3%
2017/18	336 279	4.6%	27.6%	7.2%
2018/19*	**378 733**	**12.6%**	**29.4%**	**7.7%**

**Excludes VAT collected on goods imported through the South African Post Office*

VAT refunds amounted to R229.2 billion in 2018/19, which was R38.1 billion (19.9%) higher than the previous year, following the announcement by the Minister of Finance during the Medium Term Budget Policy Statement (MTBPS) that SARS must ensure that VAT refunds of correctly completed VAT returns are released within 21 working days. High VAT refunds paid to the large vendors drove growth, registering an increase of R22.3 billion (19.9%). VAT refunds to the small and medium vendors also grew at the same rate of 19.9% with a nominal amount of R15.8 billion. VAT refunds are mainly driven by zero-rated supplies such as exports, investment in capital projects, level of imports and restocking. Growth in Import VAT translates to higher VAT refunds when imports are used as inputs in the production process.

Year	Actual	% Year-on-year change	% of tax revenue	% of GDP
	R million	%	%	%
2013/14	-156 879	13.0%	17.4%	4.3%
2014/15	-162 138	3.4%	16.4%	4.2%
2015/16	-167 056	3.0%	15.6%	4.1%
2016/17	-181 574	8.7%	15.9%	4.1%
2017/18	-191 071	5.2%	15.7%	4.1%
2018/19	**-229 151**	**19.9%**	**17.8%**	**4.7%**

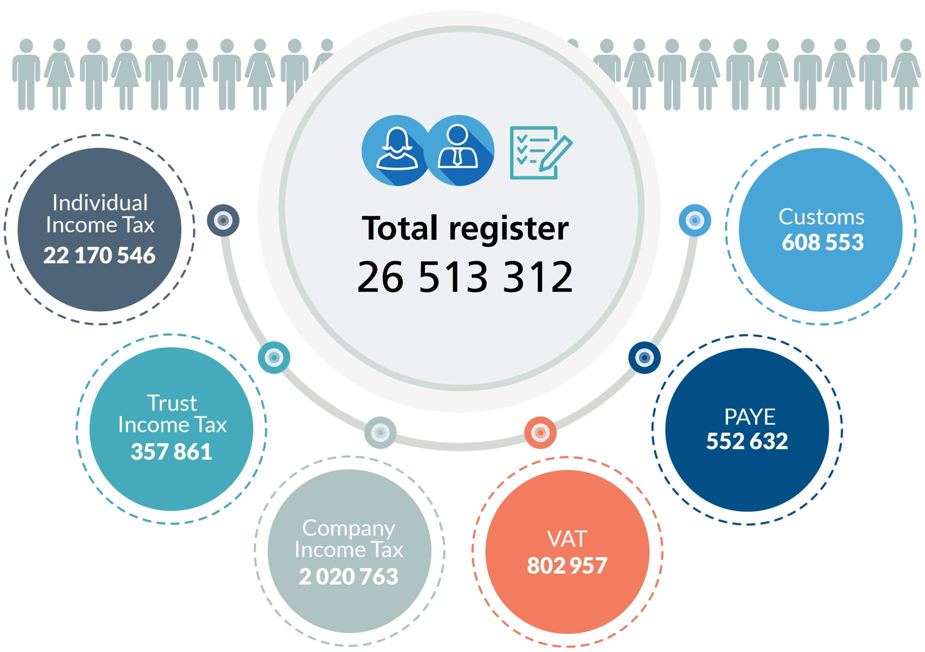
The mining and quarrying manufacturing, as well as wholesale and retail trade sectors received the largest amount of VAT refunds in 2018/19. These sectors benefitted from zero-rated exports as well as high Input VAT, which translated to higher VAT refunds. Real gross fixed capital formation contracted by 1.4% in 2018, following a marginal growth of 1.0% in 2017.

Registration Compliance

Accurate taxpayer registers will enable SARS to effectively manage the taxpayer base. During the 2018/19 FY it was a priority for SARS to improve the accuracy of the CIT register. The focus was to align the SARS register with the Companies and Intellectual Property Commission (CIPC) active register, to ensure that the SARS active register is accurate in terms of actively trading companies and confirm that the other statuses, such as the "suspended status" in the SARS register, are reflected accurately. SARS received bulk deregistration requests from the CIPC pertaining to their inactive register. After analysis, SARS concurred with the deregistration of the appropriate companies. Dormant companies meeting certain criteria were no longer required to file a return with SARS as from 2018. A clear differentiation between the active register and the dormant register is necessary. SARS had huge volumes of inactive companies on its register and used various internal and external data sources to determine which register to place companies on. SARS is currently comparing the SARS active register and dormant register with the CIPC inactive register to further enhance the integrity of the SARS CIT register.

Registered persons	2017/18*	2018/19	% Growth
Income tax	24 447 134	24 549 170	0.4%
Individuals	*20 953 564*	*22 170 546*	*5.8%*
Trusts	*361 587*	*357 861*	*-1.0%*
Companies	*3 131 983*	*2 020 763*	*-35.5%*
Value-Added Tax (VAT)	760 615	802 957	5.6%
Pay-As-You-Earn (PAYE)	504 226	552 632	9.6%
Customs	591 734	608 553	2.8%
Importers	*310 784*	*319 949*	*2.9%*
Exporters	*280 950*	*288 604*	*2.7%*
Total register	26 303 709	26 513 312	0.8%

** The register data for 2017/18 is as at 31 January 2018.*



Tax Filing Season for Personal Income Tax

Tax season for Personal Income Tax is SARS' largest single engagement with taxpayers. SARS received 5.785 million returns by close of the tax season, with 2.11% more returns received year-on-year for non-provisional taxpayers by Friday, 31 October 2018, comprising of:

4.2 million
Return submissions by individuals for the 2017/18 tax year

1.5 million
Return submissions for previous years

42 087
Submissions by trusts for the 2017/18 tax year

73 663
Taxpayers used mobi channels to submit (54.74% increase on 2017)

241 583
Taxpayers used Help You e-File (14% increase from 2017)

91.18%
Tax returns processed within 24 hours

R17.9 billion
Refunds paid to more than 2 million non-provisional individual taxpayers

TAX SEASON 2018 NO SWEAT!

Filing Compliance

Personal Income Tax
60.94%
2017/18: 94.00%*

Company Income Tax
24.67%
2017/18: 38.26%

Value-Added Tax
52.09%
2017/18: 52.23%

Pay-As-You-Earn
58.82%
2017/18: 59.19%

**The criteria used for determining the 2018/19 actual achievement differs from the criteria used in determining the baseline, i.e. the actual achievement for 2017/18.*

Payment Compliance

Personal Income Tax
45.07%
2017/18: 44.28%

Company Income Tax
67.76%
2017/18: 66.93%

Value-Added Tax
88.15%
2017/18: 85.12%

Pay-As-You-Earn
87.11%
2017/18: 85.83%

Debt Book

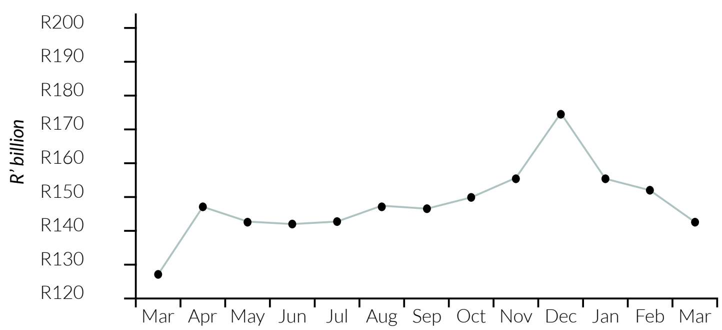
The debt book remains a priority, and compounded by the adverse economic climate, both corporates and individuals are confronted by it. The debt book closed at R142.3 billion, which is an increase of R14.2 billion from the previous FY.

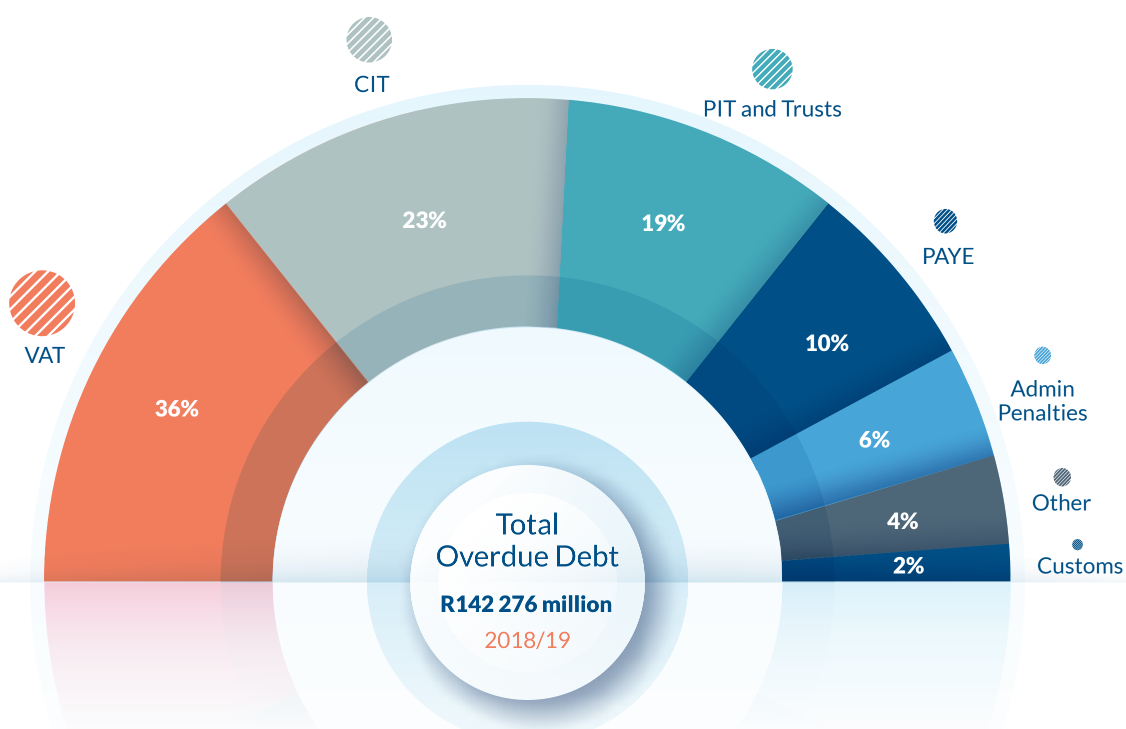
The value of the disputed debt declined due to SARS' efforts during the year. The Independent Debt Committee approved several large assessment cases for temporary write-offs. The clean-up efforts of a dedicated team also resulted in the suspension of payment reducing from R9.9 billion to a mere R1.2 billon.

Internally, realignment within debt management during the 2018/19 FY positioned SARS to better target the debt book through smart analytics, process and system enhancements that should decouple debt management from its dependency on human resources.

This will be fully embedded in the 2019/20 FY. There is an acknowledgment that the current debt trajectory must be reversed.

The write-offs for the 2018/19 FY was R33.6 billion, which decreased by R2.9 billion compared to the 2017/18 FY of R36.5 billion. Temporary write-off totalled R32.4 billion or 96.4% of the total debt written-off.





Unaudited Overdue Taxpayer Debt (receivables) as at 31 March 2019

	2017/18	2018/19	% change
	R million	R million	%
Segmentation			
Established Debt			
Active	59 945	76 015	27%
Address Unknown	1 427	1 268	-11%
Estate	7 085	8 861	25%
Total Established Debt	68 457	86 144	26%
Uncertain Debt			
Debt Under Dispute	39 495	29 123	-26%
Objections	*21 596*	*16 218*	*-25%*
Appeals	*17 899*	*12 905*	*-28%*
Debt older than 4 years	17 873	24 227	36%
Taxpayers no longer operational	2 220	2 781	25%
Total Uncertain debt	59 588	56 131	-6%
Total Overdue Taxpayer	**128 044**	**142 276**	**11%**
Comprising			
Capital	79 418	84 191	6%
Additional Tax	20 646	28 303	37%
Penalty	2 447	2 756	13%
Interest	25 534	27 025	6%
Total Overdue Taxpayer Debt	**128 044**	**142 276**	**11%**
Administered Tax Analysis			
Income Tax	57 851	59 747	3%
Individuals	*22 775*	*25 525*	*12%*
Trusts	*1 164*	*1 726*	*48%*
Companies	*33 912*	*32 496*	*-4%*
PAYE	11 511	13 573	18%
VAT	42 018	51 160	22%
STC	1 052	652	-38%
Diesel	354	450	27%
SDL	1 509	1 701	13%
UIF	1 993	2 224	12%
Customs	1 720	3 187	85%
Excise	249	318	28%
Administrative Penalties	8 586	8 387	-2%
Estate Duty	167	199	19%
Small Business Amnesty Levy	9	1	-89%
Dividends Tax	1 007	654	-35%
Donations Tax	19	22	16%
Transfer Duty	-	-	
Total Taxpayer Debt	**128 044**	**142 276**	**11%**

Unaudited Taxpayer Credits (payables) as at 31 March 2019

	2017/18	2018/19	% change
	R million	R million	%
Income Tax	-28 870	-24 250	-16%
Income Tax	*-29 364*	*-24 656*	
Unallocated payments	*-11*	*-11*	
Returns not received	*505*	*416*	
PAYE	-3 138	-2 543	-19%
PAYE	*-170*	*-65*	
Unallocated payments	*-2 994*	*-2 494*	
Returns not received	*25*	*17*	
VAT	-30 957	-24 936	-19%
VAT	*-30 385*	*-24 337*	
Unallocated payments	*-1 323*	*-1 403*	
Returns not received	*751*	*804*	
UIF	-52	-24	-54%
UIF	*-67*	*-30*	
Returns not received	*15*	*6*	
SDL	-30	-11	-63%
SDL	*-38*	*-14*	
Returns not received	*8*	*3*	
Diesel	-3 483	-4 255	22%
Diesel	*-3 492*	*-4 284*	
Returns not received	*8*	*29*	
STC	-68	-57	-16%
STC	*-13*	*-1*	
Unallocated payments	*-56*	*-56*	
Returns not received	*-*	*-*	
Estate Duty	-	-	0%
Estate Duty	*-3 360*	*-2 998*	
Returns not received	*3 360*	*2 998*	
Dividend Tax	-258	-170	-34%
Dividend Tax	*-280*	*-199*	
Unallocated payments	*-4*	*-4*	
Returns not received	*26*	*33*	
Administrative Penalties	-29	-6	-79%
Administrative Penalties	*-28*	*-5*	
Unallocated payments	*-1*	*-1*	
Small Business Amnesty levy (SBA)	-5	-8	60%
Customs	-49	-64	31%
Excise	-15	-32	113%
Total Taxpayer Credits	**-66 955**	**-56 355**	**-16%**

Targeted Compliance Interventions in High Risk Areas

SARS continued to improve compliance and address identified risks in the following areas:

- Compliance audits include the verification of declarations, which is a desk bound audit with a rapid turnaround time. It is the first step in the audit value chain of SARS. Due to the nature of this audit, high volumes of cases are risk evaluated by an automated risk engine which aims to address specific identified risks. A total of 1.9 million such audits were finalised in the 2018/19 FY, with a total financial impact of approximately R30 billion, including the reduction of refunds. Personal Income Tax contributes the largest portion of the interventions, followed by VAT. The success rate indicates the number of cases revised per 100 cases stopped for verification. At 35%, this is in line with international trends. Improved use of third party data is being investigated to improve risk detection and increase this success rate further. The key objective of the strategy is to increase the visibility of SARS among taxpayers.
- Small, Medium and Micro-sized Enterprises (SMMEs): SARS is in the process of sourcing data that is relevant to the taxi industry to further the strategy development process, with the aim to improve the tax compliance within this industry. Small Business Corporation cases are in the process of being evaluated by the case selection team for further scrutiny and compliance verification tests. SARS is working with the Payments Association of SA, and banks to improve its third party data related to SMMEs. This co-operation will improve SARS' ability to monitor the formal and semi-formal sectors. For the 2018/19 FY, 9 452 audits were completed, with an assessment value of R43 billion, including savings of R8 billion.
- Large Companies: SARS conducted 674 targeted audit interventions on this segment, with a total assessment value of almost R17 billion (including savings of R1.2 billion), including 61 BEPS cases to the value of R659 million. On 1 December 2018, SARS re-established an interim unit dedicated to servicing the large business segment, as well as the high net-worth individuals segment.
- High Net-Worth Individuals (HNWIs): A cross-functional HNWI project team was established to effectively manage the expanded HNWI taxpayer base and increase tax compliance in this segment. The team consists of functional expertise that includes risk profilers, auditors, consultants and account management. For the 2018/19 FY, 78 audit cases were completed and achieved a success rate of 44%, with a yield of R276 million.
- Cash Economy: SARS has increased joint tax products awareness and education campaigns in the Limpopo, Mpumalanga, Free State and Northern Cape regions. These campaigns are packaged with mobile business registration tools, whereby businesses found not registered, have an opportunity to register on the spot without having to travel to SARS branches. SMME owners were assisted in various areas of non-compliance through workshops, interviews and pamphlets distribution.
- Tax Practitioners: The compliance template linking practitioners to their clients is being reviewed and currently being revised. This template will provide SARS with better insight into the role practitioners play in encouraging their clients to be tax compliant.

Audits completed

1.9 milion
Compliance audits
35% success rate

9 452
SMMEs
92% success rate on full scope audits

80% success rate on limited scope audits

674
Large Companies
including 61 BEPS
54% success rate

78
HNWIs
44% success rate

Improve Tax Risk Identification and Target Capabilities

- SARS committed to develop a new coverage model and prioritisation standard for the case selection process, aimed at improving both compliance and service. In this regard, Civil Case Selection developed and aligned the coverage to key objectives. Criminal Case Selection developed and implemented a fully aligned coverage to the crime threat analysis. Internal Service Level Agreements (SLAs) were signed-off to ensure effective collaboration and commitment between divisions.
- The quality of audits was improved by a continuous review of the Standard Operating Procedures and ensuring strict adherence to them. A quality management system has been implemented and dedicated capacity within the division allocated, enhancing the quality process by focusing on quality at source.
- An increased focus by management on audit case inventory and alignment to the SARS Service Charter endeavours improved turnaround times for audits.

Strengthen Our Enforcement Efforts and Capabilities

- The Illicit Economy Unit commenced work on 13 of the 15 allocated projects, with an estimated prejudice to the fiscus exceeding R13.1 billion. The 15 projects comprising in excess of 902 cases were allocated in accordance with SARS' governance procedures.
- Outstanding returns remain a challenge, and SARS will continue to focus on the reduction of outstanding returns. The number of outstanding CIT returns has been reduced drastically as a result of the CIT register clean-up initiative.
- In order to extend the administrative penalty regime to all tax products, SARS implemented the 1st phase of the CIT administrative penalty regime on 25 January 2019. SARS issued 165 000 final demands to identified non-compliant companies, and 65 000 penalty impositions to unresponsive companies.
- In the 2018/19 FY 487 investigations were finalised. A total of 459 cases were handed over to the NPA to consider prosecution and 28 cases were finalised administratively during the year. At the end of the financial year 528 cases were under investigation.
- SARS met quarterly with Financial Intelligence Centre to discuss operational matters, and as part of the Organisation of Economic Co-operation and Development's initiative to combat money laundering and corruption. Individual investigators met with tax practitioners, prosecutors, SAPS investigators and subpoenaed bank statements as part of the investigation process. The SARS regions met quarterly with SAPS and the NPA.
- SARS aspires to improve quality of criminal investigations and the efficiency of inventory management to ensure a prosecution conviction rate of 95% for criminal cases. The success rate pertaining to cases where a prosecution, results in a successful prosecution, and in which the taxpayer is found guilty, was 99% for the 2018/19 FY. These cases relate to bribery, fraud and theft with regards to the contravention of the Income Tax Act, VAT Act and Customs Act.

Audit Cases Completed

- 71% Personal Income Tax
- 17% Value-Added Tax
- 8% Transfer Duty
- 2% Company Income Tax
- 1% Trust
- 1% Pay-As-You-Earn

Audit Coverage

13%

of registered taxpayers

Collaboration with Key Global Stakeholders

- The 2nd phase implementation of the Automatic Exchange of Information (AEOI) solution for Country-by-Country (CbC) Reporting was implemented in June 2018, and enables SARS to exchange data with relevant OECD partner jurisdictions. Between 1 June 2018 and 31 March 2019, South Africa transmitted 80 CbC reports to 42 partner jurisdictions. Furthermore, South Africa received 2 248 CbC reports in respect of 568 966 constituent entities from 42 partner jurisdictions.
- In the 2018/19 FY SARS successfully hosted and chaired meetings of the Brazil, Russia, India, China and South Africa BRICS Customs Experts and the Heads of Customs Administrations in April 2018, as well as the Tax Experts and the Heads of Tax Administrations in June 2018. The stand-out milestone of SARS' Chairmanship is the operationalisation of the BRICS Capacity Building Mechanism, following the adoption of the Terms of Reference for its establishment during the Tax Heads' meeting in June 2018.
- Within the sub-region, SARS played an integral role in concluding the second phase of the Southern African Customs Union (SACU) Connect Project that started in 2014. The key outcomes/achievements of the project relate to Information Technology (IT) Connectivity, Trade Partnerships Preferred Trader Programme (PTP), Risk Management and Enforcement, as well as Customs Legislative Reform. Emanating from the work on the SACU Customs Legislative Reform, SARS signed a bilateral IT Connectivity Arrangement with the Botswana Unified Revenue Service (BURS), and with the eSwatini Revenue Authority (SRA), that will greatly facilitate the automatic exchange of Customs information in the sub-region. SARS also signed a VAT Refund Memorandum of Understanding with the SRA, on 10 December 2018, while a similar MOU is in its final stages of negotiation with the Lesotho Revenue Authority.
- The SARS Acting Commissioner met with his counterpart of the Zimbabwe Revenue Authority in September 2018 to discuss burning and strategic issues between the two administrations. The resuscitation and regularisation of border efficiency management team meetings at Beitbridge, joint stakeholder engagement, improved stakeholder collaboration and improved inter-border communication between stakeholders were identified as priorities. The discussions also highlighted that IT Connectivity is important in order to perform real time exchanges of information. Work is thus continuing by the SARS and ZIMRA teams to enhance border efficiency and IT connectivity within a governance framework.
- As part of its commitment to the continent, SARS continues to support other African administrations by providing technical assistance in the development of their capacity and systems through skills transfer, knowledge sharing and relationship building for future reciprocal joint audits. Among other countries, support was provided to Zambia, eSwatini and Zimbabwe through the OECD-led Tax Inspectors without Borders outreach programme, as well as directly to Kenya, Botswana, Rwanda, the Seychelles, eSwatini and Uganda.
- As a permanent Council Member and Chair of its Governance and Organisational Development sub-committee, SARS has also collaborated closely with the African Tax Administration Forum (ATAF), the preeminent tax administration organisation on the continent. Of particular significance for SARS is the ATAF work of the Cross Border Taxation Technical Committee and the VAT Technical Committee.

Key Global Stakeholders

OECD
Organisation of Economic Co-operation and Development

BRICS
Brazil, Russia, India, China and South Africa

SACU
Southern African Customs Union

ZIMRA
Zimbabwe Revenue Authority

ATAF
African Tax Administration Forum

GACC
General Administration of China Customs

USCBP
US Customs and Border Protection

- Further afield SARS officials and the General Administration of China Customs (GACC) of the People's Republic of China finalised negotiations for the twinning arrangement between the port cities of Durban and Xiamen. The twinning agreement was signed at a meeting in Pretoria in November 2018 by the Chief Officer: GISC, and the Vice Minister of the GACC, Mr Zhang Jiwen. The arrangement will link the two port cities and significantly enhance Customs co-operation.
- Over the past year, SARS has again actively participated in workshops and training provided by US Customs and Border Protection (USCBP) to develop the skills and knowledge of officials. The training/workshops included the International Border Interdiction Workshop in Nelspruit South Africa and the EXBS Conference in Tanzania. These events supported our broader engagement within the Annual Bilateral Forum between South Africa and the United States by specifically enhancing Customs' co-operation between the two countries.
- Over the year, the International Relations Office processed no less than 35 requests within the context of Customs Mutual Administrative Agreements (CMAA), that is, 23 outgoing and 12 incoming. Of the outgoing requests, 15 were sent within the region and eight sent to Asia and Europe. 80% of the outgoing CMAA requests were positively addressed, with feedback communicated to SARS for finalisation of their cases. 100% of all incoming requests were finalised and feedback was communicated to various Customs Administrations.
- With the multilateral tax space, SARS signed a trilateral Memorandum of Co-operation (MOC) on 11 January 2019 with the OECD and National Treasury, which provides for the continuation of co-operation towards the achievement of the common objective of promoting fair and efficient tax systems and administrations, and strengthening and modernising international taxation areas through sharing experiences between SARS, NT and OECD member countries. The MOC is in place until December 2023. As part of the MOC, SARS has continued to participate in key OECD Forum on Tax Administration projects, including data matching and joint audits, both of which are critical tax compliance tools.

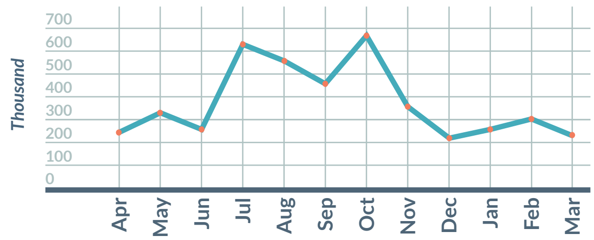
OUTCOME 3 Increased Ease and Fairness of Doing Business with SARS

Contact Centres

86.69%
Answer Rate

4 558 145
Calls Answered

Calls Answered



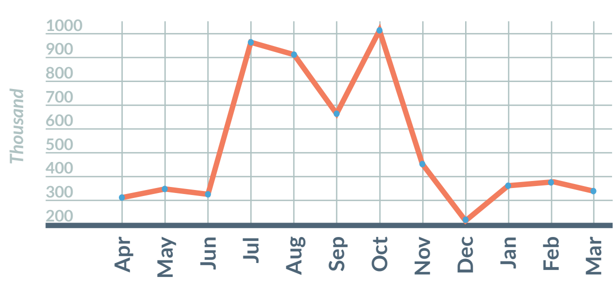
Customer satisfaction **90.53%**

- **4 Contact Centres**
- **53 Branch Offices**

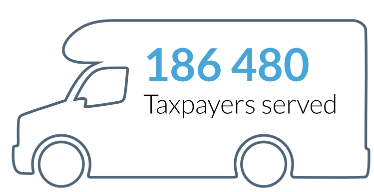
Branch Offices

Taxpayers served

6 501 815



23 Mobile Tax Units



Reduce Volumes of Manual Activity through Automation and Digital Migration

- The interface with the Master of the High Court, as part of our efforts to modernise the Estate Duty processes/systems and the taxpayer deregistration process was delayed, and will be rescheduled in the 2019/20 FY, dependant on the availability of financial resources.
- The usage of eFiling in the PIT segment increased from 52.51% to 54.59% through education, promotion and support.
- SARS provided five self-help options (Kiosks) to taxpayers at George, East London, Randburg, Pretoria and Alberton branches to increase convenience for taxpayers. The self-help kiosks offer current eFiling services, which include filing returns, changes to taxpayer's profiles, electronic payments and statement of accounts.
- The proof of concept for the simulated calculation functionality for simple tax returns was considered for implementation in the 2019 Filing Season. This functionality will contribute to reducing the number of taxpayers who need to visit a branch office for assistance.

Tailored Education and Outreach Programmes

- SARS interacted with 465 365 taxpayers during the 2018/19 FY through outreach and education activities. A total of 35 865 taxpayers were assisted at external points of service and 22 902 through co-locations with Government departments, in an effort to make the SARS services accessible to communities in the outlying areas.
- Education programmes focussing on tertiary institutions resulted in 7 038 students educated, 41 631 learners through school programmes and an attendance of 114 392 individuals at workshops held at identified SARS branches and through collaboration with external stakeholders.
- SARS recorded 1 426 small business interventions during the 2018/19 FY, comprising of 246 outreach interventions to assist with eFiling and e@syFile technical queries and registrations and 1 180 education interventions, which attracted 42 148 attendees.

Create the Service Channel Network of the Future

- SARS continued with branch office refurbishments by relocating SARS personnel in Bloemfontein from two buildings into the new Zastron building. The new building complies with all SARS' functional business operational requirements and regulatory compliance aspects. It also provides the opportunity to house all client facing divisions in one building, and offers more public parking.
- The SARS Contact Centre in Alberton was also refurbished, ensuring improved working conditions for the Contact Centre's personnel.
- Mobile Tax Units (MTUs) helped SARS reach taxpayers in remote areas and have contributed to making compliance easier and more cost effective for taxpayers. These mobile vehicles are mobile branches, where taxpayers can interact with

Uptake of Electronic Channels

eFILING

The usage of eFiling in PIT increased to	**54.59%**
Trust returns	**98.6%**
CIT returns	**99.7%**
PAYE returns	**99.6%**
VAT returns	**100%**

Electronic Payment Channels

Payments	**99.7%**

Business-to-Business Gateway

Customs declarations	**100%**

SARS, particularly for new registrations and the submission of tax returns. For the 2018/19 FY, SARS committed to increasing the number of vehicles with two new additions. SARS increased the number of MTUs from 21 to 23, and upgraded three aging vehicles. The new vehicles were purchased and underwent a conversion process to add internet connectivity and other technological enhancements, in order to offer specific services to taxpayers. Two new, and three replacement MTUs were released for operational use during September 2018.

» SARS reformed its strategy with regards to co-location opportunities with other Government departments. The focus was redirected at increasing the number of MTUs to increase SARS' presence at selected government departments and community centres.

The new SARS Service Charter

The new SARS Service Charter was approved by EXCO on 31 May 2018. The new Service Charter was launched on 2 July 2018, at the opening of the 2018 Tax Season, and describes the rights and obligations of taxpayers and service timeframes which SARS commits to in terms of engagements with SARS' Contact Centres, branches, eFiling channel and correspondence in general. The measurement of the achievements against the Service Charter commitments is still being developed. The infographic on this page provides insight into those measures already tracked on 31 March 2019.

» SARS seeks to achieve an overall Contact Centre caller answer rate of 88%, and a first contact resolution target of 96% for all taxpayer queries made to the SARS Contact Centres. For the 2018/19 FY, the caller answer rate was 86.69% and the first contact resolution rate 97.23%.

» SARS implemented an enhanced case communication process to enable proactive outbound communication through cost effective channels, aimed at keeping taxpayers informed. This initiative was implemented into SARS operations during June 2018, and facilitated improved and targeted communication to taxpayers regarding their tax affairs.

» The tax clearance system was enhanced and linked with National Treasury to support a substantially improved tax compliance of all Government suppliers. This was aimed to improve the co-operation and sharing of 3rd party data between SARS and National Treasury, and reduce the total number of Tax Clearance Certificates (TCCs) issued at SARS branch offices. Phase 2 of this project was implemented in January 2019, which included improved online functionalities for taxpayers. For the 2018/19 FY, SARS received and processed 1.2 million Tax Clearance Status (TCS) requests. The number of TCSs approved for the reporting period was 1.2 million compared to the previous FY's 1.1 million.

Delivery against Service Charter Commitments

Engagement

If you call our SARS Contact Centre we will:
Answer call within 1 minute (off-peak seasons).

If you visit a SARS branch or mobile tax unit we will:
Serve within 1 hour (off-peak seasons).

When using the eFiling channel we will:
SARS eFiling available 24 hours a day (99%).

Registration

When you apply for registration (all requirements met):

Finalise within 2 business days (no inspection).

Finalise within 21 business days (inspection required).

Returns/Declarations

When you submit a return/declaration electronically we will:
Assess return within 5 business days (no manual intervention).

Inspection, Audit & Verification

If you are subject to an inspection, verification or audit, we will:
Conclude verification within 21 business days (from date required documents are received).

Payments

When you make a payment (correct reference number), we will:
Process payment within 3 business days.

Debt

When you apply for deferral/suspension of payment, we will:
Consider request within 21 business days, and communicate accordingly.

Disputes in Terms of the Tax Administrations Act

Requests for reasons, an objection or an appeal, where (no exceptional circumstances) we will:

Provide reasons for assessment within 45 business days.

Consider objection within 60 business days.

Complaints to SARS

Where a service complaint has been lodged, we will:
Respond within 21 business days.

The measurement of the achievements against the Service Charter is still under review and a number of measures were not measured at 31 March 2019.

Improve the Efficiency and Effectiveness of the Taxpayer Complaints Management Process

- Improve our engagements with the Office of the Tax Ombud (OTO) to enhance mutual understanding of processes and constraints within the tax administrative environment, particularly on matters raised by the OTO.
- SARS has conducted four strategic and four operational engagement sessions with the OTO. This improved the Complaint Monitoring Office's performance to 63.5% of complaints finalised within the turnaround time, and 82% of complaints brought forward from 2017/18 being resolved.

Implement Changes to the Tax and Loan Agreements with the Banking Sector

- SARS committed to implementing tax and loan structures with two banks by 31 December 2018, and to add four additional banks by 31 March 2019, depending on the readiness of the banks. The rationale for this project is to streamline the collection process of taxes and duties from taxpayers banking with banks which are not authorised for payment interfacing with SARS. SARS managed to implement this improved process with one bank in September 2018, and negotiated implementation with another bank for June 2019, to accommodate the bank's request to postpone the implementation from August 2018.

OUTCOME 4 Increased Cost Effectiveness and Internal Efficiencies

SARS' Expenditure

70.01%
Employee Cost

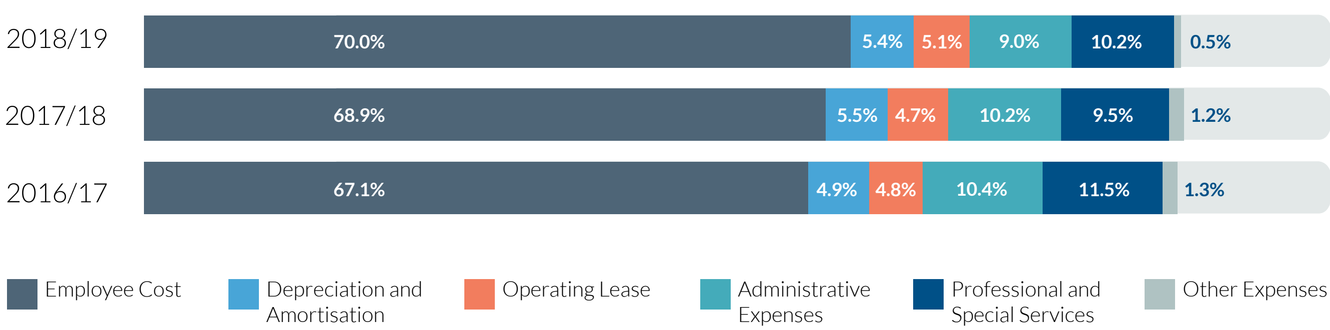
10.16%
Professional and Special Services

8.97%
Administrative Expenses

5.39%
Depreciation and Amortisation

4.97%
Operating Leases

0.50%
Other Expenses



Total Expenditure

R10 695 953	**R10 794 852**	**R10 763 957**
2016/17	2017/18	2018/19

Cost to Revenue Ratio

0.84%

Cost of Revenue Collection

SARS' cost-to-tax-revenue ratio remains close to the international benchmark used by revenue authorities around the world. The ratio was kept below the 1% international benchmark at 0.84% during the 2018/19 FY. Growth in operating costs was contained by greater efficiency, tighter controls and better rates from service providers. During the past six years, the ratio has ranged around the 1% mark. It moved from 0.97% in the 2013/14 FY, to 0.84% in the 2018/19 FY.

Cost of revenue collection

Year	2013/14	2014/15**	2015/16	2016/17	2017/18	2018/19
	R million	R million	R million	R million	R million	R million
Tax revenue	900 015	986 295	1 069 983	1 144 081	1 216 464	1 287 690
Operating cost *	8 702	9 523	10 245	10 696	10 795	10 764
	%	%	%	%	%	%
Cost to tax revenue ratio	0.97%	0.97%	0.96%	0.93%	0.89%	0.84%

* *Controlling entity*

** *2014/15 Operating cost has been restated*

This consistent performance shows that SARS has contained costs, while increasing the amount of revenue it has collected. The SARS cost-to-tax-revenue ratio does not take collections of non-tax revenue on behalf of other institutions into account. Such revenue includes RAF levies and Unemployment Insurance Fund (UIF) contributions, as well as MPRR collections. If these amounts were included in the cost of revenue collections, then the cost-to-tax-revenue would have been even lower at 0.79%.

Programme Management in SARS

SARS' projects portfolio includes a broad range of projects, with a high prevalence of ICT initiatives. This allows for SARS' programme management office's performance to be benchmarked globally. One such benchmark is the Standish Group's CHAOS Report (2015 revision), which includes results from the fiscal years 2011 to 2015. The CHAOS Report is a study based on The Standish Group's CHAOS Research Project on IT project success rates and project management best practices. SARS' projects performance in context of international benchmarks suggests a positive comparison.

	CHAOS Report benchmark	SARS Projects
Successful	36%	74%
Challenged	45%	19%
Fail	19%	8%

	Successful projects per industry	SARS
Government	21%	74%
Banking	30%	
Financial	29%	

The launch of the Project and Portfolio Management (PPM) System enabled an enterprise view of investment initiatives through a common methodology, as well as creating an environment that enables the maturing of portfolio, programme- and project management at an enterprise-wide level.

Prudent Financial Management

- SARS continued with the migration of SARS' Revenue Accounting practices to Generally Recognised Accounting Practice (GRAP) to ensure legislative compliance. The focus for 2018/19 was to finalise the implementation of the Mineral and Petroleum Resources Royalty (MPRR). Phase 1 MPRR was implemented on 25 January 2019. A release to implement the master and transactional data is scheduled for April 2019. Two MPRR releases are planned for later in 2019, with a final release in December 2019.
- Overall, the GRAP programme is running behind schedule. Considering the delivery rate, constraints and challenges experienced, there is a risk that the remaining tax products (New Diesel, VAT, PAYE and Non-Core-Taxes) may not be implemented by the GRAP compliance implementation date of 31 March 2021. Innovative approaches are being defined to make up for the performance variance and meet the GRAP compliance delivery date.
- The implementation timing of PAYE and VAT must still be firmed up due to funding uncertainty in the outer FYs (2020/21 – 2022/23). Since it is unlikely to implement all tax products on time to meet the GRAP (ASB Directive 6) requirements from 1 April 2023 (2021/22), SARS is likely to be exposed to a qualified audit opinion.
- The drive for cost efficiency continues by reviewing high value procurement contracts and negotiating pricing to maximise value for SARS. In 2018/19, areas of opportunity to negotiate prices down were identified, and internal resources were mobilised to execute this endeavour and procurement realised a saving of 3.02% for the year.
- SARS concluded all building condition assessments by 31 March 2019 to comply with Health and Safety regulations. The assessment of the condition of all lifts was completed, and all reports reviewed. Landlords were engaged to implement remedial actions.
- For SARS, a total of 79.98% (preliminary, as there is a verification process that will be concluded in August 2019) of the procurement spend was through B-BBEE level 1-4 entities, against a target of 60%. Procurement spend on Black Women Owned entities decreased from 7.27% in 2017/18 to 6.21%, but was within the target of 5%.
- SARS increased contract expenditure to 95% of its total procurement spending, excluding leases.
- The integration with the National Treasury Central Database (CSD) has resulted in all vendors being expected to comply with the National Treasury registration on the CSD, before conducting business with SARS.
- SARS improved its procurement governance by piloting an open tender adjudication process for one transaction above R100 million during the 2018/19 FY.
- The 2018/19 FY operational budget utilisation was 98%. Surplus funds for the same period were R227.5 million, and the main contributors were R75 million under spending on Goods and Services and R78 million on Capital Expenditure (CAPEX). The project spend was R535 million, which is 55% of the annual budget, while the actual expenditure, including commitments, was 79%.

SARS Procurement Spend

Black Owned Entities

R1 214 418 139.49

39.98%

Black Women Owned Entities

R188 494 775.90

6.21%

Qualifying Small Entities (QSE)

R641 166 250.51

21.11%

Emerging Micro Enterprises (EME)

R265 146 120.04

8.73%

Operational Budget

98%

of Budget was utilised

Improve Information Communication Technology (ICT) Capability

SARS continues to incorporate innovative technologies to reduce costs and improve the execution of our mandate. The key measure of percentage system uptime for e-Channels was measured at 99.67%, against a target of 99%. A review of the ICT strategy was initiated, and the ICT governance framework was approved. To mitigate the risk of cybercrime by monitoring, tracking, reporting and mitigating information security related suspicious activities, the establishment and enhancement of the Security Operations Centre (SOC) function was launched, and a cyber-analytics capability introduced. The following strategic and key projects and initiatives were implemented successfully:

» Delivery of the enterprise-wide information security programme, inclusive of the implementation of USB lockdown. Execution of other key projects such as Data Loss Prevention (DLP) and Mobile Device Management. In addition, various cyber security assessments were commissioned, and threats identified were immediately remediated.
» To promote security awareness for employees, the e-Learning security awareness training programme was implemented, with employees achieving an overall score of 90%.
» Several information security compliance and risk audits were conducted at high risk sites.
» More than 50 major technology enablement projects were implemented. The most notable business projects included the VAT increase of 1 percentage point, New Customs Acts Programme, Sugar Beverages Levy, the rewrite of the Customs Risk Management Engine, Company Financial Data (Country-by-Country), Filing Seasons, Debt Management Enhancements, Tax Reference Number Interchange, and the migration to Generally Recognised Accounting Practice for MPRR phase 1.
» As part of SARS' digital transformation, the eServices migration to a new hosting platform for electronic services was necessary. The contract was due to expire with the current service providers who were hosting the platform in Bryanston. An open tender process was followed, and the tender for the new hosting platform was awarded. Included in this migration was a refresh of SARS' hardware in order to stay abreast with new technology, and to incorporate the latest features and functionality to ensure high availability, ability to support, and to drive agility and performance. Several enhancements were implemented to improve the taxpayer's experience and decrease security vulnerabilities. A hardware refresh of the quality assurance, pre-production and disaster recovery infrastructure was also required to align with the production site technological enhancements. Testing included security testing, as well as integration with third parties such as banks. All preparations for this migration were done in the 2018/19 FY, which enabled the actual switch over to take place during the weekend of 12 April 2019.
» Planning commenced for the functional enhancement on the eFiling platforms.
» The Hypertext Markup Language (HTML5) project was initiated for the conversion of SARS forms from technology that is no longer current to the latest technology, allowing for ease of use and enhanced customer experience.

ICT improvement

System uptime for e-Channels

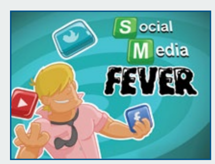
99.67%

50+
major technology enablement projects were implemented

e-Learning security awareness training programme

A. SuperPopi

B. Social Media Fever

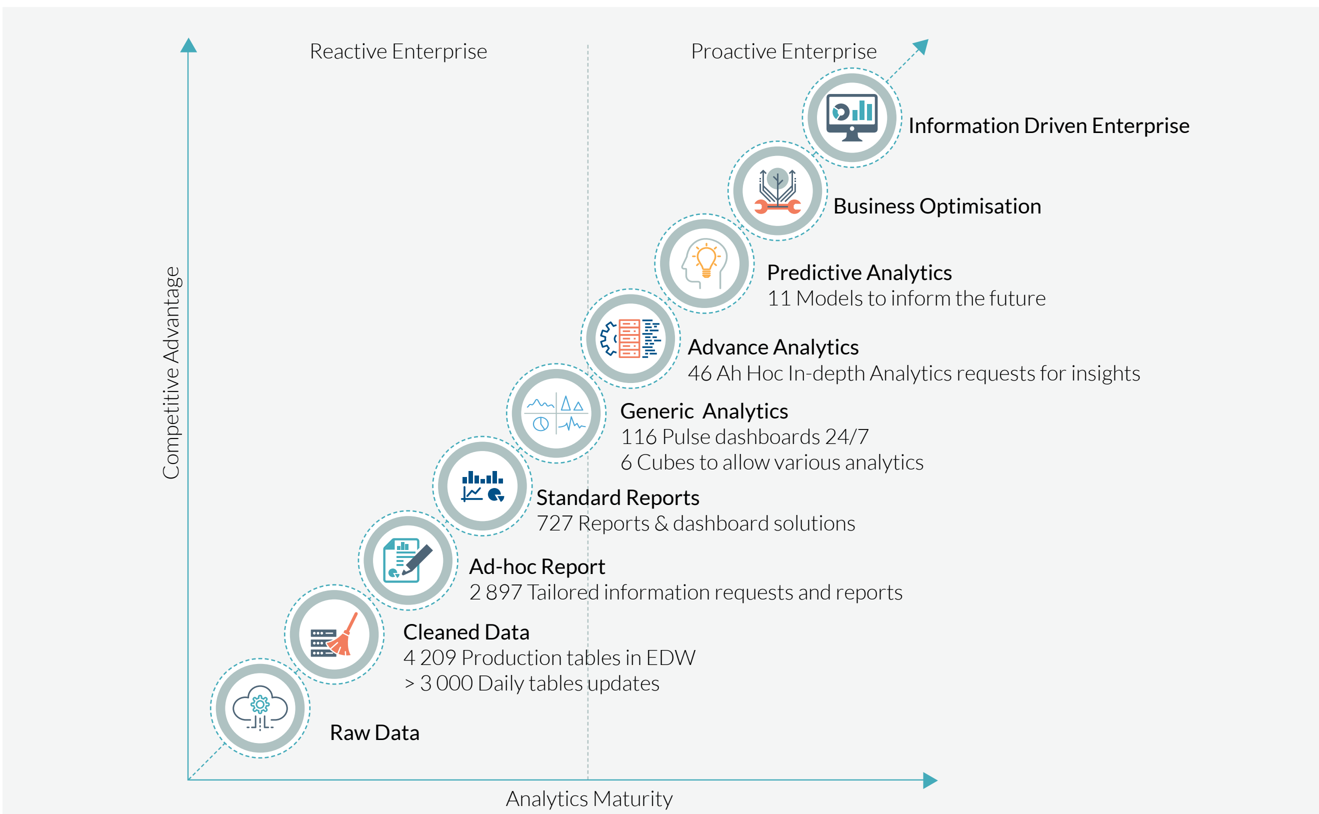


C. Data Leakage

eServices platform
All preparatory work to refresh ICT infrastructure concluded

» The hardware refresh project was completed for procured hardware. This included the replacement of high priority servers, as well as server sub-storage devices deemed end of life and unsupported.
» The Disaster Recovery (DR) plans were enhanced and the functionality tested. A new eFiling disaster recovery site was established to enhance technical redundancy and ensure business continuity.
» The following technologies were explored over the reporting period to establish fit for purpose opportunities at SARS:
  o Cloud technologies, which resulted in the adoption of a cloud policy and implementation of a SARS Human Resource System on a cloud platform.
  o Block chain as a Proof of Concept (POC), partnering with a state owned enterprise, with the aim of identifying synergies where possible.

Build a Data Analytics Capability



The stages of clean data, standardised reports, ad hoc reports and generic analytics have been completed, which is indicative of a reactive enterprise. SARS has moved into the advance- and predictive analytic phases, which together with business optimisation, characterise an information driven enterprise. Business questions regarding what happened and why it happened are being satisfied on a daily basis.

The focus shifted to scenario modelling, and asking what will happen or what should or could happen. SARS moved into the proactive enterprise phase with a number of predictive analytic outputs available to business decision-makers for adoption and integration. A range of data products are delivered on a daily basis to support the forward movement that the information maturity curve requires.

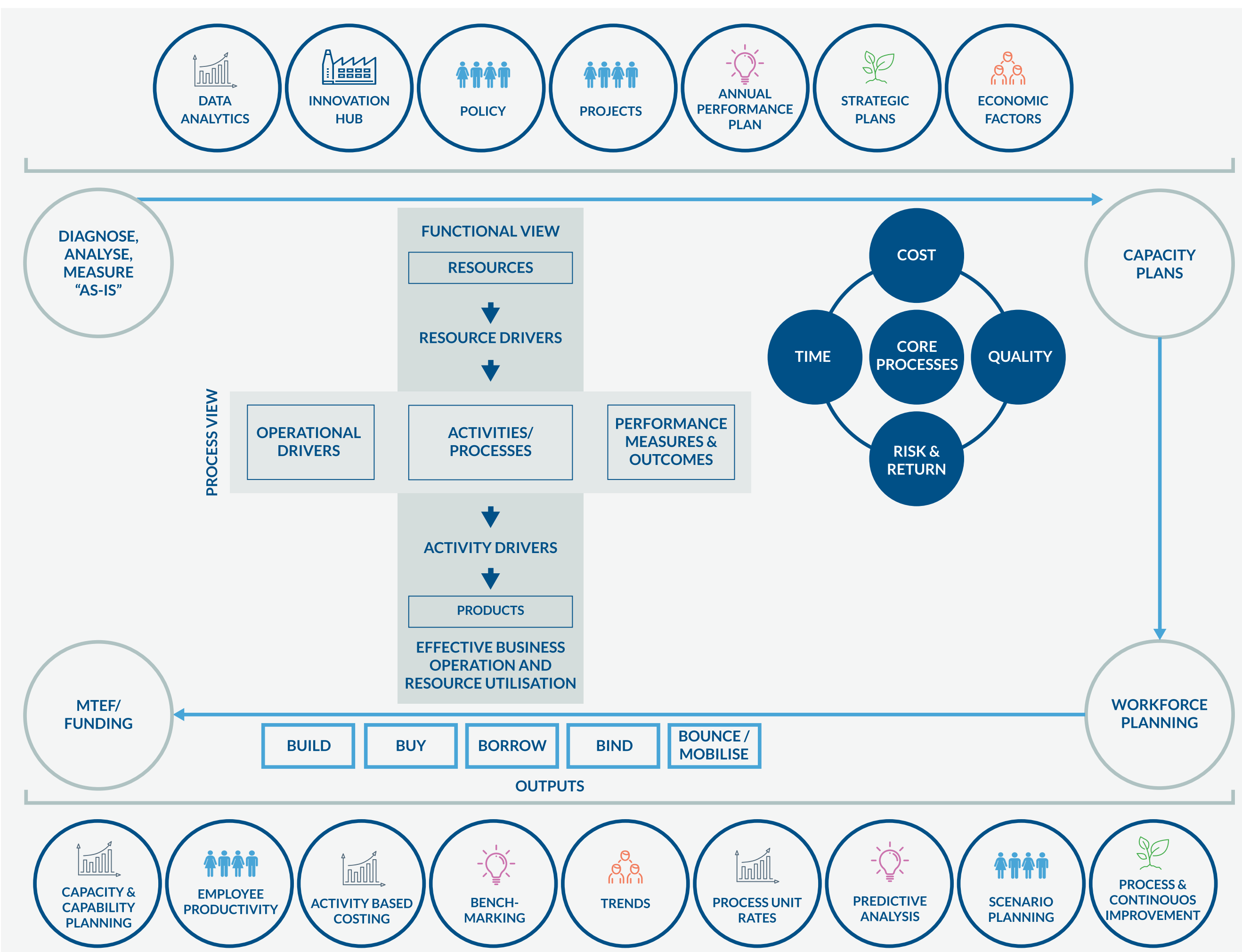
Enterprise Capacity Management

The fourth industrial revolution, our compliance theory, as well as our commitment to co-operative compliance bring about opportunities to optimise our business model and enable us to think differently about future capabilities and the associated capacity to deliver our mandate.

Our commitment to King IV will be evident in how we embed integrated thinking in our integrated organisational planning processes going forward, to strike the ideal balance between supply and demand.

In light of the tight fiscal framework, we continued to seek opportunities to do more with less to responsibly account for our cost structures, and remain comparable with the most efficient Tax and Customs organisations globally.

SARS continued with the design and development of performance and capacity models based on the best practice methodology as set out by the Consortium for Advanced Management International Institute (CAM-I).



Source: Adapted from the Consortium of Advanced Management International (CAM-I) Glossary of Activity Based Management and Capacity Measurement and Improvement, The CAM-I Interest Group

SARS published a Medium Term Capacity Framework (SARS Workforce Plan) which details the workforce requirements of the organisation. The SARS Strategic Capacity and Workforce Planning process gave priority to those aspects of strategic planning by formulating and implementing the necessary strategies, which ensure that the organisation had a workforce with the right mix of people, knowledge, skills and behaviours required both now, and in the future.

Monthly resource performance, analysis and planning reports were institutionalised in the organisation at various levels. The integrated approach to performance, capacity and workforce planning empowered the organisation to capitalise on its resources, drive change, enforce compliance and yield higher levels of efficiency and effectiveness through the:

- Identification of inefficiencies and non-value adding activities affecting productivity, and recommending remedial actions where applicable.
- Proposal of process improvements to ensure operational efficiencies.
- Identification of resource constraints and capability gaps within the organisation.
- Assessment of workforce needs.
- Evaluating and prioritising demand to inform the five Human Capital and Development B strategies (Buy, Build, Borrow, Bounce and Bind).

Improve Communication Activities

- SARS carried out a communication effectiveness survey amongst employees to determine the effectiveness of its communication efforts to employees. The survey was compiled and finalised, but a decision to postpone it to May 2019 was taken.
- The media and communication policies were adopted and approved by EXCO for dissemination within the organisation.

Conduct Internal and External Research

- SARS wanted to publish an updated SARS Taxpayer Compliance Programme by December 2018. The programme was developed, discussed and delivered to the Acting Commissioner. Publication was postponed to the 2019/20 FY, awaiting oversight by the newly appointed Commissioner.
- An environmental scan to support strategy development and business planning was delivered in June 2018, and additional inputs to supplement the report were collated in July 2018.
- In aspiring to execute the United Nations (UN) Legacy Project to support the enhancement of trade and tax statistics, it is reported that the United Nations Conference on Trade and Developments (UNCTAD's) e-learning platform is currently being updated. The United Nations Statistical Division (UNSD) has indicated that the planned workshop will continue by reusing selected e-learning materials. They have also indicated that South Africa (SA) can participate in the new e-learning platform in the 2019/20 FY.
  - Bilateral bottom-up reconciliation exercises: Plans to secure meetings with the UK, India and Australia, is in progress.
  - A Bilateral Trade Data Reconciliation meeting with Namibia was held on 5 to 6 March 2019 in Windhoek.
- The implementation of the International Standard Industrial Classification (ISIC) project did not materialise.

OUTCOME 5 Increased Trust and Credibility

Cases and investigations

Case Load
343 files referred for investigation

- **33** Corruption
- **145** Fraud
- **153** Misconduct
- **12** Theft

719
Rollover from 2017/18

5
Re-opened in 2018/19

343
New investigations in 2018/19

601
Investigations concluded

466
Still under investigation

173 cases
Referred to the SAPS

7 cases
Advanced to the NPA

3 arrests
SARS officials

2 arrests
External individuals

4 convicted
SARS officials

9 convicted
External individuals

Report Fraud and Corruption

Anti-fraud and corruption hotline
0800 00 28 70
All calls are confidential

File a Report of Suspected Non-Compliance (RSN) on
www.sars.gov.za
For corruption or serious misconduct

Maintain High Levels of Public Trust and Credibility

- The launch of the Large Business Forum, which includes the top 30 companies in South Africa, was documented and will form part of the new Commissioner's programme of engagement during the 2019/20 FY. This forum will improve co-operation and trust between SARS and large business taxpayers, and facilitate a move towards self-regulation of their tax affairs. SARS is of the view that this will reduce compliance costs and result in improved relationships with large businesses.
- SARS committed to do an annual key domestic stakeholders (Private and Public sector) opinion survey, to assess their level of satisfaction with SARS. To optimise resources and avoid duplication, the objectives of this output were integrated into the SARS Brand Perception Study - Phase 5 Custom and Excise Client (April 2019) survey and the SARS Brand and Business Perception Survey (November 2018).
- SARS planned to host a public sector summit during the last quarter of 2018/19. This is to initiate dialogue between SARS and our public sector partners to determine ways to strengthen collaborations. A concept document on the hosting of the Public sector summit was finalised and presented to management for approval. Owing to the unavailability of key public sector leadership, the summit date could not be finalised, and SARS decided to launch the Public sector summit as part of the new Commissioner's programme of engagement. Hence, it will be held in the 2019/20 FY.
- SARS is of the opinion that the publishing of successful prosecutions will create awareness and send a message to compliant taxpayers that we are fair in the application of the law. SARS drafted and submitted approximately 15 statements for internal approval, relating to successful convictions between January and September 2018.

Public Opinion Survey

SARS undertook a public opinion survey to gauge public opinion on tax compliance. The objectives of the study were:

- To identify the key drivers of tax compliance.
- To measure the effect (weight) of each driver on tax compliance.
- To develop the Attitude to Tax Compliance Index.
- To determine the extent to which power of authority influence tax compliance.

The study included responses from 3 056 registered taxpayers and 30 in-depth interviews with high profile respondents. The outcome of the key drivers of tax compliance revealed that "Trustworthiness" carries the highest weight at 18%, while Accessibility, Fiscal responsibility and Operational efficiency each weighted 15%.

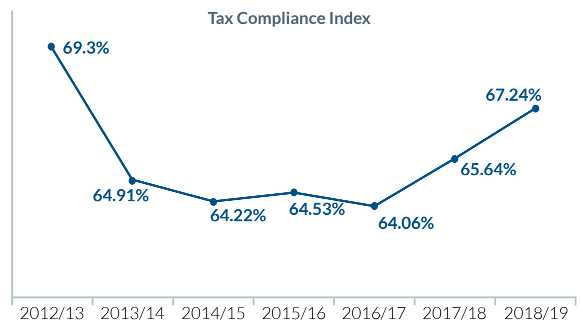
Further to the Drivers of Tax Compliance, the Attitude to Tax Compliance Index (ATCI) was calculated. The overall ATCI for 2018/19 was 66%, which was below the previous survey's 72% conducted in 2015/16. The findings indicated that Tax Diligence (85%) and Tax Morality (82%) have the highest ratings towards the ATCI.

On the Influencers on Tax Compliance the results revealed that SARS (77%) has the greatest influence on tax compliance, followed by the Tax Ombud (50%), Radio Presenters (46%), Newspaper Journalists (42%), TV Presenters (41%), The Presidency (39%), and Business Leaders (38%).

Attitude to Tax Compliance Index Results

Tax Diligence	85
Tax Morality	82
Rational (Socio-Economic)	79
Accessibility	74
Operational Efficiency	74
Affinity	64
Trustworthiness	63
Followership	57
Fiscal Responsibility	49
Fiscal Citizenship	48

In relation to compliance, SARS computes two indices, which are the Tax Compliance Index and the Attitude to Tax Compliance Index. The Tax Compliance Index is computed from the internal data and calculated to 67.24% for the 2018/19 FY (65.64% in 2017/18) and the Attitude to Tax Compliance Index is calculated from data collected in the public opinion survey and resulted in a score of 66% for 2018/19 (72% in 2017/18)



Voluntary Disclosure Programme

SARS, through its Voluntary Disclosure Programme (VDP), aims to enhance tax compliance by assisting taxpayers to regularise their tax affairs. South African taxpayers with tax defaults, in respect of any tax types administered under the Tax Administration Act, are encouraged to make use of the VDP. The current VDP commenced on 1 October 2012, and is on-going. The Rates and Monetary Amounts and Amendment of Revenue Laws (Administration) Act 2016, and Tax Administration Laws Amendment Act, 2016, were signed by the President on 18 January 2017, and promulgated into law on 19 January 2017. The Rates and Monetary Amounts and Amendment of Revenue Laws (Administration) Act extended the existing administrative framework for voluntary disclosures to SARS, in order to include the Special Voluntary Disclosure Programme (SVDP) as announced in the 2016 Budget Speech. It provided for a window period from 1 October 2016 to 31 August 2017 to submit SVDP applications.

The introduction of the SVDP witnessed a total of 2 023 tax relief applications by close of the above-mentioned window period. This was seen as an opportunity for non-compliant taxpayers to voluntarily disclose off-shore assets and income. During this reporting period, an amount of R817 million was collected. Combined with the R3.615 billion collected in the previous reporting periods, this programme has yielded a total collection of R4.432 billion. Of great importance is the value of foreign assets disclosed through the SVDP, which amounts to R27 670 billion. These are assets that were previously hidden off-shore by non-compliant taxpayers that will continue to contribute towards the fiscus into the future. Although the SVDP is coming to an end with about 186 cases still to be finalised, its impact has been very positive. SARS has seen a large intake on VDP applications in relation to foreign assets previously not disclosed, this is due to some taxpayers opting to make use of the VDP, as opposed to the SVDP to disclose their foreign income, and this trend continues.

SARS is pleased to report that an amount of R3.2 billion was collected for the period 1 April 2018 until 31 March 2019 under the VDP programme, and continues to encourage any taxpayer that may have tax defaults not yet known by SARS to continue to make use of this avenue.

VDP programme collections
R3.2 billion

Continue to Adopt a Zero-tolerance Approach to Fight Fraud and Corruption

A dedicated anti-corruption unit investigates all cases of internal fraud, corruption, theft and serious misconduct. During the 2018/19 FY, 343 new investigations were referred for investigation. These included: Corruption (33), fraud (145), misconduct (153), and theft (12). In 2018/19, 601 investigations were concluded. This includes 109 investigations that were referred to SARS Employee Relations (ER) for initiation of disciplinary action. By the end of March 2019, 466 cases were still under investigation:

Roll-over as on 1 April 2018	719
Cases re-opened in 2018/19 on register	5
New investigations in 2018/19	343
Finalised investigations in 2018/19	601
Active Balance	466

» Number of cases referred to the SAPS: 173
» Number of cases advanced to the National Prosecuting Authority: 7

SARS has a Whistle-blower Policy to ensure the safety of reporters who wish to remain anonymous. External parties can report instances of suspected fraud, corruption or serious misconduct via the SARS Hotline number (0800 00 28 70), or file a Report of Suspected Non-compliance (RSN) on the SARS website.

Convictions

Thirteen individuals (including four SARS officials) were criminally convicted and sentenced during the 2018/19 FY:

» Five individuals (including one SARS official) were part of a SARS procurement fraud syndicate, which was also engaged in racketeering and money laundering activities. Their scheme resulted in a pecuniary loss to SARS of R11 501 052. Their respective sentences ranged from 15 years direct imprisonment to suspended sentences.
» Three external individuals were independently involved in the fraudulent change of taxpayers' banking details, resulting in fraudulent refunds being paid to accounts under their control. Their sentences ranged from 5 years direct imprisonment to suspended sentences.
» Two SARS employees were convicted on counts of fraud, corruption, and contravention of the Electronic Communications and Transactions Act. They had installed a key logger on a SARS computer, which enabled them to upload and authorise the change of taxpayers' banking details. As a result, the SARS employees diverted approximately R30 million in refunds due to taxpayers, into accounts under their own control. Both were sentenced to 25 years direct imprisonment.
» A SARS official was sentenced to 15 years direct imprisonment on charges of fraud and theft, after he had fraudulently registered 243 non-existent entities for VAT at a fee of R1 000 each.
» An external individual pleaded guilty and was sentenced to 20 years effective imprisonment on counts of fraud, money laundering and corruption of a public officer. He had submitted substantial fraudulent refund claims on behalf of several VAT vendors, and was assisted by a SARS employee who 'audited' and released the refunds. The actual loss to the fiscus amounted to R32 942 133. The criminal trial against the employee, who has since resigned from SARS, is continuing.
» One external individual pleaded guilty after he offered a Customs official R40 000 to release a detained container of counterfeit goods. He received a sentence of a R20 000 fine or four years imprisonment. He also received a five year suspended sentence.

Capital Investment

Corporate Real Estate

Analysis of the current portfolio and usage

The bulk of the portfolio, 50% of the total space, is allocated to Corporate, Taxpayer Services (TPS) Branches make up 13%, Warehouses and Customs Storage areas make up 19%, Contact Centres make up 2% of the portfolio, while Customs Operations make up 6%, filing and document storage 9%, and the remainder is ancillary spaces with low percentage usage.

Growth and Expansion

Accommodation of the Illicit Economy Unit (IEU)

Accommodation was provided for the Illicit Trade Unit office at the Pretoria River Walk Campus, and regional offices will follow in Cape Town and Durban during the 2019/20 FY.

Contact Centre Ergonomic Refresh Projects

The refurbished Alberton Contact Centre was launched in September 2018, creating the right environment for the high-value low–cost revenue generation function.

Improve control over the flow of all goods and travellers entering and leaving the country

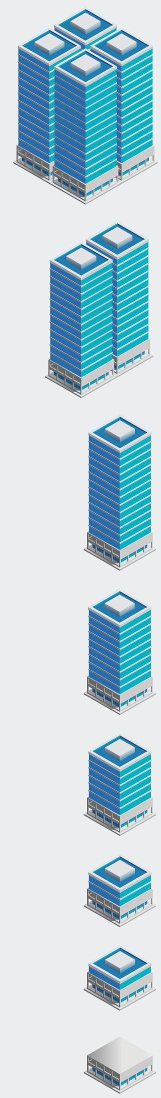
The construction of a light industrial building at OR Tambo Airport to accommodate a Customs cargo scanner is in the planning stage, with the completion envisaged in 2020.

Balancing the Portfolio as part of fiscal discipline

- The Benoni leased footprint was reduced in line with the Corporate Real Estate (CRE) Strategy.
- The Megawatt Park leased footprint was reduced.
- The East London Waverley Building leased footprint was reduced.

As part of reducing the cost of managing the property portfolio, CRE embarked on space optimisation, as well as lease renegotiating initiatives. Space optimisation resulted in the reduction of operational space by approximately 27 179m², whereas renegotiating leases yielded approximately R365 million for 12 leases over various lease terms. It is anticipated that more operational space will be handed back to various landlords in the 2019/20 FY, which will yield more rental savings and a consolidated and optimised portfolio.

Corporate Real Estate Breakdown



50.1% Commercial Space

19.4% Customs Warehouses and Storage

13.3% Branch Office (public space)

8.5% Filing/Paper Storage Space

5.4% Customs Operations

2.3% Contact Centres

0.8% Border Posts

0.2% OTO and Davis Tax Committee

Efficiency Projects

Corporate Real Estate strategy with the aim to optimise the accommodation requirements for SARS at a national level

Document and paper stored in office spaces were relocated to the off-site paper storage in the East London Waverley Building, Vereeniging, Kroonstad and Trescon buildings and as a result, cleared approximately 6 300m².

New Large Business (LB) Building – Agile Workspace Innovation

Agile space innovation will be implemented at the new Large Business Centre building in Woodmead, when the existing SARS premises at Megawatt Park are vacated by the end of July 2019.

Business Continuity

A permanent standby generator was provided for the Upington office.

Compliance Upgrades and Relocations

The rectification of deficiencies identified in the building conditions assessment reports are still being implementated by the regions. The initial project plan was to conclude all remedial actions by the end of the 2018/19 FY, however, due to the organisational financial constraints, some rectifications were delayed. All occupational health and safety issues are prioritised and a budget has been allocated to ensure that rectifications will be concluded by the 2019/20 FY. 128 building reports were received, and 13 buildings were not assessed due to decommissioning, while others are part of the Department of Public Works (DPW) portfolio occupied by other Government departments and agencies at the border posts.

Construction of the new client interface building was completed as planned, and the new Bloemfontein Zastron building was occupied in August 2018.

Stakeholder Management

Key Stakeholders - Organised into **8 distinct segments**

Intermediaries

- Tax Practitioners
- Trade Intermediaries
- Employers as agents

Individuals

- Complex
- Standard
- Below threshold

Business & SOEs

- Large
- Medium
- Micro & Small

To enhance co-ordinated engagement with stakeholders SARS wide, stakeholders were mapped according to a prioritisation matrix, grouped and allocated to dedicated officials. This enables business units and SARS stakeholder management officials to have clarity on the central contact point within SARS and within the stakeholder organisation. The aim is to provide a structured engagement process with stakeholders with dedicated personnel. The following highlights relate to the key private sector stakeholder events that SARS participated in the Tax and Customs areas:

Chamber of Commerce

Both the SARS Acting Commissioner and the Acting Chief Officer: Customs and Excise were hosted by the Johannesburg and Cape Chamber of Commerce. The Acting Commissioner delivered the keynote address, and interacted with Gauteng and Western Cape clients. The Acting Chief Officer presented on the Customs turnaround strategy and New Customs Act Programme, which was an Annual Performance Plan (APP) deliverable. Positive feedback was received and the professionalism, time and effort put into the engagement by the Commissioner and Acting Chief Officer was appreciated by the attendees.

New Customs Acts Programme

SARS facilitates NCAP Working Group meetings, which are held monthly with private sector Customs Associations to communicate changes, and ensure that the implementation approach of the Customs Control Act and Customs Duty Act is socialised and understood by affected stakeholders. SARS also conducted awareness sessions in the regions ahead of the Reporting of Conveyances and Goods implementation, to crystallise mandatory electronic reporting requirements, provide information on system development and discuss the implementation approach.

Tax Indaba

Both the Minister of Finance and the SARS Acting Commissioner were welcomed and warmly received at the Tax Indaba. There was a distinct change in the attitudes of the tax practitioners in the audience, that included a new sense of transparency and positive reform around SARS' leadership. Critical announcements like the resuscitation of a one stop service for large business, and SARS' announcement of its commitment to the recently launched Service Charter, created a sense of accountability.

For the first time, SARS presented a session on the journey towards tax compliance as it affected its individual work areas. This was a much anticipated and awaited session, as senior leadership had not been profiled in this way previously. This was seen as further evidence that SARS was moving towards increasing transparency and improving the levels of accountability.

During the Indaba, various SARS subject matter experts presented on tax related issues, and helped to counter the recent notion that SARS had reduced capacity to address important issues.

Although there is a lower trust component, there is also a growing sense that SARS is currently on the correct path. The technical knowledge, experience and expertise of the Acting Commissioner has considerable gravitas within the sector, and will deliver benefits for SARS' reputation. This Tax Indaba created positive reputation impact, generated positive media coverage across all media platforms and helped to change the perceptions around SARS.

Other Engagements

Companies and Intellectual Property Commission

SARS is in discussions with the Companies and Intellectual Property Commission to explore the feasibility of exchange of financial statements. An analysis of 500 000 companies which requested to be deregistered by the CIPC has been completed, and SARS agreed to deregister 334 264 companies after applying SARS' deregistration criteria. SARS is still in discussions with the CIPC to reconcile the CIPC register to SARS' register.

Recognised Controlling Bodies (RCBs)

This group includes all 12 tax professional bodies that represent about 22 000 tax professionals. SARS has established both strategic and operational forums for this sector, and in this reporting period, there have been a total of six engagements.

A critical new forum was introduced this year, which is being institutionalised through a formal Terms of Reference and will function as a dialogue platform to clarify and explain policy implementation. Since some of the RCBs are established through legislation, there are various regulation issues that require mutual understanding. The other platforms have effectively worked to increase communication and accountability of both SARS and the RCBs.

This year both the South African Institute of Chartered Accountants (SAICA) and the Independent Regulatory Board for Auditors (IRBA) have instituted, disciplinary enquiries against tax professionals involved in bringing the profession into disrepute, due to their alleged involvement in State corruption. The state of the profession has become a central concern, and all professional bodies are investigating various ways to emphasise the need for ethical conduct amongst members.

Banking Association of South Africa (BASA)

SARS has a critical operational and strategic relationship with the banking sector in terms of revenue collection. BASA is the largest representative body for the sector, and has both operational and strategic leadership level engagements with SARS.

After the appointment of the Acting Commissioner, BASA leadership announced its willingness to conclude an MOU with SARS. This was undertaken at a BASA/SARS leadership meeting with a number of bank's CEOs noting their willingness to co-operate with SARS due to their trust in the Acting Commissioner.

The formalisation of the relationship resulted in the establishment of a BASA/SARS operations platform that addresses key technical constraints concerns, as the banks are a critical stakeholder for revenue collection.

Business Unity South Africa (BUSA)

BUSA is a membership based umbrella of private sector associations, and represents almost all industry bodies present in the country. As such, the organisation is important to SARS in terms of increasing compliance in the corporate sector.

After the appointment of the Acting Commissioner, BUSA formalised its relationship with SARS through signing an MOU. There is currently consideration of joint projects with BUSA to encourage tax morality in the sector, where there has been significant concern.

Association for Savings and Investment South Africa (ASISA)

ASISA is the largest national association representing the retirement investment funds, and has previously worked successfully with SARS. It is an important component of the tax morality journey, and represents a number of taxpayers who invest savings that have different tax implications. SARS technical experts undertook information sessions to clarify and confirm certain obligations and practices as it related to tax affairs. SARS is in the process of creating a regular dialogue platform for the sector, to ensure compliance so that the fiscus is duly served.

South African Payroll Association (SAPA)

The Acting Commissioner was invited to provide the keynote address at the Annual General meeting of SAPA. The invitation was as a result of SAPA wanting a fuller and more comprehensive understanding of the changes at SARS, as they affected their membership. SAPA is a collection of a number of payroll professionals employed in the private sector across the country. SARS has a vested interest in this grouping, as payroll taxes contribute significantly to revenue.

Professional Hunters Association of South Africa (PHASA)

PHASA concerns itself with creating a conducive macro-environment for the South African professional hunting industry. They work closely with other Public Sector organisations and civil society to ensure that there is value created for the country and its people through these activities.

There are various tax related exemptions and incentives for the industry, and SARS has a responsibility to ensure a high degree of compliance. Since this organisation has a strong international bias, there are increased concerns about income declared, as well as goods leaving the country. SARS will assume a full and comprehensive Government review with this industry to ensure that the issues of other Government agencies are addressed.

Building trust in SARS

In this reporting period, there has been a serious eroding of trust in SARS as a fair tax administrator, due to public admissions at various commissions. However, the appointment of the Acting Commissioner was seen as positive and welcomed by the sector.

The Acting Commissioner agreed to attend various sector gatherings to explain SARS' position and to reassure taxpayer groupings that the campaign to collect revenue would continue.

The Acting Commissioner used platforms such as the Johannesburg Chamber of Commerce; the Institute of Internal Auditors South Africa (IIASA); South African Institute of Business Associations (SAIBA), amongst others, to reiterate the role of SARS in the country.

Customs and Excise National Operations Stakeholder Forum

Customs and Excise National Operations Stakeholder Forum was established in June 2018 in response to operational challenges. The forum takes place monthly and is a decision making platform, with SARS seeking to promote consistent and uniform processes in all its Regional Customs Operations. Operational escalations from the regions, that require national interventions, are presented at the forum for resolution.

The Forum has become very effective, and has received positive reviews in media publications, as compared to previous negativity relating to SARS' ability to perform the Customs' function effectively.

Maputo Corridor Logistics Initiative (MCLI) Illicit Trade Event

SARS participated in the MCLI Illicit Trade event. The impact of the illicit trade on the economy was a key focus of this regional conference, involving three different revenue authorities and various other stakeholders. It brought together speakers from SARS, the Mozambique Revenue Authority, the eSwatini Revenue Authority and private organisations such as the Ethics Institute and the Institute for Security Studies, to discuss issues affecting various stakeholders in the Maputo Corridor, with a particular focus on the illicit trade in fuel. This forum allowed SARS to engage with key regional stakeholders and our revenue partners, namely Mozambique and eSwatini Revenue Authorities. Relevant role-players were able to engage to ensure that illicit trade is better understood by stakeholders using the Maputo Corridor.

Tobacco Industry Forum

Both The Tobacco Institute of Southern Africa (TISA) and Fair Trade Independent Tobacco Institute (FITA) welcomed the re-establishment of the Tobacco Industry Forum on 18 June 2018. The forum meets quarterly to ensure that SARS and the industry formulate enforcement initiatives to eradicate the illegal smuggling of cigarettes.

International Customs Day (ICD)

An International Customs Day event was held on 25 January 2019. Delegates included the Deputy Finance Minister, representatives of the US and Mozambique High Commissions, the Major General of SAPS and his delegation, and various key Public and Private Sector collaborators (example Department of Agriculture, Forestry and Fisheries (DAFF), Department of Home Affairs (DHA), South African Association of Freight Forwarders (SAAFF) and American Chambers of Commerce (AMCHAM)). BUSA and DAFF presented on their partnerships with SARS. BUSA's presentation concentrated on collaboration related to trade facilitation, and DAFF presented on the co-creation of the "Single Window". Delegates were able to interact with SARS representatives manning the exhibition stalls. SARS managed to deliver on the theme of "smart borders for trade, travel and transport", by ensuring that the exhibitions dealt with the eTraveller card, DIST capability, NCAP, Illicit Economy, Single Window Public Sector partnership presentations, and Preferred Trader (PT)/Authorised Economic Operator (AEO). Feedback received from the invited Private Sector Stakeholders was that the event was exceptional.

InvestSA

SARS chaired the technical working groups for the Paying Taxes and Trading Across Borders indicators regarding the World Bank's Doing Business Report initiative. The objective was to engage representatives from both the private and public sectors, to identify reforms that could lead the improved efficiencies for taxpayers and traders, as well as consequently leading to a more competitive global ranking for South Africa. SARS also supported InvestSA with the establishment of the One-Stop-Shop initiative.

03

PART THREE

GOVERNANCE, LEGAL & RISK MANAGEMENT

Governance

Governance plays a vital role in determining how an organisation should function. With this in mind, SARS is committed to governance measures and practices that support the Commissioner in leading, governing and setting the strategic vision of the organisation. Sound governance principles are the foundation upon which trust amongst stakeholders of SARS is built. These principles are critical in growing the reputation of SARS as an organisation that is dedicated to excellence in performance and integrity. SARS has based its governance philosophy on the combined assurance model, and follows the five lines of assurance, which contribute to internal controls and effective decision making. Combined assurance ensures that SARS has a co-ordinated, holistic approach to assessing and managing risks facing the organisation. The key differentiating factor between the five lines of assurance are the levels of independence from the organisation's operational activities and to the organisation itself.

The SARS Governance Framework ensures that these principles are implemented to drive performance improvement, enhance quality, and ensure good governance and accountability, whilst meeting legislative requirements. The framework outlines the mechanisms, principles, methodologies and procedures utilised by SARS to support effective and efficient governance, whilst living the SARS values, promoting a culture of integrity and striving towards good governance outcomes, which are: an ethical culture, good performance, effective control and legitimacy. Effective implementation of these governance outcomes serves as an indicator of good corporate governance in an organisation. SARS aspires to apply the Principle set out in the King IV Report on Corporate Governance for South Africa 2016 (King IV). The report defines corporate governance as an exercise of ethical and effective leadership by the governing body towards the achievement of the abovementioned governance outcomes.

In the journey towards good governance, the SARS Code of Conduct (COC) forms the integrity cornerstone of the SARS governance model, and is essential for the effective administration of a Tax and Customs system that is anchored on voluntary compliance. The COC sets out specific standards of conduct that represents SARS' interpretation of its core values, and the appropriate conduct expected of all SARS employees. Part of the journey that all SARS employees will be expected to embark on will include all forms of professional ethical deliberations that are over and above mere legal compliance.

To further contribute towards improved governance, SARS actively contributed to the international integrity arena in order to understand and deal with unethical behaviour in the international Customs space. SARS completed its risk mapping exercise on request of the African Union and the WCO, and gained worthy reputational prestige when tasked with the development of the Eastern and Southern Regional Ethics and Integrity capacity building programmes for the African continent.

Integrity Promotion

The Integrity Promotion Unit (IPU) continued to provide second line assurance support, guidance and advice to SARS employees. Six new cases dealing with guidance and advice on possible conflict of interest or other ethical dilemmas were processed during the year. The unit furthermore conducted 84 sessions with SARS staff members which included induction sessions, executive engagements, integrity dialogues, ethics and integrity training, as well as integrity awareness workshops.

The SARS Code of Conduct and Ethics was identified for a further revision during the year under review. It is expected that a new Code of Conduct and Ethics will be approved and published during the first quarter of the new FY.

A Guide to the Code of Conduct and Ethics was updated. The final guide will be published once the reviewed Code of Conduct and Ethics is approved by EXCO.

Two international integrity workshops were attended, in order to understand and deal with unethical behaviour in the international Customs space.

Parliamentary Engagement

Standing Committee on Finance (SCOF)	
2 March 2018	**2018 Budget:** NT and SARS response to public comments
13 March 2018	**SARS follow-up:** Makwakwa matter; SARS and KPMG report on SARS Intelligence Unit
14 March 2018	**Carbon Tax Draft Bill:** public hearings
25 April 2018	**Rates and Monetary Amounts and Amendment of Revenue Laws ("VAT") Bill: briefing and public hearings:** Davis Tax Committee
2 May 2018	**Illicit Tobacco Trade - SARS**
23 May 2018	**SARS on Makwakwa matter; KPMG Report; 2017/18 revenue: Steinhoff; Illicit Financial Flows; Illicit Tobacco Trade**
7 June 2018	**Carbon Tax Bill:** Treasury response to submissions
16 August 2018	**VAT Panel Recommendations; Taxation Laws Amendment Bill and Tax Administration Laws Amendment Bill:** briefing
21 August 2018	**Taxation Laws and Tax Administration Laws Amendment Bills: public hearings:** Steinhoff Committee Resolution
28 August 2018	**VAT Commission report**
12 September 2018	**Zero VAT report: stakeholder responses; Taxation Laws and Administration Bills:** Treasury and SARS response to submissions
13 September 2018	**Non-VAT aspects: Rates and Monetary Amounts and Amendment of Revenue Laws Bill and Tax Bills:** Treasury and SARS responses continued
16 October 2018	National Treasury and **SARS 2017/18 Annual Report:** with Minister and Deputy Minister present
17 October 2018	Statement on VBS Mutual Bank matter; **VAT Panel Report and TLAB and TALAB Bills: Treasury and SARS response**
13 November 2018	**Rates and Monetary Amounts and Amendment of Revenue Laws Bill, Taxation Laws Amendment Bill; Tax Administration Laws Amendment Bill**
14 November 2018	**Rates and Monetary Amounts and Amendment of Revenue Laws Bill, Taxation Laws Amendment Bill and Tax Administration Laws Amendment Bill: adoption;** PIC Bills and Banks Amendment Bill: deliberations
27 November 2018	**Carbon Tax Bill:** workshop
4 December 2018	**Carbon Tax Bill:** treasury and stakeholder input
5 December 2018	**Carbon Tax Bill:** deliberations
5 February 2019	**Carbon Tax Bill:** finalisation and voting; Financial Matters Amendment Draft Bill: briefing
6 February 2019	Public Investment Corporation (PIC) Amendment Bills; FFC referral to Committee; Committee Report on **Carbon Tax Bill**
12 February 2019	FFC Remuneration referral; **Customs and Excise Bill**; PIC Committee Bill: adopted; Financial Matters Amendment Bill: public hearings
13 February 2019	Nugent Commission of Inquiry into SARS: interim findings and recommendations
21 February 2019	**2019 Annual Budget:** tabling
27 February 2019	**2019 Budget**: public hearings

Select Committee on Finance (SECOF)	
27 November 2018	**Taxation Laws Amendment Bill; Tax Administration Laws Amendment Bill; Rates and Monetary Amounts and Amendment of Revenue Laws Bill: briefing:** fiscal Framework Committee Report
28 November 2018	**Taxation Laws and Administration Amendment Bills; Rates and Monetary Amounts and Amendment of Revenue Laws Bill:** public hearings
29 November 2018	Committee Reports on **Rates and Monetary Amounts and Amendment of Revenue Laws Bill and Taxation Laws Amendment Bill**

Standing Committee on Public Accounts (SCOPA)	
7 June 2018	**SARS deviations and expansions:** hearing

Select Committee on Social Services	
17 April 2018	**Border Management Authority Bill:** deliberations
24 April 2018	**Border Management Authority Bill:** deliberations

SARS Committees

Committee	No. of meetings held	No. of members	Name of members
Executive Committee	19	10	Refer to EXCO table
Audit and Risk Committee	4	3	Sathie Gounden (Chairperson) Thabiso Ramasike Doris Dondur
Enterprise Risk Management Committee	4	10	Acting Commissioner (Chairperson) EXCO members as per EXCO table

SARS Executive Committee

EXCO Member	Position	Permanent / Acting	Changes in 2018/19 FY
Mark Kingon	Acting Commissioner	Acting	
Teboho Mokoena	CO: Customs and Excise	Permanent	1 July 2018 end
Beyers Theron	Acting CO: Customs and Excise	Acting	2 July 2018 begin
Luther Lebelo	Acting CO: Human Capital and Development	Acting	30 June 2018 end
Teboho Mokoena	CO: Human Capital and Development	Permanent	2 July 2018 begin
Hlengani Mathebula	CO: Governance, International Relations, Strategy and Communication	Permanent	
Refiloe Mokoena	CO: Legal Counsel	Permanent	20 September 2018 end
Makungu Mthebule	Acting CO: Legal Counsel	Acting	30 October 2018 begin
Mmamathe Makhekhe-Makhuane	CO: Digital Information Services and Technology	Permanent	29 October 2018 end
Mogola Makola	CO: Enforcement	Permanent	31 December 2018 end
Viwe Mlenzana	Acting CO: Enforcement	Acting	15 December 2018 begin
Fabian Murray	Acting CO: Business and Individual Tax	Acting	23 March 2019 end
Johnstone Makhubu	Acting CO: Finance	Acting	31 August 2018 end
Johnstone Makhubu	CO: Finance	Permanent	1 September 2018 begin
Tau Mashigo	Acting CO: Digital Information Services and Technology	Acting	29 October 2018 begin 24 March 2019 end
Narcizio Makwakwa	Acting CO: Large Business and High Net-Worth Individuals Unit	Acting	1 December 2018 begin

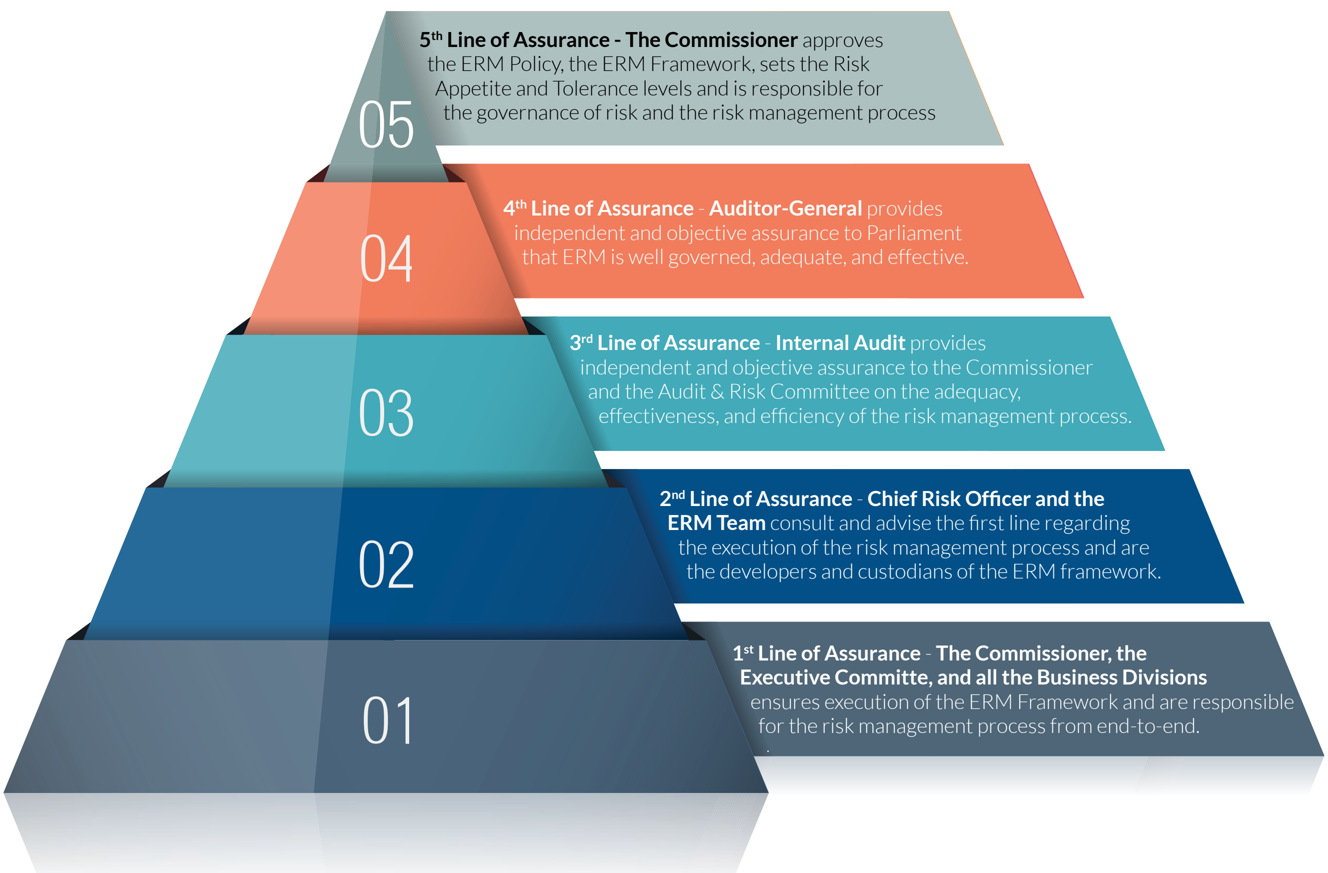
Enterprise Risk Management

The role of SARS Enterprise Risk Management (ERM) is to enable the organisation to achieve its objectives and fulfil its mandate in an uncertain and challenging business environment. The ERM unit facilitates this by providing a framework and an approach to risk management that allows for risks and opportunities to be assessed and treated, in order that residual risk remains within acceptable tolerances.

In fulfilment of his role as the accounting authority of SARS, in terms of the Public Finance Management Act (PFMA), the Acting Commissioner has implemented and continues to execute effective risk management at SARS. In his role as the governing body of SARS, in terms of the SARS Governance Framework, which aspires to apply the Principle of the King IV Report on Corporate Governance for South Africa 2016 (King IV), the Acting Commissioner has accepted responsibility for the governance of risk.

The Risk Policy and Framework, was revised, which are aligned to King IV and the adoption of the five lines of assurance model ensure that our risk management activities align to the responsibilities for risk assurance and follow the five lines of the assurance model, as depicted in the figure below.

Risk Assurance Responsibilities



Our risk governance enables SARS employees, engaged in carrying out the defined responsibilities of their risk role, in accordance with the specific risk responsibilities set out according to the five lines of assurance model. This ensures that the risk management approach is adequate, effective, and efficient. Risks are monitored and progress updates are reported on, using a series of comprehensive risk registers of strategic and high-end operational risks, which are discussed and reviewed through a hierarchy of quarterly risk management committees, and finally reported to the Audit and Risk Committee. The SARS top risks, their treatment actions, and the status of these actions as at the end of the FY, are depicted in the risk table.

Through two Executive Committee (EXCO) level risk workshops, emerging risks were considered and discussed and leadership agreed on an approach to setting risk appetite and tolerance. In our ever-evolving developmental approach to risk management, SARS, for the first time, adopted a formal SARS Risk Appetite Statement in December 2018.

SARS is making positive progress towards reaching the desired level of risk maturity when measured against the Risk and Insurance Management Society (RIMS) Risk Maturity Model, which SARS has chosen to map its journey against risk maturity. SARS participated in a risk maturity benchmark survey facilitated by the Institute of Risk Management South Africa (IRMSA), of which SARS has now become a corporate member. The output of the benchmarking survey will be used to inform and guide the embedding and enhancement of the SARS ERM approach towards risk maturity.

Risk Title	Mitigating Actions
Cyber Security threat: The escalation of large-scale cyber-attacks nationally and globally leads to SARS' vulnerability, and in the event of an attack, could result in taxpayer and trader confidentiality breaches and severe reputational damage.	• Revising the Information Security Strategy to align with current budget and resource constraints. • Key projects such as DLP and eDNA are in the project implementation phase, and aligned with the SARS strategy on Cyber threats. • SARS participates in the Cyber Risk Committee of the JCPS cluster of Government, and is involved in the drafting of a National Cyber Security Framework to assist Government structures to fight Cyber-attacks and threats. • SARS has established a Security Operational Centre (SOC) to deal with Cyber Security related incidents.
Loss of Public Trust and Credibility: Damage to the reputation of SARS due to negative media reports; varying levels of service provided to customers and stakeholders; and SARS' non-compliance to legislation and regulations, leads to the projection of a negative perception of SARS and results in loss of public trust and credibility.	• Developed the Reputation Management Framework and submitted it for approval. The Framework is being socialised with the various Chief Officers and other key stakeholders for final inputs, prior to submission to EXCO for approval. • Implemented the approved SARS Service Charter in July 2018.
Illicit trade and smuggling: Poor border control leads to smuggling (narcotics and counterfeit), illicit trade, trade mispricing and illicit financial flows, whose negative socio-economic impact threatens economic growth, undermines legitimate formal business activity, as well as job creation and security. Poor risk profiling, technology and skills lead to the inability to detect non-compliance and to enforce compliance and the poor management of the risk posed by the illicit economy and the shadow economy.	• As part of the implementation of the Customs Risk-based client segmentation model, SARS is currently collaborating with the FIC and others on the Traveller Card and designing a digital solution to mitigate against Advanced Import Payments. • The Excise Risk engine development is ongoing, with the launch date envisaged for June 2019. The Excise migration process was approved for implementation. • The revised Excise design is currently under discussion with relevant divisions prior to EXCO approval. • The Illicit Economy Unit continues to hold engagements with internal and external stakeholders on the exchange of information to various countries. Conducted joint audit interventions in the gold industry and with companies linked to State Capture. Engaged with relevant stakeholders to obtain financial and other information relevant to cases. • Work commenced on 15 projects, including 902 cases allocated to the unit between December 2018 and February 2019. • Conducted joint execution of enforcement actions and judgements in the relevant focus areas and industries.

Risk Title	Mitigating Actions
Increasing non-compliance by taxpayers and traders: Weak case selection and taxpayer profiling, the inability to identify potential tax avoidance schemes, failed strategic enforcement projects, inadequate resources and skills needed to detect and act against sophisticated tax avoidance schemes, leads to ineffective enforcement interventions, which result in increased non-compliance and the inability to meet the revenue and duty targets required to meet fiscal demands.	• The 2019/20 - 2022/23 Compliance Programme has been developed and finalised for EXCO approval. The Compliance Programme will thereafter be implemented and monitored. • Risk treatment tasks have been assigned to the responsible senior personnel across the organisation (Case Selection, Enforcement, SARS Institute of Learning) for implementation.
Business interruption: The lack of an approved enterprise-wide Business Continuity Management Framework leads to an inability to plan a response to unplanned business interruptions, and in the event of an incident, results in prolonged business interruption, operational failures, and potential business failure.	• A BCM Working Committee, with representatives from all divisions, was constituted and convened several times during 2018. • Successfully constituted the BSC and BEC tender governance committees, who performed their roles timeously to deliver the tender requirements. The tender for the BCM project was published on 8 February 2019, and closed on 8 March 2019. The BEC met immediately after the tender closed to commence with the tender evaluation process. The awarding of the tender was not finalised by 31 March 2019 and efforts to finalise it continues • DIST will continue to conduct integrated DR Tests for system availability purposes.
Loss and leakage of data and Information: The lack of a coordinated enterprise-wide approach to protecting and securing digital and physical information leads to fragmented and inefficient management and security controls resulting in loss, theft, and exploitation of data and physical information.	• The DLP Project is on track, and administrative tasks such as contract completion have been finalised. • Timelines have been revised for the DLP Projects, to ensure that the necessary tasks are completed successfully. The DLP Programme consists of various activities and projects. These projects are in the implementation phase, for delivery according to planned outcomes. • Planned data leakage and test cases thereof were tested through infrastructure changes to inform policy reviews on data protection. •The POPI ACT and other Information Security Policies are being reviewed in line with an integrated security approach.
“Non” achievement of Revenue Estimates due to less than expected revenue collections: An unfavourable global and domestic economic environment contributes to a decline in business activity and reduced profitability due to macro-economic factors, including the impact of lower economic growth, new tax policies (sugar levies, carbon taxes), as well as national debt sustainability, and micro-economic factors including household debt sustainability, declining employment rates, and increasing business liquidations resulting in reduced tax revenue.	• Total revenue (excluding Customs and Excise revenue) collected for Quarter 4 amounted to R247.6 billion, against the Quarter 4 (Revised Estimate) RE of R263.7 billion. This translated into a deficit of R16.1 billion (6.1%). • Customs and Excise revenue collected for Quarter 4 amounted to R104.2 billion, against the Quarter 4 RE target of R102.5 billion. This translated into a surplus of R1.6 billion (1.6%). Excise collections yielded R1.4 billion (4.0%) against the RE. • The Large Business (LB) model has been approved and the interim structure was implemented. • The 2019/20 - 2022/23 Compliance Programme has been developed and finalised for EXCO approval
Workforce capacity and allocated staff budget are not aligned: The lack of required funding to fully capacitate SARS’ Capacity Plan results in existing staff being stretched, which impacts directly on revenue collection, delivery and the quality of SARS’ strategic outcomes, as well as existing staff morale.	• SARS constituted an Enterprise Vacancy Advisory Committee (EVAC), which is now operational. • The EVAC makes resourcing decisions regarding the approval to recruit for vacancies, based on the available funding and prioritised list of vacancies as per the SARS Capacity plan. • Addressing staffing funding constraints, will be in line with the budget available on 1 April 2019. It was agreed to halt recruitment until more detail is available regarding funding for 2019/20. It is however expected that more positions will be cut based on the current funding information, leading to a further widening of the gap between required capacity and available/ funded capacity. The EVAC will consider further proposals to reduce the risk to the organisation.

Internal Audit

Objective

Internal audit at SARS is an independent, objective assurance and consulting activity, designed to add value and improve the organisation's operations. It helps SARS accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

The SARS Internal Audit unit is preserved as per Section 51 of the PFMA, which requires the Accounting Authority to maintain a system of Internal Audit, under the control and direction of an audit committee.

Internal audit processes take cognisance of the principles of the King IV report on Corporate Governance, regarding the requisite internal audit arrangements needed to provide relevant and objective assurance that contributes to the effectiveness of governance risk management and control processes.

The Internal audit division fulfils its mandate to support the delivery of the SARS strategic objectives by:

- Being appropriately engaged with the business, and having insight into the direction of the business.
- Using technology in day-to-day internal audit activities to enhance its services.
- Being a catalyst in governance, risk and control processes, efficient specialists and problem solvers.
- Developing and Managing internal audit talent.

Summary of Work Done

Internal audit has implemented a risk-based audit plan that was approved by the Audit and Risk Committee. The audit coverage comprised of reviews in the sphere of governance, risk management and internal controls, in order to provide reasonable assurance to the Audit and Risk Committee on the state of internal controls within SARS.

Compliance with laws and regulations

SARS has re-established the compliance function that is mandated to focus on SARS' compliance regarding laws and regulations, and the compliance of taxpayers and traders with Tax and Customs legislation.

Legal Counsel

Legislative, Policy Principles and Standards Framework

Our mandate is derived from the **SARS Act**

Principles of a good Tax System

- Efficiency
- Equity
- Simplicity
- Transparency
- Certainty

Governance & Oversight

- Executive Committee
- Audit and Risk Committee
- Standing Committee on Finance
- Ministry of Finance
- Office of the Auditor-General
- Office of the Public Protector
- Office of the Tax Ombud

Policy Makers

national treasury
Department: National Treasury
REPUBLIC OF SOUTH AFRICA

the dti
Department: Trade and Industry
REPUBLIC OF SOUTH AFRICA

Standards

WORLD CUSTOMS ORGANIZATION
ORGANISATION MONDIALE DES DOUANES

OECD
BETTER POLICIES FOR BETTER LIVES

WCO Framework of Standards

- Utilising advanced electronic manifest information to allow risk assessment
- Using a common risk management approach
- Using non-intrusive detection equipment to conduct examinations
- Enabling the accrual of benefits to nations, Customs and business conforming to standards

OECD

- Designed Common Reporting Standard (CRS) for countries and tax authorities globally
- SARS, as an early adopter, committed to Automatic Exchange of Information (AEOI)
- Minimum standards and other elements under the Base Erosion and Profit Shifting (BEPS) action items

SARS Administers Various Acts

» Tax Administration Act, 2011

» Income Tax Act, 1962

» Customs and Excise Act, 1964

» Value-Added Tax Act, 1991

» Estate Duty Act, 1955

» Transfer Duty Act, 1949

» Unemployment Insurance Contributions Act, 2002

» Skills Development Levies Act, 1999

» Mineral and Petroleum Resources Royalty and Administration Acts, 2008

» Securities Transfer and Administration Tax Acts, 2007

» Diamond Export Levy Administration Acts, 2007

» Merchant Shipping (International Oil Pollution Compensation Fund) Administration Act, 2013

» Employment Tax Incentive Act, 2013

» Merchant Shipping Administration & Contribution Acts, 2013

Amendment Acts

SARS conducts extensive research to support the drafting and development of Acts pertaining to tax proposals, international Tax and Customs agreements. National Treasury is responsible for drafting amendments to SA's taxation legislation around tax policy matters. SARS is responsible for drafting amendments to administrative, Customs and Excise legislation.

SARS meets with National Treasury, the Department of Trade and Industry, Department of Environmental Affairs, Department of Mineral Resources, International Trade Administration Commission, traders and tax practitioner organisations, to help improve the legislation SARS administers. Draft revised dispute resolution rules under section 103 of the Tax Administration Act, 2011, were released for public comment in June 2018. A consultation paper on crypto assets was released by the Crypto Assets Regulatory Working Group, which includes SARS, in January 2019. A discussion document on the rewrite of excise legislation was released in March 2019.

Legal Advisory Services

SARS continues to provide clarity and certainty to taxpayers on the interpretation of tax legislation and other laws administered by SARS. Issued various interpretation notes and brochures on new and contentious areas of legislation. Updated interpretative tax policy documents to ensure accurate and timeous updates. Issued binding private and class rulings on future transactions and non-binding rulings on PIT and CIT legislation.

Corporate Legal Services

Corporate Legal Services (CLS) provides a non-tax, in-house, legal service to the organisation, protecting its commercial interests, ensuring organisational legal compliance, assessment of legal risks, as well as advising on sound corporate governance principles.

CLS provides legal advice and opinions to SARS business units and its key deliverables, including the provision of high-level and complex legal opinions to SARS, managing damages claims, non-tax litigation, risks and dispute resolution, negotiating, drafting and managing all aspects of SARS' leases and Memorandum of Understandings (MOUs), managing SARS' intellectual property portfolio and legal aspects of supply chain management, ensuring SARS' contracts meet business needs and manage risks, managing corporate and commercial litigation on non-tax matters, and administering Promotion of Access to Information Act (PAIA) and Promotion of Administrative Justice Act (PAJA) requests.

Promulgation Date 17 January 2019

Rates and Monetary Amounts and Amendment of Revenue Laws Act, 2018

Amendment Act No. 21 of 2018

Tax Administration Laws Amendment Act, 2018

Amendment Act No. 22 of 2018

Taxation Laws Amendment Act, 2018

Amendment Act No. 23 of 2018

Rulings and Opinions Finalised

315 Binding Rulings

283 Company Income Tax
32 Value-Added Tax

658 Non-Binding Opinions

93 Company Income Tax
565 Personal Income Tax

Legal Delivery and Dispute Resolution

SARS resolves appeal cases on a fair and reasonable basis. This is done through the ADR process, the Tax Board or litigation processes. Governance support is also provided to regional and head office committees

These cases were dealt with as follows: 1 415 cases were withdrawn by taxpayers, 102 cases were referred to be dealt with through the Tax Court process, 21 cases were referred back to the Tax Board, 13 cases were referred back to a branch, 85 Customs and Excise cases were terminated, 422 cases were settled, and 4,984 cases were conceded (of which 465 were partially conceded).

Alternative Dispute Resolution (ADR)

Finalised 7 042 appeals through the ADR process

69 cases were finalised through the Tax Board process, of which six were upheld, seven were partially upheld, 15 conceded, 16 withdrawn, three referred for further appeal to Head Office, 15 dismissed and seven settled.

International Tax and Customs Agreements

An agreement was reached at an official's level with other jurisdictions in respect of six international tax and customs agreements, to improve the international treaty networks and co-operation between Tax and/or Customs administrations, namely:

- Arrangement on automatic exchange of customs information with eSwatini.
- Arrangements on automatic exchange of tax information with Andorra, Hong Kong, Liechtenstein and Qatar.
- Protocol amending the Double Taxation Agreement with eSwatini.

An agreement was reached at an official's level on:

- Customs arrangement between Durban and Xiamen.
- Synthesised texts, merging existing Double Taxation Agreements with partner jurisdictions' positions and SA's un-ratified positions on the Multilateral Convention, to Implement Tax Treaty Related Measures to Prevent Base Erosion and Profit Shifting, with Austria and Sweden.

Minimising Conflict of Interest

SARS achieved a 100% declaration by employees and suppliers/contractors, to manage conflict of interests.

SARS Social Responsibility

The SARS 2018/19 Social Responsibility (SR) initiatives primarily focussed on donating decommissioned assets to mainly Government schools (non-fee paying), and a few Non-Government Organisations (NGOs). SARS donated a total of 6 682 decommissioned IT and office furniture assets to 166 primary and high schools in all nine provinces in South Africa.

The SR team also focussed on encouraging employee volunteerism that involves Social Responsibility Champions identifying community projects that they adopt and register with SARS SR.

Mandela Day volunteerism incorporated some of the following initiatives:

Upington Branch: The Upington branch served "vetkoek" and soup at the Thembelihle Service Centre. This centre only has the means to provide one meal a day to the less fortunate and elderly members of the community, so this was a welcome addition.

Pavilion Staff: The Pavilion team got together to serve soup and bread to the homeless people outside their office in Brooklyn. This was a wonderful initiative and made a big difference to those in need.

Walker Creek: The Enterprise Project Management Office (EPMO) and Digital Information Services and Technology (DIST) divisions embarked on a fund raising project in the four Fridays preceding the annual event. They sold various food items in the Walker Creek Office pause area, and collected a total of R20 400, which was donated to an organisation that focusses on people living with mental impairments.

KwaZulu Natal: Customs Investigations: Post Clearance Audit, as well as Customs Debt Management divisions, decided to feed the hungry and homeless community members outside the Durban City Hall.

River Walk: The Employee Services division at River Walk donated food parcels and cleaning materials to the Louis Botha Children's Home in Queenswood, and one of the team members, Heila Coetzee, knitted beanies and blankets for the children. Another team from River Walk donated school shoes to a primary school in the Winterveldt area.

Report of the Audit and Risk Committee

We are pleased to present our report for the financial year ended 31 March 2019 in terms of Treasury Regulations 3.1.1.9 and 10 whereby the Audit and Risk Committee is required to report amongst others on the effectiveness of the internal controls, the quality of the management reports submitted in terms of the Division of Revenue Act, as well as its evaluation of the annual financial statements.

Audit and Risk Committee Members and Attendance

The Audit and Risk Committee operates in terms of approved written terms of reference, which deals with its membership, authority and responsibilities. These terms of reference are reviewed at least annually to ensure their continued relevance (Treasury Regulations 27.1.6).

The composition of the Audit and Risk Committee members is such that all Treasury Regulations requirements are met in terms of financial literacy and independence. The Audit and Risk Committee consisted of three external members for the period April 2018 to May 2018. Ms Meta Maponya resigned on 25 May 2018 and Ms Doris Dondur was appointed in August 2018.

Audit Committee Members				
Meeting Dates	25 May 2018	27 July 2018	02 Nov 2018	08 Mar 2019
Sathie Gounden: B Compt (Unisa); Higher Diploma in Accounting (University of Durban-Westville) Chartered Accountant (SA) Certificate in Forensic Accounting and Fraud Examination (University of Pretoria) Chartered Director (SA) Executive Leadership Development Institute Programme (Harvard Business School and NABA) Certificate of Mediator Accreditation (Conflict Dynamics)	√	√	√	√
Thabiso Gerald Ramasike: B Comm (UJ) CAIB (SA) – (Institute of Bankers of SA) Senior Executive Development Programme (GIBS) Global International Executive Development Programme – (Rotmann School of Management and York University Canada)	√	√	√	√
Mmakgolo Meta Maponya: B Com Accounting (Wits) B Com Honours (UKZN) Chartered Accountant (SA) Financial Services Board Regulatory Examinations: RE1, RE3, RE5	X	Resigned 25 May 2018		
Doris Dondur Bachelor of Accounting (Stellenbosch) Honours B Compt (Unisa) Chartered Director (SA) Global International Executive Development Programme (Wits and London Business School) Executive Development Programme (University of Reno) Honours in Business Administration (Stellenbosch Business School) Master's in Business Administration (Stellenbosch Business School) Post Graduate Certificate in Labour Relations (UNISA)	Appointed in August 2018		√	√

Audit and Risk Committee Responsibilities

The Audit and Risk 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 and Risk 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. However, the internal control environment had regressed during the year under review. Management has given the Audit and Risk Committee the assurance that processes are put in place to improve the system of internal control.

In line with the PFMA and the King IV Report on Corporate Governance, the Internal Audit function provided the Audit and Risk 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 Quality of the Quarterly Management Reports

The Audit and Risk Committee has reviewed the quarterly management reports and is satisfied with the quality thereof.

Internal Audit Function

The Audit and Risk Committee is satisfied that Internal Audit had properly discharged its functions and responsibilities in the year under review. Internal audit has undertaken a Quality Assessment Review (QAR) by the Institute of Internal Auditors South Africa and has achieved a Generally Conforms rating to the International Standards for The Professional Practice of Internal Auditing. A Generally Conforms rating is a milestone of meeting the professional standards required of internal auditors, and gives assurance of the sound internal audit function.

Enterprise Risk Management (ERM)

The Enterprise Risk Management function has in consultation with the Audit and Risk Committee, embarked on multi-year journey to implement a new risk approach, adapting the key learnings from King IV and the ISO 3100. The Executive Committee held a risk workshop during the year where the strategic profile was identified.

A new risk governance framework has been developed and this has introduced Divisional Risk Management Committees (DRMC) where each division hosts a quarterly risk workshop to determine their respective high-end operational risk profile. The revised divisional and strategic risk profiles have been submitted to the Audit and Risk Committee for oversight and commentary to improve both the process and the profiles.

The Audit and Risk Committee is satisfied with the scope and direction taken by ERM to ensure SARS develops and implements an appropriate risk management approach consistent with needs and aspirations of the organisation and designed to strengthen decision making capabilities at all levels of the organisation.

Evaluation of Financial Statements

The Audit and Risk 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.

Auditor-General's Report

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

The Audit and Risk Committee confirms that it has been actively involved throughout the audit process and has been thoroughly appraised of the issues giving rise to the audit opinion.

Sathie Gounden
Chairperson of the Audit and Risk Committee
31 July 2019

04

PART FOUR

HUMAN CAPITAL & DEVELOPMENT

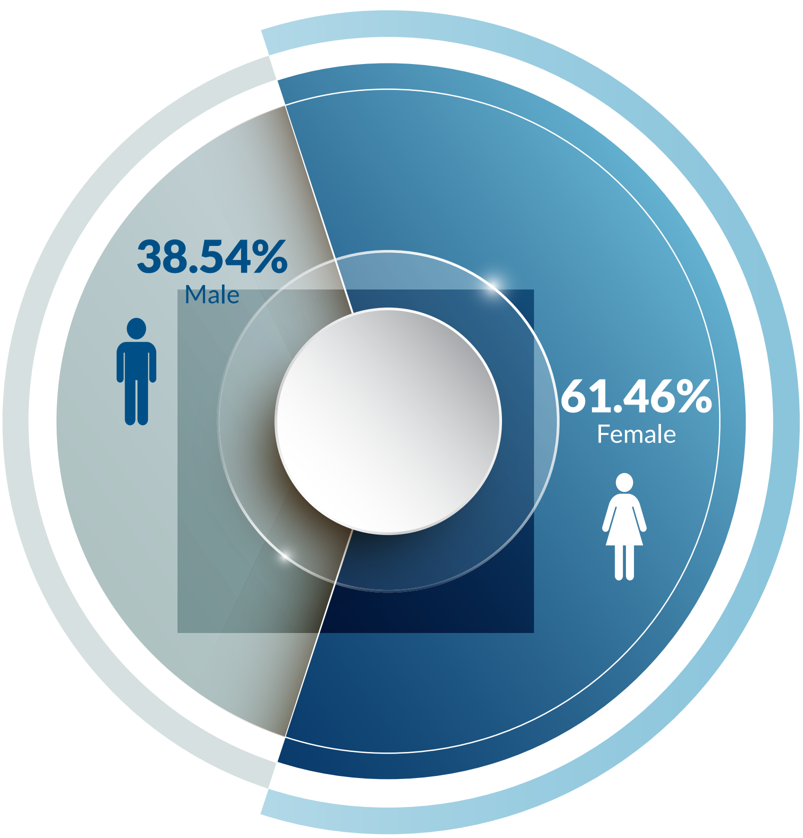
Headcount

12 488 Permanent Employees

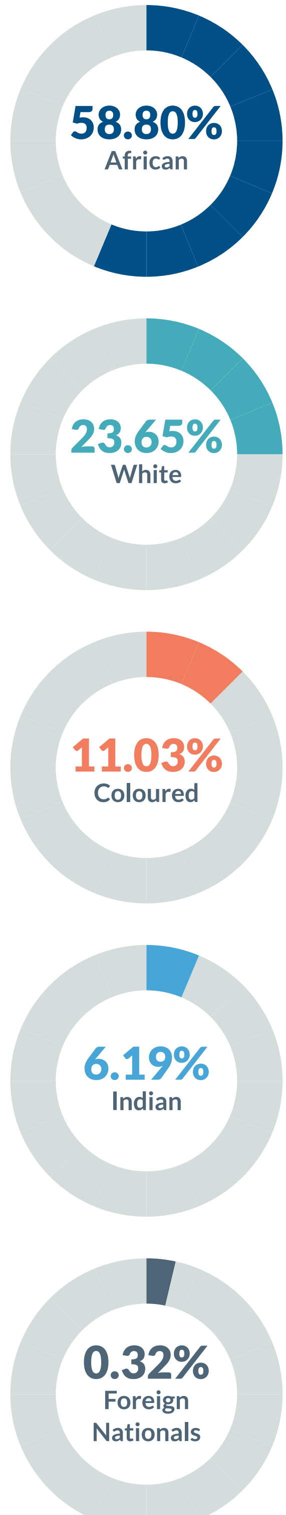
3 Contract employees

253 Graduate trainees

Gender



Employment Equity



SARS People Management

SARS employees are the driving force in ensuring that the various Acts that govern the Tax, Customs and Excise environment are implemented. The effective and efficient implementation will contribute towards revenue being collected for the fiscus. SARS' human capital and development's strategic framework focuses on maintaining a capable and capacitated workforce. SARS employees are attracted, recruited, deployed and developed in areas of strategic business importance. This enables the organisation to execute its mandate.

The SARS workforce is stable and the average years of service (tenure) is 16, with an average age of 43. The 12 491 permanent employees are 310 less than in the previous year. This is mainly due to cost reduction requirements. The SARS attrition rate for permanent employees is at 4.3%. This is slightly less than previous years, and as such, is not a concern. However, the lack of funding to backfill vacancies will have an impact on the available capacity.

SARS is making progress year-on-year insofar as transformation is concerned. An improvement in representivity was recorded, unfortunately, not at the target rate. Although the representation of people with disabilities is high, we acknowledge that more work is required.

The number of learners in the SARS Pipeline Development programme remained steady at 253.

The SARS employer value proposition and employer brand is highly regarded, as SARS recently featured as the number two preferred employer by university students.

Disciplinary cases against staff and staff grievances decreased during the 2018/19 FY.

Challenges faced in the HC&D area include the shortage of staff capacity due to financial constraints. This also led to the limitations to implement the HC&D enhancement systems. SARS also experienced strike action due to a labour dispute.

Deliver High Quality People Related Strategies

Recruitment turnaround time

The average recruitment turnaround time for the 2018/19 FY remains above three months. The following factors impacted on this deliverable and target:

» The decision taken by the Enterprise Vacancy Advisory Committee (EVAC) to halt recruitment.
» The financial situation regarding the unavailability of funds to replace staff in vacant positions.

Focus will remain on the recruitment turnaround time with monthly status reporting to ensure that corrective actions will be implemented in areas that cause delays. Recruitment is only done once the conditions for funding and approval by EVAC is met.

As part of the drive to improve the recruitment process, an e-recruitment system was implemented.

Reduce funded vacancies

The 918 funded vacancies recorded at the beginning of the 2018/19 FY have been reduced by 813, with a total reduction of 88.56%. The implementation and management of the required SARS staff establishment is done on a continuous basis, in line with the capacity plan and availability of staff funding. The management of vacancies forms a major part of workforce planning and therefore, all vacancies, as prioritised by the capacity planning process and available staff funding, are submitted to EVAC on a regular basis for approval. Only vacancies approved by EVAC are incorporated into the recruitment process.

SARS Integrated Talent Management (ITM) Strategy

The ITM strategy was completed in August 2018. The implementation of the strategy includes the following key initiatives:

- » Review and optimisation of the ITM value chain: The ITM value chain has been reviewed, resulting in the optimisation plans for two critical areas, namely, recruitment and SARS Institution of Learning (SIOL). A new recruitment model has been developed, presented to EXCO, and approved for piloting in the first quarter of 2019.
- » Review and realign the ITM structure: The first phase of the ITM structural realignment has been completed as planned, and implementation is scheduled for 2019.
- » Accelerated implementation of talent management: Plans to accelerate the implementation of the talent management process have been concluded.

Implementing a SAP Customer Relationship Management (CRM) System to improve efficiency of human resource processes: A business case was developed, however, the lack of funding resulted in a halt of this deliverable.

Strategic Resource Management

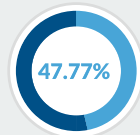
Resource management is crucial in ensuring that the required staff establishment and capability is known in all areas of the business, enabling delivery on all set targets, including revenue collection. The strategic view of the required human capital (people and capability) is reflected in the SARS capacity plan.

SARS staffing decisions are based on the capacity plan and available staff budget. The allocation of available funding to recruit for priority vacant positions, as per the capacity plan, is granted by EVAC on a quarterly basis. It should however be noted that financial shortfalls have impacted the capacity requirements for the FY under review, which also resulted in a decline of the permanent headcount figure from 12 801 to 12 491.

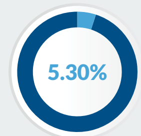
Learning and Development

The development of employees remains an important priority for SARS. This is to ensure that employees stay up-to-date with the latest developments in their field of expertise. For the year under review, 11 441 people attended training sessions. This resulted in a total number of 58 587 days utilised for training purposes. This amounted to 47 829 employee training days. Training interventions included SARS classroom training, external classroom training, workshops, seminars, on-the-job training and web-based training.

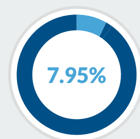
Training per Business School



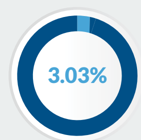
School of Business
22 846



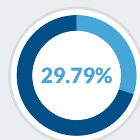
School of Enforcement
2 533



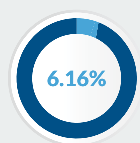
School of Customs and Excise
3 804



School of Leadership and Management
1 451



School of Taxation
14 249



School of Technology
2 946

Leadership and Management Development

Leadership and management development is considered to be a crucial element in ensuring that employees in management and leadership positions can effectively manage and lead successful teams. In line with SARS' Leadership and Management Development Framework, a total of 380 employees were enrolled on various leadership and management programmes.

380 Employees Enrolled on Leadership and Management Programmes

20 Women in Leadership Programmes (WILP)

167 Operation Management Development Programme (OMPD)

80 Senior Management Development Programme (SMDP)

73 Management Development Programme (MDP)

40 Executive Management Development Programme (EMDP)

Skills Pipeline and Youth Development

The trainee programmes of SARS contribute to youth development and employment in South Africa. The programme ensures a continuous inflow of new skills into the organisation. As current employees retire or move up in the organisation, the programmes provide home-grown talent that has been developed in the required areas.

Youth Development Programmes

Programme	Description	No of Students
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.	174
Learnership	A Learnership is a work-based learning programme that combines a structural learning component with practical work experience, and leads to a nationally recognised qualification directly related to an occupation, and registered on the National Qualification Framework (NQF).	58
Chartered Accountants	The CA (SA) Programme is a structured learning programme aimed at graduates who wish to become Chartered Accountants.	21

SARS has approved 572 bursaries for current staff members. These employees enrolled for their courses during the 2019 calendar year. The majority of approved applications represent 285 African females (49.83%), followed by 146 African males (25.52%). The following table presents a breakdown of the 572 approved bursaries.

Bursaries approved for 2019 academic year

NQF Level	Approved
Level 10 (equivalent to a Doctor's degree)	3
Level 9 (equivalent to a Master's degree)	76
Level 8 (equivalent to a Honors or degree or post graduate diploma)	93
Level 7 (equivalent to a Bachelor's degree or advanced diploma)	283
Level 6 (equivalent to a diploma or advanced certificate)	111
Level 5 (equivalent to higher certificate and advanced national certificate)	6
Grand Total	572

Leadership Effectiveness

The overall SARS annual Leadership Effectiveness Index (LEI) assessment provides a profile of the current leadership of the organisation. The LEI is conducted with a 360 degree assessment, aligned to the SARS leadership competency model, focusing on at commitment, empowerment, expertise and working with people.

The overall LEI assessment outcome for SARS for the FY under review was 88.52%, and exceeded the SARS target of 88%. This was an improvement from the 2017/18 assessment result of 88.08%.

Employment Equity and Workplace Diversity

SARS is making steady progress in transforming its workforce to reflect the demographics of South Africa. Although some of the steep targets have not been met in specific areas, improvements were experienced in the following categories, compared to the previous FY:

» Black representation improved from 76.01% to 76.03%.
» African representation indicted a growth from 58.75% to 58.80%.
» Disability representation improved from 1.92% to 2.13%.
» Gender representation on management levels increased from 48.78% to 49.08%.
» White representation indicated a slight growth from 23.62% to 23.65%.

Categories that declined in comparison to the previous FY:

» Indian representation declined from 6.22% to 6.19%.
» Female representation resulted in a decline from 62.03% to 61.33%.
» Coloured representation indicated a decline from 11.04% to 11.03%.

New appointments during the FY under review were 99.09% within the designated groups: 91.44% African, 6.56% Coloured and 1.09% Indian.

SARS employment equity distribution per occupational level

Occupational Levels	Designated							Non Designated			Total	% Representation
	Male			Female				White Male	Foreign Nationals			
	A	C	I	A	C	I	W		M	F		
Top Management	3	-	-	2	-	-	-	-	-	-	5	0.04%
Senior Management	140	22	42	99	11	24	56	85	-	3	482	3.78%
Professionals	970	175	158	913	162	160	557	438	16	6	3 555	27.90%
Skilled and Junior	1 729	287	130	2 794	593	241	1 300	340	6	8	7 428	58.29%
Semi-Skilled	248	50	11	534	101	23	209	26	2	-	1 204	9.45%
Unskilled	28	2	-	34	3	-	-	3	-	-	70	0.55%
Grand Total	3 118	536	341	4 376	870	448	2 122	892	24	17	12 744	

Occupational Levels	Description
Top Management	Grade: 9B - 10 represents SARS Commissioner, Chief Officers
Senior Management	Grade: 8A - 9A represents managerial positions with the following job titles: Group Executive, Executive, Senior Manager, Manager and Specialist
Professionals	Grade: 6 and 7 Professionally Qualified & Experienced Specialists & Middle Management
Skilled and Junior	Grade: 4A to 5B represents Functional Operators
Semi-Skilled	Grade: 2 - 3B including Graduates 2GA, 2GT and 2LI
Unskilled	Grade: 1 represents General Assistants

Employee Engagement and Employee Value Proposition (EVP)

» It is important to understand how SARS employees feel about the organisation they work for, and as such, SARS has initiated a number of processes designed to improve employee engagement that deals with work and the workplace.

» A culture change programme was developed to deal with the turbulence of recent years, which will be implemented after consultation with management. Such a programme will also focus on reigniting the higher purpose through healing, creating financial agility and transforming the SARS culture.

» SARS continued with the implementation of initiatives that were agreed on, based on the outcomes of the previous engagement survey (Connexion Survey). This process provided employees with an opportunity to confirm challenges identified and create awareness and buy-in to enterprise-wide and divisional action plans, aimed at improving employee engagement levels.

» SARS also embarked on team building interventions where every aspect of a well-integrated, high-functioning team is reflected on to improve the extent to which the team combines its distinct expertise and dynamics, in order to function optimally as a team. This includes interventions related to conflict management and diversity management.

» SARS prioritised the job optimisation process to enable the clarification of job roles and to address grade and pay anomalies. A large proposition of the grade anomalies was addressed.

» Quarterly leader-led engagement sessions were introduced to provide employees an opportunity to engage with management and discuss engagement issues, receive suggestions and any other matters employees wish to raise. This process has recently started.

» A review of the basic conditions of employment was completed, and a new document detailing the SARS Employee Value Proposition was published. EVP booklets were printed for distribution to potential recruits and graduate trainees.

» An assessment and review of the Amakhwezi recognition programme was completed. A communication drive will be initiated to improve the understanding and use of the revised Amakhwezi process.

Safety, Health and Wellness

Safety, Health and Wellness has made great strides in improving capacity building and training initiatives, risk assessments, evacuation drills, medical surveillance, immunisation, as well as environmental hygiene surveys. Compliance risk assessments were conducted to optimise health and safety management systems at most major ports of entry. 586 employees were trained during capacity building initiatives on health and safety policies.

In line with the preventative approach adopted, SARS deployed on-going awareness drives, to encourage employees to know their HIV status. In doing so, the uptake during wellness clinics improved. These services are extended to all SARS offices once a year to ensure that employees can benefit from the efforts to improve their well-being. Continuous efforts are in place to train and up skill wellness champions to support wellness by creating awareness and driving education around managing HIV/AIDS in the workplace. Emphasis is also placed on other chronic diseases that might be identified during medical screening. Overall, there has been an increase in the utilisation rate of the wellness programme.

The SARS' Safety, Health and Wellness framework was completed, and is in the implementation phase at major ports of entry, namely, Beitbridge, Groblers Bridge, Lebombo, Oshoek, Maseru, Ficksburg, Kopfontein, Skilpadshek, Durban Harbour, Cape Town Harbour, ORTIA and Lanseria. The framework is monitored on a regular basis and consists of the following pillars:

» Pillar 1: HIV/AIDS, TB and other communicable diseases.
» Pillar 2: Health and Productivity Management.
» Pillar 3: SHERQ Management.
» Pillar 4: Wellness Management.

Oversight Statistics

Average Cost to Company per Division

Division	Personnel Expenditure (CTC)	% of personnel exp. to total personnel cost (CTC)	No. of employees	Average cost per employee
Business and Individual Tax	2 006 731 700	29.68%	4 731	424 166
Customs and Excise	1 110 155 303	16.42%	2 322	478 103
Digital Information and Technology	523 994 639	7.75%	675	776 288
Enforcement	1 218 464 234	18.02%	2 097	581 051
Finance	468 564 017	6.93%	914	512 652
Governance, International Relations, Strategy and Communications	438 086 028	6.48%	471	930 119
Human Capital and Development	408 834 546	6.05%	766	533 727
Internal Audit	62 425 274	0.92%	81	770 682
Legal Counsel	315 939 437	4.67%	371	851 589
Office of the Commissioner	68 696 701	1.02%	155	443 205
SARS: Anti - Corruption	51 079 641	0.76%	77	663 372
Acting Commissioner and Direct Reports	25 298 703	0.37%	8	3 162 338
Tax Customs and Excise Institute	62 281 173	0.92%	76	819 489
Grand Total	**6 760 551 395**		**12 744**	**530 489**

Average Cost to Company per Occupational Level

Occupational Levels	Personnel Expenditure (CTC)	% of personnel exp. to total personnel cost (CTC)	No. of employees	Average cost per employee
Top Management	18 070 223	0.27%	5	3 614 045
Senior Management	767 409 077	11.35%	482	1 592 135
Professionally qualified, experienced specialists and mid-management	2 900 826 467	42.91%	3 555	815 985
Skilled technical and academically qualified workers, junior management, supervisors, foremen, superintendents	2 771 554 937	41.00%	7 428	373 123
Semi-skilled and discretionary decision making	288 135 411	4.26%	1 204	239 315
Unskilled and defined decision making	14 555 281	0.22%	70	207 933
Total	**6 760 551 395**	**-**	**12 744**	**530 489**

Staff Movement

Occupational Levels	Employment at beginning of period	Employment at end of the period	Change in Headcount
Top Management	6	5	-1
Senior Management	474	482	8
Professional qualified, experienced specialists and mid-management	3 518	3 555	37
Skilled technical and academically qualified workers, junior management, supervisors, foremen, superintendents	7 693	7 428	-265
Semi-skilled and discretionary decision making	1 609	1 204	-405
Unskilled and defined decision making	79	70	-9
Total	**13 379**	**12 744**	**-635**

Appointments

Occupational Levels	External Appointments	Internal Appointments	% Internal Appointments
Top Management	-	2	100%
Senior Management	8	16	67%
Professional qualified, experienced specialists and mid-management	70	207	75%
Skilled technical and academically qualified workers, junior management, supervisors, foremen, superintendents	438	1 388	76%
Semi-skilled and discretionary decision making	39	6	13%
Unskilled and defined decision making	-	-	-
Total	**555**	**1 619**	

Termination Reasons

Reason	Number	% of total number
Death	44	3.70%
Resignation	355	29.83%
Retirement	102	8.57%
Termination ER	38	3.19%
Other*	651	54.71%
Total	**1 190**	-

** Other: Attrition of all non-permanent employees i.e.: Seasonal workers, contract workers and graduate/trainees.*

Description of Occupational Levels

Occupational Levels	Description
Top Management	Grade: 9B - 10 represents SARS Commisioner, Chief Officers
Senior Management	Grade: 8A - 9A represents managerial positions with the following job titles: Group Executives, Executive, Senior Manager, Manager and Specialist
Professionals	Grade: 6 and 7 Professionally Qualified & Experienced Specialists & Middle Management
Skilled and Junior	Grade: 4A to 5B represents Functional Operators
Semi-Skilled	Grade: 2 - 3B including Graduates 2GA, 2GT and 2LI
Unskilled	Grade: 1 represents General Assistants

05

PART FIVE
FINANCIAL INFORMATION




Annual Financial Statements Own-Accounts for the Year Ended 31 March 2019

Contents

The financial statements set out on pages 106 to 170, which have been prepared on the going concern basis, were approved and signed by:

Mr EC Kieswetter
Commissioner for SARS
26 July 2019

Report of the Auditor-General to Parliament on South African Revenue Service: Own-Accounts

Report on the audit of the consolidated and separate financial statements

Opinion

1. I have audited the consolidated and separate financial statements of South African Revenue Service (SARS) Own Accounts and its subsidiary set out on pages 110 to 174, which comprise the consolidated and separate statement of financial position as at 31 March 2019, the consolidated and separate statement of financial performance, statement of changes in net assets, cash flow statement and statement of comparison of budget information with actual information for the year then ended, as well as the notes to the consolidated and separate financial statements, including a summary of significant accounting policies.

2. In my opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of SARS Own Accounts and its subsidiary as at 31 March 2019, and their financial performance and cash flows for the year then ended 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).

Basis for opinion

3. I conducted my audit in accordance with the International Standards on Auditing (ISAs). My responsibilities under those standards are further described in the auditor-general's responsibilities for the audit of the consolidated and separate financial statements section of this auditor's report.

4. I am independent of SARS in accordance with sections 290 and 291 of the International Ethics Standards Board for Accountants' *Code of ethics for professional accountants* (IESBA code), part 1 and 3 of the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Indepedences Standards)* and the ethical requirements that are relevant to my audit in South Africa. I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA code.

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

Other matter

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

Unaudited supplementary schedule

7. The supplementary information set out on pages 175 to 178 does not form part of the financial statements and is presented as additional information. I have not audited this schedule and, accordingly, I do not express an opinion on it.

Responsibilities of the accounting authority for the financial statements

8. The accounting authority is responsible for the preparation and fair presentation of the consolidated and separate financial statements in accordance with the SA Standards of GRAP and the requirements of the 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.

9. In preparing the consolidated and separate financial statements, the accounting authority is responsible for assessing SARS Own Accounts and its subsidiary's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the accounting authority either intends to liquidate the public entity or to cease operations, or has no realistic alternative but to do so.

Auditor-General's responsibilities for the audit of the consolidated and separate financial statements

10. My objectives are to obtain reasonable assurance about whether the consolidated and separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated and separate financial statements.

11. A further description of my responsibilities for the audit of the consolidated and separate financial statements is included in the annexure to this auditor's report.

Report on the audit of the annual performance report

Introduction and scope

12. In accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA) and the general notice issued in terms thereof, I have a responsibility to report material findings on the reported performance information against predetermined objectives for selected objectives presented in the annual performance report. I performed procedures to identify findings but not to gather evidence to express assurance.

13. My procedures address the reported performance information, which must be based on the approved performance planning documents of the public entity. I have not evaluated the completeness and appropriateness of the performance indicators included in the planning documents. My procedures also did not extend to any disclosures or assertions relating to planned performance strategies and information in respect of future periods that may be included as part of the reported performance information. Accordingly, my findings do not extend to these matters.

14. I evaluated the usefulness and reliability of the reported performance information in accordance with the criteria developed from the performance management and reporting framework, as defined in the general notice, for the following selected objectives presented in the annual performance report of the SARS Own Accounts for the year ended 31 March 2019:

Objectives	Pages in the annual performance report
Outcome 1 – increased customs and excise compliance	18 – 19
Outcome 2 – increased tax compliance	19 – 23
Outcome 3 – increased ease and fairness of doing business with SARS	24 – 25

15. I performed procedures to determine whether the reported performance information was properly presented and whether performance was consistent with the approved performance planning documents. I performed further procedures to determine whether the indicators and related targets were measurable and relevant, and assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.

16. I did not raise any material findings on the usefulness and reliability of the reported performance information for the following objectives:

   » Outcome 1 – increased customs and excise compliance
   » Outcome 2 – increased tax compliance
   » Outcome 3 – increased ease and fairness of doing business with SARS

Other matters

17. I draw attention to the matters below.

Achievement of planned targets

18. Refer to the annual performance report on pages 18 to 28 for information on the achievement of planned targets for the year and explanations provided for the under- or overachievement of a number of targets.

Report on the audit of compliance with legislation

Introduction and scope

19. In accordance with the PAA and the general notice issued in terms thereof, I have a responsibility to report material findings on the compliance of SARS Own Accounts with specific matters in key legislation. I performed procedures to identify findings but not to gather evidence to express assurance.

20. The material findings on compliance with specific matters in key legislation are as follows:

Procurement and contract management

21. Some of the contracts were awarded to bidders based on sub-criteria that were not stipulated in the original invitation for bidding, as required by the 2017 preferential procurement regulation 5(3).

22. Some of the goods and services of a transaction value above R500 000 relating to prior years were procured without inviting competitive bids and/or deviations were approved by the accounting officer but it was practical to invite competitive bids, as required by treasury regulations 16A6.1 and 16A6.4.

Expenditure management

23. Effective and appropriate steps were not taken to prevent irregular expenditure amounting to R29 136 845 as disclosed in note 41 to the annual financial statements, as required by section 51(1)(b)(ii) of the PFMA.

Other information

24. The accounting authority is responsible for the other information. The other information comprises the information included in the annual report, which includes the commissioner's report and the audit committee's report. The other information does not include the consolidated and separate financial statements, the auditor's report and those selected objectives presented in the annual performance report that have been specifically reported in this auditor's report.

25. My opinion on the financial statements and findings on the reported performance information and compliance with legislation do not cover the other information and I do not express an audit opinion or any form of assurance conclusion thereon.

26. In connection with my audit, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate financial statements and the selected objectives presented in the annual performance report, or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

27. If, based on the work I have performed, I conclude that there is a material misstatement in this other information, I am required to report that fact.

28. I have nothing to report in this regard.

Internal control deficiencies

29. I considered internal control relevant to my audit of the consolidated and separate financial statements, reported performance information and compliance with applicable legislation; however, my objective was not to express any form of assurance on it. The matters reported below are limited to the significant internal control deficiencies that resulted in the findings on compliance with legislation included in this report.

30. Management did not ensure that there was adherence to supply chain management regulations, as contracts were awarded to bidders based on sub-criteria that were not stipulated in the original invitation for bidding and goods/services relating to prior years were procured through deviations when it was practical to follow competitive bidding. Furthermore, management did not ensure that changes to the legislative framework were implemented in a timely manner. Management was also unable to prevent irregular expenditure as there were chief executives appointed without ministerial approval, contrary to SARS Act.

Other reports

31. I draw attention to the following engagements conducted by various parties that had, or could have, an impact on the matters reported in SARS Own Accounts financial statements, reported performance information, compliance with applicable legislation and other related matters. These reports did not form part of my opinion on the financial statements or my findings on the reported performance information or compliance with legislation.

Commission of Inquiry

32. A Commission of Inquiry was established by the President of the Republic of South Africa to look into administrative and governance matters within SARS. The inquiry was completed and the final report was issued to the President on 11 December 2018. The SARS is currently implementing the recommendations.

Reports of the Public Protector

33. The Public Protector issued a report on 24 May 2019 relating to the allegations of irregularity in the approval of early retirement of erstwhile deputy commissioner, with full pension benefits and subsequent retention by the SARS. The SARS approached the High Court for a relief to stay the implementation of the remedial action pending a court review. These proceedings were still in progress at the date of this report.

34. The Public Protector also issued an investigative report on 5 July 2019, included in the report are allegations of maladministration, corruption and improper conduct by the SARS. The impact of this report on the financial statements could not be determined by SARS at the date of this report.

Auditor - General

Pretoria
31 July 2019

AUDITOR-GENERAL
SOUTH AFRICA

Auditing to build public confidence

Annexure – Auditor-General's responsibility for the audit

1. As part of an audit in accordance with the ISAs, I exercise professional judgement and maintain professional scepticism throughout my audit of the consolidated and separate financial statements, and the procedures performed on reported performance information for selected objectives and on the public entity's compliance with respect to the selected subject matters.

Financial statements

2. In addition to my responsibility for the audit of the consolidated and separate financial statements as described in this auditor's report, I also:

   » identify and assess the risks of material misstatement of the consolidated and separate financial statements whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control

   » obtain an understanding of internal control relevant to the audit 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 public entity's internal control

   » evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the accounting authority

   » conclude on the appropriateness of the accounting authority's use of the going concern basis of accounting in the preparation of the financial statements. I also conclude, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the public entity and its subsidiary's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements about the material uncertainty or, if such disclosures are inadequate, to modify the opinion on the financial statements. My conclusions are based on the information available to me at the date of this auditor's report. However, future events or conditions may cause a public entity to cease continuing as a going concern

   » evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation

   » obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. I am responsible for the direction, supervision and performance of the group audit. I remain solely responsible for my audit opinion

Communication with those charged with governance

3. I communicate with the accounting authority regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

4. I also confirm to the accounting authority that I have complied with relevant ethical requirements regarding independence, and communicate all relationships and other matters that may reasonably be thought to have a bearing on my independence and, where applicable, related safeguards.

Report by the SARS Accounting Authority for year ended 31 March 2019

Introduction

The Accounting Authority presents this Annual Report that forms part of the Annual Financial Statements of the South African Revenue Service (SARS) Finance Own Accounts for the year ended 31 March 2019. Where applicable, specific reference has been made to Administered Revenue Accounts, otherwise all other statistics quoted in this report are solely for Own Accounts.

SARS was established in terms of the South African Revenue Service Act, 1997 (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 the entity.

1. Executive Committee 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 following officials were the EXCO members of SARS as at 31 March 2019:

Mark Kingon	Acting Commissioner for SARS and EXCO Chairperson
Fabian Murray	Acting Chief Officer : Business and Individual Taxes
Beyers Theron	Acting Chief Officer : Customs and Excise
Tau Mashigo	Acting Chief Officer : Digital Information Services and Technology
Viwe Mlenzana	Acting Chief Officer : Enforcement
Johnstone Makhubu	Chief Officer: Finance
Hlengani Mathebula	Chief Officer : Governance, International Relations, Strategy and Communications
Teboho Mokoena	Chief Officer: Human Capital and Development
Narcizio Makwakwa	Acting Chief Officer: Large Business Centre
Makungu Mthebule	Acting Chief Officer: Legal Counsel

Executive Committee member appointments and resignations for the reporting period:

» Former Commissioner Mr. Thomas Moyane's contract was terminated on 1 November 2018 by His Excellency, the President of the Republic of SA Honourable President Cyril Ramaphosa.
» Mr. Johnstone Makhubu was appointed on 1 September 2018.
» Ms. Magola Makola resigned effective 31 December 2018.
» Mr. Tau Mashigo resigned effective 31 March 2019.

2. Organisational Structure

The organisational structure of SARS is reviewed as and when the need arises to enable it to fulfil its obligations towards Parliament and the Constitution of the Republic of South Africa.

3. Principal Activities

The SARS Act provides the entity with the mandate to perform the following tasks:

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

4. Revenue Accounts (amounts disclosed in R'000)

Revenue collected for the year amounted to R1 358 258 760 (2018: R1 279 006 569) which represents a 6.2% increase from the previous year. Administered Revenue Accounts do not retain funds within SARS as taxes collected are transferred to the National Revenue Fund on a daily basis.

Revenue in respect of Administered Revenue Accounts comprises of all the taxes, levies, duties, fees and other monies collected during the year. The operating expenditure for Revenue Accounts is provided for in the Finance Own Accounts budget.

Revenue collected is informed by the prevailing economic conditions, their effect on the South African economy and the overall level of compliance to revenue laws.

5. Review of Operations and Results (amounts disclosed in R'000)

The SARS Own Accounts Expenditure Budget for the year was made up as follows:

	% change	2019	2018
Operating revenue	**(2.28%)**	**9 996 698**	**10 229 491**
-Transfers from Government	(2.29%)	9 984 460	10 218 198
-Rendering of services	8.37%	12 238	11 293
Other revenue	**33.00%**	**722 730**	**543 396**
- Interest received	(10.75%)	176 319	197 551
- Other income	57.99%	546 411	345 845
	(0.50%)	**10 719 428**	**10 772 887**

The grant from National Treasury decreased in line with the approvals obtained through the Medium Term Expenditure Framework (MTEF).

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

Also included in Other Income is the refund received from Bain and Company Inc. relating to findings from the Nugent Commission of Inquiry.

The interest received fluctuated in line with interest rates and funds temporarily available for short term investment and also include a portion of the Bain and Company Inc. refund relating to interest on the original amount paid to them.

The Budget surplus for the year was as follows:

	2019	2018
Balance accumulated surplus at 1 April as previously reported	2 674 614	2 787 690
Net (deficit) for the year	(157 708)	(113 076)
Balance accumulated surplus at 31 March	**2 516 906**	**2 674 614**

The net deficit for the year represents expenditure or capital investments made in the year under review from funds received in the prior financial years.

6. Review of the Financial Position

Total net assets:

Total net assets consist of the asset revaluation reserve and accumulated surpluses.

Assets

For the period under review SARS has continued to invest in selected categories of assets to achieve its strategic objectives. Investments were mainly in the IT equipment and software development categories.

7. Surrender of Surplus Funds

SARS received approval to retain surplus funds from National Treasury and therefore did not surrender any surplus funds.

8. Judicial Proceedings

SARS has been mandated by the provisions of amongst others the SARS Act of 1997, Income Tax Act, 1962; Value Added Tax Act, 1964; Customs and Excise Act, 1964; Tax Administration Act, 2011 and Employment Tax Incentives Act, 2013 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.

9. Public/Private Partnerships

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

10. Events Subsequent to the Balance Sheet Date

SARS submitted a retention of surplus fund request to National Treasury on 31 May 2019. Subsequent engagements resulted in approval received from National Treasury to utilise the retention funds to pay bonuses. A bonus provision was not recognised and/or disclosed at the date of sign off of the draft Annual Financial Statements as no plans were in place nor had any engagements taken place yet to obtain approval from National Treasury to utilise the surplus fund to pay bonuses. A bonus provision as a subsequent event was recognised and disclosed accordingly as such.

On 24 May 2019, the Public Protector (PP) issued an investigative report into allegations of misadministration and impropriety in the approval of Mr Ivan Pillay's early retirement, with full pension benefits, and his subsequent retention by the controlling entity. The PP found that:

» The approval by former Finance Minister Pravin Gordhan of Mr Pillay's early retirement with full pension benefits and the payment of the actuarial shortfall thereof, by the controlling entity, constitutes irregular expenditure in terms of the PFMA. In this regard, the PP's remedial action requires the controlling entity to recover from former Commissioner, Mr Oupa Magashula, the actuarial shortfall of approximately R1 141 178 paid to the GEPF on behalf of Mr Pillay; and

» The subsequent retention of Mr Pillay by the controlling entity, pursuant to his retirement, was not authorised by law. The PP has directed the controlling entity to introduce recruitment processes, regulations, policies and practices which are clear and unambiguous relating to early retirement and staff retention.

The PP has directed that the controlling entity provide its office with an implementation plan for the remedial actions within 30 (thirty) days from date of the report. On 19 June 2019, the controlling entity wrote to the PP requesting it to suspend its directive to implement the remedial action pending the determination of the court review. Due to its failure to respond, the controlling entity is approaching the High Court for a relief to stay the implementation of the remedial action pending the court review. The PP advised on 28 June 2019 that it is not opposing on the basis that the controlling entity files the review application within 30 days thereof, which the controlling entity has done.

On 5 July 2019, the PP issued an investigative report into allegations of an Executive Ethics Code violation by Mr Pravin Gordhan, MP. Included in the report are allegations of misadministration, corruption and improper conduct by the controlling entity. The PP inter alia found that the controlling entity:

» Through the erstwhile Commissioner, Mr Gordhan, established an "intelligence unit" within the controlling entity in violation of the law; and

» Did not follow correct procurement processes when procuring certain assets referred to in the report as "intelligence equipment" utilised by the controlling entity's "intelligence unit" for gathering intelligence. The PP's remedial action requires that the State Security Agency must ensure the equipment is returned, audited and placed in their custody within 30 days of the date that the report was issued.

» Failed to follow proper recruitment processes in appointing employees who worked for the SARS "intelligence unit".

The controlling entity is still studying the contents of the report to determine if any steps should be taken.

11. 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 upon request or can be found on the SARS website **www.sars.gov.za**.

Regards

Mr EC Kieswetter
SARS COMMISSIONER
26 July 2019

Statement of Financial Position as at 31 March 2019

	Note(s)	Economic entity 2019 R'000	Economic entity 2018 R'000	Controlling entity 2019 R'000	Controlling entity 2018 R'000
Assets					
Current Assets					
Inventories	25	27 799	38 330	27 799	38 330
Tax receivable - controlled entity	9	1 457	825	-	-
Receivables from exchange transactions	3	107 773	84 349	104 885	83 144
Prepayments	24	196 206	177 946	194 111	177 213
Cash and cash equivalents	4	1 170 421	2 543 600	1 096 693	2 476 607
		1 503 656	2 845 050	1 423 488	2 775 294
Non-Current Assets					
Property, plant & equipment	5	2 041 944	1 899 496	2 037 113	1 896 078
Intangible assets	6	684 859	777 958	1 281 073	1 248 425
Investment in controlled entity	7	-	-	-	-
Loan to controlled entity	8	-	-	28 451	42 217
		2 726 803	2 677 454	3 346 637	3 186 720
Total Assets		4 230 459	5 522 504	4 770 125	5 962 014
Liabilities					
Current Liabilities					
Finance lease obligation	10	9 679	12 627	9 658	12 588
Trade and other payables	11	614 547	666 344	618 834	674 643
VAT payable		949	1 289	-	-
Deferred income	12	70	977 430	70	977 430
Provisions	13	301 999	455 090	294 877	449 338
		927 244	2 112 780	923 439	2 113 999
Non-Current Liabilities					
Finance lease obligation	10	4 344	13 774	4 344	13 753
Operating lease liability		89 597	131 915	89 353	131 517
Deferred income	12	77	77	77	77
Deferred tax	22	5 237	6 947	-	-
Employee benefits	26&27	318 255	257 773	318 255	257 773
		417 510	410 486	412 029	403 120
Total Liabilities		1 344 754	2 523 266	1 335 468	2 517 119
Net Assets		2 885 705	2 999 238	3 434 657	3 444 895
Net Assets					
Asset revaluation reserve	14	368 799	324 624	368 799	324 624
Accumulated surplus		2 516 906	2 674 614	3 065 858	3 120 271
Net Assets		2 885 705	2 999 238	3 434 657	3 444 895

Statement of Financial Performance for the year ended 31 March 2019

		Economic entity		Controlling entity	
	Note(s)	2019 R'000	2018 R'000	2019 R'000	2018 R'000
Revenue					
Revenue from exchange transactions					
Rendering of services	15	12 238	11 293	-	-
Other income	16	546 411	345 845	546 701	346 263
Interest received		176 319	197 551	178 382	202 330
Total revenue from exchange transactions		**734 968**	**554 689**	**725 083**	**548 593**
Revenue from non-exchange transactions					
Transfers from National Treasury	15	9 984 460	10 218 198	9 984 460	10 218 198
Total revenue from non-exchange transactions		**9 984 460**	**10 218 198**	**9 984 460**	**10 218 198**
Total revenue		**10 719 428**	**10 772 887**	**10 709 543**	**10 766 791**
Expenditure					
Employee cost		(7 642 874)	(7 524 522)	(7 536 326)	(7 433 028)
Depreciation and amortisation	5&6	(589 968)	(598 394)	(580 071)	(588 970)
Impairment loss	17	(14 125)	(96 161)	(14 816)	(105 212)
Finance costs	18	(4 223)	(4 012)	(4 218)	(4 003)
Operating leases	30	(537 644)	(514 340)	(535 461)	(512 184)
Other expenses		(18 218)	(21 337)	(18 095)	(21 563)
Administrative expenses		(968 497)	(1 070 121)	(965 446)	(1 067 011)
Loss on disposal of assets		(2 525)	(102)	(2 482)	(95)
Inventories		(13 673)	(4 052)	(13 673)	(4 052)
Professional and special services		(1 075 552)	(1 043 019)	(1 093 369)	(1 058 734)
Total expenditure		**(10 867 299)**	**(10 876 060)**	**(10 763 957)**	**(10 794 852)**
Deficit before taxation		**(147 871)**	**(103 173)**	**(54 414)**	**(28 061)**
Taxation	19	(9 837)	(9 903)	-	-
Deficit for the year		**(157 708)**	**(113 076)**	**(54 414)**	**(28 061)**

Statement of Changes in Net Assets as at 31 March 2019

	Asset revaluation reserve	Asset accumulated surplus	Total net assets
	R'000	R'000	R'000
Economic entity			
Balance at 01 April 2017	**262 186**	**2 787 690**	**3 049 876**
Changes in net assets			
Deficit for the year	-	(113 076)	(113 076)
Surplus in revaluation of land and buildings	72 088	-	72 088
Depreciation on revalued portion of assets	(9 650)	-	(9 650)
Total changes	62 438	(113 076)	(50 638)
Balance at 01 April 2018	**324 624**	**2 674 614**	**2 999 238**
Changes in net assets			
Deficit for the year	-	(157 708)	(157 708)
Surplus in revaluation of land and buildings	57 776	-	57 776
Depreciation on revalued portion of assets	(13 601)	-	(13 601)
Total changes	44 175	(157 708)	(113 533)
Balance at 31 March 2019	**368 799**	**2 516 906**	**2 885 705**
Note(s)	14		

Controlling entity			
Balance at 01 April 2017	**262 186**	**3 148 332**	**3 410 518**
Changes in net assets			
Surplus in revaluation of land and buildings	72 088	-	72 088
Depreciation on revalued portion of assets	(9 650)	-	(9 650)
Total changes	62 438	-	62 438
Deficit for the year	-	(28 061)	(28 061)
Total changes	62 438	(28 061)	34 377
Balance at 01 April 2018	**324 624**	**3 120 272**	**3 444 896**
Changes in net assets			
Deficit for the year	-	(54 414)	(54 414)
Surplus in revaluation of land and buildings	57 776	-	57 776
Depreciation on revalued portion of assets	(13 601)	-	(13 601)
Total changes	44 175	(54 414)	(10 239)
Balance at 31 March 2019	**368 799**	**3 065 858**	**3 434 657**
Note(s)	14		

Cash Flow Statement for the year ended 31 March 2019

	Note(s)	Economic entity		Controlling entity	
		2019 R'000	2018 R'000	2019 R'000	2018 R'000
Cash flows from operating activities					
Receipts					
Rendering of services		9 144	12 811	-	-
Transfers from National Treasury		9 007 217	10 218 198	9 007 217	10 218 198
Interest received		178 409	197 842	173 547	191 895
Other income		533 221	321 810	533 221	321 810
		9 727 991	10 750 661	9 713 985	10 731 903
Payments					
Employee cost		(7 766 291)	(7 581 414)	(7 660 480)	(7 490 815)
Suppliers		(2 694 480)	(2 725 888)	(2 711 186)	(2 730 458)
VAT paid		(340)	541	-	-
Tax paid	9	(12 178)	(11 797)	-	-
		(10 473 289)	(10 318 558)	(10 371 666)	(10 221 273)
Net cash flows from operating activities	20	(745 298)	432 103	(657 681)	510 630
Cash flows from investing activities					
Acquisition of property, plant and equipment	5	(422 901)	(221 020)	(419 772)	(219 719)
Proceeds from sale of property, plant & equipment		523	2 325	523	2 325
Acquisition of intangible assets	6	(188 902)	(214 018)	(306 427)	(319 452)
Net cash flows from investing activities		(611 280)	(432 713)	(725 676)	(536 846)
Cash flows from financing activities					
Repayment of loan by controlled entity		-	-	20 000	40 000
Finance lease and interest payments		(16 601)	8 536	(16 557)	8 579
Net cash flows from financing activities		(16 601)	8 536	3 443	48 579
Net (decrease)/increase in cash and cash equivalents		(1 373 179)	7 926	(1 379 914)	22 363
Cash and cash equivalents at the beginning of the year		2 543 600	2 535 674	2 476 607	2 454 244
Cash and cash equivalents at the end of the year	4	1 170 421	2 543 600	1 096 693	2 476 607

Statement of Comparison of Budget and Actual Amounts

	Approved Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
	R'000	R'000	R'000	
Controlling entity				
Statement of Financial Performance				
Revenue				
Revenue from exchange transactions				
Other income	307 776	546 701	238 925	Note 1
Interest received	120 000	178 382	58 382	Note 2
Total revenue from exchange transactions	**427 776**	**725 083**	**297 307**	
Revenue from non-exchange transactions				
Transfer revenue				
Transfers from National Treasury	9 007 217	9 984 460	977 243	Note 3
Total revenue from non-exchange transactions	**9 007 217**	**9 984 460**	**977 243**	
Total revenue	**9 434 993**	**10 709 543**	**1 274 550**	
Expenditure				
Employee cost	(7 511 172)	(7 536 326)	(25 154)	Note 4
Depreciation and amortisation	(575 294)	(580 071)	(4 777)	
Impairment loss	-	(14 816)	(14 816)	Note 5
Finance costs	-	(4 218)	(4 218)	
Operating leases	(537 580)	(535 461)	2 119	Note 6
Other expenses	(13 325)	(18 095)	(4 770)	
Administrative expenses	(1 060 824)	(965 446)	95 378	Note 7
Loss on disposal of assets	-	(2 482)	(2 482)	
Professional and special services	(1 244 687)	(1 093 369)	151 318	Note 7
Inventories	-	(13 673)	(13 673)	
Total expenditure	**(10 942 882)**	**(10 763 957)**	**178 925**	
Surplus/(Deficit)	**(1 507 889)**	**(54 414)**	**1 453 475**	

Reference

Timing difference

The variance is mainly due to the Bain & Company refund received in 2018/2019 as a result of recommendations from the Nugent commission.	Note 1
The accumulation of interest income in the current year is mainly due to retention approval only received from National Treasury in September 2018, delayed projects and capital expenditure as well as the interest portion of the Bain refund received.	Note 2
In the 2017/2018 financial year National Treasury authorised that SARS may retain the unapproved portion of the cash surplus of R977 million in exchanges for receiving a reduced baseline allocation over the Medium Term. This ring-fenced amount was utilised to supplement extensive budget reductions in the 2018/19 financial year.	Note 3
Critical vacancies required to strengthen capability in high skilled areas such as the Transfer Pricing unit; Illicit Financial Flows and Illicit Economy counter operations; Information Technology, and strengthening of Customs and Border Control and Large Business Centre operations were budgeted for but not filled due to budget constraints. A moratorium was placed on the filling of any vacancies during the financial year, which led to significant savings.	Note 4
The loss mainly consists of the impairment of Property, Plant and Equipment and Intangible Assets based on the Impairment policy and GRAP 21.	Note 5
The variance is due to the budgeted amount providing for planned lease payments, and the actual amount represent the straight-line of lease payments as per GRAP 13. As a result of funding shortages the full lease budget requirement could not be fulfilled from commencement of the financial year but only through reprioritisation of funds during the financial year under review.	Note 6
The variance is mainly due to some projects planned for, which will continue in the new financial year and stricter budget management.	Note 7

Statement of Comparison of Budget and Actual Amounts

	Approved Budget	Actual amounts on comparable basis	Variance
	R'000	R'000	R'000
Controlling entity			
Statement of Financial Position			
Assets			
Current Assets			
Inventories	38 330	27 799	(10 531)
Receivables from exchange transactions	84 807	104 885	20 078
Prepayments	177 213	194 111	16 898
Cash and cash equivalents	92 808	1 096 693	1 003 885
	393 158	**1 423 488**	**1 030 330**
Non-Current Assets			
Property, plant & equipment	2 230 629	2 037 113	(193 516)
Intangible assets	1 309 017	1 281 073	(27 944)
Loan to controlled entity	2 217	28 451	26 234
	3 541 863	**3 346 637**	**(195 226)**
Total Assets	**3 935 021**	**4 770 125**	**835 104**

Liabilities			
Current Liabilities			
Finance lease obligation	22 187	9 658	12 529
Trade and other payables	597 178	618 833	(21 655)
Deferred income	-	70	(70)
Provisions	6 113	294 877	(288 764)
	625 478	**923 438**	**(297 960)**
Non-Current Liabilities			
Finance lease obligation	4 153	4 344	(191)
Operating lease liability	131 517	89 353	42 164
Deferred income	-	77	(77)
Employee benefits	257 773	318 255	(60 482)
	393 443	**412 029**	**(18 586)**
Total Liabilities	**1 018 921**	**1 335 467**	**(316 546)**

Net Assets	**2 916 100**	**3 434 658**	**518 558**
Reserves			
Asset revaluation reserve	326 287	368 799	42 512
Accumulated surplus	2 589 813	3 065 859	476 046
Net Assets	**2 916 100**	**3 434 658**	**518 558**

Statement of Comparison of Budget and Actual Amounts

	Approved Budget	Actual amounts on comparable basis	Variance	Reference
	R'000	R'000	R'000	
Controlling entity				
Cash Flow Statement				
Cash flows from operating activities				
Receipts				
Transfer from National Treasury	9 007 217	9 007 217	-	
Interest received	120 000	173 547	53 547	Note 1
Other income	307 776	533 221	225 445	Note 2
	9 434 993	9 713 985	278 992	
Payments				
Employee cost	7 381 700	7 660 480	(278 780)	Note 3
Suppliers	3 493 867	2 711 186	782 681	Note 4
Finance costs	200	-	200	
	10 875 767	10 371 666	504 101	
Net cash flows from operating activities	(1 440 774)	(657 681)	783 093	
Cash flows from investing activities				
Acquisition of property, plant and equipment	(547 299)	(419 772)	127 527	
Proceeds from sale of property, plant & equipment	-	523	523	
Acquisition of intangible assets	(423 138)	306 427	116 711	
Net cash flows from investing activities	(970 437)	(725 676)	244 761	Note 5
Cash flows from financing activities				
Repayment of controlled entity loan	40 000	20 000	(20 000)	
Finance lease and interest payments	(12 588)	(16 557)	(3 969)	
Net cash flows from financing activities	27 412	3 443	(23 969)	
Net decrease in cash and cash equivalents	(2 383 799)	(1 379 914)	1 003 885	
Cash and cash equivalents at the beginning of the year	2 476 607	2 476 607	-	
Cash and cash equivalents at the end of the year	92 808	1 096 693	1 003 885	

Reference

The accumulation of interest income in the current year is mainly due to retention approval only received from National Treasury in September 2018, delayed projects and capital expenditure as well as the interest portion on the Bain refund received.	Note 1
The variance is mainly due to the Bain & Company refund received in 2018/2019. As a result of recommendations from the Nugent commission, Bain refunded SARS the full amount paid.	Note 2
Critical vacancies required to strengthen capability in high skilled areas such as the Transfer Pricing unit; Illicit Financial Flows and Illicit Economy counter operations; Information Technology, and Strengthening of Customs and Border Control and Large Business Centre operations were budgeted for but not filled due to budget constraints. A moratorium was placed on the filling of any vacancies during the financial year under review, which led to significant savings.	Note 3
The variance due to rental savings realised due to lower than planned rate negotiations, allowable deferment of some building maintenance, ongoing cost containment measures and stricter budget management. Savings were reprioritised to fund key projects.	Note 4
The variance relates to multi-year Annual Performance Plan projects delivered in the financial year through approved National Treasury retention funding as well as savings in the operational budget that was re-appropriated to fund key capital projects.	Note 5

Accounting Policies

1. Presentation of Financial statements

The reporting activity of the South African Revenue Service (SARS) is divided into Revenue Accounts and Own Accounts. Revenue Accounts reports on assets, liabilities and revenue that are controlled by National Government and managed by SARS on behalf of National Government. Own Accounts reports on assets, liabilities, revenue and expenses associated with the administration and collection of taxes and duties. These activities are funded by transfers from National Treasury.

The Annual Financial Statements have been prepared in accordance with the effective Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 91(1) of the Public Finance Management Act (Act 1 of 1999).

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 in the preparation of these financial statements, are disclosed below.

1.1 Going concern assumption

These financial statements have been prepared based on the expectation that the economic entity will continue to operate as a going concern for at least the next 12 months.

1.2 Consolidation

Basis of consolidation

The economic entity's Annual Financial Statements include those of the controlling entity and its controlled 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.

1.3 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 judgment are 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 judgments 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 judgments 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.

Impairment testing

The recoverable amounts of cash and/or non-cash generating units 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 cash flows from cash and/or non-cash generating units may change which may then impact the estimations and may then require a material adjustment to the carrying value of the cash and/or non-cash generating units.

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. The event is defined as the inability to verify an asset for a period of two years upon which the carrying value is impaired to zero. If the asset remains unverified, it will be written-off on the subsequent reporting date.

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 is recognised in the statement of financial performance.

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 the carrying amount exceeding what the amortised cost would have been had the impairment not been recognised at the date the impairment was reversed.

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.

1.3 Significant judgements and sources of estimation uncertainty (continued)

Taxation - controlled entity

This policy is not applicable to the controlling entity as it is exempt from the payment of income tax in terms of section 10(1)(cA) of the Income Tax Act of 1962. In respect of the controlled entity judgment 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 temporary differences will reverse in the foreseeable future. Assessing the recoverability of deferred income tax assets requires the controlled entity to make significant estimates relating to expectations of future taxable income. Estimates of future taxable income are based on forecast cash flows from operations and the application of tax laws. 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.

Provision for doubtful debt

On trade and other receivables, 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 trade and other receivables carrying amount and the present value of estimated future cash flows discounted at the applicable ministerial rate, computed at initial recognition.

In the assessment for impairment the following methodologies are used at the end of each financial year:

» 100% of the out of service debt (excluding credit balances) is classified as impaired; and
» any additional debts that may be deemed irrecoverable.

Useful lives and residual value of assets

As described in the accounting policy below, the economic entity reviews the estimated useful lives and residual values of property, plant and equipment and intangible assets at the end of each reporting period.

Cash-generating assets

Judgments made by management in applying the criteria to designate assets as cash-generating assets or non- cash-generating assets, are as follows:

» Cash-generating assets are identified by Management as assets used with the objective of generating a commercial return. Commercial return means that positive cash flows are expected to be significantly higher than the cost of the asset. Assets in the controlling entity do not generate any cash inflows, therefore only assets in the controlled entity are considered to be cash generating assets. Management considers non-cash-generating assets, as assets other than cash-generating assets.

1.4 Property, plant & equipment

Property, plant & equipment are tangible non-current assets (including infrastructure assets) that are held for administrative purposes, and are expected to be used during more than one period.
The cost of an item of property, plant & 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 economic entity; and
- the cost of the item can be measured reliably.

Property, plant & equipment are initially measured at cost.

The cost of an item of property, plant & 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, its cost is its fair value as at date of acquisition. If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

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

Costs include costs incurred initially to acquire or construct an item of property, plant & 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 & equipment, the carrying amount of the replaced part is derecognised.

Recognition of costs in the carrying amount of an item of property, plant & 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.

Items such as spare parts, standby equipment and servicing equipment are recognised when they meet the definition of property, plant & equipment.

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

Any increase in an asset's carrying amount, 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 an asset's carrying amount, 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.

1.4 Property, plant & equipment (continued)

The revaluation surplus in equity related to a specific item of property, plant & 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.

Property, plant & 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 & equipment have been assessed as follows:

Item	Average useful life
Land	Unlimited useful life
Buildings	15 to 50 years
Plant and equipment	10 years
Furniture, fittings and office equipment	3 to 10 years
Land and water vehicles	5 to 8 years
Information technology equipment	2 to 8 years
Leasehold improvements	5 years
Generators	10 years
Security equipment	3 to 5 years
Assets under construction	No useful life as assets are not available and/or ready for use

The depreciable amount of an asset is allocated on a systematic basis over its useful life.

Each part of an item of property, plant & equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation method used reflects the pattern in which the asset's future economic benefits or service potential are expected to be consumed by the economic entity. The depreciation method applied to an asset is reviewed at least at each reporting date and, if there has been a significant change in the expected pattern of consumption of the future economic benefits or service potential embodied in the asset, the method is changed to reflect the changed pattern. Such a change is accounted for as a change in an accounting estimate.

The economic entity assesses at each reporting date whether there is any indication that the economic entity expectations about the residual value and the useful life of an asset have changed since the preceding reporting date. If any such indication exists, the economic entity revises the expected useful life and/or residual value accordingly. The change is accounted for as a change in an accounting estimate.

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

Items of property, plant & equipment 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.

1.4 Property, plant & equipment (continued)

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

The economic entity separately discloses expenditure to repair and maintain property, plant & equipment in the notes to the financial statements (see note 5).

1.5 Intangible assets

An asset is identifiable 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, identifiable assets or liabilities; or
- » arises from contractual arrangements or other legal rights, regardless of whether those rights are transferable or separable 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.

Where an intangible asset is acquired through a non-exchange transaction, its initial cost at the date of acquisition is measured at its fair value as at that date.

Cost 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 initial 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.
- » the expenditure attributable to the asset during its development can be measured reliably.

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

The amortisation period, residual value 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	Average useful life
Intellectual property and other rights (controlled entity)	10 years
Information technology software	3 to 8 years
Software under development	No useful life as assets are not available and/or ready for use

1.5 Intangible assets (continued)

The economic entity discloses relevant information relating to assets under construction, in the notes to the financial statements (see note 6).

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

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.

1.6 Investment in controlled entity

Economic entity financial statements

Investment in controlled entity is consolidated in the economic entity financial statements. Refer to the accounting policy on consolidations (Note 1.2).

Controlling entity financial statements

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

Investment in controlled entity that are accounted for in accordance with the accounting policy on financial instruments in the consolidated financial statements, are accounted for in the same way in the controlling entity's separate financial statements.

1.7 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 rate method of any difference between that initial amount and the maturity amount, and minus any reduction for impairment or uncollectability.

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 rate 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.

1.7 Financial instruments (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.

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 is potentially unfavourable to the entity.

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

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability. An incremental cost is one that would not have been incurred if the entity had not acquired, issued or disposed of the financial instrument.

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

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	Measurement method
Loan to controlled entity	Financial asset measured at amortised cost
Receivables from exchange transactions	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	Measurement method
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 fair value

1.7 Financial instruments (continued)

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 recognised valuation technique. The objective of using a recognised 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.

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, 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 non-collectability 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 should be 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. The amount of the loss is recognised in surplus or deficit.

1.7 Financial instruments (continued)

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. 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 balance of the reversal amount is recognised in surplus or deficit.

Derecognition

Financial assets

The entity derecognises a financial asset only when the contractual rights to the cash flows from the financial asset expire, are settled, waived or when the entity transfers to another party substantially all of the risks and rewards of ownership of the financial asset.

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 using trade date accounting (transaction date).

Financial liabilities

The entity removes a financial liability (or a part of a financial liability) from its statement of financial position upon settlement.

Recognition

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.

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.

1.8 Tax - controlled entity

Current tax assets and liabilities

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.

Tax liabilities or assets for the current and prior periods are measured at the amount expected to be paid to/or recovered from the tax authority, using the tax rates and tax laws that have been 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.

1.8 Tax - controlled entity (continued)

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 or 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 or tax loss.

A deferred tax asset is recognised for the balance 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 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.

1.9 Leases

Finance leases

A lease is classified as a finance lease if it meets the finance lease criteria as per GRAP 13.

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.

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

A lease is classified as an operating lease if it does not meet the finance lease criteria as per GRAP 13. 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.

1.10 Inventories

Inventories are initially measured at cost.

Inventories are measured at the lower of cost and current replacement cost where they are held for distribution at no charge. Current replacement cost is the cost the economic entity incurs to acquire the inventories on the reporting date. The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventories is assigned using the weighted average cost formula. The same cost formula is used for all inventories having a similar nature and use to the economic entity.

Transitional provision

The economic entity adopted GRAP 12 for inventories in 2018. The change in accounting policy was made in accordance with its transitional provision as per Directive 2 of the GRAP Reporting Framework.

1.11 Impairment of cash-generating assets- controlled entity

Cash-generating assets are those assets held by the controlled 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-oriented entity, it generates a commercial return. Commercial return means that positive cash flows are expected to be significantly higher than the cost of the asset.

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 asset's future economic benefits or service potential through depreciation (amortisation).

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 used with the 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/or 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 or its value in use.

Useful life is the period of time over which an asset is expected to be used by the controlled entity.

Identification

When the carrying amount of a cash-generating asset exceeds its recoverable amount, it is impaired.

1.11 Impairment of cash-generating assets- controlled entity (continued)

The controlled 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 controlled entity estimates the recoverable amount of the asset.

Irrespective of whether there is any indication of impairment, the controlled 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 at the end of the current reporting period.

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.

Indication of impairment

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 controlled 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.

1.11 Impairment of cash-generating assets- controlled entity (continued)

Reversal of impairment loss

The controlled 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.

1.12 Impairment of non-cash-generating assets

Non-cash-generating assets are assets other than cash-generating assets.

Identification

When the carrying amount of a non-cash-generating asset exceeds its recoverable service amount, it is impaired.

The economic entity assesses at each reporting date whether there is any indication that a non-cash-generating asset may be impaired. If any such indication exists, the economic entity estimates the recoverable service amount of the asset.

Recognition and measurement

If the recoverable service amount of a non-cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

Reversal of an 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 non cash-generating asset may no longer exist or may have decreased. If any such indication exists, the economic entity estimates the recoverable service amount of that asset.

An impairment loss recognised in prior periods for a non cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable service 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.

1.12 Impairment of non-cash-generating assets (continued)

A reversal of an impairment loss for a non-cash-generating asset is recognised immediately in surplus or deficit.

1.13 Share capital

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities.

Ordinary shares as well as the loan received from the controlling entity is classified in the controlled entity's equity.

1.14 Employee benefits

Employee benefits are all forms of consideration given by an entity in exchange for service rendered by employees.

Long term employee benefits

Other long term employee benefits are employee 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:

» salaries and other 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 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 recognise 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 recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments; and
» as an expense, unless another accounting 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 measure 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 recognise the expected cost of incentive and service 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.

1.14 Employee benefits (continued)

Post-employment benefits: Defined contribution plans

Defined contribution plans are post-employment benefit plans under which the 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 recognise the contribution payable to a defined contribution plan in exchange for that service as a liability (accrued expense).

1.15 Provisions and contingencies

Provisions are recognised when:

» the 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 time value of money effect 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 surplus/(deficit).

Contingent assets and contingent liabilities are not recognised but are disclosed in note 32.

1.16 Commitments

Items are classified as commitments when an entity has committed itself to future transactions that will normally result in the outflow of cash.

Disclosures are required in respect of unrecognised contractual commitments.

Commitments for which disclosure is necessary to achieve a fair presentation should be disclosed in a note to the financial statements, if both the following criteria are met:

» Contractual commitments should be non-cancellable or only cancellable at significant cost and
» Contractual commitments relate to all project related cost approved and executed as per the Annual Performance Plan (APP) and as well as capital expenditure.

Contractual commitments exclude operational expenditure which is routine in nature.

Disclosure in note 31.

1.17 Revenue from exchange transactions

Revenue from exchange transactions comprises of the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets.

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.

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 criteria per GRAP 9 are met.

1.18 Revenue from non-exchange transactions

Revenue from non-exchange transactions comprises of the increases in economic benefits relating to contributions received from National Treasury.

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 at the amount of the increase in net assets recognised by the entity.

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.

Donations

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.

1.19 Government grant

SARS' main source of income is an annual grant appropriated by Parliament and distributed by National Treasury to execute its mandate in terms of the SARS Act (No.34 of 1997).

1.20 Investment income

Investment income is recognised on a time-proportion basis using the effective interest rate method.

1.21 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 Rand by applying to the foreign currency amount the exchange rate between the Rand and the foreign currency at the date of the cash flow.

1.22 Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

1.23 Research and development expenditure

Cost on research is recognised as an expense when it is incurred.

An asset arising from development 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.

1.24 Budget information

The controlling entity is subject to appropriations of budgetary limits, which are given effect to, through authorising legislation.

General purpose financial reporting by the economic 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 2018/04/01 to 2019/03/31.

This accounting policy applies only to the approved budget of the controlling entity.

1.24 Budget information (continued)

The financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period has been included in the Statement of Comparison of Budget and Actual amounts.

Comparative information is not required.

1.25 Related parties

The controlling entity has early adopted the standard on Related Parties as recommended by the ASB. The standard has been prospectively applied from 1 April 2016 in line with GRAP 3 - accounting policies, changes in accounting estimates and errors.
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, regarded as members of the executive committee, is those persons responsible for planning, directing and controlling the activities of the economic entity, including those charged with the governance of the economic 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 including spouses and individuals who live together as spouses who may be expected to influence, or be influenced by each other in their dealings with the controlling entity.

1.26 Events after reporting date

Events after reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- those that is indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

The economic entity will adjust the amount recognised in the financial statements to reflect adjusting events after the reporting date once the event occurred.

The economic entity will disclose the nature of the event and an estimate of its financial effect or a statement that such estimate cannot be made in respect of all material non-adjusting events, where non-disclosure could influence the economic decisions of users taken on the basis of the financial statements.

1.27 Basis of preparation

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.

Notes to the Financial Statements

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 12 (as amended 2016): Inventories	01 April 2018	The adoption of this standard has not had a material impact on the results of the company, but has resulted in more disclosure than would have previously been provided in the financial statements
GRAP 31 (as amended 2016): Intangible Assets	01 April 2018	The adoption of this standard has not had a material impact on the results of the company, but has resulted in more disclosure than would have previously been provided in the financial statements

2.2 Standards and interpretations early adopted in 2017/18

The economic entity has chosen to early adopt the following standards and interpretations during the 2017/18 financial year under review:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
GRAP 34: Separate Financial Statements	01 April 2020	The adoption of this standard did not have a material impact on the results or disclosure of the economic entity
GRAP 35: Consolidated Financial Statements	01 April 2020	The adoption of this standard did not have a material impact on the results or disclosure of the economic entity

2.3 Standards and interpretations not yet effective

The following standards and interpretations have been approved and are mandatory for the economic entity's accounting periods beginning on or after 01 April 2019 but are not yet effective:

Standard/ Interpretation:	Effective date: Years beginning on or after:	Expected impact:
IGRAP 1 (revised): Applying the Probability Test on Initial Recognition of Revenue	01 April 2020	Impact is currently being assessed
IGRAP 20: Accounting for Adjustments to Revenue	01 April 2020	Impact is currently being assessed
Directive 7 (revised): The Application of Deemed Cost	01 April 2019	Unlikely there will be a material impact
Guideline on the Application of Materiality to Financial Statements	Not yet effective	Unlikely there will be a material impact
GRAP 104 (revised): Financial Instruments	Not yet effective	Unlikely there will be a material impact
GRAP 110 (as amended 2016): Living and Non-living Resources	01 April 2020	Impact is currently being assessed
GRAP 6 (as revised 2010): Consolidated and Separate Financial Statements	01 April 2019	Unlikely there will be a material impact
GRAP 105: Transfers of functions between entities under common control	01 April 2019	Unlikely there will be a material impact
GRAP 108: Statutory Receivables	01 April 2019	Impact is currently being assessed
IGRAP 18: Interpretation of the Standard of GRAP on Recognition and Derecognition of Land	01 April 2019	Unlikely there will be a material impact

	Economic entity		Controlling Entity	
	2019	2018	2019	2018
	R'000	R'000	R'000	R'000

3. Receivable from exchange transactions

Government departments	81 994	65 693	81 994	65 693
Staff accounts receivables	15 194	4 516	15 194	4 513
Refundable deposits	4 029	4 262	3 968	4 201
Interest receivable	1 806	3 895	1 806	3 895
Sundry receivables	770	3 926	1 132	4 358
Advance Tax Ruling (ATR) debtors	791	484	791	484
Trade debtors	3 189	1 573	-	-
	107 773	84 349	104 885	83 144

Fair value of receivables from exchange transactions

Trade and other receivables	107 773	84 349	104 885	83 144

Receivables from exchange transactions past due but not impaired

At 31 March 2019, R3 769 436 (2018: R4 698 857) was past due but not impaired.

The ageing of amounts past due but not impaired is as follows:

1 month past due	253	11	253	11
2 months past due	2 143	714	17	714
3 months past due	1 373	3 974	1 373	3 974

Receivables from exchange transactions impaired

As of 31 March 2019, receivables from exchange transactions of R4 676 858 (2018: R2 793 220) were impaired and provided for. The ageing of these receivables from exchange transactions is as follows:

0 to 3 months	383	283	383	283
Over 3 months	4 294	2 510	4 294	2 510

Included in the provision for impairment for the controlling entity is an amount of R501k (2018: R501k). A dispute between SARS and the Landlord of the Nigel building in terms of tenant installation repayment, as a result of possible contractual non-compliance, is ongoing and handled by legal.

Also included in the provision for impairment for the controlling entity is an amount of R583k (2018: Rnil) in respect of tenant installation for Ashley Gardens. The controlling entity made payments to the relevant service providers for the installation of water tanks and related repairs in the building and claimed back the expenditure as part of the Tenant Installation in terms of the lease agreement, which has not been successful to date.

	Economic entity		Controlling Entity	
	2019	2018	2019	2018
	R'000	R'000	R'000	R'000

3. Receivable from exchange transactions (continued)

Lastly the controlling entity included in the provision for impairment an amount of R943k (2018: Rnil) for external bursaries. These bursaries were awarded to university students by the controlling entity as a means to build a skills pipeline in order to advance the provisions of the National Youth Policy (2015-2020) and the organisation's strategy on development based on its Workforce Plans. As per the controlling entity's bursary policy, the full amount of financial assistance paid to the institution during the academic year must be refunded in the event where the student prematurely terminates studies. In instances where studies are postponed the financial assistance is terminated. A decision was made to provide for a possible impairment of debt as the probability that these students, who might currently not be employed and/or not be able to pay back the debt, was considered to be high.

Reconciliation of provision for impairment of receivables from exchange transactions

Opening balance	2 793	2 795	2 793	2 795
Increase in provision for impairment	2 120	363	2 120	363
Amounts written off as uncollectible	(236)	(365)	(236)	(365)
	4 677	**2 793**	**4 677**	**2 793**

4. Cash and cash equivalents

Cash and cash equivalents consist of:

Bank balances	1 169 858	2 543 056	1 096 133	2 476 067
Cash on hand	563	544	560	540
	1 170 421	**2 543 600**	**1 096 693**	**2 476 607**

5. Property, plant & equipment

Figures in Rand thousand (R'000)						
Economic entity	2019			2018		
	Cost/ Valuation	Accumulated Depreciation	Carrying Value	Cost/Valuation	Accumulated Depreciation	Carrying Value
Land	180 385	-	180 385	164 660	-	164 660
Buildings	810 807	(136 107)	674 700	762 055	(106 852)	655 203
Plant and equipment	155 878	(47 830)	108 048	135 004	(36 440)	98 564
Furniture, fittings and office equipment	431 917	(322 649)	109 268	414 077	(296 714)	117 363
Land and water vehicles	237 767	(149 041)	88 726	235 091	(130 020)	105 071
IT equipment	1 764 231	(1 112 022)	652 209	1 533 537	(976 111)	557 426
Leasehold improvements	772 877	(608 463)	164 414	720 192	(581 298)	138 894
Generators	79 499	(52 955)	26 544	75 248	(46 267)	28 981
Security equipment	198 972	(170 259)	28 713	193 673	(160 339)	33 334
Assets under construction	8 937	-	8 937	-	-	-
Total	4 641 270	(2 599 326)	2 041 944	4 233 537	(2 334 041)	1 899 496

Figures in Rand thousand (R'000)						
Controlling entity	2019			2018		
	Cost/ Valuation	Accumulated Depreciation	Carrying Value	Cost/Valuation	Accumulated Depreciation	Carrying Value
Land	180 385	-	180 385	164 660	-	164 660
Buildings	810 807	(136 104)	674 703	762 055	(106 852)	655 203
Plant and equipment	155 878	(47 830)	108 048	135 004	(36 440)	98 564
Furniture, fittings and office equipment	430 754	(321 751)	109 003	412 923	(295 961)	116 962
Land and water vehicles	237 767	(149 041)	88 726	235 091	(130 020)	105 071
IT equipment	1 749 606	(1 101 791)	647 815	1 521 546	(966 828)	554 718
Leasehold improvements	768 314	(604 063)	164 251	715 629	(577 032)	138 597
Generators	79 295	(52 762)	26 533	75 044	(46 074)	28 970
Security equipment	198 952	(170 240)	28 712	193 653	(160 320)	33 333
Assets under construction	8 937	-	8 937	-	-	-
Total	4 620 695	(2 583 582)	2 037 113	4 215 605	(2 319 527)	1 896 078

5. Property, plant & equipment (continued)

Reconciliation of the carrying amount of property, plant and equipment - Economic entity - 2019

Figures in Rand thousand (R'000)	Opening balance	Additions	Disposals	Transfers	Revaluations	Compensation for replacement assets	Depreciation	Impairment loss/ scrapping	Impairment reversal	Total
Land	164 660	-	-	-	15 752	-	-	(27)	-	180 385
Buildings	655 203	13 646	-	-	28 424	-	(15 559)	(7 014)	-	674 700
Plant and equipment	98 564	20 876	-	-	-	-	(11 392)	-	-	108 048
Furniture, fitting and office equipment	117 363	28 140	(12)	-	-	-	(35 708)	(530)	15	109 268
Land and water vehicles	105 071	6 561	(894)	-	-	-	(22 012)	-	-	88 726
IT equipment	557 426	279 011	(2 142)	4 612	-	26	(186 253)	(474)	3	652 209
Leasehold improvements	138 894	55 782	-	-	-	-	(27 800)	(2 462)	-	164 414
Generators	28 981	4 263	-	-	-	-	(6 700)	-	-	26 544
Security equipment	33 334	5 685	-	-	-	-	(10 304)	(3)	-	28 712
Assets under construction	-	8 937	-	-	-	-	-	-	-	8 937
	1 899 496	**422 901**	**(3 048)**	**4 612**	**44 176**	**26**	**(315 728)**	**(10 510)**	**18**	**2 041 943**

Net transfers between property, plant and equipment and intangible assets as per note 6 contra each other.

5. Property, plant & equipment (continued)

Reconciliation of the carrying amount of property, plant and equipment - Economic entity – 2018

Figures in Rand thousand (R'000)	Opening balance	Additions	Disposals	Revaluations	Compensation for replacement assets	Depreciation	Impairment loss/scrapping	Impairment reversal	Total
Land	156 334	-	-	8 337	-	-	(11)	-	164 660
Buildings	624 525	12 494	-	54 100	-	(13 957)	(21 959)	-	655 203
Plant and equipment	60 650	45 333	(40)	-	-	(7 361)	(18)	-	98 563
Furniture, fitting and office equipment	108 923	42 752	(31)	-	2	(33 318)	(984)	19	117 363
Land and water vehicles	119 553	13 453	(1 642)	-	-	(24 952)	(1 341)	-	105 071
IT equipment	682 096	46 808	(684)	-	808	(168 836)	(2 926)	160	557 426
Leasehold improvements	161 946	39 082	-	-	-	(61 925)	209	-	138 894
Generators	33 946	1 661	-	-	-	(6 611)	(15)	-	28 981
Security equipment	28 095	19 437	(30)	-	-	(13 982)	(240)	-	33 334
	1 976 068	**221 020**	**(2 427)**	**62 437**	**810**	**(330 888)**	**(27 703)**	**179**	**1 899 496**

5. Property, plant & equipment (continued)

Reconciliation of the carrying amount of property, plant and equipment – Controlling entity – 2019

Figures in Rand thousand (R'000)	Opening balance	Additions	Disposals	Transfers	Revaluations	Compensation for replacement assets	Depreciation	Impairment loss/scrapping	Impairment reversal	Total
Land	164 660	-	-	-	15 752	-	-	(27)	-	180 385
Buildings	655 203	13 649	-	-	28 424	-	(15 559)	(7 014)	-	674 703
Plant and equipment	98 564	20 876	-	-	-	-	(11 392)	-	-	108 048
Furniture, fitting and office equipment	116 962	28 126	(11)	-	-	-	(35 559)	(530)	15	109 003
Land and water vehicles	105 071	6 561	(894)	-	-	-	(22 012)	-	-	88 726
IT equipment	554 718	275 890	(2 100)	4 612	-	26	(184 860)	(474)	3	647 815
Leasehold improvements	138 597	55 783	-	-	-	-	(27 667)	(2 462)	-	164 251
Generators	28 970	4 263	-	-	-	-	(6 700)	-	-	26 533
Security equipment	33 332	5 687	-	-	-	-	(10 304)	(3)	-	28 712
Assets under construction	-	8 937	-	-	-	-	-	-	-	8 937
	1 896 077	419 772	(3 005)	4 612	44 176	26	(314 053)	(10 510)	18	2 037 113

Net transfers between property, plant and equipment and intangible assets as per note 6 contra each other.

5. Property, plant & equipment (continued)

Reconciliation of the carrying amount of property, plant and equipment – Controlling entity – 2018

Figures in Rand thousand (R'000)	Opening balance	Additions	Disposals	Revaluations	Compensation for replacement assets	Depreciation	Impairment loss/scrapping	Impairment reversal	Total
Land	156 334	-	-	8 337	-	-	(11)	-	164 660
Buildings	624 525	12 494	-	54 100	-	(13 957)	(21 959)	-	655 203
Plant and equipment	60 650	45 333	(40)	-	-	(7 361)	(18)	-	98 564
Furniture, fitting and office equipment	108 487	42 631	(31)	-	2	(33 162)	(984)	19	116 962
Land and water vehicles	119 553	13 453	(1 642)	-	-	(24 952)	(1 341)	-	105 071
IT equipment	679 571	45 629	(677)	-	808	(167 847)	(2 926)	160	554 718
Leasehold improvements	161 516	39 082	-	-	-	(61 792)	(209)	-	138 597
Generators	33 935	1 661	-	-	-	(6 611)	(15)	-	28 970
Security equipment	28 094	19 436	(30)	-	-	(13 928)	(240)	-	33 332
	1 972 665	**219 719**	**(2 420)**	**62 437**	**810**	**(329 610)**	**(27 703)**	**179**	**1 896 077**

	Economic entity		Controlling Entity	
	2019	2018	2019	2018
	R'000	R'000	R'000	R'000

5. Property, plant & equipment (continued)

Assets subject to finance lease (Net carrying amount)

Furniture, fittings and office equipment	13 961	25 339	13 942	25 284

Revaluation

The effective date of the revaluations was 31 March 2019. Revaluations were performed by independent professional valuer, Mr WJ Hewitt [NDPV,MIEA, FIVSA,RICS], professional valuer Mr PL Niesing [MSc Real Estate, B Art et Scientiae (Planning) SAIV SACPVP] and candidate valuer, Mr CP Viljoen [BSc Hons Real Estate,SAIV SACPVP] of Mills Fitchet Valuations (Pty) Ltd. Mills Fitchet (Pty) Ltd. is not connected to the economic entity.

The valuation of Lehae la SARS (Erf 419, 281 Bronkhorst Street, Nieuw Muckleneuk, 0180) was performed using the direct comparable method. This method determines the market value of vacant land or residential properties as this method employs the direct comparison of comparable properties recently sold.

The valuation of the Alberton South Campus (Erf 1087 New Redruth Extension 6, McKinnon Crescent, Alberton, 1449) was performed using the capitalisation of net annual income method. This method determines the market value of an income producing properties such as shopping centres, offices and industrial or commercial properties where the buildings have earning potential.

The valuation of the Fouriesburg and Ficksburg houses were performed using the direct comparable method to determine the market value.

Expenditure incurred to repair and maintain Property, Plant and Equipment and Intangible Assets

Included in Statement of Financial Performance

Contracted Services	526 187	463 694	526 187	463 544
General expenses	73 769	83 492	72 968	83 146
	599 956	**547 186**	**599 155**	**546 690**

6. Intangible assets

Figures in Rand thousand (R'000)						
Economic entity	2019			2018		
	Cost/ Valuation	Accumulated amortisation	Carrying value	Cost/ Valuation	Accumulated amortisation	Carrying value
Intellectual property and other rights	73 583	(41 361)	32 222	73 583	(34 002)	39 581
IT software	3 296 527	(2 703 834)	592 693	3 163 925	(2 436 922)	727 003
Software under development	59 944	-	59 944	11 374	-	11 374
Total	3 430 054	(2 745 195)	684 859	3 248 882	(2 470 924)	777 958

6. Intangible assets (continued)

Figures in Rand thousand (R'000)						
Controlling entity	2019			2018		
	Cost/ Valuation	Accumulated amortisation	Carrying value	Cost/ Valuation	Accumulated amortisation	Carrying value
IT software	3 691 745	(2 699 916)	991 829	3 469 462	(2 433 867)	1 035 595
Software under development	289 244	-	289 244	212 830	-	212 830
Total	**3 980 989**	**(2 699 916)**	**1 281 073**	**3 682 292**	**(2 433 867)**	**1 248 425**

Reconciliation of the carrying amount of intangible assets - Economic entity – 2019

Figures in Rand thousand (R'000)						
	Opening balance	Additions	Transfers	Amortisation	Impairmen loss/ scrapping	Total
Intellectual property and other rights	39 581	-	-	(7 359)	-	32 222
IT software	727 003	19 677	112 894	(266 881)	-	592 693
Software under development	11 374	169 225	(117 505)	-	(3 150)	59 944
	777 958	**188 902**	**(4 611)**	**(274 240)**	**(3 150)**	**684 859**

Net transfers between property, plant and equipment and intangible assets as per note 5 contra each other.

Reconciliation of the carrying amount of intangible assets - Economic entity – 2018

Figures in Rand thousand (R'000)						
	Opening balance	Additions	Transfers	Amortisation	Impairment loss/scrapping	Total
Intellectual property and other rights	46 939	-	-	(7 358)	-	39 581
IT software	771 247	147 744	68 160	(260 148)	-	727 003
Software under development	81 899	66 274	(68 160)	-	(68 639)	11 374
	900 085	**214 018**	**-**	**(267 506)**	**(68 639)**	**777 958**

Reconciliation of the carrying amount of intangible assets - Controlling entity 2019

Figures in Rand thousand (R'000)						
	Opening balance	Additions	Transfers	Amortisation	Impairment loss/scrapping	Total
IT software	1 035 595	62 304	159 948	(266 018)	-	991 829
Software under development	212 830	244 123	(164 559)	-	(3 150)	289 244
	1 248 425	**306 427**	**(4 611)**	**(266 018)**	**(3 150)**	**1 281 073**

Net transfers between property, plant and equipment and intangible assets as per note 5 contra each other.

	Economic entity		Controlling Entity	
	2019	2018	2019	2018
	R'000	R'000	R'000	R'000

6. Intangible assets (continued)

Reconciliation of the carrying amount of intangible assets - Controlling entity – 2018

Figures in Rand thousand (R'000)						
	Opening balance	Additions	Transfers	Amortisation	Impairment loss/scrapping	Total
IT software	1 070 911	149 256	74 788	(259 360)	-	1 035 595
Software under development	186 061	170 196	(74 788)	-	(68 639)	212 830
	1 256 972	**319 452**	**-**	**(259 360)**	**(68 639)**	**1 248 425**

Intangible assets in the process of being constructed or developed that have been deprioritised as a result of other emerging priorities in the year under review.

QRadar	1 182	1 182	1 182	1 182

The scope of the QRadar project is to expand the QRadar environment at Brooklyn in both the QA and production environment. The QRadar project was placed on hold due to resource constraints relating to the eServices Hosting relocation project and will only resume once the eServices project is completed in 2019/2020 financial year.

Filing Season 2017 with HTML5	570	570	570	570

The scheduled implementation was postponed due to the prioritisation of other initiatives such as Sugar Tax, Vat Increase changes and the Post Clearance Assessment Project. The remainder of the work will be delivered as part of the PIT Filing Season project, scheduled for implementation in June 2019.

eDNA	-	9 437	-	9 437

This project was completed during the 2019 period under review.

Tax Compliance Status	-	2 089	-	2 089

This project was completed during the 2019 period under review.

Dispute Management	-	440	-	440

This project was completed during the 2019 period under review.

	1 752	13 718	1 752	13 718

	Economic entity		Controlling Entity	
	2019	2018	2019	2018
	R'000	R'000	R'000	R'000

6. Intangible assets (continued)

Carrying value of Intangible assets where construction or development has been halted either during the current or previous reporting period(s)

Integrated Account and Revenue Management (IARM)	28 393	27 043	28 393	27 043

The project was suspended for an extended timeframe due to the moratorium placed on modernisation activities in December 2014, subsequent changes in business priorities and the need for external reviews to be concluded. An external review was conducted by the vendor responsible for the original implementation during 2018/2019. Due to funding constraints a decision regarding the platform to be used must be taken in 2019/2020 and based on this decision, the artefacts will either be re-used or written off in full. A retention payment of R9m for work already delivered was due to the vendor and a settlement was reached between the parties to pay R4.5m. Therefore the part relating to the halted project was included in the 2018/2019 balance and the remainder impaired.

Debt Management	995	995	995	995

The scope of the project was to enhance payment arrangements, write-offs and various types of settlements of the current Debt Management System in order to ensure that the overall solution is robust, easily managed and accounting compliant. This implementation included facilitating compliance to GRAP 108 by introducing the concept of impairment provision and bad debt recovery, which would ensure that the general ledger debtor balance was correctly stated from the outset. The design phase of this project was completed, but then the project was deprioritised. A Debt Management Project is currently in progress with different milestone implementation dates, once implemented the usability of the halted project will be assessed.

eFiling Gateway Payment Reform	495	495	495	495

The eFiling Payment Gateway is a standalone module on the eFiling system that interacts with all banks for "Credit Push" payments. The efiling core application is the only channel that uses this Payment Gateway to facilitate payments. The objective of this project was to make the necessary change to the Payment Gateway so that it could accept payments from any other channel and subsystem inside SARS, making it a Genetic Payment Service. The design phase of the project was completed and an evaluation is in progress to continue with this project.

	29 883	28 533	29 883	28 533

7. Investment in controlled entity

Name of company	Held by	% holding 2019	% holding 2018	Carrying Amount 2019	Carrying Amount 2018
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).

	Economic entity		Controlling entity	
	2019	2018	2019	2018
	R'000	R'000	R'000	R'000

8. Loan to the controlled entity

Controlled entity

Interfront	-	-	32 596	52 595
Provision for impairment of loan to controlled entity	-	-	(4 145)	(10 378)
	-	-	**28 451**	**42 217**

A decision was made to incorporate Interfront into SARS. This decision is however subject to approval by the Minister of Finance as the Executive Authority as required by section 54(2)(d) of the PFMA.

The loan has no agreed upon repayment terms, does not bear interest and is therefore not at market comparable terms and needs to be tested for impairments. In order to test for impairment the fair value must be determined as described below.

The loan is recognised at amortised cost which is calculated by assessing the level of impairment necessary weighing the different probabilities of repayment (80%) or conversion into equity (20%) appropriately. A weighted average effective interest rate as at 29 March 2019 was calculated as 9.81% resulting in the implied interest income to be recognised in the Statement of Financial Performance.

The loan is recognised at amortised cost, and therefore any gain from the excess of the fair value over the carrying amount cannot be recognised (fair value is limited to the original carrying amount). However, an increase in the fair value may be recognised through the reversal of a previously recognised impairment charge, up to the total amount advanced still outstanding.

Per GRAP 104, SARS is required to disclose the fair value of the loan, as well as the amortised cost at which it is recognised.

The controlled entity made a loan repayment of R20m (2018: R40m) during the current financial year under review.

Fair value of the loan to the controlled entity

Loan to controlled entity	-	-	29 078	43 652

In order to determine the expected future cash free cash flows of the controlled entity, the valuators obtained management's forecasts for the five-year period from 1 April 2019 to 31 March 2024. Midpoint discounting was used to determine the fair value through discounting the estimated repayments, following the industry standard assumption that cash flows are earned evenly throughout each period.

Impairment of the loan to the controlled entity

As of 31 March 2019, the loan to the controlled entity of R32 595 853 (2018: R52 595 410) was impaired by R4 144 993 (2018: R10 377 979).

The ageing of the loan, although not past due, is as follows:

Over 6 months	-	-	32 596	52 595

	Economic entity		Controlling Entity	
	2019	2018	2019	2018
	R'000	R'000	R'000	R'000

8. Loan to the controlled entity (continued)

Reconciliation of the provision for impairment of loan to the controlled entity

Opening balance	-	-	10 378	12 052
Provision for impairment (refer note 17)	-	-	691	9 051
Deemed interest income	-	-	(6 924)	(10 725)
	-	**-**	**4 145**	**10 378**

The net movement in the provision for impairment of the loan to the controlled entity has been included in operating expenses in the statement of financial performance (note 17).

9. Tax receivable - controlled entity

Balance at beginning of the year	825	469	-	-
Current tax recognised in surplus	(11 546)	(11 440)	-	-
Balance at end of the reporting period	(1 457)	(825)	-	-
	(12 178)	**(11 796)**		

10. Finance lease obligation

Office equipment				
Minimum lease payments due				
- within one year	12 667	17 067	12 645	17 023
- in second to fifth year inclusive	5 502	17 821	5 502	17 799
	18 169	**34 888**	**18 147**	**34 822**
less: future finance charges	(4 146)	(8 487)	(4 145)	(8 481)
Present value of minimum lease payments	**14 023**	**26 401**	**14 002**	**26 341**

Non-current liabilities	4 344	13 774	4 344	13 753
Current liabilities	9 679	12 627	9 658	12 588
	14 023	**26 401**	**14 002**	**26 341**

Office equipment

Photocopiers under lease were capitalised and the corresponding finance lease liability raised in accordance with GRAP 13. The leases are payable in monthly instalments over 36-60 months.

	Economic entity		Controlling Entity	
	2019	2018	2019	2018
	R'000	R'000	R'000	R'000

11. Trade and other payables

Trade accounts payable and accruals	356 855	401 439	364 751	412 520
Accruals for salary related expenses	257 217	264 090	253 608	261 305
Other payables	475	815	475	815
	614 547	**666 344**	**618 834**	**674 643**

12. Deferred income

Receipts comprises of:

Surrender of surplus balance	-	977 243	-	977 243
Tenant installation allowances	-	118	-	118
Tower rentals	70	69	70	69
Deferred income	77	77	77	77
	147	**977 507**	**147**	**977 507**

Current liabilities	70	977 430	70	977 430
Non-current liabilities	77	77	77	77
	147	**977 507**	**147**	**977 507**

Tenant installation allowances represent amounts received from landlords for improvements made by the tenant to leased properties.

Tower rentals are charged annually in advance for the installation and operation of electronic communication equipment.

On 31 May 2016, SARS submitted a request for retention of the cash balance as at 31 March 2016 in line with section 53(3) of the Public Finance Management Act (PFMA) which states that a public entity may not retain cash surpluses that were realised in the previous financial year without prior written approval from the National Treasury.

On 28 July 2016 SARS obtained approval to retain R1.75bn of the R3.37bn cash balance as at 31 March 2016 to be utilised for current obligations as disclosed in the Annual Financial Statements. National Treasury however requested that SARS do not return the funding of R1,62bn that was not approved for retention but reduced the March 2017 monthly grant with R645m and ring-fenced the balance to be used over the medium term (2017/18: R860m and 2018/19: R117m).

In the 2018 ENE final allocation, SARS received significant grant reductions over the MTEF period and made the decision to allocate the full R977m to the 2018/19 financial year. This was done to supplement the reduced grant in 2018/2019 to ensure operational continuity.

13. Provisions

Reconciliation of provisions - Economic entity – 2019

Figures in Rand thousand (R'000)	Opening balance	Accumulation	Utilised during the year	Adjustments during the year	Closing balance
Performance bonuses	446 721	293 573	(432 743)	(13 378)	294 173
Provision for building rentals	4 656	4 948	(2 766)	(465)	6 373
Salary related provisions	2 425	-	(199)	(2 226)	-
Provision for insurance	1 288	1 286	(464)	(657)	1 453
	455 090	**299 807**	**(436 172)**	**(16 726)**	**301 999**

Reconciliation of provisions - Economic entity – 2018

Figures in Rand thousand (R'000)	Opening balance	Accumulation	Utilised during the year	Adjustments during the year	Closing balance
Performance bonuses	548 506	446 721	(546 974)	(1 532)	446 721
Provision for building rentals	3 179	4 073	(1 008)	(1 588)	4 656
Salary related provisions	2 471	-	(46)	-	2 425
Provision for insurance	-	1 288	-	-	1 288
	554 156	**452 082**	**(548 028)**	**(3 120)**	**455 090**

Reconciliation of provisions - Controlling entity – 2019

Figures in Rand thousand (R'000)	Opening balance	Accumulation	Utilised during the year	Adjustments during the year	Closing balance
Performance bonuses	440 969	286 451	(427 622)	(12 747)	287 051
Provision for building rentals	4 656	4 948	(2 766)	(465)	6 373
Salary related provisions	2 425	-	(199)	(2 226)	-
Provision for insurance	1 288	1 286	(464)	(657)	1 453
	449 338	**292 685**	**(431 051)**	**(16 095)**	**294 877**

Reconciliation of provisions - Controlling Entity - 2018

Figures in Rand thousand (R'000)	Opening balance	Accumulation	Utilised during the year	Adjustments during the year	Closing balance
Performance bonuses	543 085	440 969	(541 273)	(1 812)	440 969
Provision for building rentals	3 179	4 073	(1 008)	(1 588)	4 656
Salary related provisions	2 471	-	(46)	-	2 425
Provision for insurance	-	1 288	-	-	1 288
	548 735	**446 330**	**(542 327)**	**(3 400)**	**449 338**

13. Provisions (continued)

Performance bonuses

Performance bonuses represent the provision for annual performance bonuses payable to employees in terms of performance agreements. The final quantum of the performance bonus payable is uncertain.

Provision for building rentals

A provision for building rental escalations was raised on contracts that could not be included in the straight line calculations for operating leases for the financial year 2018/2019 pending conclusion of new lease agreements. The calculations were based on the escalation rates as per the latest concluded contracts.

Salary related provisions

In 2015 a salary provision and in 2016 interest on salary and leave provision arose from claims by employees in SARS' service to repay salary recoveries made after 1994. These employees formed part of employees from the former Public Service Department in TBVC States that were awarded irregular salary increases and job titles.

SARS started with the recovery of these salary overpayments in 1999, but was not part of the Public Service Administration at that time. Payments to the amount of R199k were made in 2019 (2018: R47k). All payments have been made to employees who could be traced and the remainder of the employees' claims for refunds have prescribed. The balance of the provision (R2.2m) has therefore been transferred to unclaimed monies in the statement of financial performance.

Provision for insurance

A provision for fleet related repairs and maintenance was raised on incidents that were reported by SARS employees for SARS fleet assets that were involved in accidents or other related incidents for which SARS has not yet received a quote or invoice for the repairs. The calculations were based on the estimated cost per incident as provided by the SARS Insurance service provider. The final cost of the repairs is uncertain.

	Economic entity		Controlling Entity	
	2019	2018	2019	2018
	R'000	R'000	R'000	R'000

14. Asset revaluation reserve

Opening balance	324 624	262 186	324 624	262 186
Current year revaluation	57 776	72 088	57 776	72 088
Depreciation on the revalued portion of assets	(13 601)	(9 650)	(13 601)	(9 650)
	368 799	**324 624**	**368 799**	**324 624**

15. Revenue

The amount included in revenue arising from exchanges of goods or services are as follows:

Rendering of services	**12 238**	**11 293**	**-**	**-**

The amount included in revenue arising from non-exchange transactions are as follows:

Transfer from National Treasury	**9 984 460**	**10 218 198**	**9 984 460**	**10 218 198**

16. Other income

Commission received	335 350	322 430	335 350	322 430
Sundry receipts	206 988	20 559	207 278	20 977
SDL training grant	4 047	691	4 047	691
Compensation for replacement assets	26	810	26	810
Discount on non-exchange transaction	-	1 355	-	1 355
	546 411	**345 845**	**546 701**	**346 263**

17. Impairment loss

Property, plant & equipment	13 641	96 161	13 641	96 161
Loan to the controlled entity	-	-	691	9 051
Inventories	484	-	484	-
	14 125	**96 161**	**14 816**	**105 212**

According to GRAP 17 and GRAP 21, the economic entity reviews and tests the carrying value of property, plant and equipment when events or changes in circumstances suggest that the carrying amount may not be recoverable. In the economic entity's asset policy an event is defined as the inability to verify an asset for a period of two years upon which the carrying value is impaired to zero. If the asset remains unverified, it will be written-off at the subsequent reporting date. In 2019 assets to the value of R3.2m (2018: R68.6m) was impaired in line with GRAP 21 and R 285k (2018: R368k) in line with the SARS policy.

Impairment of land and buildings represent adjustments in terms of valuations performed (refer note 5). Impairments of R7.04m (2018: R21.97m) were processed for 2019.

	Economic entity		Controlling Entity	
	2019	2018	2019	2018
	R'000	R'000	R'000	R'000

17. Impairment loss (continued)

The loan to Interfront was measured at amortised cost. This resulted in an impairment in the current financial year.

According to GRAP 12 Inventories is measured at the lower of cost and current replacement cost where they are held for distribution at no charge. Current replacement cost is the cost the economic entity incurs to acquire the inventories on the reporting date. The cost of inventories is assigned using the weighted average cost formula. The same cost formula is used for all inventories having a similar nature and use to the economic entity. In 2019 inventories to the value of R484k was impaired.

18. Finance costs

Finance leases	4 223	4 012	4 218	4 003

19. Taxation - controlled entity

Major components of the tax expense

Current

Local income tax - current period	11 596	11 455	-	-
Local income tax - recognised in current tax for prior periods	(49)	(15)	-	-
	11 547	**11 440**	**-**	**-**

Deferred

Deferred tax movement current year	(1 710)	(1 537)	-	-
	9 837	**9 903**	**-**	**-**

Reconciliation of the tax expense

Reconciliation between applicable tax rate and average effective tax rate.

Applicable tax rate	**28%**	**28%**	**-%**	**-%**

Accounting Profit subject to tax	32 963	33 074	-	-
Tax at 28%	9 230	9 261	-	-
Reversing temporary difference	1 710	1 537	-	-
Non-deductible expenses	656	656	-	-
Over provision of tax in the prior year	(49)	(14)	-	-
	11 547	**11 440**	**-**	**-**

The controlling 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	
	2019	2018	2019	2018
	R'000	R'000	R'000	R'000

20. Cash (used in) generated from operations

Deficit	(157 708)	(113 076)	(54 414)	(28 061)
Adjustments for:				
Depreciation and amortisation	589 968	598 394	580 071	588 970
Loss on disposal of assets	2 525	102	2 482	95
Compensation for replacement assets	(26)	(810)	(26)	(810)
Finance costs	4 223	4 012	4 218	4 003
Impairment loss	14 125	96 161	14 816	105 212
Movement in operating lease liabilities	(42 318)	(39 057)	(42 164)	(39 057)
Movement in employee benefits	60 482	46 733	60 482	46 733
Movement in provisions	(153 091)	(99 066)	(154 461)	(99 397)
Movement in tax receivable	(632)	(356)	-	-
Annual charge for deferred tax	(1 710)	(1 537)	-	-
Interest income intercompany loan	-	-	(6 924)	(10 725)
Changes in working capital:				
Inventories	10 049	(38 330)	10 049	(38 330)
Receivables from exchange transactions	(23 424)	(22 720)	(21 741)	(24 075)
Prepayments	(18 260)	(106 595)	(16 898)	(106 560)
Trade and other payables	(51 801)	107 743	(55 811)	112 668
VAT	(340)	541	-	-
Deferred income	(977 360)	(36)	(977 360)	(36)
	(745 298)	**432 103**	**(657 681)**	**510 630**

21. Financial assets by category

The accounting policies for financial instruments have been applied to the line items below:

Receivables from exchange transactions at amortised cost	107 773	84 349	104 885	83 144
Cash & cash equivalents at fair value	1 170 421	2 543 600	1 096 693	2 476 607
Loan to controlled entity at amortised cost	-	-	28 451	42 217
	1 278 194	**2 627 949**	**1 230 029**	**2 601 968**

	Economic entity		Controlling Entity	
	2019	2018	2019	2018
	R'000	R'000	R'000	R'000

22. Deferred tax

Deferred tax liability	**(5 237)**	**(6 947)**	**-**	**-**

Reconciliation of deferred tax liability

At beginning of year	(6 947)	(8 485)	-	-
Temporary difference on intellectual property	1 441	1 441		-
Temporary difference on property, plant and equipment	(136)	(105)	-	-
Reversing temporary difference on finance lease	(11)	(10)	-	-
(Reversing)/originating temporary difference on operating lease	(43)	1	-	-
Temporary difference on prepayments	(53)	162	-	-
Movement in provision and accruals	512	49	-	-
	(5 237)	**(6 947)**	**-**	**-**

23. 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	507 215	508 155	501 644	503 447

24. Prepayments

Prepaid expenses	169 961	149 756	167 866	149 023
Leave taken in advance	26 245	28 190	26 245	28 190
	196 206	**177 949**	**194 111**	**177 213**

25. Inventories

Corporate & Customs uniforms	20 875	23 562	20 875	23 562
Combat uniforms	6 382	14 768	6 382	14 768
Uniforms Personal Protective Equipment	542	-	542	-
	27 799	**38 330**	**27 799**	**38 330**

	Economic entity		Controlling Entity	
	2019	2018	2019	2018
	R'000	R'000	R'000	R'000

26. Employee benefits

Leave pay represents the entitlements of amounts due to personnel for leave accumulated prior to 1999.

Opening balance	9 320	10 389	9 320	10 389
Benefits paid	(547)	(1 719)	(547)	(1 719)
Actuarial gain	(364)	(144)	(364)	(144)
Interest cost	610	794	610	794
	9 019	9 320	9 019	9 320

The valuation has been performed on a member by member basis using the projected unit credit method as specified by the Statement on Employee Benefits (GRAP25). This valuation method determines the obligation that has accrued at the date of valuation, allowing for salary escalations, the probability of benefits being paid and the time value for money.

The salary inflation rate is set at a rate of 1% below the discount rate (Zero Coupon Bond Rate). Interest cost is the increase during the period in the present value of the leave obligation which arises because the leave benefits are one period closer to settlement.

27. Employee benefits - accumulated 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.

Opening balance	248 452	200 652	248 452	200 652
Benefits paid	(17 723)	(14 826)	(17 723)	(14 826)
Actuarial loss	60 366	45 744	60 366	45 744
Interest cost	18 142	16 882	18 142	16 882
	309 237	248 452	309 237	248 452

The valuation has been performed on a member by member basis using the projected unit credit method as specified by the Statement on Employee Benefits (GRAP25). This valuation method determines the obligation that has accrued at the date of valuation, allowing for salary escalations, the probability of benefits being paid and the time value for money.

The salary inflation rate is set at a rate of 1% below the discount rate (Zero Coupon Bond Rate). Interest cost is the increase during the period in the present value of the leave obligation which arises because the leave benefits are one period closer to settlement.

28. Financial liabilities by category

Finance lease obligation at amortised cost	9 679	12 627	9 658	12 588
Trade and other payables at amortised cost	357 330	402 254	365 227	413 338
Employee benefits at fair value (refer notes 25 & 26)	318 255	257 773	318 255	257 773
	685 264	672 654	693 140	683 699

	Economic entity		Controlling Entity	
	2019	2018	2019	2018
	R'000	R'000	R'000	R'000

29. Auditors' remuneration

Audit fees	36 840	27 698	36 062	27 053

30. Operating leases

Building and related rentals on straight-line basis	**537 644**	**514 339**	**535 461**	**512 184**

Contractual building and related rentals	579 727	553 396	577 626	551 240

Clauses pertaining to renewal or purchasing options are evaluated on a case by case basis. The escalation rates vary between 0% and 9% per annum.

Minimum future lease payments

Economic entity 2019	Less than 1 year	Between 2 and 5 years	Beyond 5 years	Total
Building and related rentals	366 768	407 638	2 002	776 408

Economic entity 2018	Less than 1 year	Between 2 and 5 years	Beyond 5 years	Total
Building and related rentals	401 925	466 606	13 956	882 487

Controlling entity 2019	Less than 1 year	Between 2 and 5 years	Beyond 5 years	Total
Building and related rentals	364 639	407 638	2 002	774 279

Controlling entity 2018	Less than 1 year	Between 2 and 5 years	Beyond 5 years	Total
Building and related rentals	399 528	464 477	13 956	877 961

	Economic entity		Controlling Entity	
	2019	2018	2019	2018
	R'000	R'000	R'000	R'000

31. Commitments

Authorised capital expenditure

Already contracted for

Intangible assets	196 335	205 995	196 335	205 995
Property, plant and equipment	63 533	187 798	63 533	187 798
	259 868	**393 793**	**259 868**	**393 793**

Authorised but not yet contracted for

Intangible assets	2 424 225	1 776 228	2 424 225	1 776 228
Property, plant and equipment	1 050 207	295 518	1 050 207	295 518
	3 474 432	**2 071 746**	**3 474 432**	**2 071 746**

Total capital commitments

Already contracted for	259 868	393 793	259 868	393 793
Authorised but not yet contracted for	3 474 432	2 071 746	3 474 432	2 071 746
	3 734 300	**2 465 539**	**3 734 300**	**2 465 539**

Authorised operational expenditure

Already contracted for operational expenditure	10 971	102 567	8 836	102 338

Authorised but not yet contracted for operational expenditure	47 449	845 450	47 449	845 450

Total operational commitments

Already contracted for	10 971	102 567	8 836	102 338
Authorised but not yet contracted for	47 449	845 450	47 449	845 450
	58 420	**948 017**	**56 285**	**947 788**

Total commitments

Authorised capital expenditure	3 734 300	2 465 539	3 734 300	2 465 539
Authorised operational expenditure	58 420	948 017	56 285	947 788
	3 792 720	**3 413 556**	**3 790 585**	**3 413 327**

Some of the projects disclosed as authorised but not yet approved for, relates to multiyear projects such as Generally Recognised Accounting Practice (GRAP) Project as well as the New Customs Act Project (NCAP).

	Economic entity		Controlling Entity	
	2019	2018	2019	2018
	R'000	R'000	R'000	R'000

32. Contingencies

Contingencies exclude any matters arising as a result of tax and customs related activities.

Contingent Liabilities

Trade Vendors

Arbitration in the matter reported in 2018 is still ongoing regarding a tender SARS issued for the supply, installation and maintenance of goods. The successful bidder failed to deliver in accordance with the tender specifications but the vendor is disputing SARS' submission and is of the opinion that it delivered in accordance with the specifications. The amount under dispute per the contract is R5 917 200 plus R1 465 740 interest on late payment. Arbitration is still ongoing and it is not possible to predict the outcome of the arbitrator's decision.

Employee related

In 2018 SARS received a letter of demand from an employee of SARS in respect of damages following a grievance against SARS. The matter is ongoing and the employee's claim for legal fees incurred R32 817 and medical costs R10 000 therefore still stands.

33. Related parties

Related parties	
Interfront	Refer to note 7
Key members of the controlled entity's management who are employed by the controlling entity	Ms. LJM Makhekhe-Mokhuane Ms. R Mokoena Mr. J.M. Makwakwa - Non - Executive Director (removed effective 6 August 2018) Mr. B Theron - Non - Executive Director (appointed effective 28 September 2018) Ms. Y van der Merwe - Non - Executive Director (appointed effective 28 September 2018)
Close family members of the executive committee member of the controlling entity **Executive committee member** Acting CO: Customs and Excise (9 months) CO: Governance, International Relations, Strategy and Communications (12 months) CO: Human Capital & Development (12 months) Acting CO: Human Capital & Development (3 months) Former CO: Business and Individual Taxes (4.5 months - 2018) CO: Customs & Excise (1 month - 2018)	 **Close family member** Ms. AR Theron Ms. JMB Dunkuru Mr. M Mokoena Ms. ML Lebelo Ms. K Elskie Ms. DG Mokoena

	Controlling Entity	
	2019	2018
	R'000	R'000

33. Related parties (continued)

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 for its operating expenditure and to fund specific projects.

Only transactions with related parties where the transactions are not concluded within the normal operating policies and procedures or on terms that are not more or less favourable than the terms it would use to conclude transactions with another entity or person are disclosed.

Related party balances - controlling entity

Loan accounts - owing by related parties		
Interfront	28 451	42 217
Amounts included in trade receivables regarding related parties		
Department of Home Affairs (DHA)	-	9 587
Amounts included in trade and other payables		
Interfront	10 684	13 456

Related party transactions - controlling entity

Rendering of services to related parties		
Department of Home Affairs (DHA)	53 266	55 176
Rendering of services by related parties		
Interfront	141 749	125 548

The controlling entity continues to assist DHA in maintaining its electronic movement control system as well as assisting in the enhancement and maintenance of the live capturing system that produces ID cards, passports as well as birth, marriage and death certificates. The implementation, enhancement and maintenance of the online channels of eHomeAffairs for banks and eVisa for foreign applicants is ongoing.

Compensation to close family members of executive committee of the controlling entity

Ms. AR Theron (9 months)	521	-
Mr. AJ Magongoa (9 months)	835	761
Ms. JMB Dankuru (12 months)	361	320
Mr. M Mokoena (12 months)	382	401
Ms. ML Lebelo (3 months)	103	62
Ms. K Elskie (4.5 months)	-	116
Ms. DG Mokoena (1 month)	-	21
	2 202	**1 681**

34. Executive remuneration

2019

Figures in Rand thousand (R'000)	Salaries	Bonus paid	Allowances including leave payments	Contributions medical and pension	Acting allowance paid/payable	Total
Commissioner for SARS (7 months)	2 178	-	36	292	-	2 506
Commissioner (Acting)	2 262	-	125	254	351	2 992
CO: Business and Individual Taxes (Acting)	2 596	443	97	33	280	3 449
CO: Customs and Excise (3 months)	724	-	10	88	-	822
CO: Customs and Excise (Acting) (9 months)	1 481	254	59	20	214	2028
CO: Digital Information and Services Technologies	3 100	-	148	335	-	3 583
CO: Digital Information and Services Technologies (Acting) (4.5 month)	1 255	-	393	20	92	1 760
CO: Enforcement (9 months)	2 514	-	130	255	-	2 899
CO: Enforcement (Acting) (3.5 months)	572	-	87	55	76	790
CO: Finance (7 months)	1 555	-	82	172	-	1 809
CO: Finance (Acting) (5 months)	842	-	25	91	78	1 036
CO: Governance, International Relations, Strategy and Communications	3 745	-	42	460	-	4 247
CO: Human Capital and Development (9 months)	2 457	-	32	279	-	2 768
CO: Human Capital and Development (Acting) (3 months)	574	-	19	58	39	690
CO: Large Business (Acting) (4 months)	566	-	59	58	88	771
CO: Legal Counsel	3 055	-	66	380	-	3 501
CO: Legal Counsel (Acting) (5 months)	1 048	-	54	17	112	1 231
	30 524	**697**	**1 464**	**2 867**	**1 330**	**36 882**

On 1 November 2018 the erstwhile Commissioner for SARS, Mr. TS Moyane's contract was terminated by the President of the Republic of South Africa following the recommendation made by retired Judge Robert Nugent in the Nugent Commission report. Retired Judge Nugent lead a Commission of Inquiry into the country's tax administration.

Mr EC Kieswetter was appointed by the President of the Republic of South Africa as the new Commissioner of SARS and his 5 year term will commence 1 May 2019.

SARS Chief Legal Officer: Ms R Mokoena was suspended in September 2018 following allegations of misconduct on her part. An investigation into the allegations of misconduct was duly commissioned, and the report thereof recommended that charges be proffered against Ms. Mokoena. Ms Mokoena has subsequently been served with charges and it is envisaged that the disciplinary inquiry in this regard will be conducted during the months of June and July 2019.

SARS Chief Digital Information and Services Technologies Officer: Ms LJM Makhekhe-Mokhuane is currently on Discretionary Leave following allegations of misconduct against her. The Discretionary Leave followed her conduct during an appearance on a live television show on 17 October 2018, as well as at the Nugent Commission on the same day. SARS obtained a legal opinion and the recommendation thereof was that SARS should proceed and institute a disciplinary inquiry in this regard. A disciplinary hearing is set to be convened in the new financial year.

SARS Chief Officer Enforcement: Ms. MT Makola resigned 31 December 2018.
SARS Chief Officer Finance: Mr. NJ Makhubu was appointed on 1 September 2018.

34. Executive remuneration (continued)

2018

Figures in Rand thousand (R'000)	Salaries	Bonus paid	Allowances including leave payments	Contributions medical and pension	Acting allowance paid/payable	Total
Commissioner for SARS	3 718	-	154	449	-	4 321
CO: Business and Individual Taxes (4.5 months)	1 331	-	562	131	-	2 024
CO: Business and Individual Taxes (Acting) (5.5 months	1 291	566	25	111	152	2 145
CO: Business and Individual Taxes (Acting) (1.5 months)	314	-	4	3	31	352
CO: Customs & Excise (10 months)	3 010	845	33	291	-	4 179
CO: Customs & Excise (2 months)	477	-	20	58	-	555
CO: Digital Information and Services Technologies (11 months)	2 710	-	71	286	-	3 067
CO: Digital Information and Services Technologies (Acting) (1 month)	182	-	2	2	-	186
Chief Officer: Enforcement (9 months)	2 158	-	45	242	-	2 445
CO: Finance (Acting) (8 months)	1 316	-	39	141	152	1 648
CO: Finance (4 months)	1 055	998	315	105	-	2 473
CO: Governance, International Relations, Strategy and Communications and CO: Enforcement (Acting) (3 months)	3 561	997	40	429	96	5 123
CO: Human Capital and Development (10 months)	2 537	946	33	282	-	3 798
CO: Human Capital and Development (Acting) (2 months)	295	-	61	37	39	432
CO: Legal Counsel (11 months)	2 671	-	135	326	-	3 132
CO: Legal Counsel (Acting) (1 month)	173	-	3	17	19	212
	26 799	**4 352**	**1 542**	**2 910**	**489**	**36 092**

The Commissioner of SARS Mr. TS Moyane was suspended on 19 March 2018 for his alleged misconduct in violation of his duties and responsibilities in terms of the Public Finance Management Act (PFMA), South African Revenue Service Act and the SARS Code of Conduct. Mr. MS Kingon was appointed as Acting Commissioner of SARS on 20 March 2018. At the time of Mr. Kingon's appointment he was the Acting Chief Officer: Business and Individual Taxes for the period from 14 March 2018 to 20 March 2018.

Chief Officer: BAIT Mr. MJ Makwakwa was suspended on the 15th September 2016, on allegations of suspicious and unusual cash deposits and payments made by Mr. Makwakwa in his personal bank account as reported in a Financial Intelligence Centre report to SARS. Mr. Makwakwa returned to work on 1 November 2017 post conclusion of an internal disciplinary process. Mr. Makwakwa resigned from SARS on 14 March 2018. Mr. FG Murray was appointed as Acting Chief Officer: BAIT on 20 March 2018.

Both Mr. Kingon's and Mr. Murray's acting appointments have not been included in the table above as the acting was for periods shorter than 15 days.

The Chief Officer: Finance Mr. MP Matlwa, resigned from his position on 25 August 2017, working from home from 2 August 2017 which was also his last day as an Executive Committee member.

The Chief Officer: Customs & Excise Mr. JP Michaletos, resigned from his position on 7 February 2018, his last day as an Executive Committee member was 31 January 2018.

Refer to Note 41 on payment of performance bonuses to the SARS Executive Committee.

35. Change in estimate

Property, plant & equipment

Management assesses the residual value annually and this resulted in the asset class below being identified as having a residual value of 5%. This is due to assets still having an intrinsic value at the end of its useful life. The revision had the following impact on depreciation charges for the current period:

Controlling entity			
	Prior estimate	Current estimate	Decrease in depreciation charge
Leasehold improvements	0 %	5 %	R 27 135 098

36. Comparative figures

Certain comparative figures have been reclassified in the Statement of Financial Performance between Administrative expenses and Professional & Special services and between Current liabilities and Non-current liabilities in the Statement of Financial Position. Inventories have also been moved from Administrative Expenses to a separate line item on the Statement of Financial Position in line with GRAP 12.

The effects of the reclassification are as follows:

Figures in Rand thousand (R'000)			
Economic entity			
Statement of Financial Position			
	Comparative figures previously reported	Reclassification	After reclassification
Trade and other payables	666 418	(77)	666 341
Deferred income	-	77	77
	666 418	-	666 418

Figures in Rand thousand (R'000)			
Economic entity			
Statement of Financial Performance			
	Comparative figures previously reported	Reclassification	After reclassification
Administrative expenses	1 081 367	(11 246)	1 070 121
Professional and special services	1 035 825	7 194	1 043 019
Inventories	-	4 052	4 052
	2 117 192	-	2 117 192

36. Comparative figures (continued)

Figures in Rand thousand (R'000)			
Controlling entity			
Statement of Financial Position			
	Comparative figures previously reported	Reclassification	After reclassification
Trade and other payables	674 719	(77)	674 642
Deferred income	-	77	77
	674 719	**-**	**674 719**

Figures in Rand thousand (R'000)			
Controlling entity			
Statement of Financial Performance			
	Comparative figures previously reported	Reclassification	After reclassification
Administrative expenses	1 078 257	(11 246)	1 067 011
Professional and special services	1 051 540	7 194	1 058 734
Inventories	-	4 052	4 052
	2 129 797	**-**	**2 129 797**

37. Risk management

Capital risk management - controlled entity

The entity's objectives when managing capital are to ensure the entity's ability to continue as a going concern.

The controlled entity is geared mainly with a shareholders loan. To mitigate the risk associated with this type of financing the loan is interest free and has no fixed term of repayment.

The entity monitors capital on the basis of the debt: equity ratio.

There have been no changes to what the entity manages as capital, the strategy for capital maintenance or externally imposed capital requirements from the previous year.

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 shortfall in funds available to cover commitments. The economic entity manages liquidity risk through strict budget management and maintaining sufficient cash and cash equivalents.

37. Risk management (continued)

The controlling entity's chief source of income is an annual grant from 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 calculated from the date of the statement of financial position to the contractual maturity date.

Economic entity

At 31 March 2019

Figures in Rand thousand (R'000)				
	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Total
Trade and other payables	357 330	-	-	357 330
Employee benefits	-	-	318 255	318 255
Finance lease obligations	9 680	4 344	-	14 024

At 31 March 2018

Figures in Rand thousand (R'000)				
	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Total
Trade and other payables	402 254	-	-	402 254
Employee benefits	-	-	257 773	257 773
Finance lease obligations	17 067	17 821	-	34 888

Controlling entity

At 31 March 2019

Figures in Rand thousand (R'000)				
	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Total
Trade and other payables	365 227	-	-	365 227
Employee benefits	-	-	318 255	318 255
Finance lease obligations	9 658	4 344	-	14 002

At 31 March 2018

Figures in Rand thousand (R'000)				
	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Total
Trade and other payables	413 338	-	-	413 338
Employee benefits	-	-	257 773	257 773
Finance lease obligations	17 023	17 799	-	34 822

37. Risk management (continued)

It is worth noting that the table above includes employee benefits at fair value for:

- » Leave accumulated prior to 1999. At the reporting date the fair value of this liability is estimated to be R9 018 658 (2018:R9 320 308) in comparison to a nominal value of R 9 838 980 (2018: R10 063 020).
- » Accumulated annual leave. At the reporting date the fair value of this liability is estimated to be R 309 236 654 (2018: R248 452 464) in comparison to a nominal value of R 336 858 276 (2018: R278 168 993).

Over and above the amounts disclosed in the table, the controlling entity also has housing guarantees that are recovered from the employee's salary and/or pension when the guarantees are claimed. The full liquidity risk associated with these guarantees as at 31 March 2019 was R322 780 (2018: R591 073).

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 directly from the employee's salary and/or pension in terms of the applicable policies and procedures.

Management has evaluated the probability of non-repayment of the loan by the subsidiary and has determined that in the case of default the loan could be restructured or converted into equity.

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 controlled entity provides services to one international customer and is exposed to foreign exchange risk arising from currency exposures, primarily with respect to the EURO. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities.

The economic entity does not currently hedge foreign exchange fluctuations.

38. Going concern

The financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

A major portion of the controlled entity's revenue is currently attributable to the controlling entity. This is expected to continue in the near future.

39. Events after the reporting date

Performance bonus provision

The controlling entity did not provide for performance bonuses in the 2018/2019 financial year due to significant grant reductions.

Subsequent to the reporting date, the controlling entity approached National Treasury to utilise the retention funds to pay performance bonuses, which was approved.

On 20 June 2019 the Minister of Finance authorised the payment of performance bonuses. This is considered to be an adjusting event and as such the provision for performance bonuses was adjusted accordingly.

Public Protector Report

On 24 May 2019, the Public Protector (PP) issued an investigative report into allegations of misadministration and impropriety in the approval of Mr Ivan Pillay's early retirement, with full pension benefits, and his subsequent retention by the controlling entity. The PP found that:

1. the approval by former Finance Minister Pravin Gordhan of Mr Pillay's early retirement with full pension benefits and the payment of the actuarial shortfall thereof, by the controlling entity, constitutes irregular expenditure in terms of the PFMA. In this regard, the PP's remedial action requires the controlling entity to recover from former Commissioner, Mr Oupa Magashula, the actuarial shortfall of approximately R1 141 178 paid to the GEPF on behalf of Mr Pillay; and

2. the subsequent retention of Mr Pillay by the controlling entity, pursuant to his retirement, was not authorised by law. The PP has directed the controlling entity to introduce recruitment processes, regulations, policies and practices which are clear and unambiguous relating to early retirement and staff retention.

The PP has directed that the controlling entity provide its office with an implementation plan for the remedial actions within 30 (thirty) days from date of the report. On 19 June 2019, the controlling entity wrote to the PP requesting it to suspend its directive to implement the remedial action pending the determination of the court review. Due to its failure to respond, the controlling entity is approaching the High Court for a relief to stay the implementation of the remedial action pending the court review. The PP advised on 28 June 2019 that it is not opposing on the basis that the controlling entity file the review application within 30 days thereof, which the controlling entity has done.

39. Events after the reporting date (continued)

On 5 July 2019, the PP issued an investigative report into allegations of an Executive Ethics Code violation by Mr Pravin Gordhan, MP. Included in the report are allegations of misadministration, corruption and improper conduct by the controlling entity. The PP inter alia found that the controlling entity:

1. through the erstwhile Commissioner, Mr Gordhan, established an “intelligence unit” within the controlling entity in violation of the law; and

2. did not follow correct procurement processes when procuring certain assets referred to in the report as “intelligence equipment” utilised by the controlling entity’s “intelligence unit” for gathering intelligence. The PP’s remedial action requires that the State Security Agency must ensure the equipment is returned, audited and placed in their custody within 30 days of the date that the report was issued; and

3. failed to follow proper recruitment processes in appointing employees who worked for the SARS “intelligence unit”.

The controlling entity is still studying the contents of the report to determine if any steps should be taken.

40. Fruitless and wasteful expenditure

	Economic entity		Controlling Entity	
	2019	2018	2019	2018
	R’000	R’000	R’000	R’000
Lease payments & fit out expenses incurred for City Deep Scanner Site relating to current year	2 308	-	2 308	-
Lease payments made for Kobe State Warehouse relating to current year	2 440	-	2 440	-
Lease payments made for Kobe State Warehouse relating to prior year	3 449	-	3 449	-
Lease payment and fit out expenses incurred for Colenso relating to current year	1 124	-	1 124	-
Lease payments and fit out expenses incurred for Colenso relating to prior year	2 842	-	2 842	-
Interest incurred on late payments to service providers	34	-	34	-
Interest incurred on late payments to service providers relating to prior year	18	-	18	-
Penalty settlement claim for Alberton Campus	580	-	580	-
Consulting fees incurred – Mashiane Moodley Monama	1 293	-	1 293	-
	14 088	**-**	**14 088**	**-**

The fruitless and wasteful expenditure relates to administrative inefficiencies that will be addressed in the 2019/2020 financial year with appropriate consequence management.

Kobe State Warehouse has not been utilised since the inception of the lease due to a lack in water and electricity connection; no Certificate of Compliance being issued, the site not being usable due to delayed security upgrades, delayed completion of the New Pier State warehouse and the continued use of the site by the lessor. An investigation into these matters is ongoing with the intent to recoup lease payments made.

The SARS Institute of Learning (SIOL) was relocated to the Colenso campus effective 1 July 2017 for a 7 month period which was further extended for a 24 months (1/2/2018 - 31/1/2020) pending construction of long term facilities. During this period it was established that these premises were underutilised as SIOL’s operational requirements had changed. A decision was taken to early terminate the lease and to write off any remaining fit out expenses of R1.7m. The early termination was approved in November 2018. An internal investigation in this matter is currently conducted by Internal Audit.

40. Fruitless and wasteful expenditure (continued)

The controlling entity has entered into a lease agreement from September 2018 for a suitable premise to deploy the Mobile Scanner procured for City Deep. Subsequently the deployment strategy for the scanner was revised and a decision taken to move it to Beit Bridge to replace the old Cargo Scanner currently deployed at Beit Bridge, which will then be decommissioned due to increasing maintenance and down time. For this reason the City Deep premises will no longer be required and the lease will be terminated, the rental cost incurred to date is regarded as fruitless and wasteful as no value from the cost incurred was derived. An investigation into this matter is ongoing with the intent to recoup lease payments made.

Further work, relating to litigation cases mentioned in the Nugent report, is in progress. This includes amongst others, obtaining a legal opinion from external attorneys. As soon as the controlling entity has concluded this work, a decision with appropriate action will be undertaken and if needed it will be included in the fruitless and wasteful register and disclosed accordingly.

41. Irregular expenditure

	Economic entity		Controlling Entity	
	2019	2018	2019	2018
	R'000	R'000	R'000	R'000
Opening balance	102 411	3 000	102 411	3 000
Performance bonus	-	4 352	-	4 352
Consulting fees incurred - Bain & Company Inc. relating to prior year	187 160	-	187 160	-
Consulting fees refunded - Bain & Company Inc. relating to current year	(187 160)	-	(187 160)	-
Consulting fees refunded - Gartner Inc. relating to prior year	156 976	-	156 976	-
Consulting fees incurred - Grant Thornton Inc. relating to prior year	12 482	-	12 482	-
Executive remuneration relating to current year	9 983	-	9 983	-
Executive remuneration relating to prior years	8 643	-	8 643	-
Goods and/or services	78 752	97 081	78 752	97 081
Less: Amounts condoned	(5 173)	(2 022)	(5 173)	(2 022)
Less: Performance bonus	(7 352)	-	(7 352)	-
	356 722	**102 411**	**356 722**	**102 411**

The Irregular Expenditure relates to findings from the Nugent Commission of Inquiry as well as administrative inefficiencies that will be addressed in the 2019/2020 financial year with appropriate consequence management. Refer to Note 44 for further disclosure on inquires related to Irregular Expenditure.

If irregular expenditure was known in the prior year, it is disclosed in that year. If only discovered in the current year, relating to the prior year, it is disclosed in the current year relating to prior year expenses.

In 2018 the controlling entity paid bonuses of R 4.4m (2017: R3m) to the Executive Committee relating to the 2016/2017 financial year in line with approval received, which was subsequently deemed not to be valid. The irregular bonus payment matter was included as part of Mr TS Moyane's disciplinary process and therefore appropriately dealt with. The bonus amount is therefore removed.

41. Irregular expenditure (continued)

In 2018/19 through the statutory audit, the controlling entity was informed that the treatment of the functional evaluation of tenders where there is a criteria and sub-criterion was not treated in line with the provisions of the Preferential Procurement Regulations (PPR) in that the bidders were not adequately informed of how the values for the weighted sub-criteria would be allocated. The values were only clear in the scoring guidelines provided to the evaluators. Irregular expenditure has resulted under the circumstances due to non-compliance with the Preferential Procurement Regulations on transactions prior to 2018/19. The irregular expenditure of R7.3 million will be condoned in the 2019/20 financial years as part of a process to ratify the applicable contracts awarded.

During the 2018/19 statutory audit the controlling entity was informed that the shortening of the travel management and related services tender advertising period, shorter than 21 days, was in contravention of National Treasury regulations. The irregular expenditure of R5.2 million will be condoned through the ratification of the tender awarded.

In light of the proposed recommendations made in the final report issued by the Commission of Inquiry (Commission), it is important to note the following:

Bain & Company agreed to pay back the full amount incurred by the entity with interest (R29.7m). The expense was incurred during prior financial years and the refund with interest was effected in the 2018/2019 financial year.

The Commission recommended a review of certain contracts with service providers to determine if value was received from these contracts. The controlling entity has sought legal advice on all work performed by specific service providers mentioned in the report and is in the process of determining whether it has any recourse in claiming a refund.

The Chief Officer: Enforcement Ms. Makola, Chief Officer: Legal Counsel Ms. Mokoena and Chief Officer: Digital Information and Services Technologies Ms. Makhekhe-Mokhuane were appointed without ministerial approval. The salaries of these members are considered to be irregular expenditure.

The Commission further recommended a review of all debt collection contracts and an assessment of the value acquired from these services. The contracts expired on 28 February 2019, the vendors were paid R57.4m for the year under review (full contract amount R87.3m), collecting an amount of debt equaling R2.0b (full amount collected R3.0b).

Expenditure for goods & services were incurred during the financial year to the value of R11.1m (2018:R97.1m) of which R5.2m (2018: R2.0m) was condoned as at 31 March. This expenditure is considered irregular expenditure as supply chain management prescripts were not followed. A request for condonement will be requested through the respective internal governance committees.

42. Other matters

Tatis International (Pty) Ltd, with whom the controlled entity entered into a marketing agreement, was placed in liquidation on 19 April 2018. The liquidators are identifying possible claims and following inter alia on the agreements to which the controlled entity was also a party. Following on the most recent exchange of correspondence which took place on 1 February 2019, no claim has been lodged against the controlled entity and the Board is of the view that the controlled entity is not exposed to any liability. Accordingly, no provision or contingency has been included in the financial statements.

A number of internal labour relations related issues are ongoing. These matters will be reported as they are concluded, if required.

43. Fraudulent activities

Management is committed to the process and continues to investigate and report all fraudulent activities identified which will incorporate Nugent Commission related investigations and outcomes.

44. Commission of Inquiry

The President of the Republic of South Africa has under section 84(2)(f) of the Constitution of the Republic of South Africa, 1996 and in terms of Government Notice 17 of 2018 published in Government Gazette No 41652 of 24 May 2018, appointed a Commission of Inquiry into tax administration and governance by the South African Revenue Service ("Commission").

The President appointed retired Justice Robert Nugent as Commissioner, assisted by Mr Michael Katz, Advocate Mabongi Masilo and Mr Vuyo Dominic Kahla.

The course of the inquiry amongst other included interviews (of which some were held in public) with SARS employees and former SARS employees, the review and consideration of relevant identified documents. The Commission also consulted and received written and oral submissions from various organisations as well as employees and members of the public.

The following affected transactions in the period under review have been disclosed as irregular or fruitless and wasteful expenditure:
1. Bain & Company Inc.
2. Gartner Inc.
3. Grant Thornton Inc., and
4. Mashiane Moodley Monama Inc.

The irregularities resulted from both process related violations as well as utilisation of service providers to further interests that were narrow and not serving the organisation. Further investigations will be launched in line with the provisions of the PFMA and the Treasury Regulations on Irregular Expenditure and where fraud and/or corruption is suspected matters have been referred to the law enforcement agencies for further investigations. SARS continues to work with Internal Audit as well as National Treasury's Office of the Chief Procurement Officer to ensure that controls are heightened within the supply chain management processes. It is to be noted that all costs incurred in relation to BAIN and Company Inc. transactions have been recovered in full inclusive of interest.

As part of implementing the recommendations of the Commission's report regarding certain legal costs expenditure, legal advice is being sought to determine whether the expenditure incurred is in law irregular and/or fruitless and wasteful. Once such is determined, SARS will be taking necessary legal steps to recover the expenditure.

The governance related violations included the appointment of the class of employees regarded as management level in line with section 18(3) of the SARS Act, 1997, as amended, without obtaining the purported requisite Ministerial approvals which also led to non-compliance.

The controlling entity is in the process of placing the 60 affected employees mentioned in the report. 18 employees were placed, 30 are in the process of being placed, 4 have retired, 3 are following an HR process and 5 remain unplaced at the moment.

Refer to the notes on Fruitless and Wasteful Expenditure (Note 40) and Irregular Expenditure (Note 41) for further disclosures where applicable.

The supplementary information presented does not form part of the financial statements and is unaudited

ANNEXURE 1

Tax Computation - controlled entity

	Rand
Net income per income statement	32 962 820
Non-deductable/Non- taxable items	
Depreciation on leasehold improvements	133 440
Amortisation permanent difference portion	2 210 563
	2 344 003

Temporary differences	
Wear and Tear 2019	(2 899 919)
Depreciation	2 404 886
Actual payments of operating leases	(2 102 296)
Straight lining of operating leases - Office premises	1 948 376
Amortisation temporary difference portion	5 147 700
Provision on leave pay - 2018	(2 146 939)
Provision on leave pay - 2019	2 603 932
Provision for bonuses -2018	(5 751 687)
Provision for bonuses -2019	7 122 063
Prepayments - 2018	121 349
Prepayments - 2019	(309 765)
Finance cost on finance leases	5 095
Finance lease payments	(43 758)
Scrapping allowance	8 186
	6 107 223
Taxable income	**41 414 046**
Tax thereon @ 28%	11 595 933
Tax liability	
Amount prepaid at the beginning of year	(825 991)
Prior year adjustment	(48 773)
Amount owing/prepaid at the end of year	**(874 764)**

Tax prepaid for the current year	
Normal tax	
Per calculation	11 595 933
1st provisional payment	(7 393 338)
2nd provisional payment	(5 173 955)
Other receipts	389 212
	(582 148)
Amount prepaid at the end of year	**(1 456 912)**

	Controlling Entity	
	2019	2018
	R'000	R'000

The supplementary information presented does not form part of the financial statements and is unaudited

ANNEXURE 2

Donations in Kind – controlling entity

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) World Customs Organisation (WCO)	1 634	970
Travel and accommodation to attend various WCO training interventions, events, regional workshops and meetings to Swaziland, Lesotho, Zimbabwe, Zambia, Uganda, Kenya, Belgium, Malaysia, Vietnam, Mozambique, Korea, Senegal, Ethiopia, Namibia (2019). (Angola, Belgium, Botswana, Kenya, Lesotho, Malawi, Netherlands, Senegal, South Korea, Swaziland, Togo, Turkey and Zambia (2018).		
2) Kenya Revenue Authority (KRA)	168	159
Travel, accommodation and subsistence to provide technical assistance with KRA operations (2019). Travel, accommodation and subsistence to provide assistance with Tax Authority transformation and technical assistance with implementation of data warehouse capability (2018)		
3) General Administration of China Customs (GACC)	113	-
Travel , accommodation and subsistence to attend advanced training on Modern Customs Management		
4) Organisation for Economic Co-operation and Development (OECD)	113	-
Travel, accommodation and subsistence to attend the 3rd OECD Africa Revenue Statistics conference and attendance of a working party meeting.		
5) African Continental Free Trade Agreement (AFCFTA)	97	-
Travel, accommodation and subsistence to attend the AFCFTA Technical Working Group Rules of Origin workshop		
6) Zambia Revenue Authority	97	-
Travel, accommodation and subsistence to provide advisory support and audit assistance on the mining industry and TIWB program.		
7) African Regional Technical Assistance Centre (AFRITAC)	76	197
Travel and accommodation to attend various workshops and seminars on the Administration of Excise and IMF / AFRITAC workshop (2019). Travel, accommodation and subsistence to attend the Regional Seminar (2018)		
8) The United Nations University World Institute for Development Economics (Unu-Wider)	57	-
Travel, accommodation and subsistence to attend the Doctoral Course on Public Economics, the Wider Development Conference and the Think Development workshop		
9) Australian Border Force (ABF)	49	-
Travel, accommodation and subsistence to attend the Indian Ocean Small Craft Intel and Targeting training and the Counter Terrorism workshop		

	Controlling Entity	
	2019	2018
	R'000	R'000

Donations in Kind – controlling entity (continued)

10) Department of the State's Bureau of International Security and Non-proliferation, Office of Expert Control Cooperation (ISN/ECC)	49	-
Travel, accommodation and subsistence to attend the strategic workshop on Trade Control & International Sanctions.		
11) Campaign for Tobacco Free Kids (CTFK)	48	-
Travel, accommodation and subsistence to attend the CTFK meeting		
12) Korean Customs Service-Customs Border Control Training Institution (CBTI)	48	-
Travel, accommodation and subsistence to attend the CBTI seminar on Customs.		
13) South African Development Community (SADC)	42	-
Travel, accommodation and subsistence to attend SADC meetings on High level Customs Policy Dialogue and the development of E-certificate of Origin.		
14) Southern Africa Customs Union (SACU)	42	223
Travel, accommodation and subsistence to attend the SACU and SACU Commissioners meeting (2019).Travel, accommodation and subsistence to attend the SACU Enforcement Training session (2018).		
15) African Union (AU) Commission	40	65
Travel, accommodation and subsistence to attend the African Union Commission workshop on Corruption Risk Mapping and the Transit Management System (2019). Travel, accommodation and subsistence to attend the 3rd AU and the Specialised Technical Group meeting (2018).		
16) Deutsche Gesellschaft fur Internationale Zusammenarbelt (GIZ)	33	-
Travel, accommodation and subsistence to attend the Internet Government Forum (IGF) Annual General Meeting (AGM) meeting.		
17) INTERPOL	33	-
Travel, accommodation and subsistence to attend the Counter Transactional Organized Crime training session.		
18) African Tax Administration Forum (ATAF)	27	53
Travel, accommodation and subsistence to attend the 3rd Technical Committee and 1st African Tax Administration Forum on Trade Facilitation meetings (2019). Travel and accommodation to attend the International Centre for Tax Dissemination workshop (2018).		
19) Endangered Wildlife Trust	27	-
Travel, accommodation and subsistence to attend the Endangered Wildlife Trust workshop		
20) Organisation for the Prohibition of Chemical Weapons (OPCW)	20	-
Travel, accommodation and subsistence to attend the sixteenth regional meeting of national states in Africa Marrakesh, Morocco.		

	Controlling Entity	
	2019	2018
	R'000	R'000

Donations in Kind – controlling entity (continued)

21) International Bureau of Fiscal Documentation (IBFD)	16	-
Travel, accommodation and subsistence to attend the 4th IBFD fiscal meeting.		
22) Cross Border Taxation (CBT)	10	-
Travel, accommodation and subsistence to attend the 12th CBT meeting.		
23) Uganda Revenue Authority	8	-
Travel, accommodation and subsistence to attend the Tax Administration Diagnostic Assessment Tool (TADAT) Assessments meeting.		
24) United Nations (UN)		246
Travel, accommodation and subsistence to attend various workshops and committee meetings.		
25) Norwegian Customs	-	86
Travel, accommodation and subsistence to attend the Registered Exporter System Training workshop.		
26) Rwandan Revenue Authority (RRA)	-	80
Travel, accommodation and subsistence to attend the Technical Mission workshop.		
27) International Consortium on Combating Wildlife Crime (ICCWC)	-	73
Travel, accommodation and subsistence to attend the Regional Enforcement meeting.		
28) Korea Institute of Nuclear Non-proliferation and Control & International Nuclear Non-Proliferation and Security Academy	-	48
Travel, accommodation and subsistence to attend training at the Academy		
29) WCO - SA Customs Union (SACU)	-	44
Travel, accommodation and subsistence to attend the Information Technology, Data Model and GEFEG (Connect Project) workshops.		
Grand Total	2 838	2 244

Abbreviations and Acronyms

ADR	Alternative Dispute Resolution
AEO	Authorised Economic Operator
AEOI	Automatic Exchange of Information
AMCHAM	American Chambers of Commerce
APP	Annual Performance Plan
ATAF	African Tax Administration Forum
BASA	Banking Association of South Africa
BCM	Business Continuity Management
BEC	Bid Evaluation Committee
BELN	Botswana, eSwatini Lesotho and Namibia
BEPS	Base Erosion and Profit Shifting
BMA	Border Management Authority
BRICS	Brazil, Russia, India, China and South Africa
BSC	Bid Specification Committee
BURS	Botswana Unified Revenue Service
BUSA	Business Unity South Africa
CAM-I	Consortium for Advanced Management International Institute
CAPEX	Capital Expenditure
CBCR	Country-by-Country reports
CCA	Customs Control Act
CEOs	Chief Executive Officers
CIT	Company Income Tax
CIPC	Companies and Intellectual Property
CLS	Corporate Legal Services
CMAA	Customs Mutual Administrative Agreements
COC	Code of Conduct
CRE	Corporate Real Estate
CRM	Customer Relationship Management
CSD	Central Database
DAFF	Department of Agriculture, Forestry and Fisheries
DHA	Department of Home Affairs
DIST	Digital Information Services and Technology
DLP	Data Loss Prevention
DPS	Declaration Processing System
DPW	Department of Public Works
DR	Disaster Recovery
DT	Dividends Tax
dti	Department of Trade and Industry

eDNA	Electronic DNA
EMDP	Executive Management Development Programme
EME	Emerging Micro Enterprises
EPMO	Enterprise Project Management Office
ER	Employee Relations
ERM	Enterprise Risk Management
EU	European Union
EVAC	Enterprise Vacancy Advisory Committee
EVP	Employee Value Propotion
EXCO	Executive Committee
FIC	Financial Intelligence Centre
FITA	Fair Trade Independent Tobacco Institute
FTA	Forum on Tax Administration
FY	Financial Year
GACC	General Administration of China Customs
GDP	Growth Domestic Product
GRAP	Generally Recognised Accounting Practice
HCD	Human Capital and Development
HNWIs	High Net-Worth Individuals
HR	Human Resource
HTML5	Hypertext Markup Language
ICD	International Customs Day
ICT	Information Communication Technology
IEU	Illicit Economy Unit
IIASA	Institute of Internal Auditors South Africa
IMF	International Monetary Fund
IoT	Internet of Things
IPU	Integrity Promotion Unit
IRBA	Independent Regulatory Board of Auditors
IRMSA	Institute of Risk Management South Africa
ISIC	International Standard Industrial Classification
IT	Information Technology
ITM	Intergrated Talent Management
JCPS	Justice, Crime Prevention and Security
LB	Large Business
LEI	Leadership Effectiveness Index
MCLI	Maputo Corridor Logistics Initiative
MDP	Management Development Programme
MNEs	Multi National Entities

Abbreviations and Acronyms

MOC	Memorandum of Co-operation
MOU	Memorandum of Understanding
MPRR	Mineral and Petroleum Resource Royalties
MTBPS	Medium Term Budget Policy Statement
MTUs	Mobile Tax Units
NCAP	New Customs Act Programme
NGOs	Non- Government Organisations
NPA	National Prosecuting Authority
NQF	National Qualification Framework
NT	National Treasury
OECD	Organisation of Economic Co-operation and Development
OMPD	Operational Management Development Programme
ORTIA	OR Tambo International Airport
OTO	Office of the Tax Ombud
PAIA	Promotion of Access to Information Act
PAJA	Promotion of Administrative Justice Act
PAYE	Pay-As-You-Earn
PFMA	Public Finance Management Act
PHASA	Professional Hunters Association of South Africa
PIT	Personal Income Tax
PMI	Purchasing Manager’s Index
PSSM	Private Sector Stakeholder Management
PT	Preferred Trader
PTP	Preferred Trader Programme
QA	Quality Assurance
QSE	Qualifying Small Entities
RAF	Road Accident Fund
RCBs	Recognised Controlling Bodies
RCG	Reporting of Conveyances and Goods
RE	Revised Estimate
RLA	Registration, Licensing and Accreditation
RSA	Republic of South Africa
RSN	Report of Suspected Non-compliance
SAAFF	South African Association of Freight Forwarders
SACU	Southern African Customs Union
SAIBA	South African Institute of Business Associations
SAICA	South African Institute of Chartered Accountants

SAPA	South African Payroll Association
SAPS	South African Police Service
SARB	South African Reserve Bank
SARS	South African Revenue Service
SCOF	Standing Committee On Finance
SCOPA	Standing Committee On Public Accounts
SDL	Skills Development Levy
SECOF	Select Committee On Finance
SIOL	SARS Intitution of Learning
SITA	State Information Technology Agency
SLA	Service Level Agreement
SMDP	Senior Management Development Programme
SMMEs	Small, Medium and Micro-sized Enterprises
SOC	Security Operational Centre
SOEs	State Owned Entities
SOPS	Standard Operating Procedure
SR	Social Responsibility
SRA	eSwatini Revenue Authority
SRA	Swaziland Revenue Authority
STC	Secondary Tax on Companies
SVDP	Special Voluntary Disclosure Programme
TAT	Turnaround Time
TCCs	Tax Clearance Certificates
TISA	Tobacco Institute of Southern Africa
TIWB	Tax Inspectors without Borders
TPS	Taxpayer Services
UIF	Unemployment Insurance Fund
UK	United Kingdom
UN	United Nations
UNCTAD	United Nations Conference on Trade and Development
UNSD	United Nations Statistical Division
US	United States
VAT	Value-Added Tax
VDP	Voluntary Disclosure Programme
WEO	World Economic Outlook
WCO	World Customs Organisation
WILP	Women in Leadership Programmes
WTO	World Trade Organisation

Our aspiration for our employees is to evolve our staffing model towards high value knowledge & service work and become an Employer of Choice with a high performing, engaged workforce

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