SOUTH AFRICAN REVENUE SERVICE

ANNUAL REPORT

2010 - 2011

South African Revenue Service

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MANDATE

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

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

MISSION

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

VISION

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

VALUES

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

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

CORE OUTCOMES

- Increased Customs Compliance
- Increased Tax Compliance
- Increased ease and fairness of doing business with SARS and
- Increased cost effectiveness, internal efficiency and institutional respectability.

3-YEAR STRATEGIC PRIORITIES

- Drive revenue realisation to deliver now and ensure sustainability
- Drive productivity, service quality and cost efficiency
- Fully deliver on SARS Customs mandate in a way that is aligned with government's stated intentions
- Clarify the SARS operating model, streamline governance and strengthen leadership
- Implement segmentation to strengthen SARS's business model
- Enable our people to perform at their peak and
- Deepen key external relationships to enhance reputation and results.

ABBREVIATIONS AND ACRONYMS

CAAT	Computer Assisted Auditing Technique
CEMIS	Compliance Evaluation and Monitoring Information System
CIT	Corporate Income Tax
CRE	Customs Risk Engine
DHA	Department of Home Affairs
EDI	Electronic Data Interchange
GAAR	General Anti Avoidance Rule
GDP	Gross Domestic Product
JCPS	Justice Crime, Prevention and Security
LRA	Lesotho Revenue Authority
MCS	Movement Control System
MTBPS	Medium Term Budget Policy Statement
NRF	National Revenue Fund
OECD	Organisation for Economic Co-operation and Development
OSBP	One Stop Border Post
PAYE	Pay-As-You-Earn
PCA	Post Clearance Audit
PDP	Personal Development Plan
PIT	Personal Income Tax
PMI	Purchasing Manager's Index
RAF	Road Accident Fund
SACU	South African Customs Union
SADC	Southern African Development Community
SDL	Skills Development Levy
SSA	Sub-Saharan Africa
STC	Secondary Tax on Companies
TAB	Tax Administration Bill
UIF	Unemployment Insurance Fund
VAT	Value-Added Tax
WCO	World Customs Organisation

PART 1

PERFORMANCE AND ORGANISATIONAL HIGHLIGHTS

Part 1 provides an overview of key performance and organisational highlights of the 2010/11 year, relating to revenue collected, progress made in increasing Tax and Customs compliance, modernisation, Human Resources and legislative actions

PART 2

PROGRESS AGAINST SARS 3-YEAR STRATEGIC PRIORITIES

Part 2 reports on the seven strategic objectives that SARS has identified to deliver on its mandate and reflects on the progress of its three-year deliverables as stated in the Strategic Plan of 2010/11

PART 3

PERFORMANCE INFORMATION

Part 3 gives a detailed account of SARS's performance against its measures as described in the Strategic Plan of 2010/11

PART 4

GOVERNANCE

Part 4 details SARS's governance structure, outlines SARS's corporate structure as well as governing bodies and forums

PART 5

FINANCIALS

Part 5 gives an account of SARS's financial wellness as at the end of the financial year ended 31 March 2011

TABLE OF CONTENTS

MESSAGE FROM THE MINISTER OF FINANCE

As we table the 2010/11 Annual Report of the South African Revenue Service (SARS) to Parliament we have much reason to be concerned about unfolding events in the world economy.

Global growth has strengthened since the 2008 financial crisis, but the pace of the recovery has slowed since the first quarter of 2011. At the time of tabling this Annual Report, the outlook for continued global growth remains sombre as risks from the US and Europe continue to encourage market volatility and uncertainty.

Current events arising from sovereign debt fears that confront countries in the Eurozone periphery, and the stringent fiscal consolidation measures being proposed in the US to curb its debt, portend an even weaker global economy than what we had anticipated at the beginning of 2011. In August the Bank of England announced a downward revision of expected growth in the UK economy.

As an open economy that is linked to global markets, especially through our commodities, South Africa may very likely feel the effects of the ill-winds battering the world economy. Despite the current uncertainty, it is important to sustain South Africa's growth trajectory by our commitment to fiscal and monetary policies that support growth.

The events in the Eurozone and in the US illustrate the dangers associated with allowing large fiscal imbalances to develop. For any country, sustainable debt management requires a combination of fiscal prudence, improved efficiency in government expenditure and sustained economic growth. Specifically, in the case of SARS, it also requires sustainable and reliable revenue collection.

South Africa has had the benefit of a revenue and customs administration with an exceptional record of revenue yield during periods of either economic growth or economic contagion. It has never been more important than now that we all support and strengthen SARS's efforts not only to collect tax, but to improve the levels of tax compliance in this country.

The revenue collected by SARS for the 2010/11 fiscal year served as an important indicator of our country's economic recovery from the 2009 recession. By 31 March this year SARS had collected R674.2 billion in tax revenue which was R2 billion higher than the target set in the February 2011 Budget.

Total revenue collected by 31 March 2011 represented nominal growth of R75.6 billion or 12.6% from the previous fiscal year. The strong revenue collection performance enabled us to reduce our budget deficit further from the 5.3% forecast in the February 2011 Budget to 5% of GDP in this fiscal year.

Lower tax revenues lead to higher debt. Higher debt leaves countries more exposed to capital market volatility. This is an especially considerable risk given the uncertainties in the global markets at the moment which may eventually lead to higher borrowing costs for highly indebted countries.

Our fiscal policy has served to insulate South Africa from the turbulence that afflicted many countries around the world. Although our borrowing requirements increased to R276 billion this year from R99 billion before the 2008 financial crisis, we managed to borrow more money on a sustainable basis due to higher revenue collections in the past. Unlike many other countries around the world, our current levels of debt is not debilitating our resources to spend or our ability to re-pay our debts.

The resilience of revenue collection by SARS had enabled the fiscal space for us to make correct and responsible policy choices. Even before the 2008 financial crisis, South Africa had taken the necessary measures to ensure the stability and soundness of its financial system and fiscal accounts. This enabled the country to weather the worst effects of the crisis when it hit.

SARS is required to collect R741.6 billion for the current fiscal year. Judging by the prevailing global uncertainty this revenue target may become a formidable challenge. SARS has a demonstrable record of meeting and exceeding revenue targets and I remain confident in the institution's capabilities.

As this Annual Report illustrates, more and more South Africans constitute a growing body of compliant taxpayers who diligently submit their annual tax returns on time. More taxpayers are also becoming aware that SARS, through its administrative reforms and its modernisation programmes, is becoming far better at detecting non-compliance with tax and customs laws and the non-disclosure of income.

I would like to thank SARS Commissioner Oupa Magashula, his executive and his management team for the remarkable work that SARS continues to do. I would also like to thank the 15 000 SARS employees for the dedication with which they continue to perform their duties.

Pravin Gordhan
Minister of Finance

The 2010/11 financial year was another milestone year for the South African Revenue Service which tested our resilience in the face of lingering economic pressure and continuing organisational change. While revenue collection remained under significant pressure following the unprecedented global economic recession, focus remained firmly on managing a critical and broad-reaching shift to a new operating model aimed at making SARS more efficient and effective. In addition, the ongoing modernisation agenda continued to result in wide scale changes throughout the organisation, which, while positioning SARS for productivity, service and compliance gains, required careful people, process and change management.

KEY ACHIEVEMENTS

Revenue

In the context of the economic challenges, SARS once again performed admirably. Revenue collection reached R674.2 billion in 2010/11 – R2 billion above the revised estimate and importantly R76 billion or 13% above revenue collection in 2009/10. Given the uneven and uncertain nature of the economic recovery, this revenue performance was particularly noteworthy.

It is significantly more demanding to meet revenue targets in an economic downturn or a moderately recovering economy than it is to exceed revenue targets during a high growth phase. In this regard, special initiatives and efforts by SARS played a significant role in this performance and the personal commitment and effort by employees during this period contributed significantly to us exceeding the target.

Furthermore, the cost of revenue collection (calculated by dividing the cost of internal operations by total tax revenue collected) – an important indicator of the efficiency of a revenue administration – has remained between 1.0% and 1.2% over the past 6 years, with the 2010/11 figure at 1.1% or 0.1% lower than the previous year indicating a trend back towards the 1% benchmark due to internal cost control and higher revenue.

Tax and Customs compliance

Tough economic environments usually result in a decline in compliance – however, SARS's compliance approach of educating taxpayers of their tax obligations, providing efficient service to the compliant while taking the appropriate enforcement actions to detect and deter non-compliant taxpayers and traders have helped to mitigate this trend.
Some key highlights from areas where this is evident include:

- A significant improvement in PIT on-time filing to almost 81% (from 58% in 2008/09) due in part to the introduction of the new administrative penalty regime and the ongoing improvements in service
- An 83% success rate in investigative audits (against a target of 75%), resulting in an audit yield of R3.9 billion. In addition, the volume of investigative audits has also increased to almost 6 500 in 2010/11
- A 79% uptake in electronic customs declarations by entities operating from SACU countries (against a target of 50%). This shift towards electronic processing of declarations has significant efficiency and risk detection benefits and
- A total of 23 580 seizures with a protected value of R994 million, including seizures in counterfeit cigarettes, counterfeit CDs and DVDs, clothing, drug cases and medicament.

Modernisation

The Modernisation programme remains the backbone of the transformation of SARS and 2010/11 was another landmark year with the following key highlights:

- Implementation of a new Customs risk screening system to enable more precise risk targeting and selection as well as to facilitate legitimate trade
- Reduction of the burden of manual data capturing in the VAT environment, building on the framework developed for PIT through eFiling
- Improved engagements with taxpayers and traders, through, for example, optimising the contact centres and the deployment of self-help channels and
- Implementation of a single registration capability for Tax and Customs to significantly improve the ease of doing business with SARS.

People

SARS's people remain a cornerstone of our success and sustainability and SARS has continued with the journey of creating an environment where people perform at their peak. Key initiatives, including an operating model realignment and leadership development have positively influenced overall levels of employee engagement.

Governance

Strong internal governance controls, supported by well-functioning Human Resources and Audit committees, allowed SARS to achieve an unqualified audit by the Auditor-General, the seventh in a row. At the same time, SARS has continued to champion a zero-tolerance approach to corruption, crime and maladministration, resulting in disciplinary action and dismissals against any employees in breach of conduct.

Legislative advances

On the legislative front, SARS has worked closely with all stakeholders to develop tax policy and new legislation including the draft Tax Administration Bill, the draft Customs Control Bill and the draft Customs Duty Bill which hold significant benefits for both the administration and our stakeholders. Furthermore, SARS has negotiated agreements for the avoidance of double taxation with eight countries, and implemented Tax Information Exchange agreements with nine countries.

Co-operative administration

In addition to its formal mandate, SARS has also taken a leading role in working with other government departments to assist in building capacity and sharing its knowledge and expertise within the broader government family. This included work in delivering – under remarkably tight deadlines – a world-class enhanced movement control system (goods and people) along with the Department of Home Affairs ahead of the 2010 World Cup. In addition, SARS is assisting the Government Pensions Administration Agency (GPAA) with its modernisation programme and is working with the Companies and Intellectual Property Commission in designing and implementing a new business registration process.

International engagement

Internationally, SARS continued its leadership of the African Tax Administration Forum (ATAF) through the role of chairperson of the ATAF Council and by hosting the interim ATAF Secretariat. ATAF has to date already attracted over 30 African countries as members and is a key forum for closer co-operation and engagement between revenue authorities on the African continent. In addition, SARS continued to play a key leading role in a number of international multilateral tax and customs forums including the Organisation for Economic Co-operation and Development (OECD) Forum for Tax Administration and the World Customs Organisation (WCO) where SARS's former head of International Relations, Erich Kieck has been seconded for five years following his election as the WCO head of capacity building in December 2010.

Conclusion

In what was another challenging year for revenue administrations globally, SARS continued to meet the high expectations of its stakeholders by delivering on its revenue mandate and continuing to grow its reputation as a highly respected, trusted and stable state institution, winning the overall prize for the most respected state entity at the second annual Public Service Excellence Awards.

These achievements belong to the 15 000 women and men of SARS who continue to serve with dedication, passion, integrity and an unwavering commitment to meeting the needs of the people of South Africa. I would like to thank the Minister of Finance, Pravin Gordhan, for his wise leadership, insightful guidance and unwavering support for SARS and its people as they perform their duties without fear or favour. Along with the Deputy Minister of Finance, Nhlanhla Nene, they are a source of strength and inspiration.

I would also like to thank the various parliamentary and other committees and consultative bodies for the encouragement and support they have provided to SARS in helping us to meet the challenges we face. Finally, our humble gratitude to the many millions of taxpayers in South Africa who, by paying their fair share, support our nation's continued growth and prosperity. Our success is ultimately their success.

Oupa Magashula
SARS Commissioner

Performance and organisational highlights

01

1.1 REVENUE

1.1.1 OVERALL REVENUE PERFORMANCE IN 2010/11

Budget estimates of tax revenue were formally set or adjusted three times for the 2010/11 fiscal year (i.e. in the February 2010 Budget, in October 2010 in the Medium Term Budget Policy Statement (MTBPS) and in the February 2011 Budget). Presented in Table 1 are the printed estimates, MTBPS estimates, and revised estimates.

Table 1: Budget estimates - 2009/10 and 2010/11

Estimate description	Date announced	2009/10 Estimate	Date announced	2010/11 Estimate
		R million		R million
Printed Estimate	February 2009	659 304	February 2010	647 850
Medium Term Budget Policy Statement (MTBPS) Estimate	October 2009	589 025	October 2010	679 200
Revised Estimate	February 2010	590 425	February 2011	672 200

Despite the uncertain nature of the economic recovery, SARS managed to overcome a number of challenges and on 31 March 2011 recorded revenue collections of R674.2 billion for the financial year 2010/11. This was R2 billion over the revised revenue target (R672.2 billion) and an exceptional achievement in revenue collections. SARS collected R75.5 billion (12.6%) more than the previous financial year.

Apart from the total tax revenue collected, Table 2 indicates the composition of tax revenue by tax product and compares actual performance to 2010 and 2011 budget estimates. Of the R2 billion surplus, the most significant contributor is Value Added Tax (VAT).

Table 2: Tax revenue performance for 2010/11 by product

Tax type	Budget estimate Feb 2010	Budget estimate Feb 2011	Actual result	Increase / decrease on Feb 2010 estimate	Increase / decrease on Feb 2011 estimate
	R million	R million	R million	R million	R million
Taxes on income and profits	377 716	380 080	379 941	2 225	-139
Persons and individuals	*225 676*	*229 189*	*228 096*	*2 420*	*-1 093*
Companies	*135 430*	*134 361*	*134 635*	*-795*	*274*
Secondary tax on companies	*16 500*	*16 500*	*17 178*	*678*	*678*
Other	*110*	*30*	*32*	*-78*	*2*
Value-added tax	164 000	181 335	183 571	19 571	2 236
Fuel levy	34 600	34 300	34 418	-182	118
Excise duties	24 250	22 900	22 968	-1 282	68
Customs duties	20 500	26 400	26 637	6 137	237
Skills Development Levy	8 424	8 420	8 652	228	232
Other taxes and duties	18 360	18 765	17 996	-364	-769
Total tax revenue	**647 850**	**672 200**	**674 183**	**26 333**	**1 983**

Budget revenue comprises tax revenue plus receipts from other state departments (non-tax revenue) excluding payments to Botswana, Lesotho, Namibia and Swaziland in terms of the SACU agreement.

Table 3 shows a breakdown of budget revenue.

Table 3: Budget revenue performance for 2010/11

Tax type	Budget estimate Feb 2010	Budget estimate Feb 2011	Actual result	Increase / decrease on Feb 2010 estimate	Increase / decrease on Feb 2011 Revised
	R million	R million	R million	R million	R million
Tax revenue	647 850	672 200	674 183	26 333	1 983
Non-tax revenue	10 380	12 254	12 699	2 318	445
Fines and forfeitures	4	4	0	-4	-4
Mineral and petroleum royalties	3 540	3 712	3 555	15	-157
Mining leases and ownership (previously incl in Tax Revenue)	1 000	900	860	-140	-40
*Other departmental revenue received at Treasury **	5 837	7 638	8 284	2 447	645
Less: SACU payments	14 991	17 891	17 906	2 914	14
Total budget revenue	**643 239**	**666 563**	**668 976**	**25 737**	**2 413**

Note: * *The figures for other departmental revenue received at Treasury are preliminary and unaudited*

The net revenue for 2010/11 increased from R594 billion in 2009/10 to R686.3 billion, a year-on-year variance of R92.3 billion (15.5%). Net revenue is derived from the tax revenue by removing the SACU payments and adding Unemployment Insurance Fund (UIF) and Road Accident Fund (RAF) receipts, as well as mining leases and ownership, provincial administration receipts, state fines and forfeitures collected by SARS as per Table 4 below.

Table 4: Net revenue - 2009/10 and 2010/11

Revenue	2009/10	2010/11
	R million	R million
Tax revenue	**598 705**	**674 183**
Add:		
Unemployment Insurance Fund (UIF)	10 538	11 099
Road Accident Fund (RAF)	11 997	14 501
Mineral and Petroleum Resource Royalties	-	3 555
Mining leases and ownership	633	860
State fines and forfeitures	2	0
Provincial administration receipts	37	19
Less:		
Southern African Customs Union (SACU)	27 915	17 906
Net revenue for the year *	**593 996**	**686 311**

**SARS Administered Revenue*

1.1.2 COMMENTARY ON REVENUE PERFORMANCE BY TAX TYPE

Personal Income Tax (PIT) comprises assessed and provisional tax as well as Pay-As-You-Earn (PAYE) paid by individuals (net of refunds). A total of R228.1 billion was collected against the revised target of R229.2 billion. The 2010/11 PIT collections contributed 33.8% of total revenue collections and is 10.5% higher than 2009/10 due to higher growth in PAYE on the back of above inflation wage settlements and despite significant job losses. Table 5 below shows the trend in PIT collections from 2005/06 to 2010/11.

Table 5: PIT revenue including interest - 2005/06 to 2010/11

Year	PIT	% Year-on-year change	% of tax revenue	% of GDP
	R million	%	%	%
2005/06	126 416	13.2%	30.3%	7.8%
2006/07	141 397	11.9%	28.5%	7.7%
2007/08	169 539	19.9%	29.6%	8.2%
2008/09	196 068	15.6%	31.4%	8.5%
2009/10	206 484	5.3%	34.5%	8.5%
2010/11	**228 096**	**10.5%**	**33.8%**	**8.3%**

Corporate Income Tax (CIT) comprises all provisional and assessed taxes paid by companies (net of refunds). A total of R134.6 billion was collected against a target of R134.4 billion. The 2010/11 CIT collections represents 20% of total revenue and is 1.7% lower than in 2009/10. Provisional tax from companies, which is the primary contributor to CIT collections, was subdued on the back of the lagged effects of the recession. Table 6 below shows the trend in CIT revenue from 2005/06 to 2010/11.

Table 6: CIT revenue including interest - 2005/06 to 2010/11

Year	CIT	% Year-on-year change	% of tax revenue	% of GDP
	R million	%	%	%
2005/06	87 326	21.9%	20.9%	5.4%
2006/07	120 112	37.5%	24.2%	6.6%
2007/08	141 635	17.9%	24.7%	6.8%
2008/09	167 202	18.1%	26.7%	7.2%
2009/10	136 978	-18.1%	22.9%	5.6%
2010/11	**134 635**	**-1.7%**	**20.0%**	**4.9%**

Sectors that showed positive growth in CIT revenue from 2009/10 levels were the mining (66%), insurance (32%), transport (22%), medical and health (15%), business services (15%), banking (14%) and wholesale and retail trade (5%) sectors. However, not all sectors showed positive growth in CIT revenue. For example, the construction industry fared worse than the previous year due to the lagged effects of the recession as well as the slow-down in infrastructure spending after the 2010 FIFA World Cup. A detailed breakdown of CIT revenue by sector is provided in Table 7.

Table 7: CIT revenue by sector - 2008/09 to 2010/11

Sector*	2008/09	2009/10	Growth	2010/11	Growth
	R million	R million	%	R million	%
Agriculture	2 106	2 301	9.3%	1 954	-15.1%
Mining	22 370	10 658	-52.4%	17 706	66.1%
Telecommunications	8 332	11 138	33.7%	8 969	-19.5%
Financial services	48 129	35 364	-26.5%	33 298	-5.8%
Banks	9 691	9 227	-4.8%	10 540	14.2%
Insurance	19 286	10 185	-47.2%	13 482	32.4%
Other financial services	19 152	15 952	-16.7%	9 277	-41.8%
Manufacturing	44 569	35 516	-20.3%	28 882	-18.7%
Petroleum	10 382	6 954	-33.0%	4 148	-40.4%
Other manufacturing	34 187	28 562	-16.5%	24 734	-13.4%
Wholesale and retail trade	14 717	14 287	-2.9%	14 985	4.9%
Business services	12 042	11 321	-6.0%	12 983	14.7%
Medical and health	1 914	3 327	73.8%	3 823	14.9%
Transport	3 140	2 885	-8.1%	3 505	21.5%
Construction	4 587	5 982	30.4%	4 062	-32.1%
Catering and accommodation	1 435	1 466	2.2%	1 344	-8.3%
Recreation and cultural	1 812	2 380	31.3%	2 423	1.8%
Other	2 049	353	-82.8%	699	98.0%
Total	**167 202**	**136 978**	**-18.1%**	**134 635**	**-1.7%**

Note: ** SARS-defined sector*

Secondary Tax on Companies (STC) is a tax on dividends declared by companies that are resident in South Africa. STC collections amounted to R17.2 billion and were above the February 2011 Budget estimate by R0.7 billion (4.1%) and R1.7 billion (11.1%) higher than the previous fiscal year. STC contributed 2.5% to tax revenue collected as indicated in Table 8.

Table 8: STC revenue - 2005/06 to 2010/11

Year	STC	% Year-on-year change	% of tax revenue	% of GDP
	R million	%	%	%
2005/06	12 278	64.0%	2.9%	0.8%
2006/07	15 291	24.5%	3.1%	0.8%
2007/08	20 585	34.6%	3.6%	1.0%
2008/09	20 018	-2.8%	3.2%	0.9%
2009/10	15 468	-22.7%	2.6%	0.6%
2010/11	**17 178**	**11.1%**	**2.5%**	**0.6%**

Value-Added Tax (VAT) is a tax levied on the supply of goods and services by registered vendors including imported goods and services. In principle, VAT refunds are made to a vendor if the VAT paid by the vendor to its suppliers (input tax) is greater than the VAT levied (output tax) by the vendor on goods and services supplied to its customers. VAT revenue collection performance is shown in Table 9.

Domestic VAT collections' year-on-year growth was subdued at 5.1% while VAT on imports increased by 16.9% relative to 2009/10. VAT refunds declined by 11.7% over the same period.

Net VAT revenue amounted to R183.6 billion against a target of R181.3 billion and contributed 27.2% of total tax revenue. Overall VAT collections increased by 24.1% relative to the previous year.

Table 9: VAT revenue - 2005/06 to 2010/11

Year	VAT	% Year-on-year change	% of tax revenue	% of GDP
	R million	%	%	%
Net VAT				
2005/06	114 352	16.5%	27.4%	7.1%
2006/07	134 463	17.6%	27.1%	7.3%
2007/08	150 443	11.9%	26.3%	7.2%
2008/09	154 343	2.6%	24.7%	6.7%
2009/10	147 941	-4.1%	24.7%	6.1%
2010/11	183 571	24.1%	27.2%	6.7%
Domestic VAT				
2005/06	125 756	14.2%	30.1%	7.8%
2006/07	144 884	15.2%	29.2%	7.9%
2007/08	171 619	18.5%	30.0%	8.3%
2008/09	187 171	9.1%	29.9%	8.1%
2009/10	195 050	4.2%	32.6%	8.0%
2010/11	205 029	5.1%	30.4%	7.5%
Import VAT				
2005/06	50 261	15.6%	12.0%	3.1%
2006/07	66 917	33.1%	13.5%	3.7%
2007/08	77 929	16.5%	13.6%	3.7%
2008/09	92 010	18.1%	14.7%	4.0%
2009/10	70 320	-23.6%	11.7%	2.9%
2010/11	82 189	16.9%	12.2%	3.0%
VAT refunds				
2005/06	-61 666	11.2%	-14.8%	-3.8%
2006/07	-77 338	25.4%	-15.6%	-4.2%
2007/08	-99 105	28.1%	-17.3%	-4.8%
2008/09	-124 838	26.0%	-20.0%	-5.4%
2009/10	-117 428	-5.9%	-19.6%	-4.8%
2010/11	**-103 646**	**-11.7%**	**-15.4%**	**-3.8%**

Customs duties refer to all duties paid on the importation of goods as determined by the different tariff codes under which goods are declared and cleared. Customs duties collections were slightly higher than the revised estimate, and increased by 36.1% compared to the previous fiscal year. Customs duties collection is shown in Table 10.

Table 10: Customs duties - 2005/06 to 2010/11

Year	Customs duties	% Year-on-year change	% of tax revenue	% of GDP
	R million	%	%	%
2005/06	18 303	42.0%	4.4%	1.1%
2006/07	23 697	29.5%	4.8%	1.3%
2007/08	26 470	11.7%	4.6%	1.3%
2008/09	22 751	-14.0%	3.6%	1.0%
2009/10	19 577	-14.0%	3.3%	0.8%
2010/11	**26 637**	**36.1%**	**4.0%**	**1.0%**

Revenue performance trends prior to the financial crisis indicate that the relative contribution of different taxes to the tax revenue portfolio has changed over the past six years, with the relative contribution of CIT changing from 20.9% in 2005/06 to 26.7% in 2008/09. The slump in CIT during and following the crisis distorted this trend, lifting the relative contribution of PIT and VAT at the expense of CIT which decreased to 20% in 2010/11. Table 11 provides a breakdown of the amounts collected during the period and the percentage contribution of the various taxes to total taxes collected and the percentage tax revenue to GDP.

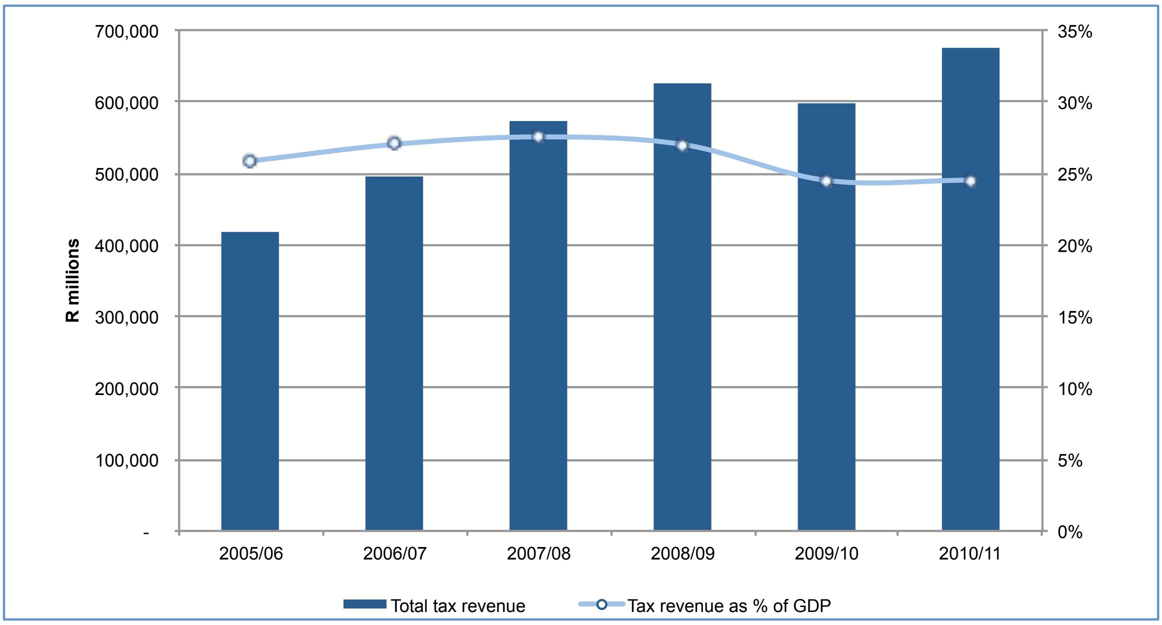
Table 11: Breakdown of revenue collected and contribution to tax revenue - 2005/06 to 2010/11

Year	PIT	CIT	STC	VAT	Fuel levy	Customs	Other	Total tax revenue	GDP*
	R million	R million	R million	R million	R million	R million	R million	R million	R million
2005/06	126 416	87 326	12 278	114 352	20 507	18 303	38 013	**417 195**	1 613 812
2006/07	141 397	120 112	15 291	134 463	21 845	23 697	38 744	**495 549**	1 832 761
2007/08	169 539	141 635	20 585	150 443	23 741	26 470	40 401	**572 815**	2 078 822
2008/09	196 068	167 202	20 018	154 343	24 884	22 751	39 834	**625 100**	2 312 964
2009/10	206 484	136 978	15 468	147 941	28 833	19 577	43 425	**598 705**	2 442 598
2010/11	**228 096**	**134 635**	**17 178**	**183 571**	**34 418**	**26 637**	**49 647**	**674 183**	**2 748 202**
	%	%	%	%	%	%	%	%	%
2005/06	30.3%	20.9%	2.9%	27.4%	4.9%	4.4%	9.1%	100.0%	25.9%
2006/07	28.5%	24.2%	3.1%	27.1%	4.4%	4.8%	7.8%	100.0%	27.0%
2007/08	29.6%	24.7%	3.6%	26.3%	4.1%	4.6%	7.1%	100.0%	27.6%
2008/09	31.4%	26.7%	3.2%	24.7%	4.0%	3.6%	6.4%	100.0%	27.0%
2009/10	34.5%	22.9%	2.6%	24.7%	4.8%	3.3%	7.3%	100.0%	24.5%
2010/11	**33.8%**	**20.0%**	**2.5%**	**27.2%**	**5.1%**	**4.0%**	**7.4%**	**100.0%**	**24.5%**

Note: * *Source: Q1-2011 GDP, Statistics SA.*

Tax revenue as a percentage of GDP remained steady relative to the previous year at approximately 25% (refer to Graph 1). This remains significantly less than the percentages achieved from 2005/06 to 2008/09, although other than the 2009/10 year, the year-on-year revenue collection figure has increased.

Graph 1: Total tax revenue compared to tax revenue as percentage of GDP - 2005/06 to 2010/11



1.1.3 TAX RELIEF AND RATES

The benefits of tax reforms over the last few years manifested in R56.4 billion in net tax relief granted to the South African public across various tax products between 2005/06 and 2010/11. Table 12 sets out the tax relief over this period with negative values indicating relief to the taxpayer and positive numbers showing an increase in tax obligation.

Table 12: Summary effects of tax proposals - 2005/06 to 2010/11

Year	Direct				Indirect				Total relief
	PIT	CIT	Other	Total	Excise	Fuel levy	Other	Total	
	R million	R million	R million	**R million**	R million	R million	R million	R million	R million
2005/06	-7 110	-2 000	-1 477	**-10 587**	1 310	950	-1 054	**1 206**	**-9 381**
2006/07	-12 125	-2 400	-440	**-14 965**	1 370	-	-5 532	**-4 162**	**-19 127**
2007/08	-8 870	-2 785	-3 000	**-14 655**	1 395	950	-90	**2 255**	**-12 400**
2008/09	-7 700	-7 400	-	**-15 100**	1 350	1 250	* 2 000	**4 600**	**-10 500**
2009/10	-13 550	-1 000	-	**-14 550**	2 100	4 890	* 2 985	**9 975**	**-4 575**
2010/11	**-5 400**	**-1 350**	**-**	**-6 750**	**2 250**	**3 600**	**450**	**6 300**	**-450**
Total	**-54 755**	**-16 935**	**-4 917**	**-76 607**	**9 775**	**11 640**	**-1 241**	**20 174**	**-56 433**

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

Maximum marginal tax rates remain mostly unchanged for all the categories, except for CIT where a 1% reduction came into effect from 1 April 2008 and STC, which was reduced to 10% as from 1 October 2007. This illustrates that growth in tax revenue was achieved by economic growth and increase in compliance, as opposed to an increase in the tax rate.

Table 13: Maximum marginal tax rates - 2005/06 to 2010/11

Period	PIT*	CIT	STC	VAT	RFT**
	%	%	%	%	%
01 Apr 2005 – 28 Feb 2006	40.0%	29.0%	12.5%	14.0%	18.0%
01 Mar 2006 – 31 Mar 2006	40.0%	29.0%	12.5%	14.0%	9.0%
01 Apr 2006 – 28 Feb 2007	40.0%	29.0%	12.5%	14.0%	9.0%
01 Mar 2007 – 30 Sep 2007	40.0%	29.0%	12.5%	14.0%	**0.0%**
01 Oct 2007 – 31 Mar 2008	40.0%	29.0%	**10.0%**	14.0%	0.0%
01 Apr 2008 – 31 Mar 2009	40.0%	**28.0%**	10.0%	14.0%	0.0%
01 Apr 2009 – 31 Mar 2010	40.0%	28.0%	10.0%	14.0%	0.0%
01 Apr 2010 – 31 Mar 2011	**40.0%**	**28.0%**	**10.0%**	**14.0%**	**0.0%**

Note: **An individual's tax year starts on 1 March and ends at the end of February the subsequent year.*

*** Tax on retirement funds*

1.1.4 COST OF REVENUE COLLECTION

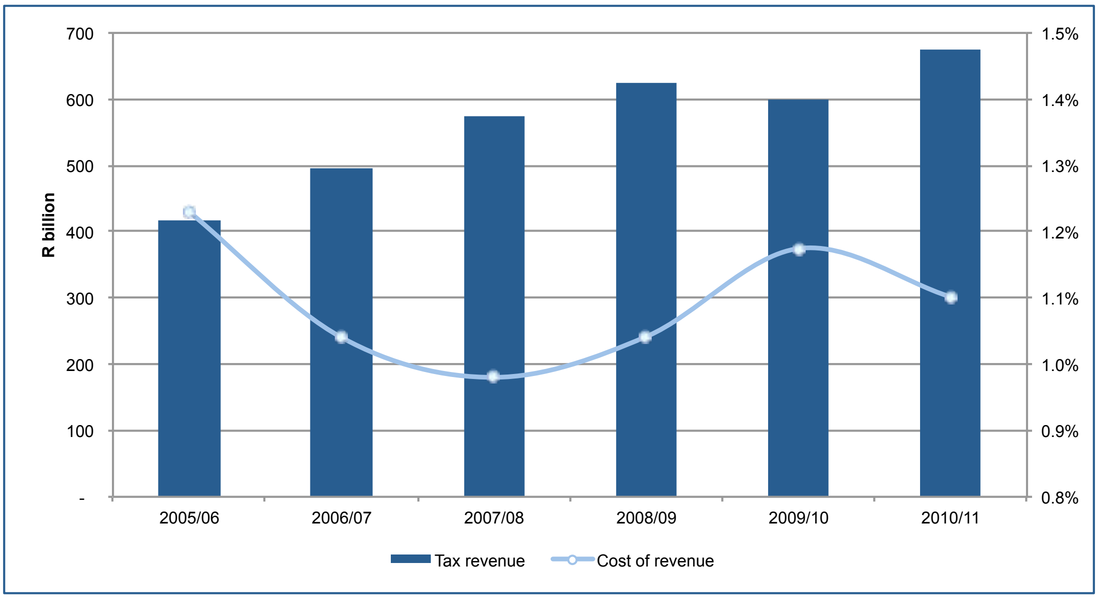
The cost of revenue collection is an important indicator of the efficiency of the collecting authorities for comparative purposes across various countries. This ratio is calculated by dividing the cost of internal operations by the total tax revenue. Over the past years, the cost to revenue collection ratio varied between a low of 1.0% to a high of about 1.2%. For the 2010/11 fiscal year this rate was 1.1% (Table 14).

Table 14: Cost of revenue collection - 2005/06 to 2010/11

Year	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11
	R million	R million	R million	R million	R million	R million
Tax revenue	417 195	495 549	572 815	625 100	598 705	674 183
Operating cost	5 135	5 156	5 615	6 511	7 032	7 426
	%	%	%	%	%	%
Cost to tax revenue ratio	1.2%	1.0%	1.0%	1.0%	1.2%	1.1%

SARS's cost of revenue collection remained in a band of 1.0% to 1.2% indicating that costs have been contained while more revenue has been collected as per Graph 2 below.

Graph 2: SARS's cost of revenue collection - 2005/06 to 2010/11

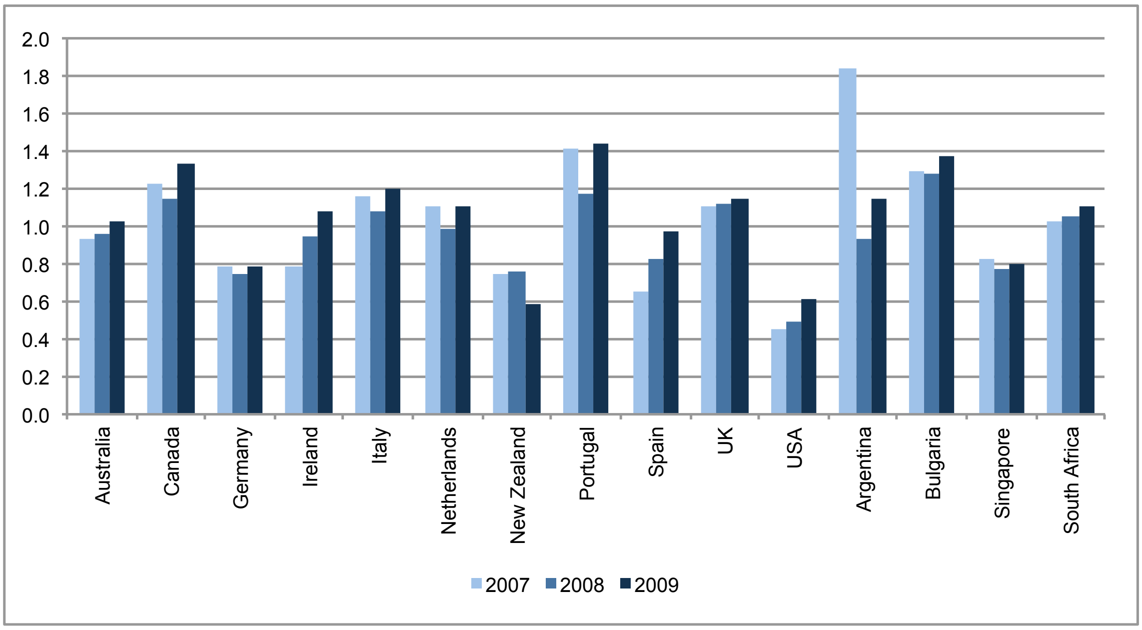


SARS does not only collect tax revenue but collects monies on behalf of other institutions such as the Road Accident Fund (RAF) and Unemployment Insurance Fund (UIF). It also collects some non-tax revenue and recently the mineral and petroleum royalties. When taking this administered revenue (rather than tax revenue) into account, the ratio is around the 1% mark.

In the OECD's publication on Comparative Information Series (2010), the total revenue collections (i.e. administered revenue) is used to calculate the cost of revenue ratio. Most countries' ratio ranges around 1%, with the USA at a low of around 0.5% and Canada, Portugal and Bulgaria ranging around 1.2%.

Graph 3 shows a comparison of selected countries' ratios.

Graph 3: Comparison of aggregate administrative costs to net revenue collections - 2007 to 2009



Source: *OECD - Comparative Information Series (CIS) 2010*

1.2 TAX COMPLIANCE

SARS's compliance model is premised on three necessary components to encourage desired taxpayer and trader behaviour:

- Taxpayers must know what is expected of them and how to comply (Education)
- SARS must make it as easy and as cost effective as possible for taxpayers to be compliant (Service) and
- SARS must ensure that there is a credible and visible ability to detect and punish non-compliance (Enforcement).

SARS executes this model with integrity and fairness to taxpayers as it is a value-based institution that strives for revenue sustainability.

1.2.1 REGISTRATION: BROADENING THE OVERALL SARS TAX BASE

Tax compliance is measured accross all steps of the SARS value chain, from registration to filing declaration and payment.

Tax base broadening activities consist of ensuring that those entities not registered for tax are registered. SARS pursued increased registrations in a variety of ways including education, outreach and enforcement initiatives.

Through the successful application and implementation of these compliance initiatives, the overall SARS tax and trader register reflects an average positive growth of 48% (refer to Table 15). The number of individuals registered for Income Tax has increased dramatically, from 5.9 million taxpayers in 2009/10 to 10.6 million taxpayers in 2010/11 – a 80% growth. This is primarily due to the new employer filing process, where SARS seeks to register all individuals with an IRP5, regardless of income level. This way, SARS aims to track individuals who may not be eligible to pay tax now, but will become eligible in future.

A 10% growth in registered companies negated a marginal decrease in Trusts, VAT and PAYE registrations. Customs registrations recorded a 4% increase.

Table 15: Tax register

Registered Taxpayers and Traders	2008/9	2009/10	2010/11	% Growth
Income Tax	7 766 915	8 131 422	13 076 052	60.81%
Individuals	5 540 646	5 920 612	10 671 221	80.24%
Trusts	392 260	331 954	326 649	-1.60%
Companies	1 834 009	1 878 856	2 078 182	10.61%
Value Added Tax	737 885	685 523	664 267	-3.10%
Pay-As-You-Earn	393 974	395 575	386 428	-2.31%
Customs	422 636	439 065	456 138	3.89%
Importers	228 350	229 442	238 779	4.07%
Exporters	194 286	209 623	217 359	3.69%
Total Register	**9 321 410**	**9 651 585**	**14 582 885**	**47.71%**

1.2.2 FILING

PIT filing on time

The improvement in filing compliance from 2008/09 to 2010/11 has been dramatic. On-time filing increased from 58% in 2008/09 to the current level of 80.7% in 2010/11 during the filing season. This increase is attributed to two factors. Firstly, the introduction of the new administrative penalty regime with a proportionate penalty system for outstanding returns have meant greater consequences for taxpayers who do not comply with filing requirements. In addition, the improvements in service, particularly with regard to eFiling have made it easier for taxpayers to comply with the filing requirements and timelines. Over 95% of taxpayers submitted their PIT tax returns electronically via the eFiling and the branch-front end channel.

Other highlights of the PIT filing season included:

- SARS was able to assess 2.7 million returns within 24 hours – 18% more than in 2009
- 79% of refunds issued by SARS were paid within 48 hours
- The SARS call centre handled a record number of more than 3 million calls during the tax season
- During the last week of the 2010 tax season, the call centre answered 217 784 calls compared to 117 546 the previous year and
- On the final day of the tax season the call centre answered a new record total of 49 795 calls which translates to over 4 000 calls per hour

Administrative penalties

During the 2010/11 financial year a total of 80 886 taxpayers against whom SARS levied administrative penalties, have subsequently submitted their outstanding returns. This also amounted to financial gain of approximately R191.7 million in penalties. In addition to this, 46 939 taxpayers have submitted returns, but have not paid the penalties at this time. SARS will continue to make every effort to collect these outstanding amounts to ensure that the highest level of compliance is achieved. For the taxpayers who have not advised SARS of their change of address and fall into the pool of taxpayers who have outstanding returns for 2007, 2008 and 2009, an additional administrative penalty was levied for the non-compliance.

VAT filing on time

The proportion of VAT returns received on time has remained relatively steady over the past three years, at approximately 57% (Table 16).

Table 16: VAT returns received on time

Financial Year	Returns on Time	Returns Required	Returns on Time (%)
2008/09	2 537 815	4 332 653	58.6%
2009/10	2 455 759	4 269 064	57.5%
2010/11	2 350 304	4 098 283	57.4%

The compliance rate among vendors filing electronically is significantly higher than that of manual filers. Over the past three financial years, approximately 85% of electronic filers have submitted their VAT returns on time. This submission method is fast becoming the preferred means for taxpayers to file their returns. In 2008/09, a third of vendors preferred to file electronically, while in 2010/11, this grew to almost half of vendors (Table 17).

Table 17: Proportion of VAT manual filers to electronic filers

Financial Year	Proportion of manual vat filers required to file	Proportion of VAT electronic filers required to file
2008/09	68%	32%
2009/10	60%	40%
2010/11	52%	48%

PAYE filing on time

The number of PAYE returns (EMP201s) filed on time has remained relatively steady over the past three years. PAYE compliance (Table 18) does however remain slightly above that of VAT (refer to Table 17).

Table 18: PAYE Returns (EMP201s) received on time

Financial year	Returns on Time	Returns required	Returns on time (%)
2008/09	2 672 609	4 365 895	61.22%
2009/10	2 802 978	4 456 321	62.90%
2010/11	2 694 744	4 533 092	59.45%

The number of employer reconciliation forms (EMP501s) submitted by employers declined slightly from 259 394 in 2009/10 to 227 082 in 2010/11. This was mirrored by the number of IRP5s submitted, which also declined from 15 480 322 in 2009/10 to 12 267 765 in 2010/11.

The uptake of taxpayers toward eFiling has been steadily increasing, as seen with VAT. In 2010/11, eFiling overtook manual submissions as the preferred channel of submission, where more than half of returns required have been issued to taxpayers registered as electronic filers.

Table 19: Proportion of PAYE manual filers to electronic filers

Financial year	Proportion of manual PAYE filers required to file	Proportion of electronic PAYE filers required to file
2008/09	61.1%	38.9%
2009/10	51.1%	48.9%
2010/11	48.0%	52.0%

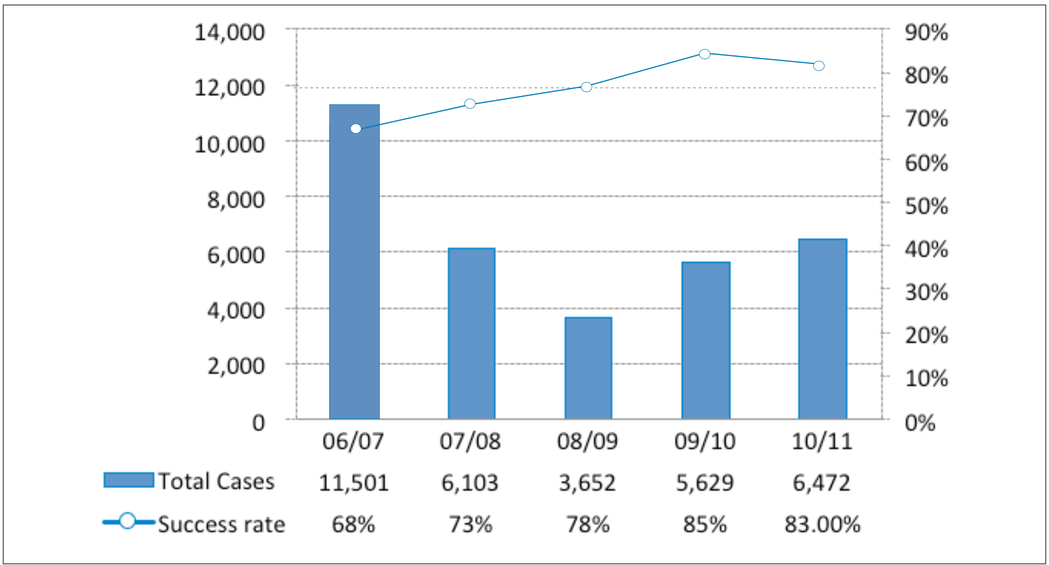
1.2.3 DECLARATION: AUDIT PERFORMANCE

Audit coverage

The total audit cases completed for the year amounted to 79 631, which is 2% above the annual target of 78 000. Investigative audits increased too, from 5 629 cases in 2009/10 to 6 472 cases in 2010/11.

The hit rate on investigative audits for 2010/11 was 83% against the annual target of 75%. This impressive performance is attributed to improved case selection, use of audit tools (incl. computer assisted audit techniques) and hiring of top-end auditors for improved governance (Graph 4 below). In addition, the approach used was one of an equitable coverage model in respect of segments, tax types, sectors, types of non-compliance and geographical areas which proved to be a working solution as this allowed a risk-based approach to audit case selection. The number of interventions was determined by the compliance level of the segments and informed by historical analysis and identified risk.

Graph 4: Success rate of investigative audit cases



Audit yield is measured through cash collected on assessments raised plus reduced refunds (savings). The achievement of R3.9 billion – 32% above target – was largely due to a major emphasis on VAT refunds due to an increase in fraudulent transactions detected. These concerted efforts resulted in the favourable reduction in refunds as reflected in Table 20 below. Some of the major findings exposed by the audit ranged from fictitious input claims (fraudulent invoices identified via third party verification with suppliers), businesses found not to exist following physical inspections and double claiming of invoices and amounts "incorrectly" transposed on returns (e.g. additional digits added to amounts).

Table 20: Total audits yield

Annual performance	Target (R)	Actual (R)	% Variation
Debt Collected on assessments raised	1 000 000 000	876 617 276	-12%
Savings (Reduced Refunds plus Assessed Losses)	2 000 000 000	3 083 560 732	54%
Total	3 000 000 000	3 960 178 008	32%

1.2.4 PAYMENT: TAXPAYER ACCOUNTS

Unaudited outstanding debt (receivables) and credits (payables) are shown in Table 21. New debt has in the past been included in debt numbers, however, as this debt is not yet effectively due, it is now excluded in the numbers. A distinction between established debt and uncertain debt is also made. Uncertain debt is recognised as debt that is under objection, appeal or dispute as well as debt over four years old. Account maintenance and tax return data errors impact on both debt and credit books, and in future – through modernisation of taxpayer account management – SARS envisages taxpayers managing their own accounts leaving SARS to deal with debt collection. The magnitude of changes required is enormous and will take a number of years to complete. In parallel, SARS is exploring the policies used by other international tax agencies regarding debt write-off and provisioning.

Table 21: Taxpayer accounts

UNAUDITED OUTSTANDING DEBT (RECEIVABLES) AS AT 31 MARCH 2011		
	31 March 2011	31 March 2010
Segmentation	R	R
Established debt		
Active cases	48 104 028 097	44 175 208 429
Address unknown	654 576 597	489 864 328
Estates	6 872 306 699	5 914 134 684
Total established debt	**55 630 911 393**	**50 579 207 441**
Uncertain debt		
Objections	2 058 886 378	47 797 707
Appeals	12 302 392 975	4 756 251 020
Debt under dispute	14 361 279 353	4 804 048 726
Debt older than 4 years	10 253 375 289	16 490 385 888
Taxpayers no longer operational	5 847 335 178	7 603 430 119
Total uncertain debt	30 461 989 820	28 897 864 734
Total outstanding debt	**86 092 901 212**	**79 477 072 175**
Comprising:		
Capital	53 282 589 150	54 045 933 506
Penalty and additional tax	11 702 648 742	5 241 753 109
Interest	21 107 663 320	20 189 385 561
Total debt	**86 092 901 212**	**79 477 072 175**
Administered Tax analysis		
Income Tax	36 337 034 641	35 983 402 823
Individuals & Trusts	17 134 078 597	17 486 839 095
Companies	19 202 956 044	18 496 563 728
PAYE	15 540 012 042	14 579 012 173
VAT	26 473 376 228	21 120 128 203
STC	2 668 392 691	3 223 509 734
SDL	1 405 518 362	980 878 826
UIF	2 264 532 320	1 718 045 077
Diesel	49 176 024	33 749 816
Customs Duties	1 354 858 906	1 838 348 523
Total debt	**86 092 901 212**	**79 477 075 175**
Movement analysis		
Debt at beginning of year	79 477 075 175	61 576 946 579
New inflow	282 937 380 306	200 140 996 918
Reduction	276 321 554 269	182 240 868 322
Adjustments and Collections	272 236 700 545	178 089 209 412
Write offs	4 084 853 723	4 151 658 910
Debt at end of year	**86 092 901 212**	**79 477 075 175**

UNAUDITED OUTSTANDING CREDITS (PAYABLES) AS AT 31 MARCH 2011		
	31 March 2011	31 March 2010
	R	R
Administered Tax analysis		
Outstanding Credits (Payables)		
Income tax	13 677 095 305	14 068 580 218
STC	1 855 868 568	1 065 682 664
PAYE	5 898 070 000	8 105 747 043
Total Credits	6 982 946 855	15 663 501 828
Unallocated Payments	4 184 578 639	
Returns not received	5 269 455 494	7 557 754 785
VAT	27 047 223 395	17 657 744 075
Total Credits	31 659 506 202	23 282 478 147
Returns not received	4 612 282 807	5 624 734 072
SDL	415 961 607	449 644 547
Total Credits	571 859 034	815 123 315
Returns not received	155 897 428	365 478 768
UIF	498 462 743	503 721 320
Total Credits	679 213 323	946 480 354
Returns not received	180 750 579	442 759 034
DIESEL	411 806 953	321 963 164
Total Credits	411 851 243	321 963 164
Returns not received	44 290	
Total Credits	**49 804 488 571**	**42 173 083 031**

1.3 CUSTOMS COMPLIANCE

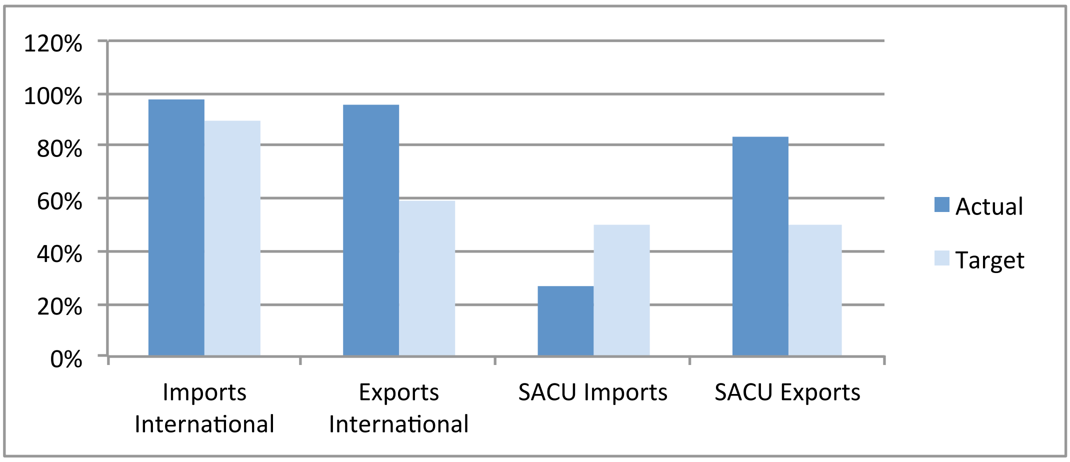
1.3.1 CUSTOMS TRADE OPERATIONS

Electronic Declaration Uptake (EDI)

During 2010/11 SARS had regular engagement with key stakeholders in the trade environment and issued numerous communications on the importance of registering for electronic submission of bills of entities and cargo manifests in order to speed up processing and facilitate trade. This active client engagement was very effective and resulted in the targets for EDI uptake for international exports, imports and SACU exports being exceeded as highlighted in Graph 5 below.

EDI uptake for SACU imports remains low. This is because of customs legislation not allowing foreign entities that are not registered to do business in South Africa, to register as an importer or exporter. It is therefore not possible for these clients to become EDI compliant. Only if legislation is amended can this target be improved.

Graph 5: Electronic Declaration Uptake



Risk and regulatory audits

SARS collected R765 million through post clearance audits in 2010/11 which was R265.3 million in excess of the target of R500 million. This was achieved through accurate risk profiling and improved planning. Furthermore, a 56% success rate was achieved during post clearance audits on cases encompassing either invalid tariffs and valuations (risk audits), and a 49% success rate was achieved through post clearance audits pertaining to customs storage and manufacturing warehousing (regulatory audits). The success rates achieved were significantly higher than the target of 30%.

Preferred Trader (PT)

The preferred trader initiative is part of the customs modernisation agenda which was initiated during 2010. The selection criteria for the pilot audit were based on the government's strategic priorities and high volume traders which aimed to achieve the following objectives:

- Develop policies and standard operating procedures for Customs Audit and the preferred trader as part of developing the overall platform for trader Management and Segmentation
- Develop an enhanced customs audit capacity and client account management
- Improve effectiveness of internal process and
- Measure trader compliance levels.

At the financial year-end a total of 125 client engagements were concluded, 49 audits were finalised and 39 clients were recommended for preferred trader accreditation status. The majority of clients that were engaged with have welcomed the initiative and are showing high level of commitment to the process.

1.3.2 CUSTOMS AND BORDER MANAGEMENT

The FIFA 2010 World Cup was held in South Africa between 11 June 2010 and 11 July 2010. A total of R1.9 billion worth of goods were imported and facilitated through nine ports of entry via the relevant rebate provision. During the current year, R1.7 billion worth of these goods have been exported thus far. An amount of R380.9 million in duties and VAT was rebated, and R40 million was collected through ongoing post clearance audits. In support of SARS's strategic objective aimed at improving security at ports of entry and in preparation for the 2010 FIFA World Cup, the organisation embarked on a drive to recruit and train a total of 625 Customs and Border Control Unit Inspectors. This investment proved to be very effective in facilitating customs clearance at ports of entry, enforcing compliance within the FIFA zones, and increasing the number seizures of counterfeit and illicit goods during and after the FIFA World Cup event.

In combating illicit trade practices, the Customs and Border Control Unit conducted a significant number of interventions (i.e. passenger, baggage and parcel searches, rummages, roadblocks, cargo exams, patrols). The interventions resulted in a number of successful seizures. Below is a summary of key seizure results:

- 5 384 contraband cigarettes Master Case (10 000 sticks), with protected value estimated at R93 million
- 102 counterfeit cigarettes Master Case (10 000 sticks), with protected value estimated at R843 941
- 803 082 counterfeit CDs and DVDs, with protected value estimated at R9.5 million
- 752 793 clothing (pieces), with protected value estimated at R483 million
- 200 drug cases amounting to R34.5 million
- 2 340 medicament cases amounting to R11.7 million

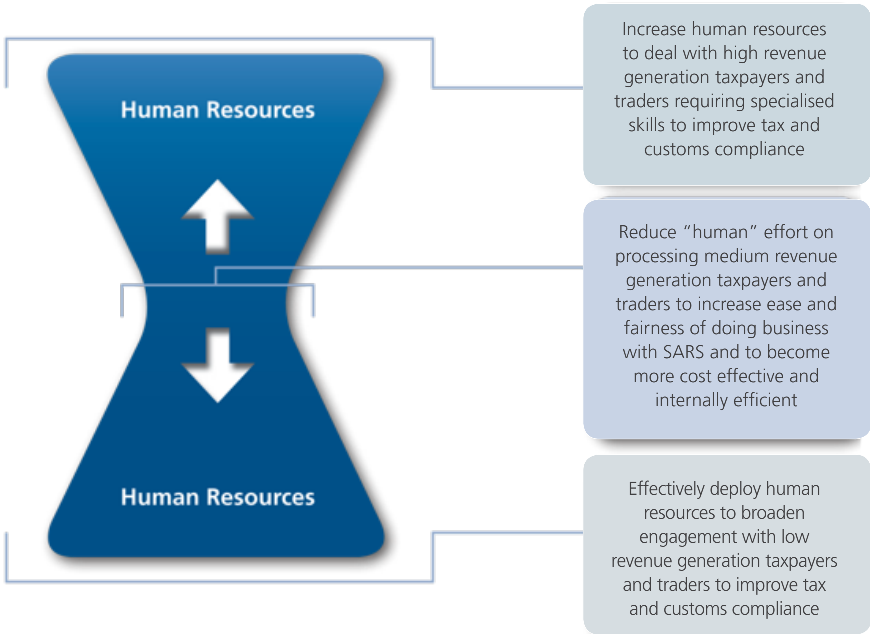
In total there were 23 580 seizures for the year with the protected value of around R994 million. This achievement is quite a significant increase in the number of seizures when compared to the previous years. That can be largely attributed to significant movements in illicit trade of cigarettes, counterfeit goods and cash seizures that make up approximately 86.5% of the total movement.

1.4 MODERNISATION

In early 2007, SARS embarked on an ambitious and far-reaching modernisation programme to lay the foundation for sustainable future performance. The modernisation programme was built on three strategic pillars:

- Developing a new, differentiated operating model for SARS with enhanced core operational capacity which would free resources to allow SARS to improve taxpayer and trader service, enhance risk detection and enforcement while managing increasing volumes more efficiently and effectively
- Delivering on additional government priorities (e.g. enhanced border protection) while maximising synergies with our core tax and customs systems and
- Strengthening the organisational foundation (including leveraging technology) to ensure sustainable delivery.

The modernisation approach is summarised in the figure below:



The effective use of technology is explicit in the modernisation agenda. Examples of these are the introduction of eFiling and automated reconciliation of PAYE records and Personal Income Tax (PIT) returns. These initiatives serve to both speed up the execution of standard processes as well as to relieve staff of routine tasks, to enable the deployment of staff to areas where their skills and knowledge could add more value, such as engagements with individual taxpayers and traders and the assessment of complex tax returns.

Implicit in the above approach is the recognition that modernisation is not simply about the introduction of technology. Interventions are needed to deepen SARS's understanding of taxpayer behaviour and how compliance can be facilitated optimally. Coupled with this is the need to fundamentally re-engineer the business processes in order to simplify the way we do business and to ensure staff are adequately trained to enable them to cope with new demands.

To follow are some of the areas where SARS has made significant progress towards the modernisation objectives during the past 12 months.

1.4.1 CUSTOMS MODERNISATION

The SARS Customs modernisation programme consists of a holistic set of objectives. These include:

- Improving trade compliance through improved risk management and segmentation

- Improving trade facilitation to reduce the burden on trade through electronic transactions, integrated processes and creating an improved service model for clients
- Improving border security, and SARS's regional and international role in facilitating secure trade through adopting leading edge practices in line with World Customs Organisation standards and
- Improving internal business processes to significantly increase productivity and service levels to traders

A Customs Risk Engine (CRE) was implemented to help deliver against these objectives. This, coupled with the concerted effort to drive up electronic submissions of declarations, has improved risk management in Customs whilst reducing the administrative burden on the trade. As an example of this, a specific project to promote trader segmentation has been realised, and once all the legal requirements are met, this new method of managing trade will formally come into effect.

Traders that are granted 'Preferred Trader' status will have demonstrated a greater assurance of their compliance and will be rewarded with greater service benefits that aim to cut the costs associated with trade and increase the competitiveness of key industrial segments. The segmentation approach enables SARS to minimise transactional interventions on trusted clients and shift its focus of compliance testing into the area of post movement audits. This enables scarce inspection resources to be freed up to provide greater focus on tracking illicit trade at our borders, thereby supporting government's industrial policy by protecting key industries from unfair competition.

Interventions deployed as part of the Customs modernisation programme are detailed below.

A dynamic, automated approach to screening and targeting declarations (Customs Risk Engine)
The Customs Risk Engine (CRE) is at the forefront of the Customs battle against fraudulent trade and has given SARS the ability to move from being a gate keeper (stopping as many consignments as possible) to a risk manager (targeting specific consignments with a higher hit rate).

The CRE was redesigned so that it enables more precise risk targeting and selection and drives better operational efficiency and output. This ensures that cargo that is stopped for inspection has a higher probability of being non compliant. This reduces the time and resources deployed on legitimate traders and shifts focus towards enforcing the compliance of illegitimate traders.

Essential to the improved processes mentioned above is the enhancement to the Customs Risk feedback loop. The introduction of this feedback loop enables SARS to dynamically refine its risk strategies for the customs environment. The practical impact of this is that the risk engine can now more confidently take over the declaration targeting process of Customs.

A re-engineered, robust inspection process
The export inspection process underwent re-engineering to ensure that it complied with the enhanced method of declaration processing. The practical implications of this re-engineering are far reaching - it aids with the elimination of corruption in that inspectors are no longer responsible or allowed to select the cases that they work on. This makes it very difficult for illicit traders to collude with potentially corrupt officials. The benefits realised are two-fold, internally to SARS mainly from a productivity and integrity perspective and secondly to traders, due to unnecessary and repetitive stops being decreased.

Fundamental to the re-engineering effort is the 'get-next work item' concept. This concept was pioneered in the tax environment and is now replicated for the customs environment. Coupled with the risk engine refinement of cases as previously mentioned, this initiative ensures that Customs inspectors are exempted from the selection of declarations for inspection process, as all selected cases are routed to a pool where an automatic selection occurs, to prevent possible collusion between illicit traders and officials.

Valuation based targeting of undervalued imports for textiles and other industries
Customs will increasingly focus on textile and other imported products campaigns that specifically target undervalued imports. This was prompted by an ailing local textile industry (as well as other similar industries) and will be achieved by analysing historical data gathered over a number of years to identify potentially risky consignments. These consignments will be targeted for very close scrutiny and will only be released following a comprehensive approval process, including comparing the declared value of the goods with an approved list of prices contained in a valuation database.

Replacement of the SARS Customs legacy system

In the 2009/10 SARS Annual Report, it was stated that the 'Replacement of the Customs legacy back office systems is the cornerstone of the Customs modernisation programme'. In delivering on this objective, SARS has continued to invest in the development of the software platform through the business of its wholly-owned subsidiary company Clidet 967 (Pty) Ltd. This system will be fully compliant with World Customs Organisation standards and World Trade Organisation guidelines. The implementation of this system will ensure that SARS possesses a world class Customs administration system, not only for the benefit of its own operations but for that of other administrations in Africa and globally.

As a significant part of the Customs modernisation programme, delivery of some modules has taken place and SARS is engaging in the process of a phased implementation. Bearing in mind the relatively small size of the subsidiary, as well as the role it plays within the overall Customs strategy, the overall reporting was included as an integral part of the SARS overall planning, risk and governance processes during the year.

The past financial year had been an exciting one for Clidet, since the SARS acquisition created the stability to focus on the primary goal which is to develop a world-class Customs Management System (CMS) which in turn provides the core for engineering the SARS customs modernisation solution.

Clidet also has a fully operational installation in Luxembourg where the system forms the backbone of the Luxembourg Customs Authorities. During 2010/11 Clidet was further contracted and delivered additional software subsystems to support the strategic expansion of Luxembourg Customs. This installation provides Clidet with a live, integrated, European based reference site.

The South African Government and SARS have the strategic objective to support the facilitation of trade with its neighbours. In fulfilment of this objective, Clidet engaged, with the support of SARS, with those SACU and SADC countries expressing an interest in the Clidet solution.

1.4.2 OPERATIONS, PIT, PAYE AND VAT MODERNISATION

In May 2007, SARS embarked on a programme to transform the income tax process from a complex, paper-based and labour-intensive process to a simplified, automated and electronic one. The motivation behind this endeavour was two-fold, namely to reduce the cost to taxpayers to comply with the relevant laws and to cost-effectively enhance the ability of SARS to ensure the compliance of taxpayers.

Significant progress has been achieved over the past three years resulting in dramatic improvements in processing turnaround times, improvements in service levels and increased efficiencies and has released SARS resources to focus on higher value-adding activities.

Further improvements to the income tax process for individuals together with enhancements to the PAYE process have been realised in 2010. Simultaneously the modernisation programme has commenced with the modernisation of the Corporate Income Tax (CIT) and Value-Added Tax (VAT). Some of the key highlights during this year were:

- The development and promotion of eFiling as an online electronic channel was an integral component of the modernisation strategy. Over the past three years, SARS has been able to increase the number of registered eFiling users from about half a million at the end of 2006 to just over six million at the end of March 2011 – a twelvefold increase.
- This growth in electronic submission has helped SARS to continue to improve its service to taxpayers as reflected in the results of assessments issued within 24 hours of submission. During the 2009 tax season, 2.3 million returns were assessed within 24 hours. This volume increased by 18% in tax season 2010 to 2.7 million returns. This rapid turnaround allowed SARS to refund eligible taxpayers in record time. During tax season this year, SARS paid R11.9 billion in refunds to individual taxpayers compared to R10.5 billion last year – a 13% increase. Of these refunds, 79% were paid within 48 hours of assessment. This means that the vast majority of taxpayers who were due a refund received it in their bank accounts less than three days after submitting their returns.
- SARS has also enabled taxpayers and employers to complete and submit returns at a SARS branch through the Branch Front End (BFE). This eliminates the need for back-office processing and capture of paper-based returns. This channel has proven popular from a taxpayer service perspective – during the most recent tax season, 38% (or 1.7 million) of individual tax returns were submitted using this method.

- The popularity of electronic channels has resulted in a significant drop in the number of paper returns submitted to SARS for processing and by March 2010 the number of paper returns had already been reduced to 8% (or 345 000) of individual income tax return submissions for that year. By March 2011 the number of paper returns submitted to SARS for processing has almost halved to 4.2% (or 186 000) returns.

Interventions deployed as part of this programme are detailed below.

Empowering of Employers with new PAYE system capability to manage their own tax affairs
SARS introduced several tools to empower employers to manage their tax affairs, including the capability to provide employers with a holistic overview of their reconciliation submission. Any discrepancies between their monthly declarations, payments, and/or reconciliation submissions are highlighted automatically. This new electronic capability has been successful in enabling employers to correct payment allocations and erroneous account transactions that would otherwise reflect as outstanding liabilities and debts on their accounts.

Increased capability for electronic record keeping
The SARS bulk scanning capability was introduced in 2007 as one of the first SARS modernisation components and initially only processed selected requests and returns for individuals. Since then, the capability has been expanded to now include income tax and provisional tax returns, PAYE returns, dispute applications, and it serves as a mechanism for supporting documents submitted by taxpayers to be digitised and electronically attached to cases.

The project is now focused on enabling SARS to commence the back scanning of taxpayer files which will alleviate the storage and filing costs SARS incurs for archiving paper taxpayer records and files. In addition, scanning of these records make it more efficient to store, backup across sites and it becomes more readily accessible to SARS staff and call centre agents working on associated cases. This first stage of the back scanning project is being piloted at SARS offices in Cape Town. Based on the outcome and lessons learnt, the implementation will later be expanded to other SARS sites.

Enhancement of the employer submission process (Employer Filing Season 2011)
For the first time, the employer's IRP5 submission process was enhanced to include the augmentation of core data such as ID numbers, banking details and the creation of specific data in conjunction with Unemployment Insurance Fund (UIF) and Skills Development Levy (SDL). This also included the release of a new version of the e@syFile™ application suite to further assist employers in making their PAYE declarations. Ahead of the employer filing season 2011, the current PAYE financial reconciliation submission process has been enhanced to assist employers to reconcile their payroll tax liabilities, payments and income tax certificates issued. In addition, desktop software was also provided to those employers that were unable to work online.

Enhancement of VAT returns (VAT modernisation)
The first deliverables for VAT modernisation were implemented and they leverage the framework that was developed for PIT previously. A modernised VAT201 return was introduced and assists vendors with automatic calculations of totals and upfront validations and has been made available to vendors completing their March 2011 VAT submissions. This return is now supported by the scanning solution, and for the first time manually submitted VAT returns will be digitised, reducing the burden of manual data capture substantially. In addition, several account and payment changes were implemented to empower vendors to better manage their VAT account.

1.4.3 SERVICE MODERNISATION

Interventions deployed as part of this programme are detailed below.

Improved contact centre experience for taxpayers
A primary focus of this initiative is to ensure that all telephonic engagements with clients are recorded. This is specifically relevant to track commitments made by clients in respect of acknowledgement of debt and payment arrangements. Other enhancements include ensuring a consistent taxpayer experience with SARS as far as knowledge is concerned and providing enhanced ease of access to agents at the contact centres through ensuring a high availability of skilled agents.

SARS is committed to continuously improve the contact centre capability and new systems have been introduced to reduce operational support and system administration costs, to follow best practices for optimum performance, maintainability and reliability, allow for greater flexibility with regard to functionality and future development and to provide platform scalability.

Enhance the quality of responses from agents to taxpayers

SARS deployed a Knowledge Base to provide answers to Frequently Asked Questions (FAQs), information, scripted responses and easy access to Tax and Customs knowledge for its agents to provide consistent and quality feedback to its clients. Along with this, a feedback mechanism was implemented to constantly improve first contact resolution through minimising inappropriately or inaccurately referred cases. These interventions contributed to a decrease in turnaround time and an improvement in service levels at both branches and call centres.

Optimised self help channels for taxpayers

A dynamic Interactive Voice System (IVR) has been implemented with the intention to provide callers with the ability to receive customised self-help menus. In 2010/11, additional menu options for customs and border management, excise and tax practitioners were added. Further functionality that was added included penalty enquiry, request for provisional tax forms and declarations. As part of SARS's contribution to South Africa hosting the 2010 FIFA World cup, it also provided a dedicated response line for foreign visitors.

Dynamic failover

This is the mechanism to seamlessly transfer calls and agents between contact centres in the event of a failure. This enhancement has served SARS well in the cases of network and power outages to dynamically and seamlessly switch between sites.

Blended Contact Centre

Blended Content Queuing was introduced to effectively manage inbound and outbound calls for optimised load balancing within the call centres. This capability ensures that all agents' productivity is optimised by prioritising taxpayers and traders calls when volumes are high, and using spare capacity to conduct outbound campaigns. More than 900 000 outbound calls were conducted in the last few weeks of the filing season to collect outstanding returns and money.

1.4.4 THE SUPPORT PROGRAMME

Improved Taxpayer and Trader Accounts

The intention of this project is to provide a single account per taxpayer or trader, which will host all taxes applicable to the owner of this account. It is further meant to assist with all relevant administration, accounting and statutory requirements, thereby reducing the administrative burden on the taxpayer and trader.

Single Registration capability for taxpayers and traders

The Single Registration project deals with the implementation of a single registration capability for Tax and Customs. The solution design takes into consideration the "Single Business Register" strategy which is being incorporated into the design. The initial focus will be on implementing a single registration capability to register all legal entities initially focusing on a common process for the Tax (PAYE initially) and Customs products. This is expected to significantly improve the ease of doing business with SARS.

1.5 HUMAN RESOURCE

The people of SARS are its defining feature. SARS has realised that its leaders and employees are the indispensible driver of performance and key differentiators in achieving the SARS mandate. SARS has continued with the journey of creating an environment where its people perform at their peak. Key initiatives such as the operating model realignment, leadership and skills development have positively influenced the overall levels of employee engagement.

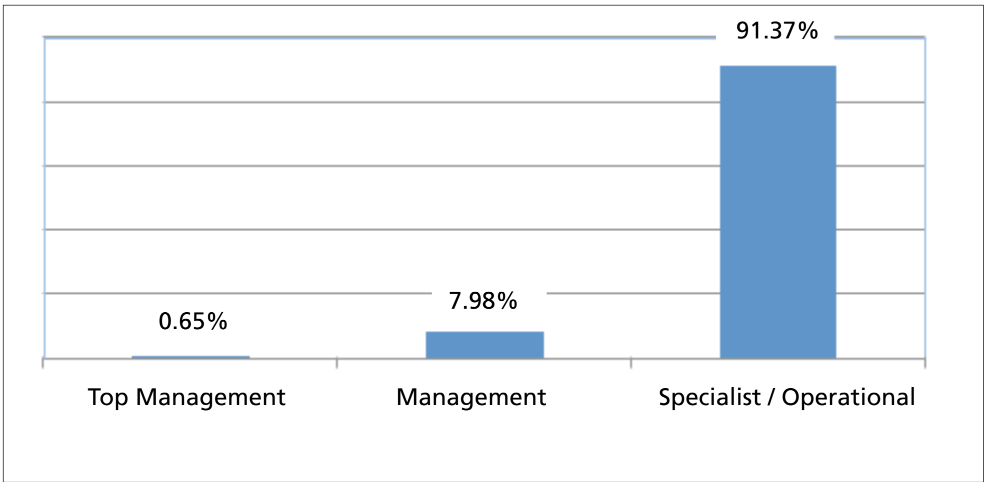
Overall, the SARS head count is relatively constant. Table 22 provides comparative staff numbers at the end of each financial year over the past four years.

Table 22: SARS employee head count:

	31 March 2008	31 March 2009	31 March 2010	31 March 2011
Permanent Employees	14 548	14 751	14 738	14 967
Temporary Employees	496	556	525	329
Employees Total (incl. Temps)	**15 044**	**15 307**	**15 263**	**15 296**

SARS's employee head count at the end of March 2011 is 14 967 (excluding temporary employees), with the bulk of the workforce at specialist and operational levels as illustrated in graph 6.

Graph 6: Workforce level distribution - 31 March 2011



The majority of SARS employees (59.66%) are between the ages of 30 and 45, whilst 31% of employees are younger than 30 years. Overall, the current workforce has an average tenure of 11 years in SARS.

Table 23 below indicates the overall workforce profile relating to employment equity in each of the occupational levels.

Table 23: Workforce profile relating to Employment Equity

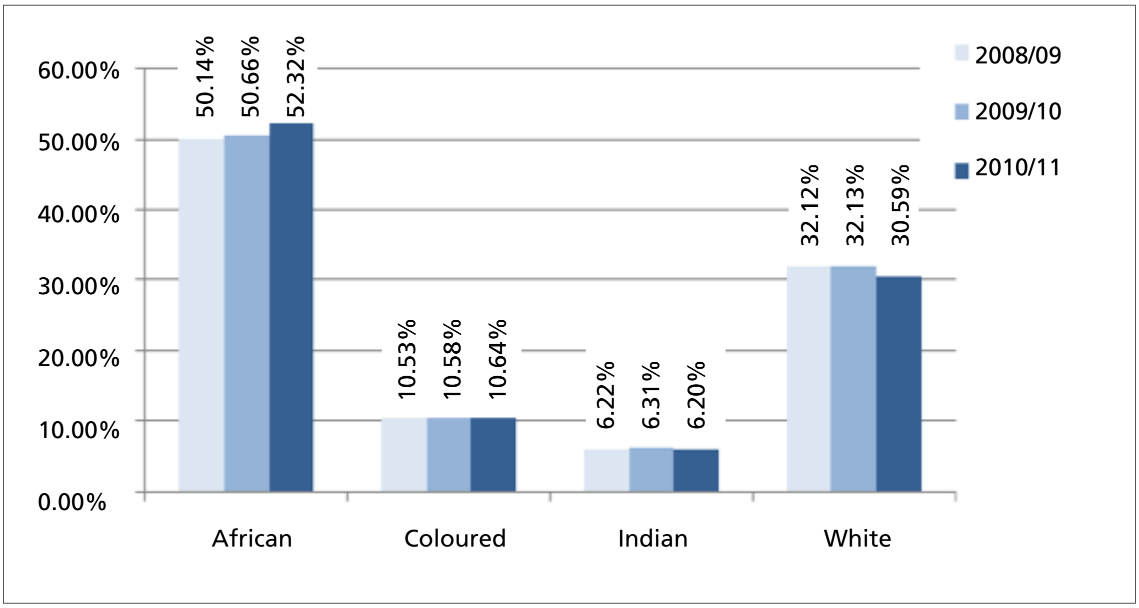
Occupational Levels	Designated*							Non Designated			
	Male			Female				White Male	Foreign Nationals		Total
	A	C	I	A	C	I	W		M	F	
Top Management	7	3	3	3	2	-	2	9	1	-	30
Senior Management	287	57	102	174	33	68	227	308	4	2	1 262
Professionals	470	94	94	407	91	92	336	324	8	1	1 917
Skilled and Junior	2 131	358	188	2 828	595	303	2 090	585	7	7	9 092
Semi-Skilled	365	76	21	942	254	57	626	64	2	5	2 412
Unskilled	73	12	-	144	18	-	-	7	-	-	254
Total	**3 333**	**600**	**408**	**4 498**	**993**	**520**	**3 281**	**1 297**	**22**	**15**	**14 967**

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

Occupational levels	Explanation
Top Management	Grade: 9 to10 represents SARS Commissioner, Chief Officers and Group Executives
Senior Management	Grade: 7 to 8B represents managerial positions with the following job titles: Executive, Senior Manager, Manager and Specialist
Professionals	Grade: 6 represents Operational Specialists and Team Leaders
Skilled and Junior	Grade: 0 and 4 to 5 represents Graduate Trainees and Functional Operators
Semi-Skilled	Grade: 2 to 3 represents Support Staff
Unskilled	Grade: 1 represents General Assistants

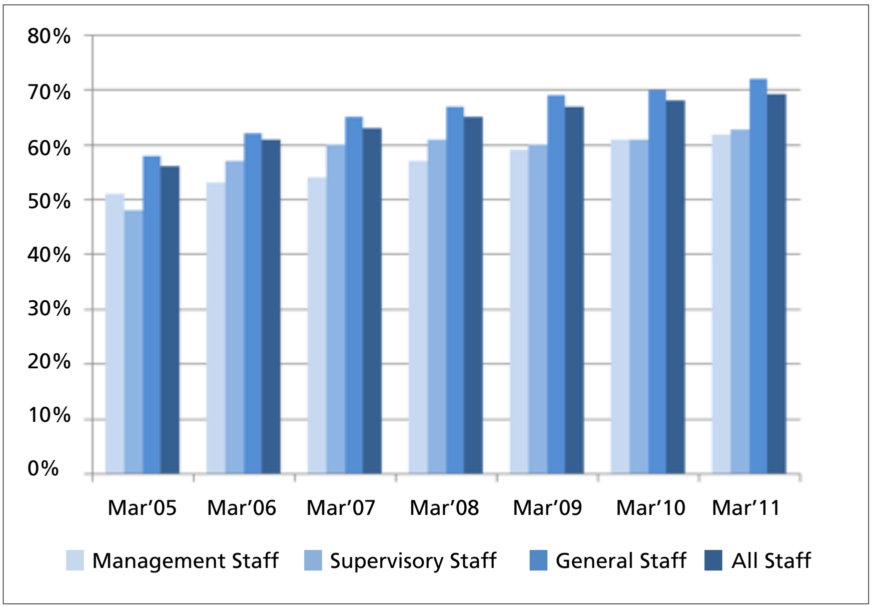
The total SARS head count by race is reflected in Graph 7 below:

Graph 7: SARS Racial Profile



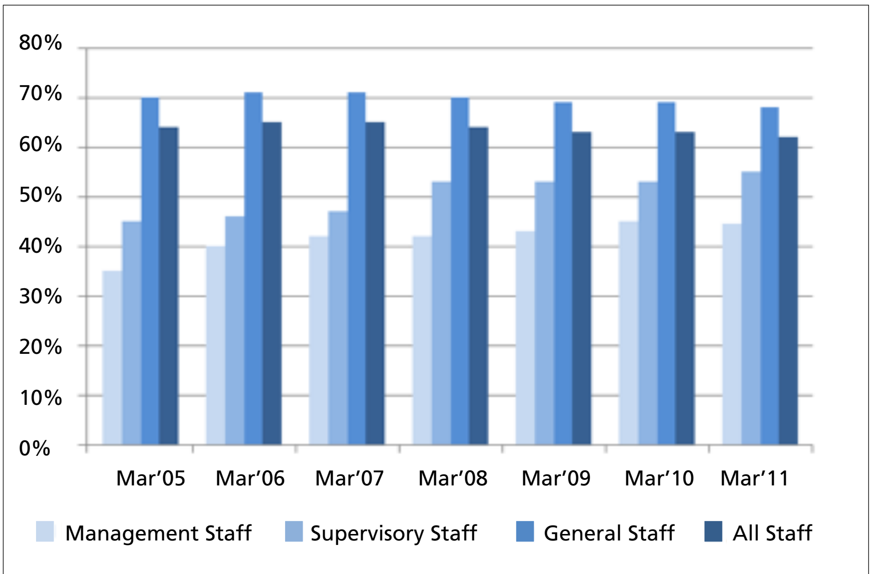
The evolution of African, Coloured and Indian representation in SARS by level is illustrated in Graph 8 below.

Graph 8: African, Coloured and Indian representation as % of total workforce



The overall female representation in SARS is comparatively stable. SARS's aim is to create a gender balance at management levels. The female representation at managerial levels remained unchanged at 45%.

Graph 9: Female representation as % of total workforce



The number of employees with disabilities is currently 2.13%, which is above the guideline of 2% set by government.

SARS subscribes to the principle of freedom of association as provided by the Labour Relations Act and as such, 78.65% of employees belong to officially recognised labour unions. SARS was able to prevent any form of industrial action for the year under review, despite the repeated strike actions within the public service, especially around the FIFA Soccer World Cup period.

SARS supports a comprehensive health and wellness programme that provides employees with an assistance programme, occupational health services and chronic disease management. The health of SARS employees, represented by an absenteeism rate of 2.3%, is well within the international norm of 1.5% to 4%, as sick leave is well managed and the indirect financial cost of sick leave is minimised.

1.6 LEGISLATIVE ACTIONS

SARS worked closely with the National Treasury in developing Tax Policy ultimately reflected in the:

- Taxation Laws Amendment Act, 2010 (Act No.7 of 2010) and
- Voluntary Disclosure Programme and Taxation Laws Second Amendment Act, 2010 (Act No. 8 of 2010)

These were promulgated on 2 November 2010.

In addition, SARS developed the following legislation:

- The Draft Tax Administration Bill (TAB). This draft Bill was circulated for a second round of comments and a workshop was held with external stakeholders
- The Draft Customs Control Bill and Draft Customs Duty Bill as part of the Customs re-write project. These draft Bills were circulated for a second round of public comments and
- Publishing 19 rules and 17 Tariff Amendments in terms of the Customs and Excise Act, 1964

SARS negotiated agreements for the avoidance of double taxation with eight countries and Tax Information Exchange Agreements with nine countries at official's level.

In order to deal with applications in terms of the Voluntarily Disclosure Programme introduced in 2010, the Voluntary Disclosure Unit commenced its activities early November 2011. Until 31 March 2011 more than 1 000 applications have been received, mostly on income tax matters.

During the year clarity was provided on the interpretation of the tax laws administered by SARS by way of:

- Issuing of interpretation notes/brochures on new/contentious areas of legislation
- Finalisation of draft documents which were previously issued for public comment
- Updating of interpretative tax policy documents (including brochures) previously issued to ensure that they are current and reflecting SARS's position correctly and
- Issuing of 45 binding private and binding class rulings on future transactions as well as a substantial number of binding VAT Rulings.

Some of these documents are listed in Table 24 below:

Table 24: New and updated interpretative tax policy documents

Interpretative tax policy documents finalised or new documents issued for public comment	Existing interpretative tax policy documents updated by SARS
• Draft Interpretation Note: Income Tax Exemption: Bodies corporate established under the Sectional Titles Act 95 of 1986, share block companies established under the Share Blocks Control Act 59 of 1980 and associations of persons	• Comprehensive and quick guides to advance tax rulings
• Guide on the Disposal of Residence from a Company or a Trust	• Guide on ring-fencing of losses
• Interpretation Note: Trading stock distributed or disposed of other than in the ordinary course of trade	• Comprehensive Guide to Secondary Tax on Companies (STC)
• Interpretation Note on the Brummeria case and the right to use loan capital interest free	• VAT 404 Guide for Vendors
• Interpretation Note: Remission of interest levied on the late payment of VAT	• VAT 409 Guide – Fixed Property
• Draft Interpretation Note: Sale of shares clarifying the new section 9C of the Income Tax Act relating to circumstances in which amounts received/accrued on the disposal of listed shares are deemed to be of a capital nature	• VAT 419 Guide – Municipalities
• Draft Guide on the Taxation of Professional Sports Clubs and Players	• Update of Interpretation Note No. 55 – Taxation of employees on vesting of equity instruments
• Interpretation Note on the Tax Treatment of Losses on the Disposal of Depreciable Assets	• Update of Interpretation Note No. 31 – Documentary proof required to substantiate the zero rate
• Recreational Club Guide	• Update of Interpretation Note No. 33 – Assessed Losses: Companies
• Draft Interpretation Note: Additional deduction for learnership agreements under section 12H	

SARS finalised 136 revenue and customs litigation cases during this period as per table 25 below:

Table 25: Breakdown of revenue and customs litigation cases up to 31 March 2011:

Summary of Revenue appeal cases up to 31 March 2011	
Tax Court	Quantity
Won	10
Lost	8
Conceded	13
Settled against SARS	1
Settled in favour of SARS	54
Withdrawn	19
Tax Court Total cases	**105**
High Court	**Quantity**
Won	1
Lost	1
Withdrawn	1
High Court Total cases	**3**
Supreme Court of Appeal (SCA)	**Quantity**
SCA Appeal Won	3
SCA Appeal Lost	1
SCA Total cases	**4**

Summary of total Customs Litigation cases up to 31 March 2011	
Magistrate Court	Quantity
Won	1
High Court	**Quantity**
Won	11
Lost	1
Settled against	2
Settled in favour of SARS	3
High Court Total cases	**17**
Supreme Court of Appeal (SCA)	**Quantity**
SCA Appeal Won	2
SCA Appeal Lost	4
SCA Total cases	**6**

During the financial year, SARS achieved a success rate of on average 65% in litigation cases (revenue and customs).

A total of 357 cases were also dealt with at Head Office level through the alternative dispute resolution process.

Progress against SARS's 3-year strategic priorities

02

2.1 DRIVE REVENUE REALISATION TO DELIVER NOW AND ENSURE SUSTAINABILITY

2.1.1 ASPIRATION

- To consistently increase voluntary compliance across a broader taxpayer/trader base, through institutional insight generation and targeted outreach, education, service and enforcement interventions, to collect all revenues due.
- Enhance focus on enforcement to respond to the increased risk of non-compliance given the current economic climate, to increase revenue flows and further strengthen voluntary compliance in the medium term.

2.1.2 PROGRESS AGAINST 3-YEAR DELIVERABLES

A. Detailed understanding of compliance levels (voluntary and enforced) across the major areas in the taxpayer and trader lifecycles, developed through focused research and analysis

In order to deepen SARS's understanding of detailed taxpayer compliance levels, the Compliance Evaluation and Monitoring Information System (CEMIS) was conceived. CEMIS is used to measure compliance levels, i.e. non-compliance tax and Customs indicators, macro-economic indicators and public opinion indicators. In its end state, CEMIS will be able to measure taxpayer compliance levels across major tax types, taxpayer/trader segments, elements of the taxpayer value chain (i.e. from registration through to filing, declaration and payment) and industries, geography and size and nature of business.

While the initial development of this system has focused on VAT and PAYE, over the next few years, the scope of CEMIS will continue to be expanded. The data and reports for PIT and CIT indicators are already in the process of being tested and validated and are expected to be complete in the next few months. Customs and macro-economic indicators have also been identified, and a process will need to be put in place to measure and track these indicators on an ongoing basis. Taxpayer surveys are being commissioned to measure, track and monitor public opinions on compliance.

B. Increased voluntary compliance through implementation of a comprehensive compliance framework of targeted responses in education, service and enforcement, based on insight into taxpayer behaviour and compliance levels

In response to this issue, SARS developed a comprehensive risk management framework (which addressed both Enterprise and Compliance risk management). The Compliance Risk Committee oversees the effective operation of the organisation's compliance risk management framework, process and activities. This Committee aims to address the fragmented management of compliance risk, and the lack of overall oversight. As both a decision making and oversight body, the Committee has the authority to make decisions regarding the execution of the organisation's compliance risk management strategies that are executed through the organisation's border management, enforcement, administration, and taxpayer compliance activities.

Going forward, the Compliance Risk Committee will be regularly informed of the types of compliance risks that are being managed by the organisation, how these risks are manifesting, impact of these risks on revenue, compliance, reputation, economy and society. Inputs into these discussions will be data and insight-driven, helped by outputs from the CEMIS system and in-depth analysis conducted by relevant teams. This Committee will then help guide the various units to mitigate the risks in their area and across the Enterprise.

C. Strong central revenue forecasting and management capability built to analyse, identify and manage emerging revenue opportunities consistently, through rigorous processes and tools

Three analytical models were enhanced in 2010/11 to inform in revenue forecasting and analysis. These models are:

- Trend analyses model – this model uses year-on-year actual collection patterns (by tax type, by office and by sector)
- Arima Model – this model takes a long term view and primarily considers business cycles and structural breaks in the economy
- Regression Model – this model develops the relationship between macro-indicators (e.g. GDP growth, wage bills, operating surplus), domestic demand and tax revenue.

The results of these models are continuously tested – both against actual collections, as well as between the models. A 2% tolerance is applied to the results to ensure the highest possible accuracy levels.

The focus over the next few years will be twofold. Firstly, the revenue forecasting capability will be further strengthened by the development of a fourth model - the Micro-simulation model. The Micro-simulation model adopts a bottom-up approach to revenue forecasting, based on localised economic data. The outputs of this model will not only be important to SARS, but will also inform government's fiscal framework and local initiatives (e.g. health care, job creation sector incentive schemes, etc). SARS has been invited to an international micro-simulation conference in Sweden, where initial findings from this model will be presented. Secondly, insights generated from these models will need to be integrated even further into operational planning, to help SARS focus its resources on areas where it can expect maximum possible return.

D. Streamline audit and Customs inspection processes and strengthen SARS's audit capability to deal with complex cases and serious taxpayer and trader non-compliance

Acquittal of customs documentation has historically been a manual exercise. The declarations submitted by an importer were manually reconciled with the manifests submitted by the shipping lines. The manual nature of this process, as well as the high volumes of transactions involved, resulted in a situation where only up to 20% of transactions were acquitted and between five to seven days were required to process declarations.

The shift from a manual, paper-intensive environment to an automated and paper-less environment has enabled declaration processes to be reduced from approximately five days to as short as a couple of seconds. The initial focus has been on the import business, and the aim was to transfer these transactions onto the Electronic Declaration Interchange system (EDI).

SARS audit has developed the new audit architecture in line with the SARS modernisation programme. The architecture differentiates audits in two categories, Low volume, High risk, High impact – Big 'E' and High volume, Low risk – little 'e'. In addition, SARS has also completed highly complex cases during this year with large assessments totalling billions of rands. Furthermore, SARS has commenced an international joint audit with the Her Majesty's Revenue and Customs (HMRC) which will serve as a test case for the OECD project on joint audits. New audit systems (e.g. SASS, Pastel, Forensic labs, etc.) have been introduced to improve efficiencies and risk detection.

E. Re-engineer our debt collection processes

SARS's focus in 2010/11 involved addressing account maintenance challenges in an effort to 'clean up' the debt book of 'phantom' cases, to ensure that the debt collectors focused on debt that was valid and collectible.

Debt management will, in 2011/12, be a significant focus of the modernisation agenda. In line with this increase in focus, more detailed and frequent reporting approaches for debt have been developed encompassing both the credit and the debit books.

F. Expand the administration of penalties for non-compliance

The administrative penalty regime was revamped to introduce the concept of proportionality, i.e. the penalty amount levied on non-compliant taxpayers and traders would be in proportion to the degree of the transgression. Under this new penalty regime, penalties range between R250 – R16 000, and the penalty amount would escalate based on the time period taken for the taxpayer or trader to move from being non-compliant to being fully compliant. In addition, the system to levy penalties on non-compliant taxpayers and traders was also automated. The South African public was regularly informed of the impending changes to the penalty regime, through various media releases and statements released by SARS.

G. Expand the use of third party data, time-series taxpayer history and statistical scoring methodologies to enhance our compliance risk detection and rating capabilities for PIT, PAYE, CIT, VAT and Customs

The use of third party data to verify self-assessments by taxpayers and to perform risk profiling is a growing trend in international tax administrations. Third party data has several uses, including the pre-population of tax returns, as inputs into a risk-profiling engine, and even at border posts to profile incoming and outgoing travellers. Sources of third party data range from financial institutions, employers, credit bureaus to other government agencies (e.g. the Department of Home Affairs). SARS has had access to third party data, however, this data was not sufficiently robust or in the format that would aid in-depth analyses on individual taxpayers.

PIT was the initial focus area, and prior to 2010/11, pre-populated tax returns were sent to individual taxpayer focusing on the individual's demographic and Income data. In 2010/11, focus shifted onto pre-populating additional fields on the individual's tax return. This incremental improvement approach to pre-population will continue and in 2011/12 interest earned on bank accounts is expected to be the next addition to the pre-populated fields for tax returns.

2.2 DRIVE PRODUCTIVITY, SERVICE QUALITY AND COST EFFICIENCY

2.2.1 ASPIRATION:

Deliver cost-efficient, consistent and reliable service to all taxpayers and traders, with top quartile performance against appropriate benchmarks, e.g. tax and customs authorities world-wide.

2.2.2 PROGRESS AGAINST 3-YEAR DELIVERABLES

Fully implemented enterprise capability management system that tracks and drives productivity across all key areas.

The key focus in year one has been the baseline of processes, as well as a capacity baseline, which is currently in progress. Electronic volume drivers have been identified and SARS is in the process of automating the identified drivers to support the capacity and process baselines. Additionally, the team has begun focusing on identifying key performance measures against the base-lined operational processes.

Redefined and implemented service philosophy, service charter and channel strategy that meets taxpayer/trader needs.

SARS has made significant strides in improving the service provided to taxpayers and traders through its modernisation programme. There is a need to revamp the current service philosophy and service charter standards to bring them in line with these new service levels, which will serve as SARS's delivery commitment to the taxpayers and traders in South Africa. In addition, the current channel strategy will need to be adapted to reflect the shift towards a segmented delivery model.

Improved ease and speed of registration and other interactions for businesses supported by a single view of each taxpayer and trader.

Businesses are currently expected to register separately for all the relevant tax products that impact their business, i.e. PAYE, VAT and CIT. These disparate registration systems and processes resulted in several challenges, including, for example, the inability to update taxpayer details simultaneously on all tax products, and the inability to have a holistic view of the taxpayer and trader.

To address these challenges, a single registration process was developed, with the initial focus being on Customs traders. It is expected that this process will be completed in approximately six months with around 45 different platforms being integrated in the end-state for Customs alone.

A similar single registration process will be applied to PAYE, and then to PIT, CIT and VAT. Future plans also include alignment with other government agencies, for example, the building of an Integrated National Population Registry in conjunction with Companies and Intellectual property registration office (CIPRO) and the Department of Home Affairs. It is intended that a change to any of these government databases will be filtered through to all the other affiliated systems.

Improved taxpayer and trader satisfaction as measured by a taxpayer/trader satisfaction index.

In 2011/12, SARS expects to have the compliance burden measure for taxpayers and traders fully developed and a baseline established. In future years, this measure will be tracked and then fully introduced into the SARS performance management system (including relevant targets).

2.3 FULLY DELIVER ON CUSTOMS MANDATE IN A WAY THAT IS ALIGNED WITH GOVERNMENT'S STATED INTENTION

2.3.1 ASPIRATION:

Develop partnerships with all supply chain stakeholders to facilitate legal regional trade to strengthen our economy, and collect all revenues due.

2.3.2 PROGRESS AGAINST 3-YEAR DELIVERABLES

A. A seamless transition to a Border Management Agency model, developed with other government departments

One of government's objectives is to close the security loopholes at South African borders that are currently being exploited by criminal syndicates. Currently, there are a number of different government stakeholders (e.g. SARS, the Department of Home Affairs, South African Defence Force, as well as the South African Police Service, etc.) that are responsible for various security aspects at the border. Close co-operation between these entities is critical to ensure that there is effective security at these borders.

Regardless of the model that is chosen, SARS's new operating model is developed in such a manner that it already aligns with government's intention to increase the focus on border security. In 2010/11, as part of the new operating model implementation, SARS separated the fiscal administration function from the customs and import VAT collection functions.

B. Improved ease and speed of declaration processing and inspections, through modernising processes and systems

See section 2.1.2 (D) for response to this measure.

C. Rolled-out accreditation programme to qualifying traders

The preferred trader programme was conceived for these traders and clearing agents to enhance compliance and realise efficiencies and improved risk control by shifting capacity from a transaction focus to an entity focus. The building blocks of the preferred trader programme including centralised registration, accreditation and licensing capabilities using web-based registration and entity level risk assessment, will serve as the foundation for the eventual transition to an Authorised Economic Operator Programme (AEO). SARS Customs will be able to apply better coverage on the majority of these transactions with fewer resources, while focusing the bulk of its transaction level interventions on those higher risk transactions from traders and clearing agents about which less is known.

In 2010/11, SARS engaged with approximately 125 clients regarding the preferred trader programme. A total of 48 preferred trader audits commenced, and 40 were finalised. By 2012/13, SARS is aiming to have approximately a quarter of its trade volume (measured by number of preferred trader declarations vs. total number of declarations) to be covered by the preferred trader programme.

D. A system to prioritise and expedite Customs inspections, through use of additional data sources and the continued rollout of non-intrusive inspection capability

The existing manifest acquittal system has been challenged over the years with an ineffective technology architecture and infrastructure. The system has now been re-engineered and re-written on the same platform as the new Customs risk engine, which will allow the speedy intake of data, reconciliation and risk assessment.

Inspection will now have a case management system through the introduction of Service Manager for the first time, enabling inspectors to track a case from beginning to end. The role of inspectors will also change under the new organisational design of Customs. The impact of the Manifest Acquittal System (MAS) enhancements on trade will include minor data model changes, new and amended messaging between SARS and traders and the introduction of electronic supporting documents.

E. Enhance border control detection capability through the Customs Border Control Unit (CBCU) and the Dog Detection Unit (DDU), thereby improving security at ports of entry for the 2010 World Cup and beyond

In support of SARS's strategic objective aimed at improving security at ports of entry and in preparation for the 2010 FIFA World Cup, SARS embarked in a drive to recruit and train a total of 625 Customs Border Control Unit Inspectors. This investment proved to be very effective in facilitating Customs clearance at ports of entry, enforcing compliance within the FIFA zones, and the increased number of counterfeit and illicit goods seizures leading up to the Soccer World Cup event and beyond.

2.4 CLARIFY SARS OPERATING MODEL, STREAMLINE GOVERNANCE AND STRENGTHEN LEADERSHIP

2.4.1 ASPIRATION:

- An organisation that is clear on its accountabilities and collaborates effectively across internal units
- Streamlined governance, to shift from a 'gate keeper' to 'risk manager' approach, but with requisite levels of oversight and
- An aligned and capable leadership group, that adheres efficiently to all governance requirements.

2.4.2 PROGRESS AGAINST 3-YEAR DELIVERABLES

A. A fully implemented new operating model, with integrated capacity plan that makes SARS's workforce empowered, agile and responsive.

The new SARS organisational structure, in line with the new operating model was announced by the Commissioner at the National Management Forum on 20 May 2010 and communicated to all SARS employees. Following the re-organisation process, 92% of leadership roles that entailed enterprise leadership, strategy formalisation and alignment were filled in line with the new organisational structure.

B. Streamlined governance framework.

The governance framework of SARS needed to be updated in line with the new operating model, as well as to enable speedier decision making, while still maintaining the requisite levels of oversight.

The governance aspects of SARS underwent the following key changes in 2010/11:

SARS governance framework: In July 2010, SARS Executive Committtee (EXCO) approval of the governance framework was secured (2 months before target). This expedient performance was catalysed by the introduction of the new operating model. Socialisation of the new governance framework has commenced with particular emphasis on the following committees: Human Resources Committee/Remuneration Committee, Audit, EXCO Procurement subcommittee, Debt-write off committee, General anti avoidance rule (GAAR), People, Compliance Risk Management, Enterprise Risk Management and the Minister's SARS Management Forum.

Clidet 967 (Pty) Ltd. governance: The structure, standards and procedures for core governance matters relating to Clidet Governance (audit, finance, human resources board, etc.) have been developed.

Delegation of Authority: Authorities within the two key SARS functions (Human Resources and Finance), which constitute the bulk of delegations, have been documented and socialised to ensure accuracy and alignment with the new operating model. In addition, specific positions have been identified that require delegations (i.e. where an incumbent requires powers outside his/her job description).

Preparing SARS governance for the Tax Administration Bill (TAB): The implementation of the TAB is, on an interim basis, being overseen by a specific steering committee and the SARS Governance Unit will continue to co-ordinate the identification of senior SARS officials as required by TAB for delegation of authority.

C. A fully articulated and embedded SARS leadership model with appropriate resourcing capabilities.

The Leadership Effectiveness and Advancement Programme (LEAP) to support implementation of the SARS leadership model has been developed and approved by EXCO. The intervention is currently being piloted within the Operations division and will be rolled out to other divisions during 2011/12 and beyond.

The leadership effectiveness measurement system has been developed and is currently in implementation phase with the aim being to set a SARS baseline for a leadership effectiveness index. This will enable help inform personal development plans for SARS leadership.

2.5 IMPLEMENT SEGMENTATION TO STRENGTHEN SARS'S BUSINESS MODEL

2.5.1 ASPIRATION:

Deliver differentiated products and compliance approaches (i.e. outreach, education, service and enforcement), that meet the needs of taxpayer and trader groups and shape their compliance behaviour.

2.5.2 PROGRESS AGAINST 3-YEAR DELIVERABLES

A. Holistic segmentation designs developed for all ten taxpayer and trader segments, based on an understanding of the behaviour and needs of each segment

Research globally provides evidence that a segmented approach to educating, servicing and enforcing taxpayers based on their needs and behaviours increases taxpayer satisfaction and their compliance levels while also reducing overall costs.
SARS has segmented the South African taxpayer base into the following segments:

- Large business
- Medium business
- Small business
- Complex individuals
- Standard individuals
- Tax practitioners
- Trader agents
- Employers as agents and
- Government, Public Benefit Organisations (PBOs) and Non-Governmental Organisations (NGOs)

Designs for the above segments are underway, and so far, designs for two segments - the Large business segment and the Standard individual segment - have been developed and implemented. Design proposals for three other segments – Medium business, Tax practitioners and Trader agents – have also been developed. Designs for the remaining segments (especially Small business) will be developed over the short to medium term.

B. Phased implementation and institutionalisation of the operating model for five segments (especially large businesses and standard individuals, medium-sized businesses, tax practitioners and traders)

The implementation of the large business and standard individuals segment models are already well established and SARS is entering a phase of continuous improvement/maintenance for these segments. The preferred trader programme framework is in place and initial implementation, through engagement with the target trader population is already underway. Design proposals for two other segments, medium business and tax practitioners have also been developed.

C. Targeted outreach, education, service and enforcement initiatives launched for the other five segments with phased end-to-end implementation soon after 2012/2013

An update on this deliverable will only be available in the next reporting cycle.

2.6 ENABLE SARS'S PEOPLE TO PERFORM AT THEIR PEAK

2.6.1 ASPIRATION:

Create a high-performance environment that is values-driven and fosters professional and personal growth at leadership, managerial and technical levels.

2.6.2 PROGRESS AGAINST 3-YEAR DELIVERABLES

A. Establishment of a systematic response to train and retain individuals in line with capacity and capability requirements within SARS and in other government institutions

In 2010/11, SARS introduced a process to determine its learning needs and following this exercise, prioritised the delivery of core business skills related courses (i.e. Tax and Customs). To date, a total of about 60% employees were touched by training interventions to address "Business as Usual" needs, impactful projects and modernisation agenda requirements.

SARS also extended training initiatives such as Department of Home Affairs passport training, Human Trafficking and Diplomatic Workshop sessions in preparation for the FIFA World Cup. A total of 2 408 officials from government institutions such as the South African Police Force, Department of Home Affairs, the South African Association of Freight Forwarders, the Department of Agriculture as well as the Department of Finance and Harbour Security, were provided these learning opportunities by SARS.

B. Fully articulated and implemented employee value proposition, to attract and retain the skills SARS needs

The immediate focus in 2010/11 was to align and enhance the incentive scheme to fairly differentiate employee recognition and reward employees based on their individual performance. Implementation of this initiative is on target.

C. Sharpening SARS's performance management process and empowering managers to effectively manage employee performance

SARS is aiming to shift its performance management processes from an organisational requirement exercise to one that focuses on ensuring that substantive performance discussions take place. Line managers are now supported by the HR division with consultation services and a toolkit to manage employee performance. Other interventions include the support to line managers in cascading the divisional scorecards into the performance management systems SMIS and PMDS and line management training initiatives.

The performance management system was also enhanced in terms of "the look and feel" of the electronic system to ensure user friendliness.

2.7 DEEPEN KEY EXTERNAL RELATIONSHIPS TO ENHANCE REPUTATION AND RESULTS

2.7.1 ASPIRATION:

- Enhance outreach, education, service and enforcement by building collaborative partnerships with private, public and international sector partners and utilising their feedback to improve compliance and
- Make a broader societal contribution through targeted, high-impact initiatives.

2.7.2 PROGRESS AGAINST 3-YEAR DELIVERABLES

A. Clearly articulated and implemented broad external relationship/reputation programme through leverage of past and current efforts

Gijima Settlement – As mandated by the Minister of Finance, the settlement negotiations between the various parties have progressed to the point where the three settlement agreements (Gijima, IBM and HP) have been concluded and signed. This followed receiving formal approval to settle the dispute by the Minister of Home Affairs and the Minister of Finance. In addition, SARS and the Department of Home Affairs both approached the Auditor-General before obtaining the required approvals. The three settlement agreements included a number of condition precedents which have all been fulfilled such as obtaining the necessary regulatory approvals as required by the PFMA and the consent from the Minister of Finance.

In the second half of 2010 the National Health Laboratory Services (NHLS) approached SARS for support with their transformation programme. Consultation between SARS and senior managers of the NHLS took place and it was agreed that SARS will assist the NHLS to establish and implement the operating model. SARS has also assisted some other government agencies to optimise their resources and to enhance their performance by knowledge sharing and consultation. These agencies include the Department of Home Affairs, Group Pension Administration Agency and the Companies and Intellectual property registration office (CIPRO).

B. Implement a set of targeted corporate social investment and stakeholder assistance initiatives

SARS encourages and aligns the contributions of employees towards corporate social investment efforts, to broaden its societal impact. To achieve this, various flagship projects and social activism efforts were conducted and co-ordinated during 2010/11.

Flagship projects conducted in 2010/11 included the donation of computers to the SAPS (i.e. Mamelodi Police Station) and to the Kwazulu-Natal Provincial Legislature Office, donation of clothing to 349 Non-governmental organisations across South Africa and to a school catering for disadvantaged kids in Olievenhoutsbosch, and the donation of furniture to needy Gauteng schools in partnership with the Department of Education.

SARS staff participated in contributing funds for people with disabilities and the following charity organisations for Christmas:

- Kwanobuhle Outreach Centre in Uitenhage
- Bredasdorp Shelter for teenage girls
- Fadimehang Mental Care Centre for Children
- Community Boxing Club in Kimberley
- The Sinqobindlala Pimville Project. It provides food support for children's homes and hospices in Johannesburg
- Vegetable gardens to feed needy families in Gauteng
- The Bramley Children's Home
- Noah's Ark, Daveyton Eastrand (Nurturing orphans of AIDS for Humanity)
- Moreson Children's Home, George and
- Lawrence House, Woodstoc for orphaned refugee children.

Performance information

03

In this part of the Annual Report, SARS accounts for performance against key deliverables, volumetric forecasts and targets as presented in the approved Strategic Plan for 2010/2011. The measures reported on in this chapter correspond to those supported by performance information submitted to the Auditor-General for audit. In line with statutory reporting requirements, where volumes fell below forecasts or targets were only partially achieved, an explanation is provided for the deviation from the anticipated forecast or target. Note that the previous section of this Report provides additional information in both narrative and tabular form, in line with SARS's commitment to track and assess the outcomes of all its activities.

Please refer to detailed tables below.

STRATEGIC PRIORITY 1: DRIVE REVENUE REALISATION TO DELIVER NOW AND ENSURE SUSTAINABILITY

OUTCOME/OUTPUT MEASURE	MEASUREMENT UNIT	BASELINE	TARGET 10/11	ACTUAL	VARIANCE	COMMENTS
Revenue collected	Rand (billion)	R590.4	R672.2	R674.2	R2.0	
% Voluntary compliance (File and pay on time						
Developing and implementing voluntary compliance measures (On time filing & payment on all tax types)						
Interim measure : % On time filing (PIT)	%	78.6%	80.0%	80.7%	0.7%	
% Enforced compliance						
Developing and implementing enforced compliance measures (Expanded enforcement coverage)						
Interim measure : % Reduction in outstanding returns	%	5.0%	6.0%	11.0%	5.0%	
Interim measure : Cash collected from debt book	Rand (billion)	R11.4	R12.4	R17.7	R5.3	

STRATEGIC PRIORITY 2: DRIVE PRODUCTIVITY, SERVICE QUALITY AND COST EFFICIENCY

OUTCOME/OUTPUT MEASURE	MEASUREMENT UNIT	BASELINE	TARGET 10/11	ACTUAL	VARIANCE	COMMENTS
% Increase in productivity			Develop and implement an Enterprise Capability Management System to enable productivity measurement	Completed	-	This particular Output measure is one of a number of three year deliverables set out in the SARS Strategic plan 2010/11 – 2012/13. The activity undertaken for the year under review consisted of the design, build and implementation of an Enterprise Capability Management System that focuses on establishing a baseline for productivity, capacity and production management and performance management to support productivity improvements which will also enable ongoing productivity measurements.
Revenue collected against staff cost incurred	Relationship	134:1	133:1	135:1	2	
% Adherence to Service Charter Standards						
Implementing improved Service Charter Standards						
Interim measure : % First contact resolution (Contact Centres)	%	44.0%	50.0%	85.0%	35.0%	
Interim measure : Escalation turnaround time	days		15 days	15 days	-	
Achievement on Taxpayer/ Trader Satisfaction Index	n/a		Develop and implement Taxpayer/Trader Satisfaction Index	-	-	SARS deprioritised implementation of this measure in favour of developing measures in line with its four core outcomes

STRATEGIC PRIORITY 3: DELIVER ON SARS'S CUSTOMS MANDATE IN A WAY THAT IS ALIGNED WITH GOVERNMENT'S STATED INTENTION

OUTCOME/OUTPUT MEASURE	MEASUREMENT UNIT	BASELINE	TARGET 10/11	ACTUAL	VARIANCE	COMMENTS
Increase in ease and speed of declaration processing						
Developing and implementing a metric focused on measuring the increase in ease and speed of overall declaration processing *Interim measure : % Uptake in electronic declarations (SACU)*	%	36.0%	50.0%	79.0%	29.0%	
Interim measure: % Adherence to turnaround time for electronic declaration processing (Including Imports & Exports, International & SACU, excluding Exceptions)	% within hours	72% within 2 hours	95% within 2 hours	100%	5%	
Increase in ease and speed of inspection	n/a		Develop and implement a metric focused on measuring the increase in ease and speed of overall inspections	-	-	SARS deprioritised implementation of this measure in favour of developing measures in line with its four core outcomes

STRATEGIC PRIORITY 4: CLARIFY SARS'S OPERATING MODEL, STREAMLINE GOVERNANCE, AND STRENGTHEN LEADERSHIP

OUTCOME/OUTPUT MEASURE	MEASUREMENT UNIT	BASELINE	TARGET 10/11	ACTUAL	VARIANCE	COMMENTS
Effectiveness of the new SARS Operating Model						
Developing and implementing a measure to determine the effectiveness of the newly implemented Operating Model						
Interim measure: % Roles filled with "fit-for-purpose" employees against the design of the new structure	% Leadership roles	92% of leadership roles	95% of leadership roles	92%	-3%	Due to the roll-out of the operating model, a couple of leadership positions were not filled.
	% identified impacted staff roles filled	0% of identified impacted staff roles filled	45% of identified impacted staff roles filled	54%	9%	
Interim measure : % Employees with Development Plans linked to Career Model placements	% employees placed on Career Model	99.6% employees placed	100% employees placed	99.3%	-0.7%	Newly appointed personnel have not been placed, as no career data is available for them yet and some placements are outstanding due to grievances.
	% employees with development plans in place	0% employees with development plans in place	60% employees with development plans in place	83.7%	23.7%	
Increase in the Leadership Effectiveness index	n/a		Develop and implement a Leadership Effectiveness Index	Implemented	-	The Leadership Effectiveness Index was implemented and 86% was achieved in 2010/11
Report issued by Auditor-General	Report	Unqualified	Unqualified	Unqualified	-	

STRATEGIC PRIORITY 5: IMPLEMENT SEGMENTATION TO STRENGTHEN SARS'S BUSINESS MODEL

OUTCOME/OUTPUT MEASURE	MEASUREMENT UNIT	BASELINE	TARGET 10/11	ACTUAL	VARIANCE	COMMENTS
Progress against the design of the 10 segments	Number		Design for 5 segments completed (Large, Standard, Medium, Traders, Tax practitioners)	Completed	-	
Progress against implementation of the 5 priority segments	Number		Implementation of 3 priority segments (Large, Standard, Medium Business)	3 segments implemented (Large, Standard, Traders)		Due to the need to increase compliance in Customs and to modernise the Customs environment, the Preferred Trader programme was initiated as part of the Customs Modernisation programme
% Compliance of the 5 priority segments	%		Develop and implement capability to measure and monitor compliance by priority segments	Completed	-	SARS has developed a Compliance Evaluation tool (CEMIS) which measures compliance levels of taxpayers across segments, industry, geography and size of business.

STRATEGIC PRIORITY 6: ENABLE SARS'S PEOPLE TO PERFORM AT THEIR PEAK

OUTCOME/OUTPUT MEASURE	MEASUREMENT UNIT	BASELINE	TARGET 10/11	ACTUAL	VARIANCE	COMMENTS
% Employee Engagement Index achieved	%	54.0%	55.0%	49.5%	-5.5%	SARS achieved a score of 47% in the 2010 financial year and an improvement of 2.5% was achieved in the 2011 year.
% Barrett score achieved	%	25.0%	23.0%	-	-	HR requested to defer the measurement to 2011/12. This will enable SARS to fully introduce the culture interventions that are now in design phase and to facilitate improvement.
% Staff adherence to Performance Management practice	%	95.0%	95.0%	95.5%	0.5%	

STRATEGIC PRIORITY 7: DEEPEN KEY EXTERNAL RELATIONSHIPS TO ENHANCE REPUTATION AND RESULTS

OUTCOME/OUTPUT MEASURE	MEASUREMENT UNIT	BASELINE	TARGET 10/11	ACTUAL	VARIANCE	COMMENTS
Achievement of External Stakeholder Reputational Index	n/a		Develop and implement an external Stakeholder Reputational Index	-	-	SARS deprioritised implementation of this measure in favour of developing measures in line with its four core outcomes
Achievement of Corporate Social Investment (CSI) Index	n/a		Develop and implement a Corporate Social Investment Index	-	-	SARS deprioritised implementation of this measure in favour of developing measures in line with its four core outcomes

Governance

04

4.1 THE SARS EXECUTIVE COMMITTEE

The change in the operating model has necessitated a reconstruction of the SARS Executive Committee during the year under review. This announcement was made at the National Management Forum held on 23 May 2010. The Commissioner announced that a streamlined EXCO is what is required in order to best achieve SARS's objectives and thus deliver on its mandate. This resulted in seven members of EXCO at the time being relieved of EXCO duties with immediate effect. The table below illustrates the changes and roles affected.

EXCO PRIOR TO 23 MAY 2010

Full Name	Role
Oupa Magashula (Chairperson)	Commissioner
Ivan Pillay	Chief Officer: Enforcement & Risk / Deputy Commissioner
Barry Hore	Chief Officer: Modernisation & Technology
Kosie Louw	Chief Officer: Legal & Policy
Trix Coetzer	Chief Financial Officer
Gene Ravele	Chief Officer: Customs & Border Management
Elsie Pule	Group Executive: Human Resources
Dipuo Mvelazi	Group Executive: Institutional Enablement & Integrity
Logan Wort	Group Executive: Reputation Management
Nathaniel Mabetwa	Group Executive: Tax Payer Services
Joseph Rock	Group Executive: Large Business Centre
Thinus Marx	Acting Chief Officer: Business Enabling & Delivery Services
Andrew Fisher	Group Executive: Segmentation Management
Randall Carolissen	Group Executive: Revenue Planning, Analysis & Reporting

EXCO POST 23 MAY 2010

Full Name	Role
Oupa Magashula (Chairperson)	Commissioner
Ivan Pillay	Deputy Commissioner / Chief Officer: Strategy, Enablement and Enforcement
Barry Hore	Chief Officer: Operations
Kosie Louw	Chief Officer: Legal and Policy
Trix Coetzer	Chief Financial Officer
Elsie Pule	Chief Officer: Human Resources
Gene Ravele	Chief Officer: Customs and Border Management
To be appointed	Chief Officer: Segmentation

4.2 THE SARS AUDIT COMMITTEE

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

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

The Audit Committee Report comprising, amongst others, details of membership and meetings conducted is included in Part 5 (page 65 - 66).

4.3 THE HUMAN RESOURCE COMMITTEE

The Human Resource Committee continued to advise the Minister and Commissioner on matters concerning the terms and conditions of employment of all employees in the management structure of SARS and broader Human Resource (HR) practices. During the year under review the committee made recommendations and gave direction in respect of the SARS performance management system, in particular its application to Senior Management; SARS's HR performance during the year; the SARS leadership model; the annual human resources business plan and strategy; employee engagement; remuneration matters and wage negotiations as well as pertinent management information including staff establishment, absenteeism and employment equity.

The Committee comprises seven non-executive members, namely:

Ms Judy Parfitt (Chairperson HR Committee): Director of the Resolve Group;
BJourn HDE (Rhodes), BA Hons (UPE), MA (UPE), MA (Warwick)

Mr Adolf Sepheu Maphutha: Executive Manager: Human Resources, South African Airways Technical;
BCom (UNISA), BCom (Honours) (UNISA), Diploma Workstudy, (Technickon Pretoria), Diploma Labour Law (GIMT), Diploma Energy Law (Wits)

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

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

Ms Liz Humaira Choonara (nee) Thebe: Strategic Executive Director, Corporate and shared services at the City of Tshwane;
Masters Degree in Social Science (RAU), BA Psych Hons (Vista University), Master of Science in Business Engineering (Warwick University) Leadership Development Programme: United States Internship (Madison, New Jersey), Management Advanced Programme (MAP) (Wits University), Advanced Diploma in Human Resources (UNISA)

Mrs Cecilia Khuzwayo: Executive Leadership Coaching Consultant;
BCom Economics, Private Law Business Economics (University of Zululand), Effective Director Programme (Kagiso Leadership School), Advanced Coaching Practice (The i-Coach Academy)

Laura Machaba-Abiodun: Founder and Chairperson of the AMC International Group;
Group CHRO & Strategic Advisor on People Alexander Forbes Equity Holdings;
HDip.Ed Information Systems (Wits), BCom Law (University Of The North), MA Communication and Training – Human Performance Technology (Governors State University, USA), MBA – General Management (Rosary College, USA), Organisational Change Leadership & Executive Programme (Harvard University, USA) PhD (8 Credits) (University Of Indiana, USA)
Independent Non-Executive Board Member, Chairman of RemCo, HR & Transformation; Audit Committee Member AVUSA Media Ltd A leading media and entertainment company
Chairman and Trustee Argus Voting Trust
Member of the SALGA Performance Management & Remuneration Panel

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

4.4 THE SARS ENTERPRISE RISK MANAGEMENT

During the year under review, SARS has updated its SARS Enterprise Risk Governance Framework in line with new developments in the organisation. This updated framework lays the foundation for effective risk management integration into the organisation and establishes an organisation-wide approach to risk management oversight, risk management organisation, risk management accountability, and responsibility and risk management process execution. It provides explicit guidance and highlights where authority for risk management is delegated in the organisation and is premised on a centralised risk oversight with strong delegation of decision authority to business units. In this regard, enterprise level risk governance structures have been established namely an Enterprise Risk Committee and a Compliance Risk Committee to oversee the management of key enterprise-wide risks and key taxpayer/trader compliance risks respectively. The two risk committees are chaired by the Deputy Commissioner and are comprised of the chief officers of the various SARS business divisions and other selected senior management officials.

Continued integration of risk management into key decision-making processes of the organisation was also achieved with the explicit inclusion of risk management principles into SARS's strategic and business planning processes. All SARS business plans have risks (their assessment and mitigation) explicitly articulated as part of the plans. This exercise also enabled the organisation to establish a baseline operational risk profile that captures credible risks (both planning and business risks) that might negatively affect achievement of key organisational and business unit objectives.

Financial statements

05

5.1 REPORT OF THE AUDIT COMMITTEE

Report of the Audit Committee

We are pleased to present our report for the financial year ended 31 March 2011 in terms of Treasury Regulations 3.1.1.9 and 10 whereby the Audit Committee is required to report amongst others on the effectiveness of the internal controls, the quality of in-year management and monthly reports submitted in terms of the Division of Revenue Act as well as its own evaluation of the annual financial statements.

Audit Committee Members and Attendance

The Audit Committee operates in terms of an 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 Committee members is such that all Treasury Regulations requirements are met in terms of financial literacy and independence. The Audit Committee consisted of five external members listed hereunder and held four meetings for the financial year under review. Prof. Dillip Garach's tenure ended in July 2010.

AUDIT COMMITTEE attendance

Audit Committee Members	Meeting Dates			
	14 May 2010	23 July 2010	12 November 2010	18 March 2011
Mr Bongani Nqwababa (Chairperson Audit Committee): Finance Director: Anglo American Platinum Limited; B. Acc Hons (University of Zimbabwe), CA (ZIM), MBA in Finance (Universities of Manchester and Wales, Bangor)	√	√	√	√
Ms Berenice Lue-Marais: MBA International Finance (The American University, Washington, DC), Bachelor of Arts, BA Economics (The University of the District of Columbia, Washington, DC)	X	√	√	√
Mr Mustaq Brey: CEO: Brimstone Investment Corporation Limited; B. Compt (Hons), CA (SA)	√	X	√	√
Mr Vuyo Kahla: Group Executive: Advisory and Assurance: Sasol Limited; Bachelor of Arts (Rhodes University), LLB (Rhodes University)	√	√	X	√
Prof Dillip Garach: Accounting Professor at Natal University; Consulting Partner at Garach & Garach MCom, CA (SA), CFP	√	—	—	—

Audit Committee responsibility

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

The effectiveness of internal control

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

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

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

Evaluation of Financial Statements

The Audit Committee has:

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

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

Bongani Nqwababa
23 July 2011

Administered Revenue

ANNUAL FINANCIAL STATEMENTS - 31 MARCH 2011

CONTENTS

The attached annual financial statements were approved and signed by:

Oupa G. Magashula
SARS Commissioner

22 July 2011

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

Introduction

I have audited the accompanying financial statements of the South African Revenue Service (SARS): Administered Revenue, which comprise the statement of financial position as at 31 March 2011, and the statement of financial performance, statement of changes in net assets and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 70 to 79

Accounting authority's responsibility for the financial statements

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

Auditor-General's responsibility

As required by section 188 of the Constitution of the Republic of South Africa, 1996 (Act No. 108 of 1996), section 4 of the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA) and section 28 of the South African Revenue Service Act, 1997 (Act No. 34 of 1997), my responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with International Standards on Auditing and *General Notice 1111 of 2010* issued in *Government Gazette 33872 of 15 December 2010*. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the South African Revenue Service (SARS): Administered Revenue as at 31 March 2011, and its financial performance and cash flows for the year then ended in accordance with the basis of accounting as set out in accounting policy note 1.1 to the financial statements and the requirements of the PFMA.

Emphasis of matter

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

Financial reporting framework

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

Additional matter

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

Financial reporting framework

The financial reporting framework approved by the Minister of Finance and applied by SARS: Administered Revenue is a compliance framework. Thus my opinion would have reflected that the financial statements had been properly prepared instead of fairly presented as required by section 20(2)(a) of the PAA, which requires me to express an opinion on the fair presentation of the financial statements of the entity.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with the PAA and in terms of *General Notice 1111 of 2010* issued in *Government Gazette 33872 of 15 December 2010*, I include below my findings on the annual performance report as set out on pages 50 to 58 and material non-compliance with laws and regulations applicable to the public entity.

Predetermined objectives

There were no material findings on the annual performance report concerning the presentation, usefulness and reliability of the information.

Compliance with laws and regulations

There were no findings concerning material non-compliance with applicable laws and regulations regarding financial matters, financial management and other related matters.

INTERNAL CONTROL

In accordance with the PAA and in terms of *General Notice 1111 of 2010* issued in *Government Gazette 33872 of 15 December 2010*, I considered internal control relevant to my audit, but not for the purpose of expressing an opinion on the effectiveness of internal control. There are no significant deficiencies in internal control that resulted in a qualification of the auditor's opinion on the financial statements and/or findings on predetermined objectives and/or material non-compliance with laws and regulations.

Auditor-General

Pretoria

27 July 2011

AUDITOR - GENERAL
SOUTH AFRICA

Auditing to build public confidence

SOUTH AFRICAN REVENUE SERVICE - ADMINISTERED REVENUE

STATEMENT OF FINANCIAL POSITION

As at 31 March 2011

	Notes	2011 R '000	2010 R '000
Administered Assets			
Amount due by National Revenue Fund		**407**	**-**
Current assets			
Accounts receivable	2	5 629	3 909
Cash and cash equivalents	3	1 400	5 577
Other assets	4	187	266
Bank	5	-	35 130
Total administered assets		**7 623**	**44 882**
Administered Liabilities			
Amount due to National Revenue Fund		**-**	**44 882**
Current liabilities			
Bank	5	7 622	-
Other liabilities	6	1	-
Total administered liabilities		**7 623**	**44 882**

SOUTH AFRICAN REVENUE SERVICE - ADMINISTERED REVENUE
STATEMENT OF FINANCIAL PERFORMANCE
For the year ended 31 March 2011

	Notes	2011 R '000	2010 R '000
Taxation		**702 980 921**	**621 503 608**
Income tax	7	379 912 152	358 971 960
Value-added tax		183 571 439	147 941 322
Fuel levy		34 464 283	29 097 507
Customs duties		26 637 438	19 577 114
Excise duties		24 563 842	22 565 219
Road accident fund	8	15 737 112	13 026 684
Unemployment insurance fund		11 098 707	10 537 637
Other taxes	9	9 105 371	8 875 878
Skills development levy		8 652 339	7 804 829
Electricity levy		4 996 366	3 341 691
Mineral and petroleum royalty	10	3 554 722	-
Air passenger tax		648 929	580 326
Carbon dioxide vehicle emissions tax	11	625 891	-
Plastic bag levy		257 104	110 510
Universal service fund		255 341	224 774
Incandescent light bulb levy		151 083	63 880
Small business tax amnesty		29 080	72 888
Turnover tax		2 802	6 493
Diesel refunds		(1 283 080)	(1 295 104)
Non-taxation		**1 236 064**	**407 806**
Mining leases and ownership		930 628	668 890
Customs miscellaneous revenue	12	269 304	(294 020)
Provincial administration receipts	13	19 392	36 709
Non-tax revenue	14	16 740	(3 773)
TOTAL REVENUE		**704 216 985**	**621 911 414**

Less: South African Customs Union Agreement Quarterly payments made by National Treasury in terms of the South African Customs Union Agreement	15	17 905 679	27 915 405
NET REVENUE FOR THE YEAR		**686 311 306**	**593 996 009**

SOUTH AFRICAN REVENUE SERVICE - ADMINISTERED REVENUE

STATEMENT OF CHANGES IN NET ASSETS

For the year ended 31 March 2011

	R '000
Amount due (to) / by National Revenue Fund	
Balance at 31 March 2009	**(10 742)**
Net gains and losses not recognised in the statement of financial performance	(34 140)
Net revenue for the year	(593 996 009)
Transfer to the National Revenue Fund	593 961 869
Balance at 31 March 2010	**(44 882)**
Net gains and losses not recognised in the statement of financial performance	45 289
Net revenue for the year	(686 311 306)
Transfer to the National Revenue Fund	686 356 595
Balance at 31 March 2011	**407**

SOUTH AFRICAN REVENUE SERVICE - ADMINISTERED REVENUE

CASH FLOW STATEMENT

For the year ended 31 March 2011

	Notes	2011 R '000	2010 R '000
Cash flow from operating activities			
Cash received from operating activities	16	**704 182 196**	**621 999 885**
Taxation		702 946 132	621 592 079
Non - taxation		1 236 064	407 806
Cash transferred		**(704 262 274)**	**(621 877 274)**
Payments in respect of Customs Union Agreement		(17 905 679)	(27 915 405)
Cash to National Revenue Fund		(686 356 595)	(593 961 869)
Net cash (transferred)/retained from operations		(80 078)	122 611
Cash and cash equivalents at beginning of year		218 686	96 075
Cash and cash equivalents at end of year	**17**	**138 608**	**218 686**

1. Accounting Policies

1.1 Basis of accounting

The annual financial statements have been prepared on the cash basis of accounting. In terms of the Public Finance Management Act No.1 of 1999 (PFMA), SARS is required to comply with generally accepted accounting practice unless the Accounting Standards Board (ASB) approves the application of Generally Recognised Accounting Practice (GRAP).

By virtue of the powers vested in the Minister of Finance by section 91(1) (b) of the PFMA, the Minister prescribed the Standards of GRAP as set by National Treasury in terms of section 89(1) (a) (ii), read with section 93(3) of that Act, for the annual financial statements of national public entities, in respect of taxes, duties, levies, fees and other monies collected by such entities which must be deposited into a Revenue Fund as defined in that Act. This was promulgated in government notice number R. 1095 dated 30 October 2001.

The ASB approved the Revenue from Non-Exchange Transactions standard (GRAP 23) in February 2008 and the Minister of Finance announced the effective date of the standard as 1 April 2012. This standard provides for the accrual principle to be adopted when recognising and measuring taxation revenue arising from non-exchange transactions. SARS will need to comply with the transitional provisions of GRAP 23 as prescribed in Directive 6 on Transitional Provisions for revenue collected by SARS, issued in July 2009 as from 1 April 2012. Directive 6 determines a 6-year transitional period starting from the effective date of the standard. SARS will be required to change the accounting policies in respect of the recognition and measurement of taxation revenue at the expiration of the 6-year period and changes prior to this date will be in accordance with the provisions of Directive 6.

Approval to remain on the cash basis of accounting for financial statements and audit purposes until at least March 2012 was obtained from the Minister of Finance on 23 April 2007.

In terms of the basis of accounting promulgated in government notice number R. 1095 dated 30 October 2001, the following policies are applied.

1.2 Revenue recognition

1.2.1 Definition of revenue

Revenue means all taxes, levies, duties, fees and other monies collected by SARS for the National Revenue Fund.

1.2.2 Recognition of revenue

Revenue is represented by gross collections net of refunds. Refunds are represented by cheques raised (issued) or the raising of electronic refunds.

Revenue is recognised on the cash basis when payments are allocated. This recognition of revenue has been extended to include all monies collected by the South African Post Office Limited which have not yet been paid over to SARS.

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

Stale cheques are written back to income while subsequent claims in respect thereof are treated as drawbacks from current revenue collections. Electronic refund and payment rejections are accounted for per bank statement date.

1.3 Revenue not recognised - tax evasion

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

1.4 Cash and cash equivalents

Cash includes cash on hand which comprises amounts receipted by SARS branch offices as at 31 March but not yet deposited. SARS does not have any term loan or bank overdraft facilities. All balances at the major banks participating in the cash management function of central government are cleared to the National Revenue Fund on a daily basis.

1.5 Accounts receivable

Accounts receivable include all monies collected by the South African Post Office Limited which have not yet been paid over to SARS.

1.6 Bank

The bank balance comprises cheques issued but not yet presented for payment, net reconciling items allocated/not allocated to revenue and bank account balances on 31 March not transferred to the National Revenue Fund by the banks.

1.7 Amount due to/by the National Revenue Fund

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

	2011 R '000	2010 R '000
2. Accounts receivable	**5 629**	**3 909**
South African Post Office Limited (VAT)	5 629	3 907
South African Post Office Limited (Stamp duty)	-	2
3. Cash and cash equivalents	**1 400**	**5 577**
Cash on hand	1 400	5 577
4. Other assets	**187**	**266**
Provincial administration	187	263
Receivables	-	3

The provincial debtor of R187 307 relates to monies owing by the Eastern Cape province as a result of an overpayment of provincial revenue by SARS during the 1999/2000 financial year.

5. Bank

The bank balance of R7 622 357 for the 2010/11 financial year represents a liability whilst the bank balance of R35 130 430 for the 2009/10 financial year represented an asset.

2010/11: Bank comprises cheques issued but not yet presented for payment amounting to R144 830 428 net reconciling items amounting to R136 241 640 and monies not transferred to the National Revenue Fund at 31 March amounting to R968 251.

2009/10: Bank comprises net reconciling items amounting to R213 502 574, cheques issued but not yet presented for payment amounting to R177 978 936 and monies not transferred to the National Revenue Fund by the banks at 31 March amounting to R393 208.

	2011 R '000	2010 R '000
6. Other liabilities	**1**	**-**
Accounts payable	1	-

Accounts payable represent monies collected on behalf of SARS Own Accounts and paid subsequent to 31 March 2011.

	2011 R '000	2010 R '000
7. Income tax	**379 912 152**	**358 971 960**
Pay-as-you-earn	220 308 330	192 646 304
Persons individuals and companies	142 422 861	150 815 162
Secondary tax on companies	17 178 188	15 467 795
Tax on retirement fund industry	2 773	42 699
8. Road accident fund	**15 737 112**	**13 026 684**
Road accident fund levy	14 500 738	11 996 551
Road accident fund (Recoupment)	1 236 374	1 030 133

Road Accident Fund levy is payable on the production of fuel. The recoupment represents the amount due to SARS by the Road Accident Fund in respect of that portion of the diesel refunds already effected to qualifying industries.

	2011	2010
	R '000	R '000
9. Other taxes	**9 105 371**	**8 875 878**
Transfer duties	5 322 487	4 683 047
Securities transfer tax	2 925 178	3 324 633
Estate duty	782 325	759 273
Donations tax	64 584	60 084
Marketable securities tax	7 728	(616)
Stamp duty	3 085	35 996
Master fees	(16)	13 461
10. Mineral and petroleum royalty	**3 554 722**	**-**
Mineral and petroleum royalty	3 554 722	-

This levy was imposed on exploration and extraction of minerals and petroleum resources.

11. Carbon dioxide vehicle emissions tax	**625 891**	**-**
Carbon dioxide vehicle emissions tax	625 891	-

This environmental levy was introduced to support demand-side measures, the energy-efficiency strategy and to support initiatives dealing with environmental concerns, air pollution and climate change.

12. Customs miscellaneous revenue	**269 304**	**(294 020)**
Customs miscellaneous revenue	268 923	(294 319)
Revenue in respect of other departments	381	299

Customs miscellaneous revenue primarily comprises the liquidation of provisional payments.

13. Provincial administration receipts	**19 392**	**36 709**
Provincial administration consolidated account	19 392	36 709

The provincial administration consolidated account represents the net revenue collected on behalf of the Provincial Administrations. According to section 12(3) of the Public Finance Management Act No. 1 of 1999, the National Treasury must transfer all taxes, levies, duties, fees and other monies collected by SARS to that provinces' provincial revenue fund.

14. Non-tax revenue	**16 740**	**(3 773)**
State miscellaneous revenue	16 698	(5 724)
State fines and forfeitures	42	1 951

State miscellaneous revenue primarily comprises stale cheques credited to this allocation.

	2011 R '000	2010 R '000
15. Payments in terms of Customs Union Agreement		
Contributions to the Common Customs Pool	**51 191 524**	**42 142 335**
Namibia	601 184	615 309
Botswana	433 449	420 686
Lesotho	184 545	81 058
Swaziland	54 949	76 591
Sub-total	**1 274 127**	**1 193 644**
South Africa	**49 917 397**	**40 948 691**

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

	2011 R '000	2010 R '000
Received from the Common Customs Pool	**51 191 524**	**42 142 335**
Botswana	6 618 082	9 166 668
Namibia	5 975 941	8 585 462
Swaziland	2 629 616	5 188 953
Lesotho	2 628 162	4 918 212
Secretariat	53 878	56 110
Sub-total	**17 905 679**	**27 915 405**
South Africa	**33 285 845**	**14 226 930**

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

	2011 R '000	2010 R '000
16. Reconciliation of net revenue for the year to total cash received		
Net revenue for the year as per statement of financial performance	686 311 306	593 996 009
Adjusted for:		
Payments in terms of Customs Union Agreement	17 905 679	27 915 405
Decrease / (Increase) in other assets	79	83
Increase / (Decrease) in other liabilities	1	-
Decrease / (Increase) in accounts receivable	(1 720)	1 524
Increase / (Decrease) in cheques not yet presented for payment	(33 149)	86 864
Total cash received as per cash flow statement	**704 182 196**	**621 999 885**

	2011 R '000	2010 R '000
17. Cash and cash equivalents in respect of cash flow statement	**138 608**	**218 686**
Cheques issued but not yet presented for payment	144 830	177 979
Cash and cash equivalents (as per statement of financial position)	1 400	5 577
Bank (as per statement of financial position)	(7 622)	35 130

18. Guarantees

Guarantees issued in favour of SARS amounting to R25 449 801 (R58 550 946 : 2009/10) are held as security for various taxes payable.

Guarantees issued in favour of SARS amounting to R5 171 233 657 (R4 845 825 124 : 2009/10) are held as security for various duties payable.

The figure in respect of the 2009/10 financial year has been restated from R5 028 525 124 to R4 845 825 124 resulting from updated statistics relating to a branch office. The correction of this error does not impact the financial statements.

19. Write-off of irrecoverable debt

Irrecoverable debt in respect of administered taxes to the amount of R4 084 853 723 (R4 151 658 910 : 2009/10) has been written off on or prior to 31 March 2011. Amounts still awaiting approval for write-off do not form part of actual write-offs.

Irrecoverable debt in respect of administered duties to the amount of R538 438 761 (R153 682 180 : 2009/10) has been written off on or prior to 31 March 2011. Amounts still awaiting approval for write-off do not form part of actual write-offs.

Administered Revenue

UNAUDITED ANNEXURES - 31 MARCH 2011

CONTENTS

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

SOUTH AFRICAN REVENUE SERVICE - ADMINISTERED REVENUE

UNAUDITED ANNEXURE 1

Taxes

TAXES: Unaudited outstanding debt (receivables) as at 31 March 2011								
2010/2011	1 - 3 Months	4 - 6 Months	7 - 8 Months	9 Months >	Interest	Total	New Debt	Total Debt
	Rands	Rands	Rands	Rands	Rands	Rands	Rands	Rands
Income Tax	4 185 075 542	1 465 328 643	1 075 066 100	18 613 505 449	11 094 553 535	36 433 529 269	2 851 860 466	39 285 389 735
Individuals	1 657 456 210	845 561 008	503 748 632	8 516 227 511	4 869 944 120	16 392 937 481	944 503 813	17 337 441 294
Trusts	147 168 131	82 954 003	20 831 467	263 388 571	185 832 820	700 174 992	135 227 601	835 402 593
Companies	2 380 451 201	536 813 632	550 486 001	9 833 889 367	6 038 776 595	19 340 416 796	1 772 129 052	21 112 545 848
PAYE	443 363 352	571 427 283	755 849 276	9 880 361 308	3 401 338 712	15 052 339 931	3 248 748 655	18 301 088 586
VAT	1 174 472 842	808 290 811	676 361 194	18 933 482 807	5 079 531 545	26 672,139 199	344 619	26 672 483 818
STC	228 910 696	74 802 332	37 775 915	1 711 726 888	854 895 256	2 908 111 087	211 342 702	3 119 453 789
Sub-Total	**6 031 822 432**	**2 919 849 069**	**2 545 052 485**	**49 139 076 452**	**20 430 319 048**	**81 066 119 486**	**6 312 296 442**	**87 378 415 928**
Diesel	-	-	2 462 174	28 880 742	17 833 108	49 176 024	-	49 176 024
SDL	34 171 922	104 140 388	115 529 993	893 421 224	256 148 936	1 403 412 463	123 354 193	1 526 766 656
UIF	175 060 252	131 944 321	163 698 216	1 343 675 298	428 068 742	2 242 446 829	146 078 440	2 388 525 269
Total	**6 241 054 606**	**3 155 933 778**	**2 826 742 868**	**51 405 053 716**	**21 132 369 834**	**84 761 154 802**	**6 581 729 075**	**91 342 883 877**

TAXES: Unaudited outstanding debt (receivables) as at 31 March 2010								
2009/2010	1 - 3 Months	4 - 6 Months	7 - 8 Months	9 Months >	Interest	Total	New Debt	Total Debt
	Rands	Rands	Rands	Rands	Rands	Rands	Rands	Rands
Income Tax	2 189 599 982	2 426 985 466	2 120 742 461	17 042 258 942	12 203 815 971	35 983 402 823	4 828 448 809	40 811 851 632
Individuals	1 045 386 971	1 026 943 238	329 127 800	8 101 834 219	4 865 533 839	15 368 826 068	1 609 758 082	16 978 584 150
Trusts	100 014 206	46 720 163	1 052 757 857	252 096 208	666 424 592	2 118 013 027	196 480 633	2 314 493 659
Companies	1 044 198 805	1 353 322 065	738 856 804	8 688 328 515	6 671 857 540	18 496 563 728	3 022 210 094	21 518 773 822
PAYE	2 157 741 652	715 957 279	264 657 750	11 440 655 492	-	14 579 012 173	2 359 701 297	16 938 713 470
VAT	896 815 029	875 025 252	863 114 639	18 485 173 283	-	21 120 128 203	683 175 378	21 803 303 581
STC	461 250 271	128 232 229	278 202 574	1 583 501 628	772 323 031	3 223 509 734	273 506 610	3 497 016 344
Sub-Total	**5 705 406 934**	**4 146 200 227**	**3 526 717 425**	**48 551 589 345**	**12 976 139 002**	**74 906 052 932**	**8 144 832 095**	**83 050 885 026**
Diesel	-	-	-	-	-	33 749 816	-	33 749 816
SDL	161 145 927	33 427 013	30 001 914	558 032 140	198 271 831	980 878 826	-	980 878 826
UIF	78 462 062	60 871 218	53 170 439	1 151 949 043	373 592 314	1 718 045 077	-	1 718 045 077
Total	**5 945 014 923**	**4 240 498 458**	**3 609 889 778**	**50 261 570 528**	**13 548 003 148**	**77 638 726 650**	**8 144 832 095**	**85 783 558 744**

SOUTH AFRICAN REVENUE SERVICE - ADMINISTERED REVENUE
UNAUDITED ANNEXURE 2

Unaudited outstanding credits (payables) as At 31 March 2011	
2010/2011	**Total Credits (Rands)**
Income tax	(13 233 952 239)
Income Tax	**(13 233 952 239)**
PAYE	(6 981 641 689)
Returns not received	5 269 455 494
PAYE	**(1 712 186 195)**
New Employers Account*	(3 385 877 827)
Returns not received	3 385 877 827
New Employers Account	**-**
VAT	(32 524 640 845)
Returns not received	4 755 342 850
VAT	**(27 769 297 995)**
UIF	(414 139 233)
Returns not received	181 051 576
UIF	**(233 087 657)**
SDL	(577 783 975)
Returns not received	158 019 482
SDL	**(419 764 493)**
Sub-Total	**(43 368 288 579)**
STC	(1 100 565 924)
Total	**(44 468 854 503)**

* The New Employers Account (NEA) balance represents payments received in respect of PAYE, SDL and UIF of which the Emp 201 returns have not been received.

Unaudited outstanding credits (payables) as at 31 March 2010	
2009/2010	**Total Credits (Rands)**
Income tax	(14 068 580 218)
Income Tax	**(14 068 580 218)**
PAYE	(15 663 501 828)
Returns not received	7 557 754 785
PAYE	**(8 105 747 043)**
VAT	(23 282 478 147)
Returns not received	5 624 734 072
VAT	**(17 657 744 075)**
UIF	(946 480 354)
Returns not received	442 759 034
UIF	**(503 721 320)**
SDL	(815 123 314)
Returns not received	365 478 768
SDL	**(449 644 547)**
Sub-Total	**(40 785 437 203)**
Diesel	(321 963 164)
STC	(1 065 682 664)
Total	**(42 173 083 031)**

SOUTH AFRICAN REVENUE SERVICE - ADMINISTERED REVENUE
UNAUDITED ANNEXURE 3

DUTIES: Unaudited outstanding debt (Receivables) as at 31 March 2011					
2010/2011	Debt	Interest	Total	New Debt	Total Debt
	Rands	**Rands**	**Rands**	**Rands**	**Rands**
Customs duty	492 420 418	133 716 625	626 137 043	-	626 137 043
Value-added tax	252 671 783	87 863 090	340 534 873	-	340 534 873
Surcharge	8 650	9 169	17 819	-	17 819
Fuel levy	13 102 212	386 870	13 489 082	-	13 489 082
P2A - Excise duty	21 055 055	3 146 208	24 201 263	-	24 201 263
P2B - Ad valorem	15 116 054	6 267 643	21 383 697	-	21 383 697
Penalties	72 235 370	-	72 235 370	-	72 235 370
Forfeiture	256 859 759	-	256 859 759	-	256 859 759
Total	**1 123 469 301**	**231 389 605**	**1 354 858 906**	**-**	**1 354 858 906**

DUTIES: Unaudited outstanding debt (receivables) as at 31 March 2010					
2009/2010	Debt	Interest	Total	New Debt	Total Debt
	Rands	Rands	Rands	Rands	Rands
Customs duty	491 456 904	139 766 133	631 223 037	15 812 582	647 035 619
Value-added tax	400 970 966	121 343 684	522 314 650	8 702 140	531 016 790
Surcharge	10 961	15 298	26 259	11 809	38 068
Fuel levy	2 410 920	1 407 502	3 818 422	-	3 818 422
P2A - Excise duty	40 685 820	14 390 322	55 076 142	15 870 755	70 946 897
P2B - Ad valorem	16 743 915	9 922 655	26 666 570	205 233	26 871 803
Penalties	54 739 924	-	54 739 924	4 960 202	59 700 127
Forfeiture	544 891 331	-	544 891 331	10 570 057	555 461 388
Unallocated	(407 810)	-	(407 810)	-	(407 810)
Total	**1 551 502 931**	**286 845 594**	**1 838 348 526**	**56 132 777**	**1 894 481 303**

Own Accounts

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2011

CONTENTS

The annual financial statements set out on pages 90 to 150 have been prepared on the ongoing concern basis and were approved and signed by:

Oupa G. Magashula
SARS Commissioner

22 July 2011

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

REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

Introduction

I have audited the accompanying consolidated and separate financial statements of the South African Revenue Service (SARS): Own Accounts, which comprise the consolidated and separate statement of financial position as at 31 March 2011, and the consolidated and separate statement of financial performance, statement of changes in net assets and statement of cash flows for the year then ended and a summary of significant accounting policies and other explanatory information as set out on pages 90 to 150.

Accounting authority's responsibility for the consolidated financial statements

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

Auditor-General's responsibility

As required by section 188 of the Constitution of the Republic of South Africa, 1996 (Act No. 108 of 1996) and section 4 of the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA), my responsibility is to express an opinion on these consolidated and separate financial statements based on my audit.

I conducted my audit in accordance with International Standards on Auditing and *General Notice 1111 of 2010* issued in *Government Gazette 33872 of 15 December 2010*. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated and separate financial statements are free from material misstatement.

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

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

Opinion

In my opinion, the consolidated and separate financial statements present fairly, in all material respects, the financial position of the SARS: Own Accounts and its subsidiary as at 31 March 2011, and their financial performance and cash flows for the year then ended in accordance with SA Standards of GRAP and the requirements of the PFMA.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with the PAA and in terms of *General Notice 1111 of 2010*, issued in *Government Gazette 33872 of 15 December 2010*, I include below my findings on the annual performance report as set out on pages 50 to 58 and material non-compliance with laws and regulations applicable to the public entity.

Predetermined objectives

There were no material findings on the annual performance report concerning the presentation, usefulness and reliability of the information.

Compliance with laws and regulations

There were no findings concerning material non-compliance with applicable laws and regulations regarding financial matters and financial management.

INTERNAL CONTROL

In accordance with the PAA and in terms of *General Notice 1111 of 2010*, issued in *Government Gazette 33872 of 15 December 2010*, I considered internal control relevant to my audit, but not for the purpose of expressing an opinion on the effectiveness of internal control. There are no significant deficiencies in internal control that resulted in a qualification of the auditor's opinion on the consolidated and separate financial statements and/or findings on pre-determined objectives and/or material non-compliance with laws and regulations.

Auditor-General

Pretoria

29 July 2011

AUDITOR - GENERAL
SOUTH AFRICA

Auditing to build public confidence

REPORT BY THE SARS ACCOUNTING AUTHORITY

For the year ended 31 March 2011

Introduction

The Accounting Authority presents his Annual Report that forms part of the Annual Financial Statements of SARS Own Accounts for the year ended 31 March 2011. Specific reference has been made to Administered Revenue where applicable, otherwise all other statistics quoted are for Own Accounts.

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

Executive Members

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

A change to the structure of the Executive Committee was announced on 24 May 2010, the EXCO members serving from this date were:

EXCO members serving from 24 May 2010	
Oupa Magashula	Commissioner & EXCO Chairperson
Ivan Pillay	Deputy Commissioner
Barry Hore	Chief Operating Officer
Kosie Louw	Chief Officer: Legal & Policy
Trix Coetzer	Chief Financial Officer
Gene Ravele	Chief Officer: Customs & Border Management
Elsie Pule	Chief Officer: Human Resources

Resignations

No resignations are reported for the year under review.

Organisational Structure

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

Principal Activities

- The SARS Act, 1997, gives the entity the mandate to perform the following tasks:
- Collect all revenues that are due
- Ensure maximum compliance with legislation that it administers
- Provide a Customs service that will maximise revenue collection, protect our borders as well as facilitate trade.

Review of Operations and Results (Amounts disclosed In R' 000)

OWN ACCOUNTS

The Revenue for the year was made up as follows:

	% change	2011	2010
Operating revenue	13.9%	8 149 729	7 177 522
-Transfers from government entities / National Treasury	13.8%	8 138 108	7 148 446
- Rendering of Services		11 621	1 076
- Market Fee income		-	28 000
Other Income	4.0%	350 617	337 109
- Interest received	10.4%	123 364	111 682
- Other revenue	0.8%	227 253	225 427
	13.1%	**8 500 346**	**7 514 631**

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

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.

The surplus for the year was as follows:

		2011	2010
Balance accumulated surplus at 1 April as previously reported		1 263 789	753 510
Change in accounting policy		3 694	5 014
Prior year adjustments		3 621	2 079
Restated balance 1 April		1 271 104	760 603
Depreciation based on revalued portion of assets		-	22
Nett surplus for the year		961 066	510 479
Balance accumulated surplus at 31 March		**2 232 170**	**1 271 104**

ADMINISTERED REVENUE

The net revenue for the year was R686 311 306 (2010: R593 996 009). Administered Revenue does not retain funds as taxes collected are transferred to the National Revenue Fund on a daily basis.

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

SOUTH AFRICAN REVENUE SERVICE - OWN ACCOUNTS

REPORT BY THE SARS ACCOUNTING AUTHORITY

For the year ended 31 March 2011

	% change	2011	2010
Total revenue	13.23%	704 216 985	621 911 414
SA Customs Union Agreement	-35.86%	17 905 679	27 915 405
Net revenue	**15.54%**	**686 311 306**	**593 996 009**

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

Judicial proceedings

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

Review of the financial position (amounts disclosed in R' 000)

Reserves and accumulated surplus:

Reserves and surpluses consist mainly of the initial capital reserve on the establishment of SARS, the reserve for revaluation of assets and accumulated surpluses.

Assets

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

Business combinations

The financial results for the year under review for the wholly owned subsidiary company of SARS; Clidet 967 (Pty) Ltd is consolidated as part of the SARS group figures.

Public/private partnerships

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

Events subsequent to the balance sheet date

There are no events subsequent to 31 March 2011 affecting the financial statements that require disclosure.

Addresses

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

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

Addresses for SARS other offices are available from SARS

Oupa G Magashula
Commissioner
South African Revenue Service

11 August 2011
Date

SOUTH AFRICAN REVENUE SERVICE

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2011

Statement of Financial Position

	Note(s)	Economic entity 2011 R '000	Economic entity 2010 R '000	Controlling entity 2011 R '000	Controlling entity 2010 R '000
Assets					
Current assets					
Loan to controlled entity	10	-	-	81 554	-
Trade and other receivables	4	46 986	50 769	43 521	47 942
VAT receivable		22	-	-	-
Prepayments	27	65 623	33 770	65 623	33 770
Cash and cash equivalents	5	2 162 518	1 373 707	2 160 625	1 358 927
		2 275 149	1 458 246	2 351 323	1 440 639
Non-current assets					
Property, plant and equipment	6	948 722	845 071	940 093	845 017
Intangible assets	8	731 369	483 032	700 914	431 423
Investments in controlled entities	9	-	-	-	-
Deferred tax	25	497	-	-	-
		1 680 588	1 328 103	1 641 007	1 276 440
Total assets		**3 955 737**	**2 786 349**	**3 992 330**	**2 717 079**
Liabilities					
Current liabilities					
Current tax payable	11	-	5 135	-	-
Finance lease obligation	12	20 810	18 440	20 732	18 440
Trade and other payables	13	766 655	695 922	760 710	693 540
VAT payable		-	3 987	-	-
Deferred income	14	255	605	255	605
Provisions	15	420 710	346 105	419 301	346 105
		1 208 430	1 070 194	1 200 998	1 058 690
Non-current liabilities					
Finance lease obligation	12	138 702	136 845	138 580	136 845
Operating lease liability		273 611	245 572	273 329	245 528
Deferred income	14	226	866	226	552
		412 539	383 283	412 135	382 925
Total liabilities		**1 620 969**	**1 453 477**	**1 613 133**	**1 441 615**
Net assets		**2 334 768**	**1 332 872**	**2 379 197**	**1 275 464**
Net assets					
Reserves					
Asset revaluation reserve	16	70 234	29 404	70 234	29 404
Capital reserve on establishment		32 364	32 364	32 364	32 364
Accumulated surplus		2 232 170	1 271 104	2 276 599	1 213 696
Total net assets		**2 334 768**	**1 332 872**	**2 379 197**	**1 275 464**

Statement of Financial Performance

		Economic entity		Controlling entity	
	Note(s)	2011	2010	2011	2010
		R '000	R '000	R '000	R '000
Revenue					
Interest received		123 364	111 682	123 090	111 680
Other income	18	227 253	225 427	227 143	225 427
Rendering of services	17	11 621	1 076	-	-
Sale of seller rights	17	-	28 000	-	-
Transfers from government entities	17	8 138 108	7 148 446	8 138 108	7 148 446
Total revenue		**8 500 346**	**7 514 631**	**8 488 341**	**7 485 553**
Expenditure					
Administrative expenses		(1 451 852)	(1 380 763)	(1 447 609)	(1 380 327)
Depreciation and amortisation		(425 771)	(382 799)	(423 154)	(382 774)
Employee cost		(5 009 185)	(4 429 087)	(4 985 540)	(4 424 052)
Finance cost	20	(21 088)	(20 792)	(21 066)	(20 792)
Impairment loss	19	(6 817)	(48 005)	(6 817)	(89 505)
Reversal of impairments	19	122	12 169	79 859	12 169
Other expenses		(3 103)	(3 401)	(3 103)	(3 401)
Professional and special services		(622 601)	(743 842)	(618 526)	(743 669)
Total expenditure		**(7 540 295)**	**(6 996 520)**	**(7 425 956)**	**(7 032 351)**
(Loss) / Gain on disposal of assets and liabilities		518	(131)	518	(131)
Taxation	21	497	(7 501)	-	-
Surplus for the year		**961 066**	**510 479**	**1 062 903**	**453 071**

Statement of Changes in Net Assets

	Revaluation Reserve	Capital Reserve	Total Reserves	Accumulated Surplus	Total Net Assets
	R '000	R '000	R '000	R '000	R '000
Economic entity					
Opening balance as previously reported	29 426	32 364	61 790	753 510	815 300
Adjustments					
Change in accounting policy	-	-	-	5 014	5 014
Prior year adjustments	-	-	-	2 079	2 079
Balance at 01 April 2009 as restated	29 426	32 364	61 790	760 603	822 393
Changes in net assets					
Surplus for the year	-	-	-	510 479	510 479
Depreciation based on the revalued portion of assets	(22)	-	(22)	22	-
Total changes	(22)	-	(22)	510 501	510 479
Opening balance as previously reported	29 404	32 364	61 768	1 263 789	1 325 557
Adjustments					
Change in accounting policy	-	-	-	3 694	3 694
Prior year adjustments	-	-	-	3 621	3 621
Balance at 01 April 2010 as restated	29 404	32 364	61 768	1 271 104	1 332 872
Changes in net assets					
Surplus in revaluation of property	41 035	-	41 035	-	41 035
Depreciation based on the revalued portion of assets	(205)	-	(205)	-	(205)
Surplus for the year	-	-	-	961 066	961 066
Total changes	40 830	-	40 830	961 066	1 001 896
Balance at 31 March 2011	**70 234**	**32 364**	**102 598**	**2 232 170**	**2 334 768**
Note(s)	16				

Statement of Changes in Net Assets

	Revaluation Reserve	Capital Reserve	Total Reserves	Accumulated Surplus	Total Net Assets
	R '000	R '000	R '000	R '000	R '000
Controlling entity					
Opening balance as previously reported	29 426	32 364	61 790	753 510	815 300
Adjustments					
Change in accounting policy	-	-	-	5 014	5 014
Prior year adjustments	-	-	-	2 079	2 079
Balance at 01 April 2009 as restated	29 426	32 364	61 790	760 603	822 393
Changes in net assets					
Depreciation based on the revalued portion of assets	(22)	-	(22)	22	-
Surplus for the year	-	-	-	453 071	453 071
Total changes	(22)	-	(22)	453 093	453 071
Opening balance as previously reported	29 404	32 364	61 768	1 206 381	1 268 149
Adjustments					
Change in accounting policy	-	-	-	3 694	3 694
Prior year adjustments	-	-	-	3 621	3 621
Balance at 01 April 2010 as restated	29 404	32 364	61 768	1 213 696	1 275 464
Changes in net assets					
Surplus in revaluation of property	41 035	-	41 035	-	41 035
Depreciation based on the revalued portion of assets	(205)	-	(205)	-	(205)
Surplus for the year	-	-	-	1 062 903	1 062 903
Total changes	40 830	-	40 830	1 062 903	1 103 733
Balance at 31 March 2011	**70 234**	**32 364**	**102 598**	**2 276 599**	**2 379 197**
Note(s)	16				

Cash Flow Statement

		Economic entity		Controlling entity	
	Note(s)	2011	2010	2011	2010
		R '000	R '000	R '000	R '000
Cash flows from operating activities					
Receipts					
Sale of goods and services		10 984	1 076	-	-
Grants		8 138 108	7 148 446	8 138 108	7 148 446
Interest income		125 563	110 065	125 289	110 063
Other receipts		218 266	259 091	218 156	233 605
		8 492 921	7 518 678	8 481 553	7 492 114
Payments					
Employee costs		(4 887 237)	(4 397 874)	(4 865 274)	(4 394 081)
Suppliers		(2 051 793)	(2 069 147)	(2 042 658)	(2 073 183)
Tax paid	11	(5 135)	(2 366)	-	-
		(6 944 165)	(6 469 387)	(6 907 932)	(6 467 264)
Net cash flows from operating activities	**22**	**1 548 756**	**1 049 291**	**1 573 621**	**1 024 850**
Cash flows from investing activities					
Purchase of property, plant and equipment	6	(336 331)	(273 177)	(325 162)	(273 177)
Proceeds from sale of property, plant and equipment		5 345	3 571	5 332	3 571
Purchase of other intangible assets	8	(390 014)	(263 314)	(433 237)	(263 304)
Capitalised development costs	8	(22 106)	-	-	-
Business combinations	23	-	(97 656)	-	-
Loan advanced to controlled entity		-	-	(1 817)	(88 005)
Net cash flows from investing activities		**(743 106)**	**(630 576)**	**(754 884)**	**(620 915)**
Cash flows from financing activities					
Finance lease and interest payments		(16 839)	(26 678)	(17 039)	(26 678)
Net increase/(decrease) in cash and cash equivalents		**788 811**	**392 037**	**801 698**	**377 257**
Cash and cash equivalents at the beginning of the year		1 373 707	981 670	1 358 927	981 670
Cash and cash equivalents at the end of the year	**5**	**2 162 518**	**1 373 707**	**2 160 625**	**1 358 927**

1. Presentation of Annual Financial Statements

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

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

A summary of the significant accounting policies, which have been consistently applied, are disclosed below.

These accounting policies are consistent with the previous period.

1.1 Consolidation

Basis of consolidation

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

The consolidated annual financial statements incorporate the annual financial statements of the controlling entity and all controlled entities, including special purpose entities, which are controlled by the controlling entity.

Control exists when the controlling entity has the power to govern the financial and operating policies of another entity 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.

Adjustments are made when necessary to the annual financial statements of the controlled entity to bring their accounting policies in line with those of the controlling entity.

All intra-entity transactions, balances, revenues and expenses are eliminated in full on consolidation.

Business combinations

The economic entity accounts for business combinations using the acquisition method of accounting. The cost of the business combination is measured as the aggregate of the fair values of assets given, liabilities incurred or assumed and equity instruments issued. Costs directly attributable to the business combination are expensed as incurred, except the costs to issue debt which are amortised as part of the effective interest and costs to issue equity which are included in equity.

The acquiree's identifiable assets, liabilities and contingent liabilities which meet the recognition conditions of IFRS 3 Business combinations are recognised at their fair values at acquisition date, except for non-current assets (or disposal economic entity) that are classified as held-for-sale in accordance with the Standard of GRAP on Non-current Assets Held-For-Sale and Discontinued Operations, which are recognised at fair value less costs to sell.

Contingent liabilities are only included in the identifiable assets and liabilities of the acquiree where there is a present obligation at acquisition date.

On acquisition, the economic entity assesses the classification of the acquiree's assets and liabilities and reclassifies them where the classification is inappropriate for economic entity purposes. This excludes lease agreements and insurance contracts, whose classification remains as per their inception date.

Goodwill is determined as the consideration paid, plus the fair value of any shareholding held prior to obtaining control, plus non-controlling interest and less the fair value of the identifiable assets and liabilities of the acquiree.

1. Presentation of Annual Financial Statements (continued)

Goodwill is not amortised but is tested on an annual basis for impairment. If goodwill is assessed to be impaired, that impairment is not subsequently reversed.

1.2 Significant judgements and sources of estimation uncertainty

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

Loans and receivables

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

Fair value estimation

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

Impairment testing

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

The economic entity reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of assets are inherently uncertain and could materially change over time. They are significantly affected by a number of factors including production estimates together with economic factors such as supply and demand.

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 15 – Provisions.

Taxation

Judgement is required in determining the provision for income taxes due to the complexity of legislation. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The economic 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.

1. Presentation of Annual Financial Statements (continued)

1.2 Significant judgements and sources of estimation uncertainty (continued)

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

Allowance for doubtful debts

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

1.3 Property, plant and equipment

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

The cost of an item of property, plant and equipment is recognised as an asset when:

- It is probable that future economic benefits or service potential associated with the item will flow to the entity and
- The cost of the item can be measured reliably.

Property, plant and equipment are initially measured at cost.

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

Where an asset is acquired at no cost, or for a nominal cost, its cost is its fair value as at date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, its deemed cost is the carrying amount of the asset(s) given up.

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

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

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

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

1. Presentation of Annual Financial Statements (continued)

1.3 Property, plant and equipment (continued)

When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is restated proportionately with the change in the gross carrying amount of the asset so that the carrying amount of the asset after revaluation equals its revalued amount.

Any increase in an asset's carrying amount, as a result of a revaluation, is credited directly to a revaluation surplus in equity. 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.

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

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

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

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

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

The depreciation charge for each period is recognised in surplus or deficit.

Items of property, plant and 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.

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

1.4 Intangible assets

An asset is identified as an intangible asset when it:

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

1. Presentation of Annual Financial Statements (continued)

1.4 Intangible assets (continued)

An intangible asset is recognised when:

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

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

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

An intangible asset arising from development is recognised when:

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

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

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

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

Internally generated brands, publishing titles, customer lists and items similar in substance are not recognised as intangible assets.

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

Item	Useful life
Intellectual property	Indefinite
Software	5 years

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.

No amortisation has been provided in the current year on intellectual property as the property is not yet available for use.

The useful life of software was reviewed at the end of the prior reporting date and changed from 3 years to 5 years.

The change was accounted for as a change in accounting estimates.

1. Presentation of Annual Financial Statements (continued)

1.5 Investments in controlled entities

Economic entity annual financial statements

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

On acquisition the economic entity recognises the controlled entity's identifiable assets, liabilities and contingent liabilities at fair value, except for assets classified as held-for-sale, which are recognised at fair value less costs to sell.

Controlling entity annual financial statements

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

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

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

1.6 Financial instruments

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

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

A concessionary loan is a loan granted to or received by an entity on terms that are not market related.

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

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

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

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

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

A financial asset is:

- Cash
- A residual interest of 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.

1. Presentation of Annual Financial Statements (continued)

1.6 Financial instruments (continued)

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

- Deliver cash or another financial asset to another entity or
- Exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the entity.

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

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

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

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

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

- The entity designates at fair value at initial recognition or
- Are held for trading.

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

Classification

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

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

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

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

The entity has the following types of residual interests (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Investment in Controlled Entity	Measured at fair value

Initial recognition

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

The entity recognises financial assets using trade date accounting.

1. Presentation of Annual Financial Statements (continued)

1.6 Financial instruments (continued)

Initial measurement of financial assets and financial liabilities

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

Subsequent measurement of financial assets and financial liabilities

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

- Financial instruments at fair value and
- Financial instruments at amortised cost.

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

Fair value measurement considerations

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

Gains and losses

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

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

Impairment and uncollectibility of financial assets

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

Financial assets measured at amortised cost:

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

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

1. Presentation of Annual Financial Statements (continued)

1.6 Financial instruments (continued)

Derecognition

Financial assets

The entity derecognises financial assets using trade date accounting.

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

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

Financial liabilities

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

Presentation

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

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

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

1.7 Tax

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.

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

Deferred tax assets and liabilities

A deferred tax liability is recognised for all taxable temporary differences, except to the extent that the deferred tax liability arises from:

- The initial recognition of goodwill or
- The initial recognition of an asset or liability in a transaction which:
  - Is not a business combination and
  - At the time of the transaction, affects neither accounting surplus nor taxable profit (tax loss).

A deferred tax asset is recognised for all deductible temporary differences to the extent that it is probable that taxable surplus will be available against which the deductible temporary difference can be utilised, unless the deferred tax asset arises from the initial recognition of an asset or liability in a transaction that:

- Is not a business combination and
- At the time of the transaction, affects neither accounting surplus nor taxable profit (tax loss).

1. Presentation of Annual Financial Statements (continued)

1.7 Tax (continued)

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

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

Tax expenses

Current and deferred taxes are recognised as income or an expense and included in surplus or deficit for the period, except to the extent that the tax arises from:

- A transaction or event which is recognised, in the same or a different period, to net assets or
- A business combination.

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

1.8 Leases

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

Finance leases – lessee

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 – lessee

Operating lease payments are recognised as an expense on a straightline 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. Presentation of Annual Financial Statements (continued)

1.9 Impairment of cash-generating assets

Cash-generating assets are those assets held by the economic entity with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation or 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 held with the primary objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation 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 and its value in use.

Useful life is either:

- The period of time over which an asset is expected to be used by the economic entity or
- The number of production or similar units expected to be obtained from the asset by the economic entity.

Identification

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

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

Irrespective of whether there is any indication of impairment, the economic entity also tests a cash-generating intangible asset with an indefinite useful life or a cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

Value in use

Value in use of a cash-generating asset is the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life.

1. Presentation of Annual Financial Statements (continued)

1.9 Impairment of cash-generating assets (continued)

When estimating the value in use of an asset, the economic entity estimates the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and the economic entity applies the appropriate discount rate to those future cash flows.

Recognition and measurement (individual asset)

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

An impairment loss is recognised immediately in surplus or deficit.

Any impairment loss of a revalued cash-generating asset is treated as a revaluation decrease.

After the recognition of an impairment loss, the depreciation or amortisation charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Cash-generating units

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the economic entity determines the recoverable amount of the cash-generating unit to which the asset belongs (the asset's cash-generating unit).

Cash-generating units are identified consistently from period to period for the same asset or types of assets, unless a change is justified.

The carrying amount of a cash-generating unit is determined on a basis consistent with the way the recoverable amount of the cash-generating unit is determined.

An impairment loss is recognised for a cash-generating unit if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment is allocated to reduce the carrying amount of the cash-generating assets of the unit on a pro rata basis, based on the carrying amount of each asset in the unit. These reductions in carrying amounts are treated as impairment losses on individual assets.

In allocating an impairment loss, the entity does not reduce the carrying amount of an asset below the highest of:

- Its fair value less costs to sell (if determinable)
- Its value in use (if determinable) and
- Zero.

Reversal of impairment loss

The economic entity assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a cash-generating asset may no longer exist or may have decreased. If any such indication exists, the entity estimates the recoverable amount of that asset.

An impairment loss recognised in prior periods for a cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

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

Any reversal of an impairment loss of a revalued cash-generating asset is treated as a revaluation increase.

1. Presentation of Annual Financial Statements (continued)

1.9 Impairment of cash-generating assets (continued)

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.

An impairment loss recognised for goodwill shall not be reversed in subsequent periods.

1.10 Employee benefits

Short-term employee benefits

The cost of short-term employee benefits (those payable within twelve months after the service is rendered, such as paid annual leave and bonuses) are recognised in the period in which the service is rendered and are not discounted.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement.

The expected cost of bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

Defined contribution retirement funds

Payments made to industry managed or state plans are dealt with as defined contribution plans where the entity's obligation under the schemes is equivalent to those arising in a defined contribution retirement benefit plan. The economic entity has no legal or constructive obligation to pay future benefits where responsibility vests with the contribution retirement benefit schemes.

Payments are charged as an expense as they fall due.

1.11 Provisions and contingencies

Provisions are recognised when:

- The economic entity has a present obligation as a result of a past event
- It is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation and
- A reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required 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.

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

A provision is used only for expenditures for which the provision was originally recognised.

Provisions are not recognised for future operating deficits.

1. Presentation of Annual Financial Statements (continued)

1.11 Provisions and contingencies (continued)

No obligation arises as a consequence of the sale or transfer of an operation until the economic entity is committed to the sale or transfer.

After their initial recognition contingent liabilities recognised in business combinations that are recognised separately are subsequently measured at the higher of:

- The amount that would be recognised as a provision and
- The amount initially recognised less cumulative amortisation.

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

1.12 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

An exchange transaction is one in which the entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value to the other party in exchange.

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

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- The amount of revenue can be measured reliably
- It is probable that the economic benefits or service potential associated with the transaction will flow to the economic entity
- The stage of completion of the transaction at the reporting date can be measured reliably and
- The costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When services are performed by an indeterminate number of acts over a specified time frame, revenue is recognised on a straight line basis over the specified time frame unless there is evidence that some other method better represents the stage of completion. When a specific act is much more significant than any other acts, the recognition of revenue is postponed until the significant act is executed.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Sale of seller rights

Revenue arising from the use by others of entity assets yielding seller rights is recognised when:

- It is probable that the economic benefits or service potential associated with the transaction will flow to the entity and
- The amount of the revenue can be measured reliably.

1. Presentation of Annual Financial Statements (continued)

1.13 Revenue from non-exchange transactions

Revenue comprises gross inflows of economic benefits or service potential received and receivable by an entity, which represents an increase in net assets, other than increases relating to contributions from owners.

Conditions on transferred assets are stipulations that specify that the future economic benefits or service potential embodied in the asset is required to be consumed by the recipient as specified or future economic benefits or service potential must be returned to the transferor.

Control of an asset arise when the entity can use or otherwise benefit from the asset in pursuit of its objectives and can exclude or otherwise regulate the access of others to that benefit.

Exchange transactions are transactions in which one entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value to another entity in exchange.

Non-exchange transactions are transactions that are not exchange transactions. 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.

As the entity satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it reduces the carrying amount of the liability recognised and recognises an amount of revenue equal to that reduction.

Measurement

Revenue from a non-exchange transaction is measured as 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.

1.14 Government grants

SARS's main source of income is an annual grant from Parliament for its services, based on estimated expenditure for performing any specific act or function on behalf of Government in the collection of Administered Revenue.

1.15 Investment income

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

1.16 Translation of foreign currencies

Foreign currency transactions

A foreign currency transaction is recorded, on initial recognition in Rands, by applying to the foreign currency amount on 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.

1. Presentation of Annual Financial Statements (continued)

1.16 Translation of foreign currencies (continued)

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 annual financial statements are recognised in surplus or deficit in the period in which they arise.

Cash flows arising from transactions in a foreign currency are recorded in Rands by applying to the foreign currency amount the exchange rate between the Rand and the foreign currency at the date of the cash flow.

1.17 Comparative figures

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

1.18 Research and development expenditure

Research costs are charged against operating surplus as incurred. Development costs are recognised as an expense in the period in which they are incurred unless the following criteria are met:

- The product or process is clearly defined and the costs attributable to the process or product can be separately identified and measured reliably
- The technical feasibility of the product or process can be demonstrated
- The existence of a market or, if to be used internally rather than sold, its usefulness to the economic entity can be demonstrated
- Adequate resources exist, or their availability can be demonstrated, to complete the project and then market or use the product or process and
- The asset must be separately identifiable.

2. Changes in accounting policy

The annual financial statements have been prepared in accordance with the effective Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board on a basis consistent with the prior year, except for the formulation of the Financial Instruments policy based on the principles of GRAP 104.

Financial Instruments

During the year, the economic entity changed its Financial Instruments accounting policy with respect to the treatment of Financial Guarantee Contracts, issued to qualifying employees in terms of the State Housing Programme. In accordance with GRAP 19-Provisions, Contingent Liabilities and Contingent Assets, the economic entity is not required to recognise a provision for Financial Guarantee Contracts or disclose a contingent liability if the probability of any outflow is regarded as remote. In order to conform with the above, the economic entity derecognised the liability raised in previous financial years in accordance with the newly formulated policy on Financial Instruments.

The aggregate effect of the changes in accounting policy on the annual financial statements for the year ended 31 March 2010 is as follows:

Statement of Financial Position

Increase in accumulated surplus	5 014 436
Decrease in non-current liabilities	(3 694 333)
	1 320 103

Statement of Financial Performance

Increase in personnel expenditure	1 320 103

3. New standards and interpretations

3.1 Standards and Interpretations early adopted

The economic entity has chosen to early adopt the following standards and interpretations:

GRAP 23: Revenue from Non-exchange Transactions

Revenue from non-exchange transactions arises when an entity receives value from another entity without directly giving approximately equal value in exchange. An asset acquired through a non-exchange transaction shall initially be measured at its fair value as at the date of acquisition.

This revenue will be measured at the amount of increase in net assets recognised by the economic entity.

The effective date of the standard is for years beginning on or after 01 April 2012.

The economic entity has early adopted the standard for the first time in the 2011 annual financial statements.

The standard has no impact on the financial statements.

3. New standards and interpretations (continued)

GRAP 26: Impairment of cash-generating assets

Cash-generating assets are those assets held by an economic entity with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

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

An economic entity assesses at each reporting date whether there is any indication that a cash-generating asset may be impaired. If any such indication exists, an economic entity estimates the recoverable amount of the asset. When estimating the value in use of an asset, an economic entity estimates the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and an economic entity applies the appropriate discount rate to those future cash flows.

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.

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, an economic entity determines the recoverable amount of the cash-generating unit to which the asset belongs (the asset's cash-generating unit).

If an active market exists for the output produced by an asset or group of assets, that asset or group of assets is identified as a cash-generating unit, even if some or all of the output is used internally. If the cash inflows generated by any asset or cash-generating unit are affected by internal transfer pricing, an entity uses management's best estimate of future price(s) that could be achieved in arm's length transactions in estimating:

- The future cash inflows used to determine the asset's or cash-generating unit's value in use and
- The future cash outflows used to determine the value in use of any other assets or cash-generating units that are affected by the internal transfer pricing.

Cash-generating units are identified consistently from period to period for the same asset or types of assets, unless a change is justified.

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.

Where a non-cash-generating asset contributes to a cash-generating unit, a proportion of the carrying amount of that non-cash-generating asset is allocated to the carrying amount of the cash-generating unit prior to estimation of the recoverable amount of the cash-generating unit.

An economic entity assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a cash-generating asset may no longer exist or may have decreased. If any such indication exists, an economic entity estimates the recoverable amount of that asset.

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.

This Standard has been approved by the Board but its effective date has not yet been determined by the Minister of Finance. The effective date indicated is a provisional date and could change depending on the decision of the Minister of Finance.

3. New standards and interpretations (continued)

The effective date of the standard is for years beginning on or after 01 April 2012.

The economic entity has early adopted the standard for the first time in the 2011 annual financial statements.

The standard has no impact on the financial statements.

3.2 Standards and interpretations issued, but not yet effective

The economic entity has not applied the following standards and interpretations, which have been published and are mandatory for the economic entity's accounting periods beginning on or after 01 April 2011 or later periods:

GRAP 24: Presentation of Budget Information in the Financial Statements

An entity shall present a comparison of the budget amounts for which it is held publicly accountable and actual amounts either as a separate additional financial statement or as additional budget columns in the financial statements currently presented in accordance with Standards of GRAP. The comparison of budget and actual amounts shall present separately for each level of legislative oversight:

- The approved and final budget amounts
- The actual amounts on a comparable basis and
- By way of note disclosure, an explanation of material differences between the budget for which the economic entity is held publicly accountable and actual amounts, unless such explanation is included in other public documents issued in conjunction with the financial statements, and a cross reference to those documents is made in the notes.

Where an entity prepares its budget and annual financial statements on a comparable basis, it includes the comparison as an additional column in the primary annual financial statements. Where the budget and annual financial statements are not prepared on a comparable basis, a separate statement is prepared called the 'Statement of Comparison of Budget and Actual Amounts'. This statement compares the budget amounts with the amounts in the annual financial statements adjusted to be comparable to the budget.

A comparable basis means that the budget and annual financial statements:

- Are prepared using the same basis of accounting i.e. Either cash or accrual
- Include the same activities and entities
- Use the same classification system and
- Are prepared for the same period.

The effective date of the standard is for years beginning on or after 01 April 2012.

The economic entity expects to adopt the standard for the first time in the 2013 annual financial statements.

The adoption of this standard is not expected to impact on the results of the entity, but may result in more disclosure than that currently provided in the annual financial statements.

GRAP 25: Employee benefits

The objective of GRAP 25 is to prescribe the accounting and disclosure for employee benefits. The standard requires an economic entity to recognise:

- A liability when an employee has provided service in exchange for employee benefits to be paid in the future and
- An expense when an economic entity consumes the economic benefits or service potential arising from service provided by an employee in exchange for employee benefits.

GRAP 25 defines, amongst others, the following:

- Employee benefits as all forms of consideration given by an economic entity in exchange for service rendered by employees

3. New standards and interpretations (continued)

- Defined contribution plans as post-employment benefit plans under which an economic 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;
- Short-term employee benefits as 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 and
- Vested employee benefits as employee benefits that are not conditional on future employment.

The standard states the recognition, measurement and disclosure requirements of:

- Short-term employee benefits
  - All short-term employee benefits
  - Short-term compensated absences
  - Bonus, incentive and performance related payments
- Post-employment benefits: Defined contribution plans
- Other long-term employee benefits and
- Termination benefits.

This standard has been approved by the Board but its effective date has not yet been determined by the Minister of Finance. The effective date indicated is a provisional date and could change depending on the decision of the Minister of Finance.

The adoption of this standard is not expected to impact on the results of the entity.

GRAP 104: Financial Instruments

The standard prescribes recognition, measurement, presentation and disclosure requirements for financial instruments. Financial instruments are defined as those contracts that result in a financial asset in one economic entity and a financial liability or residual interest in another economic entity. A key distinguishing factor between financial assets and financial liabilities and other assets and liabilities, is that they are settled in cash or by exchanging financial instruments rather than through the provision of goods or services.

In determining whether a financial instrument is a financial asset, financial liability or a residual interest, an economic entity considers the substance of the contract and not just the legal form.

Financial assets and financial liabilities are initially recognised at fair value. Where an economic entity subsequently measures financial assets and financial liabilities at amortised cost or cost, transactions costs are included in the cost of the asset or liability.

The transaction price usually equals the fair value at initial recognition, except in certain circumstances, for example, where interest free credit is granted or where credit is granted at a below market rate of interest.

Financial assets and financial liabilities are subsequently measured either at fair value or, amortised cost or cost. An economic entity measures a financial instrument at fair value if it is:

- A non-derivative instrument with fixed or determinable payments that is designated at initial recognition to be measured at fair value
- An investment in a residual interest for which fair value can be measured reliably and
- Other instruments that do not meet the definition of financial instruments at amortised cost or cost.

Financial assets and financial liabilities that are non-derivative instruments with fixed or determinable payments, for example deposits with banks, receivables and payables, are measured at amortised cost. At initial recognition, an economic entity can however designate such an instrument to be measured at fair value.

An economic entity can only measure investments in residual interests at cost where the fair value of the interest cannot be determined reliably.

3. New standards and interpretations (continued)

Once an economic entity has classified a financial asset or a financial liability either at fair value or amortised cost or cost, it is only allowed to reclassify such instruments in limited instances.

An entity derecognises a financial asset, or the specifically identified cash flows of an asset, when the cash flows from the asset expire, are settled or waived.

An economic entity derecognises a financial liability when the obligation is extinguished.

An economic entity cannot offset financial assets and financial liabilities in the statement of financial position unless a legal right of setoff exists, and the parties intend to settle on a net basis.

GRAP 104 requires extensive disclosures on the significance of financial instruments for an economic entity's statement of financial position and statement of financial performance, as well as the nature and extent of the risks that an economic entity is exposed to as a result of its annual financial statements. Some disclosures, for example the disclosure of fair values for instruments measured at amortised cost or cost and the preparation of a sensitivity analysis, are encouraged rather than required.

This standard has been approved by the Board but its effective date has not yet been determined by the Minister of Finance. The effective date indicated is a provisional date and could change depending on the decision of the Minister of Finance.

It is unlikely that the amendment will have a material impact on the entity's annual financial statements.

	Economic entity		Controlling entity	
	2011	2010	2011	2010
	R '000	R '000	R '000	R '000
4. Trade and other receivables				
Government departments	29 532	23 276	29 532	23 276
Other receivables	6 249	19 944	6 249	19 944
Trade debtors	3 450	2 823	-	-
Deposits	3 049	3 023	3 034	3 023
Staff accounts receivables	2 448	1 667	2 448	1 663
African Tax Administration Forum	2 165	-	2 165	-
Advanced Tax Ruling (ATR) debtors	93	36	93	36
	46 986	**50 769**	**43 521**	**47 942**

African Tax Administration Forum (ATAF)

During the inaugural conference of ATAF in November 2009 in Uganda, a "Proposal to Development Partners" was presented with the aim to obtain support, technical and financial, for the activities of ATAF. Pursuant to a successful workshop with international development partners on 13 to 14 May 2010, the ATAF Interim Secretariat has had success in establishing and negotiating long term Financing Agreements with Norway, Netherlands, Switzerland, Ireland and the UK Department for International Development (DFID).

As per the bilateral agreements all Donor Funds are deposited into the South African Reserve Bank Reconstruction and Development Program (RDP) Account, managed by National Treasury.

Fair value of trade and other receivables

Trade and other receivables	46 986	50 769	43 521	47 942

Trade and other receivables are carried at original invoice amounts, which approximates fair value, less provision made for impairment of these receivables.

Trade and other receivables past due but not impaired
At 31 March 2011, R4 469 027 (2010: R5 863 943) was past due but not impaired. In 2010 in-service staff debt was included in the figure past due. It is however our belief that these in-service debts are not past due as the installments are deducted as and when it becomes due. The 2010 ageing of amounts past due but not impaired have been reduced by R887 437.

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

1 month past due	4 184	4 566	4 184	4 566
2 months past due	-	480	-	480
3 months and more past due	285	818	274	818

Trade and other receivables impaired
As of 31 March 2011, trade and other receivables of R 3 205 538 (2010: R 4 383 369) were impaired and provided for.
The ageing of these loans is as follows:

1 to 3 months	866	385	866	385
Over 3 months	2 339	3 999	2 339	3 999

	Economic entity		Controlling entity	
	2011	2010	2011	2010
	R '000	R '000	R '000	R '000

4. Trade and other receivables (continued)

Reconciliation of provision for impairment of trade and other receivables				
Opening balance	4 383	5 079	4 383	5 079
Provision for impairment	1 065	84	1 065	84
Amounts written off as uncollectible	(2 243)	(780)	(2 243)	(780)
	3 205	**4 383**	**3 205**	**4 383**

The creation and release of provision for impaired receivables have been included in operating expenses in surplus or deficit. Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash.

The maximum exposure to credit risk at the reporting date is the fair value of each class of loan mentioned above. The economic entity does not hold any collateral as security.

5. Cash and cash equivalents

Cash and cash equivalents consist of:				
Bank balances	2 162 061	1 373 327	2 160 176	1 358 547
Cash on hand	457	380	449	380
	2 162 518	**1 373 707**	**2 160 625**	**1 358 927**

Credit quality of cash at bank and short term deposits, excluding cash on hand
Bank balances comprise cash and short-term investments that are held with registered banking institutions. The carrying amount of these assets approximate their fair value.

6. Property, plant and equipment

Economic entity	2011			2010		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Leasehold improvements	346 796	(237 469)	109 327	310 039	(217 433)	92 606
Buildings	198 965	(26 497)	172,468	158,025	(19 932)	138 093
Motor vehicles	127 334	(61 076)	66 258	100 956	(58 656)	42 300
Security equipment	95 554	(29 600)	65 954	72 562	(16 038)	56 524
Generators	41 189	(7 052)	34 137	32 169	(2 415)	29 754
Land	40 030	-	40 030	39 933	-	39 933
Assets under construction	20 738	-	20 738	12 294	-	12 294
Plant and equipment	18 276	(10 498)	7 778	18 231	(8 329)	9 902
Total	**1 985 620**	**(1 036 898)**	**948 722**	**1 749 452**	**(904 381)**	**845 071**

6. Property, plant and equipment (continued)

Controlling entity	2011			2010		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
IT Equipment	741 937	(457 409)	284 528	716 920	(418 333)	298 587
Furniture, fittings and office equipment	348 320	(205 555)	142 765	288 262	(163 238)	125 024
Leasehold improvements	342 267	(236 661)	105 606	310 039	(217 433)	92 606
Buildings	198 965	(26 497)	172 468	158 025	(19 932)	138 093
Motor vehicles	127 334	(61 076)	66 258	100 956	(58 656)	42 300
Security equipment	95 554	(29 600)	65 954	72 562	(16 038)	56 524
Generators	40 985	(7 017)	33 968	32 169	(2 415)	29 754
Land	40 030	-	40 030	39 933	-	39 933
Assets under construction	20 738	-	20 738	12 294	-	12 294
Plant and equipment	18 276	(10 498)	7 778	18 231	(8 329)	9 902
Total	**1 974 406**	**(1 034 313)**	**940 093**	**1 749 391**	**(904 374)**	**845 017**

Notes to the Annual Financial Statements

Figures in Rand thousand

6. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - Economic entity 2011

	Opening balance	Additions	Disposals	Transfers	Revaluations	Depreciation	Impairment loss	Impairment reversal	Total
IT equipment	298 641	134 223	(5 107)	7 243	-	(145 351)	(1 130)	40	288 559
Buildings	138 093	-	-	-	40 733	(6 358)	-	-	172 468
Furniture, fittings and office equipment	125 024	62 237	(1 873)	2 628	-	(41 710)	(2 891)	58	143 473
Leasehold improvements	92 606	52 689	(91)	-	-	(35 892)	-	15	109 327
Security equipment	56 524	21 390	(28)	2 076	-	(14 017)	-	9	65 954
Motor vehicles	42 300	36 930	(524)	-	-	(12 448)	-	-	66 258
Land	39 933	-	-	-	97	-	-	-	40 030
Generators	29 754	(310)	-	8 772	-	(4 079)	-	-	34 137
Assets under construction	12 294	29 163	-	(20 719)	-	-	-	-	20 738
Plant and equipment	9 902	9	-	-	-	(2 133)	-	-	7 778
	845 071	**336 331**	**(7 623)**	**-**	**40 830**	**(261 988)**	**(4 021)**	**122**	**948 722**

Notes to the Annual Financial Statements

Figures in Rand thousand

6. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - Economic entity 2010

	Opening balance	Additions	Additions through business combinations	Disposals	Transfers	Depreciation	Impairment loss	Impairment reversal	Total
IT equipment	226 627	103 091	62	(2 449)	81 434	(112 946)	(1 355)	4 177	298 641
Buildings	144 426	51	-	-	-	(6 384)	-	-	138 093
Furniture, fittings and office equipment	122 071	39 501	-	(676)	441	(38 865)	(68)	2 620	125 024
Leasehold improvements	80 855	27 119	-	-	15 187	(30 555)	-	-	92 606
Assets under construction	66 820	31 694	-	-	(86 220)	-	-	-	12 294
Land	39 925	8	-	-	-	-	-	-	39 933
Generators	31 908	-	-	-	-	(2 154)	-	-	29 754
Motor vehicles	20 242	30 248	-	(539)	-	(7 593)	(58)	-	42 300
Security equipment	18 393	41 465	-	(37)	4 576	(8 080)	(19)	226	56 524
Plant and equipment	12 046	-	-	-	-	(2 144)	-	-	9 902
	763 313	**273 177**	**62**	**(3 701)**	**15 418**	**(208 721)**	**(1 500)**	**7 023**	**845 071**

Notes to the Annual Financial Statements

Figures in Rand thousand

6. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - Controlling entity 2011

	Opening balance	Additions	Disposals	Transfers	Revaluations	Depreciation	Impairment loss	Impairment reversal	Total
IT equipment	298 587	128 625	(5 093)	7243	-	(143 744)	(1 130)	40	284 528
Buildings	138 093	-	-	-	40 733	(6 358)	-	-	172 468
Furniture, fittings and office equipment	125 024	61 399	(1 873)	2 628	-	(41 580)	(2 891)	58	142 765
Leasehold improvements	92 606	48 160	(91)	-	-	(35 084)	-	15	105 606
Security equipment	56 524	21 390	(28)	2 076	-	(14 017)	-	9	65 954
Motor vehicles	42 300	36 930	(524)	-	-	(12 448)	-	-	66 258
Land	39 933	-	-	-	97	-	-	-	40 030
Generators	29 754	(514)	-	8 772	-	(4 044)	-	-	33 968
Assets under construction	12 294	29 163	-	(20 719)	-	-	-	-	20 738
Plant and equipment	9 902	9	-	-	-	(2 133)	-	-	7 778
	845 017	**325 162**	**(7 609)**	**-**	**40 830**	**(259 408)**	**(4 021)**	**122**	**940 093**

Notes to the Annual Financial Statements

Figures in Rand thousand

6. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - Controlling entity 2010

	Opening balance	Additions	Disposals	Transfers	Depreciation	Impairment loss	Impairment reversal	Total
IT equipment	226 627	103 091	(2 449)	81 435	(112 939)	(1 355)	4 177	298 587
Buildings	144 426	51	-	-	(6 384)	-	-	138 093
Furniture, fittings and office equipment	122 071	39 501	(676)	441	(38 865)	(68)	2 620	125 024
Leasehold improvements	80 855	27 119	-	15 187	(30 555)	-	-	92 606
Assets under construction	66 820	31 694	-	(86 220)	-	-	-	12 294
Land	39 925	8	-	-	-	-	-	39 933
Generators	31 908	-	-	-	(2 154)	-	-	29 754
Motor vehicles	20 242	30 248	(539)	-	(7 593)	(58)	-	42 300
Security equipment	18 393	41 465	(37)	4 576	(8 080)	(19)	226	56 524
Plant and equipment	12 046	-	-	-	(2 144)	-	-	9 902
	763 313	**273 177**	**(3 701)**	**15 419**	**(208 714)**	**(1 500)**	**7 023**	**845 017**

	Economic entity		Controlling entity	
	2011	2010	2011	2010
	R '000	R '000	R '000	R '000
6. Property, plant and equipment (continued)				
Assets subject to finance lease (Net carrying amount)				
Buildings	168 887	136 713	168 887	136 713
Land	39 835	39 835	39 835	39 835
Furniture, fittings and office equipment	35 768	24 197	35 604	24 197
	244 490	**200 745**	**244 326**	**200 745**

Revaluations

The effective date of the revaluations was 31 March 2011. Revaluations were performed by WJ Hewitt (NDPV, C.I.E.A., FIV (SA)), Professional valuer of Mills Fitchet (TVL) cc as well as JA Banitz, Candidate Valuer (Registration No. 4460) of RCiR Valuations Pty Ltd, BW Davis, Professional Associated Valuer of RCiR Valuations Pty Ltd (Registration No. 4370) and CWA Annandale, Professional Associated Valuer of RCiR Valuations Pty Ltd (Registration No. 4314).

The valuation was performed using the discounted cash flow approach and the following assumptions were used:

Discount rate	16 %
Capitalisation rate	10%
Period	7 years

These assumptions were based on market conditions prevailing at the time.

The carrying value of the revalued assets under the cost model would have been:

Buildings	141 446	148 184	141 446	148 184
Land	40 274	11 541	40 274	11 541

Other information

Property, plant and equipment fully depreciated and still in use (Gross carrying amount)				
Property, plant and equipment	280 483	453 409	280 463	453 409

Figures in Rand thousand

7. Goodwill

Reconciliation of goodwill - Economic entity 2011

	Opening balance	Total
Goodwill	-	-

Reconciliation of goodwill - Economic entity 2010

	Opening balance	Additions through business combinations	Impair-ment loss	Total
Goodwill	-	46 505	(46 505)	-

Refer to note 23 for details on the origin of goodwill acquired by the economic entity.
Refer to note 19 for details on the impairment of goodwill.
An impairment loss recognised for goodwill shall not be reversed in subsequent periods.

8. Intangible assets

Economic entity		2011			2010	
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Software	1 020 547	(575 353)	445 194	822 079	(496 575)	325 504
Software under development	212 592	-	212 592	106 051	-	106 051
Intellectual property and other rights	73 583	-	73 583	51 477	-	51 477
Total	**1 306 722**	**(575 353)**	**731 369**	**979 607**	**(496 575)**	**483 032**

Controlling entity		2011			2010	
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Software	1 020 220	(575 298)	444 922	821 929	(496 557)	325 372
Software under development	255 992	-	255 992	106 051	-	106 051
Total	**1 276 212**	**(575 298)**	**700 914**	**927 980**	**(496 557)**	**431 423**

Notes to the Annual Financial Statements
Figures in Rand thousand

8. Intangible assets (continued)

Reconciliation of intangible assets - Economic entity 2011

	Opening balance	Additions	Transfers	Internally generated	Amortisation	Total
Software	325 504	140 933	142 540	-	(163 783)	445 194
Software under development	106 051	249 081	(142 540)	-	-	212 592
Intellectual property and other rights	51 477	-	-	22 106	-	73 583
	483 032	**390 014**	**-**	**22 106**	**(163 783)**	**731 369**

Reconciliation of intangible assets - Economic entity 2010

	Opening balance	Additions	Additions through business combinations	Transfers	Amortisation	Impairment reversal	Total
Software	283 409	80 267	140	130 620	(174 078)	5 146	325 504
Software under development	69 042	183 047	-	(146 038)	-	-	106 051
Intellectual property and other rights	-	-	51 477	-	-	-	51 477
	352 451	**263 314**	**51 617**	**(15 418)**	**(174 078)**	**5 146**	**483 032**

Reconciliation of intangible assets - Controlling entity 2011

	Opening balance	Additions	Transfers	Amortisation	Total
Software	325 372	140 756	142 540	(163 746)	444 922
Software under development	106 051	292 481	(142 540)	-	255 992
	431 423	**433 237**	**-**	**(163 746)**	**700 914**

Reconciliation of intangible assets - Controlling entity 2010

	Opening balance	Additions	Transfers	Amortisation	Impairment reversal	Total
Software	283 409	80 257	130 620	(174 060)	5 146	325 372
Software under development	69 042	183 047	(146 038)	-	-	106 051
	352 451	**263 304**	**(15 418)**	**(174 060)**	**5 146**	**431 423**

Figures in Rand thousand

8. Intangible assets (continued)

Development cost capitalised

During the current financial year development cost, consisting of personnel expenditure to the amount of R22 105 623, was capitalised to Intellectual Property.

Details of impairment test

The effective date of the valuation was 28 February 2011. The valuation was performed by an independent valuer, who is not connected to the entity and has recent experience in the geographical area and category of the intangible being valued.

The valuation technique adopted in undertaking this valuation has been the Relief from Royalty Method, which is an income approach method used to value intangible assets.

The Relief from Royalty Method estimates the cost of licensing the acquired intangible asset from an independent third party using a royalty rate. Since the company owns the intangible asset, it is relieved from making royalty payments. The resulting cash flow savings attributed to the owned intangible assets are estimated over the intangible asset's remaining useful life and discounted to a present value.

This approach focuses on the income producing capability of the intangible asset i.e. Intellectual Property (IP), that best represents the present value of the future economic benefit expected to be derived from it. It reflects the present value of the operating cash flows generated by the IP after taking into account the cost to realise the revenue, the relative risk of the revenue streams and an appropriate discount rate to reflect the time value of invested capital.

The following assumptions were used:
Clidet strategic plan forecasts, extended to 10 years using forecast inflation rates
Royalty rate of 17%
Weighted Average Cost of Capital (Discount rate) of 19.79%
Tax rate of 28%

The value of the IP as at 28 February 2011 was determined to be R73.75 million. This indicates that there is no impairment for accounting purposes of the IP as the carrying value is R73.58 million.

9. Investment in controlled entity

Name of company	Held by	% holding 2011	% holding 2010	Carrying amount 2011	Carrying amount 2010
Clidet No 967 (Pty) 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). Refer to note 23.

	Economic entity		Controlling entity	
	2011	**2010**	**2011**	**2010**
	R '000	**R '000**	**R '000**	**R '000**
10. Loan to the controlled entity				
Controlled entity				
Clidet No 967 (Pty) Ltd	-	-	89 822	88 005
Provision for impairment of loans to controlled entities	-	-	(8 268)	(88 005)
	-	**-**	**81 554**	**-**

The loan is unsecured, bears no interest and is not due before 31 March 2014. Payment terms will be negotiated before the loan becomes due. SARS will provide Clidet with operational funding in accordance with pre-approved annual budgets until 31 March 2014.

The loan has been subordinated in favour of other creditors of Clidet No 967 (Pty) Ltd until such time as the assets of the company, fairly valued, exceed its remaining liabilities.

Fair value of the loan to the controlled entity				
Loans to controlled entities	-	-	61 416	-

The loan to Clidet No 967 (Pty) Ltd was valued by discounting the expected future cash flows from the asset with the original effective interest rate.

Loan to the controlled entity impaired
As of 31 March 2011, the loan to Clidet No 967 (Pty) Ltd of R89 822 261 (2010: R88 004 974) was provided for.
The amount of the provision was R8 268 029 as of 31 March 2011 (2010: R88 004 974.)

The ageing of this loan is as follows:				
Current	-	-	1 589	6 296
1 to 6 months	-	-	33 122	62 709
Over 6 months	-	-	55 112	19 000

Reconciliation of the provision for impairment of the loan to the controlled entity				
Opening balance	-	-	88 005	-
(Reversal of)/Provision for impairment	-	-	(79 737)	88 005
	-	**-**	**8 268**	**88 005**

The provision for impaired loan to the controlled entity has been included in operating expenses in the statement of financial performance (note 19).

11. Tax paid				
Balance at beginning of the year	(5 135)	-	-	-
Current tax for the year recognised in surplus or deficit	-	(7 501)	-	-
Balance at end of the year	-	5 135	-	-
	(5 135)	**(2 366)**	**-**	**-**

	Economic entity		Controlling entity	
	2011	2010	2011	2010
	R '000	R '000	R '000	R '000
12. Finance lease obligation				
Land and buildings - Alberton acquisition				
Minimum lease payments due				
- within one year	21 963	20 526	21 963	20 526
- in second to fifth year inclusive	104 340	97 515	104 340	97 515
- later than five years	55 100	83 889	55 100	83 889
	181 403	201 930	181 403	201 930
less: future finance charges	(56 827)	(70 785)	(56 827)	(70 785)
Present value of minimum lease payments	**124 576**	**131 145**	**124 576**	**131 145**
Office equipment				
Minimum lease payments due				
- within one year	17 534	16 382	17 434	16 382
- in second to fifth year inclusive	35 365	17 494	35 230	17 494
	52 899	33 876	52 664	33 876
less: future finance charges	(17 963)	(9 736)	(17 928)	(9 736)
Present value of minimum lease payments	**34 936**	**24 140**	**34 736**	**24 140**
Non-current liabilities	138 702	136 845	138 580	136 845
Current liabilities	20 810	18 440	20 732	18 440
	159 512	**155 285**	**159 312**	**155 285**

Land and buildings – Alberton lease

The lessor developed the Alberton South Building for SARS at a cost of R176,108 million.

The finance lease commenced on 2 January 2006 for a twelve-year period, at a rental of R1,1 million per month (exclusive of VAT); with an annual escalation of 7% (compounded) per annum.

Transfer of ownership and risks takes place at the end of the lease term provided all lease payments have been made.

Office equipment

Certain photocopiers and fax machines were capitalised and the corresponding finance lease liability raised in accordance with GRAP13. The leases are payable in 36 or 60 monthly instalments.

13. Trade and other payables				
Trade accounts payables and accruals	401 034	383 674	397 164	383 094
Accruals for salary related expenses	365 162	311 920	363 087	310 118
Other payables	344	237	344	237
Donations for distributions	115	-	115	-
Retentions	-	91	-	91
	766 655	**695 922**	**760 710**	**693 540**

	Economic entity		Controlling entity	
	2011	**2010**	**2011**	**2010**
	R '000	**R '000**	**R '000**	**R '000**
14. Deferred income				
Tenant allowances	481	1 400	481	1 086
Unspent donor funding	-	71	-	71
	481	**1 471**	**481**	**1 157**
Non-current liabilities	226	866	226	552
Current liabilities	255	605	255	605
	481	**1 471**	**481**	**1 157**

Tenant allowances represent amounts received from landlords for improvements made by the tenant to leased properties.

Unspent donor funding represents unspent donations received on behalf of ATAF.

15. Provisions

Reconciliation of provisions - Economic entity 2011

	Opening Balance	Additions	Utilised during the year	Unutilised provision	Total
Performance bonuses	270 000	339 409	(244 295)	(25 705)	339 409
Leave pay	72 705	10 167	(4 156)	(601)	78 115
Other sundry provisions	3 400	6 771	(5 913)	(1 072)	3 186
	346 105	**356 347**	**(254 364)**	**(27 378)**	**420 710**

Reconciliation of provisions - Economic entity 2010

	Opening Balance	Additions	Utilised during the year	Unutilised provision	Total
Performance bonuses	290 000	270 000	(286 063)	(3 937)	270 000
Leave pay	65 633	11 815	(4 190)	(553)	72 705
Other sundry provisions	-	3 400	-	-	3 400
	355 633	**285 215**	**(290 253)**	**(4 490)**	**346 105**

Reconciliation of provisions - Controlling entity 2011

	Opening Balance	Additions	Utilised during the year	Unutilised provision	Total
Performance bonuses	270 000	338 000	(244 295)	(25 705)	338 000
Leave pay	72 705	10 167	(4 156)	(601)	78 115
Other sundry provisions	3 400	6 771	(5 913)	(1 072)	3 186
	346 105	**354 938**	**(254 364)**	**(27 378)**	**419 301**

Reconciliation of provisions - Controlling entity 2010

	Opening Balance	Additions	Utilised during the year	Unutilised provision	Total
Performance bonuses	290 000	270 000	(286 063)	(3 937)	270 000
Leave pay	65 633	11 815	(4 190)	(553)	72 705
Other sundry provisions	-	3 400	-	-	3 400
	355 633	**285 215**	**(290 253)**	**(4 490)**	**346 105**

Performance bonuses
Performance bonuses represent the obligation for annual performance bonuses payable to employees in terms of performance agreements. The uncertainty with performance bonuses resides in the final quantum.

Leave pay
Leave pay represents the entitlements of amounts due to personnel for leave accumulated prior to 1999. The uncertainty with leave pay resides with timing and final quantum.

	Economic entity		Controlling entity	
	2011	2010	2011	2010
	R '000	R '000	R '000	R '000

15. Provisions (continued)

Other sundry provisions

Other sundry provisions represent the amounts approved in principle for back pay due to employees. The uncertainty in this provision resides with timing and final quantum.

16. Asset revaluation reserve

Opening balance	29 404	29 426	29 404	29 426
Current year revaluation	41 035	-	41 035	-
Depreciation based on the revalued portion of assets	(205)	(22)	(205)	(22)
	70 234	**29 404**	**70 234**	**29 404**

17. Revenue

The amount included in revenue arising from exchanges of goods or services are as follows:				
Rendering of services	11 621	1 076	-	-
Sale of seller rights	-	28 000	-	-
	11 621	**29 076**	**-**	**-**
The amount included in revenue arising from non-exchange transactions is as follows:				
Transfer revenue				
Transfers from government entities	8 138 108	7 148 446	8 138 108	7 148 446

18. Other income

Commission received	215 604	209 284	215 494	209 284
Sundry receipts	11 467	13 529	11 467	13 529
Profit from foreign exchange rate differences	182	2 614	182	2 614
	227 253	**225 427**	**227 143**	**225 427**

	Economic entity		Controlling entity	
	2011	2010	2011	2010
	R '000	R '000	R '000	R '000
19. Impairment of assets				
Impairments				
Property, plant and equipment	6 817	1 500	6 817	1 500
Goodwill	-	46 505	-	-
Loan to controlled entity	-	-	-	88 005
	6 817	**48 005**	**6 817**	**89 505**
Reversal of impairments				
Property, plant and equipment	(122)	(7 023)	(122)	(7 023)
Intangible assets	-	(5 146)	-	(5 146)
Loan to controlled entity	-	-	(79 737)	-
	(122)	**(12 169)**	**(79 859)**	**(12 169)**
Total impairment losses recognised/ (reversed)	**6 695**	**35 836**	**(73 042)**	**77 336**

Assets impaired generally represent assets that are either obsolete or not physically verifiable. Events and circumstances which have led to assets being scrapped are similar for all asset categories.

Reversal of impairments in respect of property, plant and equipment represents assets that were not physically verifiable in the prior year, which were subsequently physically verified in the current year.

Goodwill forms part of a cash-generating asset acquired in a business combination. The cash-generating asset is not considered to generate cash above the required return in the medium term and had to be impaired.

An impairment loss recognised for goodwill shall not be reversed in subsequent periods.

The loan to Clidet No 967 (Pty) Ltd was measured at fair value of the expected future cash flows from the loan. This led to an impairment in 2010 and a reversal of impairment in the current financial year.

20. Finance costs				
Finance lease and interest payments	21 088	20 792	21 066	20 792

	Economic entity		Controlling entity	
	2011	2010	2011	2010
	R '000	R '000	R '000	R '000
21. Taxation				
Major components of the tax (income) / expense				
Current				
Local income tax - current period	-	7 501	-	-
Deferred				
Originating and reversing temporary differences	(497)	-	-	-
	(497)	**7 501**	**-**	**-**
Reconciliation of the tax expense				
Reconciliation between applicable tax rate and average effective tax rate.				
Applicable tax rate	28.00%	28.00%	-	-
Surplus before tax	15 475	517 758	-	-
Surplus attributable to SARS (exempt from tax)	-	(540 854)	-	-
Accounting Profit subject to tax	**15 475**	**(23 096)**	**-**	**-**
Tax at 28%	4 333	(6 467)	-	-
Deferred tax prior year adjustment	(202)	-	-	-
Deferred tax not raised	1 407	1 094	-	-
Permanent difference - provision for leave pay at acquisition date	(6 035)	(148)	-	-
Non-deductible expenses	-	13 022	-	-
	(497)	**7 501**	**-**	**-**

Current taxation for controlled entities comprises taxation payable calculated on the basis of the expected taxable income for the year, using the taxation rates substantively enacted at the balance sheet date.

SARS 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	
	2011	2010	2011	2010
	R '000	R '000	R '000	R '000
22. Cash generated from operations				
Surplus	961 066	510 479	1 062 903	453 071
Adjustments for:				
Depreciation and amortisation	425 771	382 799	423 154	382 774
(Loss) / Gain on sale of assets and liabilities	(518)	131	(518)	131
Impairment loss / (reversal)	6 695	35 836	(73 042)	77 336
Movements in operating lease assets and accruals	28 039	44 190	27 801	44 146
Movements in provisions	74 605	(9 528)	73 196	(9 528)
Movement in tax receivable and payable	(5 135)	5 135	-	-
Annual charge for deferred tax	(497)	-	-	-
Finance costs	21 088	20 792	21 066	20 792
Changes in working capital:				
Trade and other receivables	3 783	(4 230)	4 421	(1 403)
Prepayments	(31 853)	14 052	(31 853)	14 052
Trade and other payables	70 733	46 512	67 169	44 657
VAT	(4 031)	3 987	-	-
Deferred income	(990)	(864)	(676)	(1 178)
	1 548 756	**1 049 291**	**1 573 621**	**1 024 850**

	Economic entity		Controlling entity	
	2011	2010	2011	2010
	R '000	R '000	R '000	R '000

23. Business combinations

TATIScms

On 01 February 2010 the economic entity acquired the exclusive and unencumbered ownership of all intellectual property of TATIS Customs Management Solution and the staff developing the solution in a wholly owned subsidiary company of SARS, Clidet 967 (Pty) Ltd. The software being developed has strategic alignment with the modernised customs solution for SARS.

Goodwill of R46 505 392 arising from the acquisition consists largely of the synergies expected from combining the operations of the entities. Goodwill is not deductible for income tax purposes.

Fair value of assets acquired and liabilities assumed				
Intangible assets	-	51 617	-	-
Property, plant and equipment	-	62	-	-
Bonus and leave provision	-	(528)	-	-
Total identifiable net assets	**-**	**51 151**	**-**	**-**
Goodwill	-	46 505	-	-
	-	**97 656**	**-**	**-**
Acquisition date fair value of consideration paid				
Liabilities assumed	-	(83 656)	-	-
Reseller right	-	(14 000)	-	-
	-	**(97 656)**	**-**	**-**

Revenue and surplus or deficit of Clidet 967 (Pty) Ltd

Revenue of R50 076 080 (2010: R29 078 243) and profit of R15 971 761 (2010: loss R30 596 701) of Clidet 967 (Pty) Ltd have been included in the economic entity's results since the date of acquisition.

24. Financial assets by category

The accounting policies for financial instruments have been applied to the line items below:

Economic entity 2011			
	Loans and receivables	Fair value through surplus or deficit – designated	Total
Trade and other receivables	46 986	-	46 986
Cash and cash equivalents	-	2 162 518	2 162 518
	46 986	**2 162 518**	**2 209 504**

	Economic entity		Controlling entity	
	2011	2010	2011	2010
	R '000	R '000	R '000	R '000

24. Financial assets by category (continued)

Economic entity 2010

	Loans and receivables	Fair value through surplus or deficit – designated	Total
Trade and other receivables	50 760	-	50 760
Cash and cash equivalents	-	1 373 707	1 373 707
	50 760	**1 373 707**	**1 424 467**

Controlling entity 2011

	Loans and receivables	Fair value through surplus or deficit – designated	Total
Loan to controlled entity	81 554	-	81 554
Trade and other receivables	43 521	-	43 521
Cash and cash equivalents	-	2 160 625	2 160 625
	125 075	**2 160 625**	**2 285 700**

Controlling entity 2010

	Loans and receivables	Fair value through surplus or deficit – designated	Total
Loan to controlled entity	-	-	-
Trade and other receivables	47 942	-	47 942
Cash and cash equivalents	-	1 358 927	1 358 927
	47 942	**1 358 927**	**1 406 869**

25. Deferred tax

Deferred tax asset

Provision against net assets	497	-	-	-

26. 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.

The total contribution to such schemes	289 891	253 487	288 196	253 297

27. Prepayments

Prepaid expenses	49 866	20 600	49 866	20 600
Employee costs in advance	15 757	13 170	15 757	13 170
	65 623	**33 770**	**65 623**	**33 770**

	Economic entity		Controlling entity	
	2011	2010	2011	2010
	R '000	R '000	R '000	R '000

28. Financial liabilities by category

The accounting policies for financial instruments have been applied to the line items below:

Economic entity 2011

	Financial liabilities at amortised cost	Fair value through surplus or deficit – designated	Total
Finance lease obligation	159 512	-	159 512
Trade and other payables	-	766 655	766 655
	159 512	**766 655**	**926 167**

Economic entity 2010

	Financial liabilities at amortised cost	Fair value through surplus or deficit – designated	Total
Finance lease obligation	155 285	-	155 285
Trade and other payables	-	695 922	695 922
	155 285	**695 922**	**851 207**

Controlling entity 2011

	Financial liabilities at amortised cost	Fair value through surplus or deficit – designated	Total
Finance lease obligation	159 312	-	159 312
Trade and other payables	-	760 710	760 710
	159 312	**760 710**	**920 022**

Controlling entity 2010

	Financial liabilities at amortised cost	Fair value through surplus or deficit – designated	Total
Finance lease obligation	155 285	-	155 285
Trade and other payables	-	693 540	693 540
	155 285	**693 540**	**848 825**

29. Auditors' remuneration

Current year fees	22 601	23 916	22 168	23 786
Prior year fees	15 623	13 019	15 597	13 019
	38 224	**36 935**	**37 765**	**36 805**

	Economic entity		Controlling entity	
	2011	**2010**	**2011**	**2010**
	R '000	**R '000**	**R '000**	**R '000**
30. Operating lease				
Building rentals	417 402	402 729	415 430	402 729

The lease periods range from 1 year to 15 years.

The lease escalation rates vary between 6% and 12% per annum.

	Economic entity 2011 R '000	Economic entity 2010 R '000	Controlling entity 2011 R '000	Controlling entity 2010 R '000
31. Commitments				
Authorised capital expenditure				
Already contracted for but not provided for				
• Intangible assets	33 012	34 751	33 012	34 751
• Property, plant and equipment	22 789	9 396	22 789	9 396
	55 801	**44 147**	**55 801**	**44 147**
Authorised but not yet contracted for				
• Intangible assets	1 734	-	1 734	-
• Property, plant and equipment	-	12 562	-	-
	1 734	**12 562**	**1 734**	**-**
Operating leases - as lessee (expense)				
Minimum lease payments due				
• Within one year	350 112	294 165	348 742	292 725
• In second to fifth year inclusive	1 144 245	1 018 287	1 139 707	1 011 552
• Later than five years	724 092	942 449	724 092	942 449
	2 218 449	**2 254 901**	**2 212 541**	**2 246 726**
32. Contingencies				
Contingent liabilities				
Accumulated leave prior to 31 December 1998	21 151	24 608	21 151	24 608

The contingent amount for accumulated leave pertains to the period up to 31 December 1998. Up to this date there was no limitation on the number of leave days that could be accumulated. The value of such accumulated leave is only payable in the event of employees retiring or leaving SARS's employ due to ill health or upon death in service.

As from 1 January 1999, limitations have been set on the amount of annual leave that can be accumulated. Provisions for such accumulated leave has been made and disclosed as part of note 15.

Contingent assets

Tenant Allowances represent amounts received from landlords for improvements made by the tenant to leased properties referred to in Note 14. It is virtually certain that an amount of R1 710 000 received for proposed renovations at the leased Vereeniging building, will in all probability be utilised in the next financial year in accordance with the lease agreement.

33. Related parties

Relationships
Clidet No 967 (Pty) Ltd Refer to note 9

SARS is a Schedule 3A Public Entity in terms of the PFMA. Related parties include other state owned entities, government departments and all other entities within the spheres of Government.

The Government provided SARS with a grant to cover its operating expenditure and to fund specific projects.

Related party transactions were made on terms equivalent to those that prevail in arm's length transactions. Outstanding balances at year end are unsecured, interest free and settlement occurs in cash. No provision for doubtful debt relating to outstanding balances has been made and no expense has been recognised during the period in respect of bad or doubtful debts due from related parties. In terms of IPSAS 20 Related Party Disclosure, SARS is not required to disclose any of the above transactions.

	Controlling	
Related party balances	**2011**	**2010**
Loan account owing by related party		
Clidet No 967 (Pty) Ltd	81 554	-
Amounts included in Trade Receivables regarding related party		
Department of Home Affairs	5 115	-
Related party transactions		
Rendering of services to related party		
Department of Home Affairs	53 468	-

Enhancement to the Movement Control System at the Border Posts (in conjunction with the Department of Home Affairs (DHA))
Following an agreement with Interpol, South Africa has been provided with a copy of their data, which works on the same principle as the current South African Police Service (SAPS) hit-list functionality. A generic Advance Passenger Processing (APP) interface was developed to provide the APP data SARS currently receives to multiple departments such as the SAPS and the National Intelligence Agency (NIA).

SARS is currently involved in the process with the DHA to review the contract with the State Information Technology Agency (SITA) for the inclusion of Personal Name Record (PNR) data. The commercial terms of the contract as well as the funding for the ongoing provision of the data are under scrutiny.

The DHA requested SARS to provide input to potentially enhance the current Zimbabwean permits process that runs until 31 December 2011, as well as proposed to enhance the current Home Affairs National Identification (HANIS) solution. SARS developed a proof of concept, positioning a new permit solution that includes a live capture component, incorporating biometrics and integration with multiple data sources through a trusted network.

34. Executive members remuneration 2011

	Salary	Bonus	Allowances including Leave Payments	Contributions Medical & Pension	2011 Total	2010 Total
Commissioner for SARS	2 594	800	414	22	3 830	4 808
Deputy Commissioner / Chief Officer: Enforcement & Risk	1 656	621	327	154	2 758	2 453
Chief Operating Officer	2 458	841	227	22	3 548	3 369
Chief Officer: Legal & Policy	1 590	660	379	212	2 841	2 644
Chief Officer: Customs & Border Management	1 625	362	266	22	2 275	1 951
Chief Financial Officer	2 108	720	228	22	3 078	2 240
Chief Officer: Human Resources	1 815	-	312	210	2 337	-
Group Executive: Segmentation & Research (Acting) (2010: 9 months)	1 190	332	214	22	1 758	1 610
Group Executive: Large Business Centre (1 month) (2010: 12 months)	239	-	28	3	270	2 194
Group Executive: Taxpayer Services (1 month) (2010: 12 months)	181	-	28	3	212	1 933
Group Executive: Reputation Management (1 month) (2010: 12 months)	157	-	28	3	188	1 650
Group Executive: Institutional Enablement and Integrity (1 month) (2010: 12 months)	114	-	31	18	163	1 410
Deputy Commissioner / Chief Officer: Strategic Services (9 months)	-	-	-	-	-	2 468
Chief Officer: Business Enabling & Delivery Services (1 month)	-	-	-	-	-	955
Group Executive: Human Resources (2010: 4 months)	-	-	-	-	-	679
	15 727	**4 336**	**2 482**	**713**	**23 258**	**30 364**

35. Change in estimate

Property, plant and equipment

The useful life of software was estimated in 2010 to be 3 years. In the current period management have revised their estimate to 5 years. The effect of this revision has decreased the depreciation charges for the current period by R27 051 264.

Leave pay provision

The leave pay provision for leave prior to 1 January 1999 was calculated based on the estimated percentages of probability applied to the various age groups, in the current period, management have revised the estimate of percentages of probability.

	Current estimate	Prior estimate
25 years to 35 years	51.98%	44.72%
36 years to 45 years	66.34%	57.28%
46 years to 54 years	78.58%	77.70%
55 years and older	99.47%	97.86%

The effect of this revision has increased the provision for the current and future periods by R 3 867 631.

	Economic entity		Controlling entity	
	2011	2010	2011	2010
	R '000	R '000	R '000	R '000

36. Prior period adjustments

Property, plant and equipment were overstated in 2006 to 2009 due to errors in depreciation and expense classification.

Trade and other payables were overstated in 2009 and 2010 due to expenses that were overstated.

Intangible assets were understated in 2006 to 2009 due to errors in classification in Assets under Construction.

The correction of the error(s) results in adjustments as follows:

	2010	2009	2010	2009
Statement of Financial Position				
Property, plant and equipment	-	(27 848)	-	(27 848)
Trade and other payables	569	10 159	569	10 159
Intangible assets	-	19 768	-	19 768
Accumulated surplus	(1 542)	(2 079)	(1 542)	(2 079)
Statement of Financial Performance				
Depreciation expense	1 721	-	1 721	-
Administrative expenses	(569)	-	(569)	-
Professional and special services	(2 694)	-	(2 694)	-

37. Risk management

Financial risk management

The economic entity's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk and cash flow interest rate risk), credit risk and liquidity risk.

Liquidity risk

The economic entity's risk to liquidity is a result of the funds available to cover future commitments. The economic entity manages liquidity risk through an ongoing review of future commitments and credit facilities.

Liquidity risk is the risk that an entity will encounter difficulty in raising funds to meet commitments associated with financial instruments. SARS manages its liquidity risk to ensure it is able to meet estimated expenditure requirements. This is achieved through prudent liquidity risk management which includes maintaining sufficient cash and cash equivalents.

SARS's chief source of income is an annual grant from The National Treasury for funding of SARS's operational and capital requirements. This grant is allocated in accordance with the provisions governing the Medium Term Expenditure Framework (MTEF). SARS follows an extensive planning and governance process to determine its operational and capital requirements. This is considered to be adequate mitigation of liquidity risk.

Economic entity				
At 31 March 2011	1 year	2 - 5 years	Beyond 5 years	Total
Interest bearing borrowings	39 497	139 705	55 100	234 302
Trade and other payables	766 655	-	-	766 655
At 31 March 2010	1 year	2 - 5 years	Beyond 5 years	Total
Interest bearing borrowings	36 907	115 009	83 889	235 805
Trade and other payables	695 922	-	-	695 922
Taxes payable	9 122	-	-	9 122

Controlling entity				
At 31 March 2011	1 year	2 - 5 years	Beyond 5 years	Total
Interest bearing borrowings	39 397	139 570	55 100	234 067
Trade and other payables	760 710	-	-	760 710
At 31 March 2010	1 year	2 - 5 years	Beyond 5 years	Total
Interest bearing borrowings	36 908	115 009	83 889	235 806
Trade and other payables	693 540	-	-	693 540

37. Risk management (continued)

Interest rate risk

Exposure to interest rate risk on financial assets and liabilities is monitored on a continuous and proactive basis.

SARS's exposure to interest rate risk is limited. Interest rates are implicit to the finance leases which are not variable 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. SARS is exposed to credit-related losses in the event of non-performance by counter-parties to financial instruments.

SARS only deposits cash with major banks with high quality credit standing and limits exposure to any one counter party.

Staff debts are recovered in terms of the applicable policy and procedures directly from the employee's salary and/or pension.

Debts from Government Departments are recovered in accordance with terms dictated by the PFMA.

Housing guarantees are recovered from the employee's salary and/or pension when the guarantees are claimed. The full credit risk at 31 March 2011 was R2 232 696. SARS is not accounting for the possible housing guarantee credit risk in the financial statements, refer to Change in Accounting Policy, Note 2.

SARS does not regard there to be any concentration of credit risk.

Foreign exchange risk

Currency risk is the risk that the value of a financial instrument will fluctuate because of changes in foreign exchange rates. SARS's operations utilise various foreign currencies and consequently are exposed to exchange rate fluctuations that have an impact on cash flows. Foreign exchange risks are managed through SARS's policy on foreign exchange transactions.

The economic entity reviews its foreign currency exposure, including commitments on an ongoing basis.

	Economic entity		Controlling entity	
	2011	2010	2011	2010
	R '000	R '000	R '000	R '000

38. Reconciliation between budget and statement of financial performance

The budget is prepared and approved on an accrual basis and covers the fiscal period from 1 April 2010 to 31 March 2011. The budget includes SARS and Clidet No 967 (Pty) Ltd, a fully-owned subsidiary of SARS.

Surplus per the statement of financial performance	963 294	510 479	1 062 903	453 071
Adjusted for:				
Sale of seller rights	-	(28 000)	-	-
Other income	(42 346)	(13 529)	(30 341)	(13 529)
Additional Revenue	**(42 346)**	**(41 529)**	**(30 341)**	**(13 529)**
Impairment/(reversals) of assets	6 695	35 836	(73 042)	77 336
Leave pay provision	5 410	7 072	5 410	7 072
Straight-lining (operating leases)	28 039	44 190	27 801	44 146
Office equipment finance lease reduction	(15 755)	(1 218)	(15 755)	(1 218)
Depreciation and amortisation	(14 387)	-	(17 004)	(25)
Non-cash items	**10 002**	**85 880**	**(72 590)**	**127 311**
Professional services	(221 590)	(377 759)	(225 665)	(377 759)
Admin expenses	(253 397)	(63 307)	(257 640)	(110 306)
Taxation	(497)	7 501	-	-
Employee costs	(76 014)	30 950	(99 659)	30 950
Other	(77 924)	(55 726)	(77 708)	(13 249)
Expenditure lower than budget	**(629 422)**	**(458 341)**	**(660 672)**	**(470 364)**
Surplus per final budget as per the 2011 Estimates of National Expenditure	**301 528**	**96 489**	**301 528**	**96 489**

39. Donations in kind

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) InWent - Internationale Weitebildung und Entwicklung	766	-	766	-

Accommodation in Berlin, Germany to attend the InWent International Leadership Training Programme: Global Trade - New challenges for Customs Policy and Customs Administrations.

2) Belgian Development Agency	600	-	600	-

Travel and accommodation for attending the APEC Port Logistics Training Course held in Antwerp, Belgium.

	Economic entity		Controlling entity	
	2011	2010	2011	2010
	R '000	R '000	R '000	R '000

39. Donations in kind (continued)

3) IAEA - International Atomic Energy Agency	246	-	246	-

Travel and accommodation to attend the international training courses on Detection and Response Techniques and Coordination for Front Line Officers (FLO) and Staff of the Mobile Expert Support Teams (MEST) in Sydney, Australia and Operational Coordination for Effective Response to Detection Alarms for FLO in Athens, Greece.

4) MRA - Mauritius Revenue Authority	202	-	202	-

Travel and accommodation to give international training assistance to the Mauritius Revenue Authority regarding narcotic detector dog and handler training, assessments and attendance of the certification ceremony in Mauritius.

5) US DOJ - The United States Department of Justice	189	-	189	-

Travel and accommodation for the attendance of the WCO Accreditation workshop for Technical Trainers on Intellectual Properties Right (IPR) in Brussels, Belgium and training in Lusaka, Zambia.

6) SADC - Southern African Development Community	121	168	121	168

Attendance of SADC sub-committee meetings, other working group meetings and training workshops.

7) The WCO - Japan Customs Cooperation Fund	118	33	118	33

Travel and accommodation for attendance of the CWO workshops and seminars (2010: attendance of fifth Fellowship Programme for English speaking Customs officers).

8) AKMAL - Royal Malaysian customs Academy	96	66	96	66

Travelling and accommodation in Malaysia for Customs Training Programmes.

9) WCO - World Customs Organisation	71	75	71	75

Travelling and accommodation for attendance of workshops.

10) IMF - International Monetary Fund	68	-	68	-

Travelling and accommodation for participation in the Tax Administration mission in Mongolia and attendance of International Monetary Fund (IMF) conference on "Resource Mobilisation in Sub-Saharan Africa" in Nairobi, Kenya.

	Economic entity		Controlling entity	
	2011	2010	2011	2010
	R '000	R '000	R '000	R '000

39. Donations in kind (continued)

11) USA - United States of America	68	-	68	-

Travel and accommodation to attend the Trans-Pacific Symposium on Interagency Cooperation in Combating Transnational Illicit Networks, held in Christchurch, New Zealand and the Global Trans-shipment Seminar in Dubai, United Arab Emirates UAE.

12) JICA - Japan International Cooperation Agency and the Malaysian Tax Academy	60	-	60	-

Travel and accommodation for attending the Third Country Training Programme for African Countries: Compliance and Enforcement Activities held in Bandar Baru Bangi, Malaysia.

13) HMRC - Her Majesty's Revenue and Customs	45	-	45	-

Travel and accommodation for attendance of meetings and discussions held with the Serious Fraud Office (SFO) and attendance of the Race Staff Network Conference held in London, United Kingdom.

14) Swedish Government	40	-	40	-

Travel and accommodation for the attendance of WCO Project GAPIN regional workshop in Mombasa, Kenya.

15) OPCW - Organisation for the Prohibition of Chemical Weapons	35	-	35	-

Travelling and accommodation to attend the sub-regional training course for Customs Authorities of State Parties in East and Southern Africa on technical aspects of the Transfers Regime held in Kampala, Uganda.

16) ADB - African Development Bank	30	-	30	-

Travelling and accommodation for the attendance of technical workshops and the second ATAF council in Tunis, Tunisia.

17) RRA - Rwanda Revenue Authority	30	35	30	35

Travel and accommodation to attend assessment of Transfer Pricing Capability in Kigali, Rwanda (2010: attendance of the ITD Conference on Taxing Micro and Small Business).

18) UN - United Nations	30	64	30	64

Travelling and accommodation in Geneva, Switzerland for attendance of the meeting of the UN Committee of Experts on International Cooperation in Tax Matters (2010: participation in study tour to the Netherlands).

	Economic entity		Controlling entity	
	2011	2010	2011	2010
	R '000	R '000	R '000	R '000

39. Donations in kind (continued)

19) US State Department	30	-	30	-

Travel and accommodation for attendance of the WCO Project Global Shield Seminar in Brussels, Belgium.

20) CABRI - Collaborative Africa Budget Reform Initiative	26	-	26	-

Travel and accommodation for ATAF attendance of Stakeholder Conference on Good Financial Governance Project in Tunis, Tunisia.

21) NGB - National Gambling Board	25	-	25	-

Travel and accommodation for the attendance of the Annual 2GE Conference Exhibition in Las Vegas, USA.

22) SADC/EU Project - Southern African Development Community / European Union	25	-	25	-

Travel and accommodation for attendance of the SADC Tax Subcommittee meeting and High Level Seminar on Regional Tax Coordination in Livingstone, Zambia.

23) US Embassy	22	-	22	-

Travel and accommodation for attendance of the 2010 Maritime Safety and Security towards Economic Prosperity Conference in Stuttgart, Germany.

24) Malaysia	21	-	21	-

Accommodation and subsistence in Selangor, Malaysia to attend the Taxation of International Transaction Workshop (TIOT).

25) SACU	21	-	21	-

Travel and accommodation for attendance of the SACU SAD workshop and Policy Framework for SACU - WCO Customs Development Programme in Windhoek, Namibia.

26) EU - European Union	20	-	20	-

Travel and accommodation for attendance of the Task Force meeting to finalise the Draft Guidelines for a Coordinated VAT in SADC in Mangochi, Malawi.

	Economic entity		Controlling entity	
	2011	2010	2011	2010
	R '000	R '000	R '000	R '000

39. Donations in kind (continued)

27) AU - African Union	13	23	13	23

Travelling for attendance of the AU Customs Technical Working Group Workshops.

28) SIDA - Swedish International Development Agency	12	-	12	-

Travelling and accommodation for attendance of the 6th WCO - EAC Customs Modernisation Steering Committee in Kigali, Rwanda.

29) BURS - Botswana Unified Revenue Service	10	-	10	-

Travelling and accommodation to give technical assistance to BURS regarding the Electronic Funds Transfer (EFT) System, Kopano, in Gaborone, Botswana.

30) UNSD - United Nations Statistic Division	10	-	10	-

Travel and subsistence in Lusaka, Zambia to attend the Updated and New Recommendations for International Merchandise Trade Statistics (IMTS 2010) workshop.

31) NORAD - Norwegian Agency for Development Cooperation	9	-	9	-

Travel and accommodation for attendance of "Towards Fiscal Self-Reliance: Capacity Building for Domestic Revenue Enhancement in Mozambique, Tanzania and Zambia" workshop held in Maputo, Mozambique.

32) Italian Customs	6	-	6	-

Accommodation and subsistence in Rome, Italy to attend the training session on Customs Valuation: Undervaluations.

33) The Netherlands	6	-	6	-

Accommodation in the Netherlands to attend the programme on Governance and Security.

34) SRA - Swaziland Revenue Authority	5	-	5	-

Accommodation in Mbabane, Swaziland to attend the official launch of the Swaziland Revenue Authority (SRA).

	Economic entity		Controlling entity	
	2011	2010	2011	2010
	R '000	R '000	R '000	R '000
39. Donations in kind (continued)				
35) ATAF - African Tax Administrative Forum	-	226	-	226

Travelling and accommodation for attendance of meetings, technical events and an audit of expenditure for ATAF inauguration.

36) IRBM - Inland Revenue Board of Malaysia	-	65	-	65

Travel and accommodation for attendance of International Seminar on Tax Service.

37) OECD - Organisation for Economic Cooperation and Development	-	55	-	55

Travel and accommodation for the attendance of the ISTAX seminar in Japan.

38) WTO - World Trade Organisation	-	25	-	25

Travel and accommodation for attendance of the WTO Trade Facilitation negotiating group meeting.

Amounts have been converted at exchange rates ruling at the time of the transaction.

40. Soccer World Cup clothing and tickets				
World Cup Expenditure				
Purchase of other World Cup apparel	390	27	390	27

SARS procured World Cup memorabilia i.e. soccer balls, vuvuzelas, whistles and shirts mostly for use as part of the launch of Filing Season with a World Cup theme in 2010.

41. Fraudulent activities

Since 2010 one reportable fraudulent activity by staff members colluding with outside suppliers to the value of R11,5 million was investigated and handed over to the relevant prosecuting authorities. It was not concluded at year end and no recoveries were made.

Management is committed to the process and continues to investigate and report all fraudulent activities identified.