SOUTH AFRICAN REVENUE SERVICE

Annual Report

2009 - 2010

SARS
At Your Service

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SOUTH AFRICAN REVENUE SERVICE

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Message from the Minister

The 2009/10 Annual Report of the South African Revenue Service (SARS) records the tumultuous impact of the global recession on our economy and the collection of tax revenues.

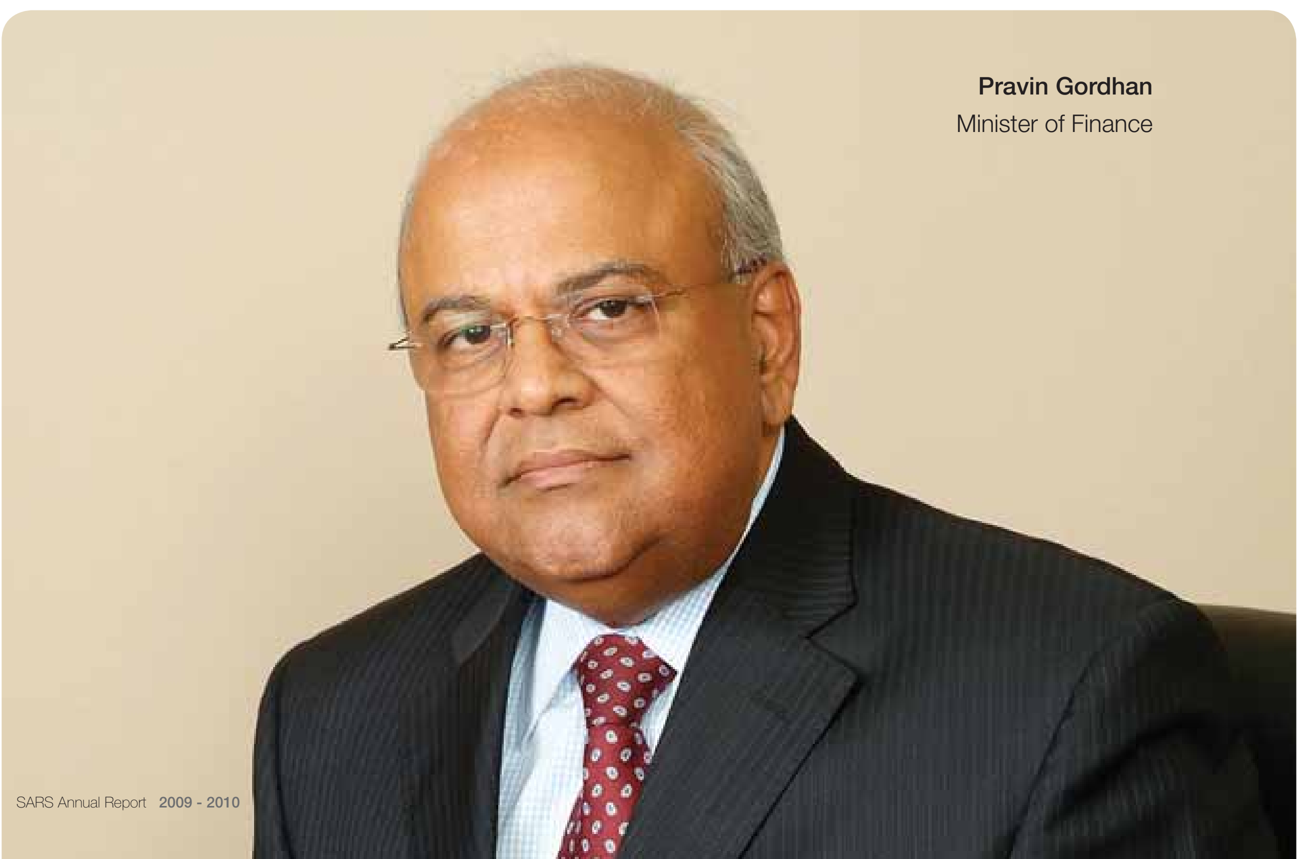
President Jacob Zuma's administration took office in May 2009 as the effects of the economic recession were taking their toll on South Africa, with rising unemployment and falling incomes affecting millions of South Africans.

When revenues fall and there is uncertainty about the future, policy makers are called upon to make tough choices. Countries that were severely hit by the financial and economic crisis had to borrow more money to finance their expenditure.

Fortunately for us, the fiscal choices we had made in past years enabled us to borrow more money, but still remain within reasonable debt ratios. By increasing debt, we have been able to maintain expenditure on our social priorities as well as invest in infrastructure, thus cushioning the impact of the global recession on the poorest sections of our society and the economy in general.

During the past year, SARS collected R598.7 billion, R8.3 billion more revenue than the revised estimate in the February 2010 Budget, a confirmation of the economic recovery that is underway. The higher than expected revenue collection narrowed our budget deficit from 7.3% of GDP projected in the 2010 Budget to 6.8%.

International experience shows that that during times of economic hardship tax compliance is adversely affected. South Africa bucked this trend as more citizens than in previous years submitted their annual tax returns on time. The growing culture of compliance bodes well for the future of our country and is an encouraging indicator of an emerging culture of fiscal citizenship amongst South Africans.



Pravin Gordhan
Minister of Finance

If SARS is to strengthen this culture of compliance, other parts of government must play their part too, by ensuring that taxpayers see their money hard at work. This therefore calls on all of us not to waste money and to fight corruption. We must, as President Zuma's administration has committed to, ensure that we get full value for every rand of expenditure.

The world economy has pulled back from the abyss, but the future outlook remains uncertain, partly because a group of European countries – the so-called PIGS (Portugal, Ireland, Greece, and Spain) - are buckling under the weight of heavy national debt and crippled banking systems. These nations have had to cut their budgets to reduce high national debt and to boost investor confidence.

Adding to the uncertainty is how developed nations will manage the withdrawal of stimulus packages that were introduced to stabilise their economies during the crisis. As was the case during the Great Depression of the 1930s, the risk is that the private sector will not rush in to fill the gap in the economy left by cutbacks in government expenditure. Mindful of this risk, leaders of the G20 (of which South Africa is the only African member) reached a compromise at their last meeting that those nations that must cut government expenditure, must do so in a growth friendly manner.

Notwithstanding the uncertain future, the world economy is expected to grow by 3.9% this year, underpinned in the main by China, India, Brazil, and other emerging nations. South Africa's economic recovery continues apace, but there remain constraints to the ability of our economy to achieve high rates of growth, not the least of which is the fact that far too many South Africans are excluded from the world of work.

Earlier this year, President Zuma signalled a new approach for government with the commitment to:

- Deliver more and better services in a caring and efficient manner
- Hold political office bearers and public servants accountable
- Shift resources to new priorities
- Move from debate to effective implementation and decisive action and
- Work in partnership with communities, labour and business to achieve our shared objectives

As the arm responsible for collecting the revenue government needs to finance its programmes, the continued excellence of SARS is critical. Beyond revenue collection, SARS can also contribute to a more effective government by helping sister agencies to improve their performance. In this regard, the work that SARS did in collaboration with other agencies in the run-up and during the hosting of the 2010 FIFA World Cup tournament is instructive.

I would like to thank SARS Commissioner Oupa Magashula, his executive and his management team for steering the organisation through the period of a leadership transition. Last, but certainly not the least, I would like to thank SARS employees for the dedication with which they continue to perform their duties.

You continue to inspire South Africa during a period of formidable challenges.

Pravin Gordhan.

Pravin Gordhan
Minister of Finance

Review by the Commissioner

INTRODUCTION

The 2009/10 financial year was one of the most challenging years in the history of the SARS. On the economic front, South Africa was in the midst of its first recession in 17 years as part of the most severe global economic recession in over 70 years. The impact of this was felt by revenue authorities around the world with significant decreases in revenue collections, including in South Africa where revenue collections fell year-on-year for the first time in SARS's history.

This was the first recession experienced under a democratic government which, by its very nature, being held to high service delivery expectations which requires sustained increases in revenue to meet these expectations.

In addition, South Africa experienced a year of significant political change following the April 2009 election which affected SARS when the former Commissioner of over 10 years left SARS to assume his appointment as Minister of Finance in May 2009. Thus, this is my first report.

Internally, SARS faced the most robust and divisive wage negotiations in the organisation's history, which culminated in the first strike in SARS's history. Besides the wage negotiations, SARS faced the on-going challenge of change management and resource retraining and redeployment associated with the widespread organisational impact as the Modernisation Programme entered its third year.

Despite these challenging circumstances, the people of SARS once again rose to the occasion to deliver on the commitments of our Strategic Plan.

Oupa Magashula
SARS Commissioner

KEY ACHIEVEMENTS

REVENUE COLLECTION

Despite the challenging economic environment, SARS managed to retain its focus on its core mandate of revenue collection. Regional revenue committees were established in each region to champion special initiatives. These and other concentrated efforts on revenue collection – including making revenue target a compulsory feature of all performance scorecards of SARS managers – helped realise approximately R25.5 billion from special initiatives and helped SARS to exceed the revised revenue target by R8.3 billion by 31 March 2010.

COMPLIANCE

Times of recession are usually associated with a decline in tax morality and compliance, but many years of laying a strong foundation for tax compliance, along with the service and enforcement improvements delivered by the SARS Modernisation Programme, which completed its third year, and the introduction of the new administration penalty regime, all contributed to South Africa bucking a decline in compliance.

By the end of tax season 2009, SARS had received more than 3.1 million returns compared to 2.4 million a year earlier, reflecting a compliance ratio of almost 80% compared to 58% in 2008.

This trend bodes well for the future years of the Modernisation Programme, which through automation of processes, seeks to improve compliance in line with our Compliance Model. It does this by improving service to honest taxpayers and enhancing enforcement for the non-compliant taxpayers. These gains are achieved both by simplifying and streamlining the tax process, the use of sophisticated risk engines to detect and deter non-compliance, and by releasing resources within SARS to bolster both service and enforcement initiatives.

ENFORCEMENT

Following a concerted campaign to alert non-compliant taxpayers to the looming imposition of penalties for outstanding returns, over 270 000 penalties were issued in January 2010 resulting in the submission of over 80 000 outstanding returns.

On the VAT side, the potential for, or improper, or outright fraudulent VAT refunds were reduced through focused effort to suspend unlawfully registered VAT vendors. Approximately 16 000 VAT vendors were suspended with a potential VAT refund saving of R960 million and a total of 37 387 taxpayers were identified as possible having under-declarations for interest income earned and VAT due on sale of property.

Using increasingly more accurate third party data, allowed SARS to update taxpayer declarations with the information obtained and automatically revise the tax liability levied resulting in R1.3 billion of additional revenue.

Matching of employee data against employer PAYE returns submitted have also identified thousands of unregistered taxpayers who were automatically registered.

SERVICE

During the year SARS assessed a total of 5.7 million returns in comparison to 4.5 million returns in the prior year. In addition, the quicker processing times through automation and increased use of electronic filing channels resulted in improved assessment payment collections and allowed for a far greater number of refunds to be released.

SARS refunded R14.8 billion to individuals' bank accounts for the current year in comparison to R11.2 billion in the prior year, with over 80% being refunded within 48 hours of submission.

In October 2009, SARS released the draft Tax Administration Bill and draft Customs Duty Bill and Customs Control Bill that seek to harmonise and streamline legislation as part of our on-going efforts to reduce the administrative burden of taxpayers and traders and to provide certainty and clarity over the expectations of both SARS and its clients.

REPUTATION

SARS walked away with top honours in the inaugural Public Service Excellence Awards in October 2009, including the Grand Prix Platinum Award for Best Reputation of all Government Departments and State-owned Entities. In addition, SARS received four Gold Awards for Overall Effectiveness, Service Orientation, Service Orientation in Rural Areas, as well as Best Reputation in the Financial Services category. In addition, SARS was also winner of the Bronze Award for Internal Effectiveness and the Bronze Award for Community Engagement. The awards were presented by the Minister of Public Service and Administration, Richard Baloyi, and were based on a survey conducted among 1 500 citizens from across the country.

INTERNATIONAL LEADERSHIP

The 2009/10 financial year saw the launch of the African Tax Administration Forum (ATAF) in Uganda. The ATAF, which was pioneered and is now chaired by SARS, has already attracted over 30 African countries as members and forms the basis for closer co-operation and engagement between revenue authorities on the African continent. The ATAF secretariat will also be hosted by South Africa.

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).

GOVERNANCE

For the sixth year in a row, SARS has been given an unqualified audit by the Auditor-General for the 2009/10 financial year. At the same time, SARS has continued to champion a zero-tolerance approach to corruption and crime including dismissing a number of senior employees for breaches of conduct and corruption. Among the governance structures established to ensure continuity and sustained governance and oversight within the organisation are the Audit Committee and Human Resources and Remuneration Committees. At the same time the existing internal governance structures and processes have been constantly improved to enhance governance and accountability and to entrench this throughout the organisation. A review of the governance structures, as part of the ongoing leadership journey, is scheduled for completion during June 2010.

CONCLUSION

In what was perhaps the most challenging year in the history of SARS, the organisation continued to meet the high expectations of its stakeholders by delivering on its revenue mandate, continuing to exceed expectations on service delivery and continuing the tradition of SARS as a highly respected, trusted and stable state institution.

I would like to thank the 15 000 people of SARS who draw special pride and passion from the unique and privileged role they play in enabling our government to deliver on its full spectrum of programmes and actions. The SARS achievements are their achievements.

I would also like to thank the Minister of Finance, Pravin Gordhan, both for the solid foundation he laid within SARS and his on-going guidance, leadership and support, which has allowed SARS to seamlessly continue its path of success and achievement. In addition, I would like to thank the Deputy Minister of Finance, Nhlanhla Nene, as well as the various parliamentary and other committees and consultative bodies for the encouragement and support they have provided to SARS over the years and to me in particular during my first year in the daunting and exhilarating role of leading this truly remarkable organisation.

Finally, our utmost thanks and gratitude must go to the citizens of South Africa who continue to meet their part of the social contract by making tax contributions, which fuel our growth and development as a people and as a nation. They are the ones who make South Africa great!

Oupa Magashula
SARS Commissioner

01

Strategic Context

1.1
SARS's STRATEGIC OVERVIEW

Since its inception in 1997, SARS has understood its mandate of collecting all revenue due to the state and administering trade as much more than merely doing a job. This mandate is a calling to a higher purpose: namely to contribute to the economic and social development of our country through collecting the resources needed by government to meet its policy and delivery priorities. Against this background, several key developments during the year under review had a major impact on SARS.

The 2009/10 financial year was one of the most challenging years in the history of SARS, as the global economic recession had a negative impact on South Africa. The country experienced its first recession in 17 years, while the global economy suffered its most severe recession in over 70 years.

Following a decline of 0.7% in real gross domestic product (GDP) during the fourth quarter of 2008, and a precipitous contraction of 7.4% in the first quarter of 2009, the GDP declined by a further 2.8% in the second quarter of 2009. *(GDP is the most comprehensive measure of economic performance).* As economic activity slowed down, domestic inflation began to recede, helped in addition by lower international energy prices and lower durable goods prices. The Consumer Price Index (CPI) declined from an average of 11.5% in 2008 to 7.1% in 2009. Revenue authorities around the world witnessed significant decreases in revenue collections and in South Africa, revenue collections fell year-on-year for the first time in SARS's history.

The decline in the country's economic activity in 2009 affected nearly all the key sectors of the real economy with the worst declines in manufacturing, mining, finance and trade. Productivity in mining contracted sharply by 30.7% in the first quarter of 2009 and began to slightly recover in the fourth quarter growing at a positive rate of 4.6%. Manufacturing contracted sharply by 25.5% in the first quarter of 2009, but began to recover in the third and fourth quarters growing by 7.6% and 10.1% respectively. The finance sector declined by 2.3% in the first quarter of 2009 and showed signs of rebound in the fourth quarter growing at a positive rate of 2.1%.

The current account deficit improved slightly to -4.0% in 2009 from -7.1% in 2008 as a result of merchandise imports decreasing on a larger scale than merchandise exports. Imports declined by 17.4% in 2009 compared with 1.4% in the previous year, while exports of goods and services declined by 19.5% in 2009, driven mainly by lower commodity prices and overall dampened international trade activity during the year. Overall the country's current account balance as a percentage of GDP declined in the first quarter of 2009 by 6.7% and decelerated to negative 2.9% in the fourth quarter of 2009.

The onset of the economic cycle of 2009/10 had the country enter into a technical recession, with government well positioned to mitigate some of its severe consequences. The major contributing factor to this ability to mitigate the severity of the consequences, was the prudence in government fiscal policy stance that in the periods prior to the recession had the country maintain relatively low public debt levels.

The revenue estimate for 2009/10 was initially set at R659.3 billion as announced in the February 2009 Budget, at which time the nominal GDP was expected to grow by 7% (real growth of 1.4%). At the end of the first half of 2009/10, the residual impact of the recession was apparent: CIT collections were R11 billion (14%) behind the previous year; collections of VAT on imports were down R12 billion (28%) year-on-year and Customs duty collections trailed behind by R3.3 billion (29%). Consequently, the revenue expectation was revised downwards in October 2009 to R589.0 billion and the nominal GDP was expected to grow by 4% (real growth of -1.6%). In February 2010, the expectation was that nominal GDP would grow by 6% (real growth of -1.5%) and the revenue target was set at R590.4 billion. Therefore, the revenue expectations were lowered by R69 billion from the February 2009 Budget mainly due to expected lower profits impacting on CIT (-R29 billion), lower imports and domestic demand resulting in reduced VAT (-R22 billion) and Customs duties (-R6 billion).

To a large extent, the outstanding performance by SARS in total tax revenue collections in 2009/10 resulted in the fiscal framework being able to support government's fiscal policy objectives. The 2010 revised budget expected the deficit to increase to 7.3% of GDP in 2009/10, however, as a result of an increase in total tax revenue collections of R598.7 billion, R8.3 billion higher than the revenue estimate in the 2010 Budget, the deficit was limited to 6.8%.

In addition, South Africa experienced a year of significant political change following the April 2009 elections, which affected SARS when the Commissioner of 10 years, Pravin Gordhan, left SARS to assume his appointment as Minister of Finance in May 2009. Following this, Oupa Magashula was appointed as the new Commissioner of SARS in July 2009 and he adjusted SARS's focus to align with the new government's policy priorities.

SARS remained focused on its core mandate of revenue collection based on broadening taxpayer compliance. An innovation to counteract the negative impact of the recession was the introduction of special revenue initiatives that sought to encourage taxpayer compliance. One of the newly appointed Commissioner's first tasks was to embark on a countrywide internal campaign to galvanise staff to support the special revenue initiatives. These initiatives bolstered collection efforts and resulted in the collection of R25.5 billion.

SARS followed a robust yet agile approach to achieve this success. A key step in this process was the revision of the Strategic Plan for 2009/10. The following developments necessitated the revision of the Strategic Plan:

- A new administration that assumed duty after the April 2009 national and provincial elections introducing initiatives such as the establishment of a border management agency (BMA)
- Government's commitment to move towards a single integrated business registration system
- The economic climate that deteriorated significantly more than initially anticipated in early 2009
- A poor compliance climate and
- SARS's year-to-date revenue collection that reflected a rapidly declining trend.

Divisive wage negotiations, which culminated in the first strike in the history of SARS, exacerbated this challenging period. The organisation also faced the ongoing challenge of change management, retention of resources and redeployment of staff associated with the widespread organisational impact of the Modernisation Programme.

Despite the revision of the Strategic Plan for 2009/10, SARS maintained its key focus on the priorities that would enable the organisation to deliver on its mandate. These priorities are best suited to enable SARS to achieve its strategic objectives within the current environment.

1.2
SARS's CORPORATE STRATEGIC PRIORITIES FOR 2009/10

To deal with this rapidly changing environment, SARS identified the need to distinguish amongst the delivery, advisory and enabling areas of its activities. Six of the SARS corporate priorities are delivery priorities, while the remainder are enabling and advisory priority areas. The priorities are aligned with the direction indicated through the modernisation agenda programmes and they encapsulate all the objectives set out in the previous reporting period.

The six delivery priorities for 2009/10, the first three of which correspond directly to the three main components of SARS's mandate, were to:

- Secure the revenue
- Strengthen compliance
- Improve border protection and management
- Improve operations management and productivity
- Ensure improved service and
- Fix the basic legacy systems.

The enabling and advisory priorities were to:

- Improve governance
- Develop human capability
- Proceed with modernisation
- Pursue the segmentation strategy and
- Consolidate the new operating model.

1.3
THE SARS MODERNISATION JOURNEY

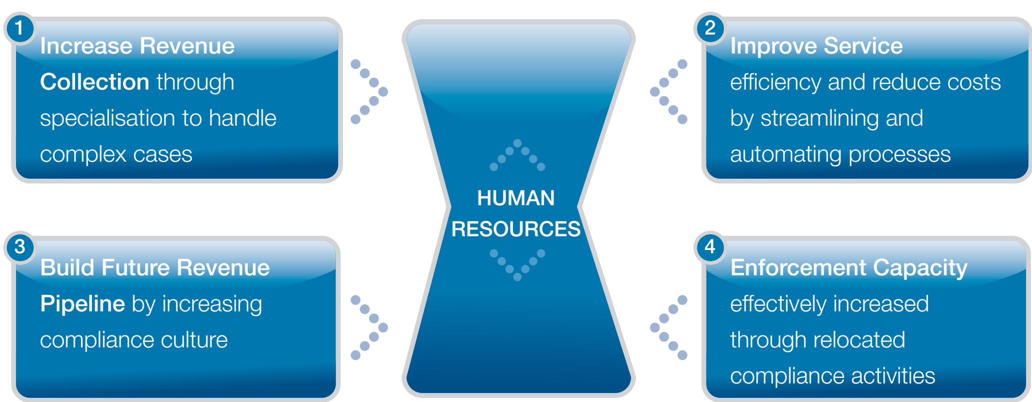
SARS developed a modernisation agenda in 2007/08, aimed at providing improved services to taxpayers and trader engagement through automation of routine processes and the optimal use of internal resources. This approach recognises that SARS's ability to collect revenue, facilitate compliance and protect South Africa's ports of entry, depends both on the organisation's effective application of its resources and capabilities, as well as the quality of its interactions with taxpayers and traders.

Conscious of this onerous responsibility, SARS has based its strategy over the past decade or more on its compliance model of improving service quality, effective enforcement and increased taxpayer education. This tried and tested model of compliance paid rich dividends for South Africa over the past decade through significant revenue gains that allowed government to accelerate and expand its provision of services to its citizens.

This compliance model continues to anchor the SARS strategic direction. It underpins all SARS's activities, from the relentless drive for service delivery and efficiency to the continuous quest for cost-efficiency, from constantly evolving enforcement enhancements and improvements to education, outreach and communications initiatives to expand the tax and trader base.

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.

The modernisation approach is summarised in the figure below:



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.

The ability to detect and respond to both wilful and unintentional non-compliance, improve management processes and enhance human capability is just as important as technological development.

Since the multi-year modernisation programme was launched in 2007, SARS has made enormous strides in:

- Increasing the revenue collected
- Improving the efficiency with which SARS interacts with taxpayers
- Improving the quality of service experienced by taxpayers and traders
- Improving its enforcement capabilities (audit, investigative) to detect better and deter non-compliance
- Enhancing trade facilitation and customs compliance to keep pace with huge increases in trade volumes
- Expanding the tax base across all tax types and
- Improving voluntary compliance.

This approach illustrates the impact of the modernisation programme, on primarily PAYE and Personal Income Tax. However, many other areas of the organisation will soon benefit. Provisional Tax, Customs, VAT, Corporate Income Tax and the audit and enforcement functions are all earmarked for future improvements in the modernisation journey.

1.4 RECOGNITION

SARS was awarded top honours in the inaugural Public Service Excellence Awards in October 2009, the Grand Prix Platinum Award for Best Reputation of all Government Departments and State-owned Entities. In addition, SARS received four Gold Awards for Overall Effectiveness, Service Orientation, Service Orientation in Rural Areas, as well as Best Reputation in the Financial Services category. SARS was also the winner of the Bronze Awards for Internal Effectiveness and Community Engagement. The Minister of Public Service and Administration, Richard Baloyi, presented these awards to SARS.

SARS received another accolade in the form of the Lean Institute Africa Diamond Award for Excellence. This award recognised SARS's contribution to making South Africa a better place for all through continuous service delivery and improvement efforts.

The 2009/10 financial year saw the launch of the African Tax Administration Forum (ATAF) in Uganda. SARS pioneered the ATAF and now chairs the forum, having already attracted over 30 African countries as members. This forms the basis for closer co-operation and engagement between revenue authorities on the African continent. South Africa will host the ATAF secretariat. In addition, SARS continued to play a key leading role in a number of international multilateral tax and customs forums including the OECD Forum for Tax Administration and the WCO.

02

Business Context

2.1

SECURE THE REVENUE

INTRODUCTION

Revenue collection is a key driver of SARS's performance and is central to the mandate of SARS as contained in legislation. As was the case with most revenue authorities in the world, the financial crisis that manifested itself in the previous financial year also adversely affected revenue collections in SARS in the 2009/10 financial year. This necessitated a downward revision of the revenue target from R659.3 billion to R590.4 billion.

In response to these tough economic conditions, SARS initiated a number of special initiatives within its revenue management programme, which realised approximately R25.5 billion. This contributed to SARS exceeding the revised revenue estimate by R8.3 billion, registering final collections of R598.7 billion on 31 March 2010. Table 1 shows revenue performance by tax type.

Table 1: Overall revenue performance

Key Performance Indicator (KPI)	Target	Achievement	Variance
	R million	R million	R million
Tax Revenue collected	**590 425**	**598 705**	**8 280**
PIT	204 560	206 484	1 924
CIT	132 140	136 978	4 838
STC	16 000	15 468	-532
VAT	146 500	147 941	1 441
Excise	21 000	21 289	289
Fuel Levy	29 000	28 833	-167
Customs	18 500	19 577	1 077
Other	22 725	22 136	-589

This revenue performance assisted national government to contain its borrowing requirement, which in turn lowers future debt servicing costs.

BUDGET ESTIMATES

To take into account any economic developments during a particular fiscal year, estimates of tax revenue are formally set or adjusted three times in the fiscal cycle: in February 2009 during the Budget, in October 2009 in the Medium Term Budget Policy Statement (MTBPS) and in February 2010 during the Budget session.

Table 2: Estimate per budget revision

Estimate description	Date announced	2008/09 Estimate	Date announced	2009/10 Estimate
		R million		R million
Printed Estimate	February 2008	642 269	February 2009*	659 304
Medium Term Budget Policy Statement (MTBPS) Estimate	October 2008	642 269	October 2009*	589 025
Revised Estimate	February 2009*	627 693	February 2010*	590 425

Note: * The February 2009 Revised estimate and later estimates exclude mining leases and ownership which were reclassified as non-tax revenue during the February 2009 Budget.

Presented in Table 2 are the printed estimates (also referred to as budget estimates in February 2009), MTBPS estimates and revised estimates. The downward revision for both fiscal years is a reflection of deteriorating economic conditions as a result of the global financial crisis.

In addition to the collection of national taxes, SARS collects revenue on behalf of other government departments and the revenue pool of the Southern Africa Customs Union (SACU) member states. This is contained in the budget estimate figures and reported on as follows:

- **Tax revenue** defined by the System of National Accounts as "a compulsory, unrequited payment to government" consists of all taxes due to the state
- **Budget revenue** comprises tax revenue plus receipts from other state departments less payments to Botswana, Lesotho, Namibia and Swaziland in terms of the SACU agreement and
- **Net revenue** as defined in the statement of financial performance in this report for SARS administered revenue consisting of tax revenue less SACU payments plus Unemployment Insurance Fund (UIF), Road Accident Fund (RAF) and various other state receipts.

TAX REVENUE

The composition of tax revenue per tax product is shown in Table 3, which also compares actual performance to 2009 and 2010 budget estimates. Of the R60.6 billion negative variance against the 2009 budget estimate, the largest contributors were Corporate Income Tax (CIT) and Value-Added Tax (VAT) which accounted for R25 billion and R21 billion respectively.

Table 3: Tax revenue performance for 2009/10 against estimates

Tax type	Budget estimate Feb 2009	Budget estimate Feb 2010	Actual result	Increase / decrease on Feb 2009 estimate	Increase / decrease on Feb 2010 estimate
	R million	R million	R million	R million	R million
Taxes on income and profits	389 040	352 800	359 045	-29 995	6 245
Persons and Individuals	*208 380*	*204 560*	*206 484*	*-1 896*	*1 924*
Companies	*161 630*	*132 140*	*136 978*	*-24 652*	*4 838*
Secondary tax on companies	*19 000*	*16 000*	*15 468*	*-3 532*	*-532*
Other	*30*	*100*	*116*	*86*	*16*
Value-added tax	168 807	146 500	147 941	-20 866	1 441
Fuel levy	30 090	29 000	28 833	-1 257	-167
Excise duties	22 600	21 000	21 289	-1 311	289
Customs duties	24 635	18 500	19 577	-5 058	1 077
Skills Development Levy	7 750	7 750	7 805	55	55
Other taxes and duties	16 382	14 875	14 215	-2 166	-659
Total Tax Revenue	**659 304**	**590 425**	**598 705**	**-60 599**	**8 280**

BUDGET REVENUE

The negative variance of budget revenue of about R63 billion against the 2009 budget estimate is primarily a result of the poor performance in tax revenue compounded further by a decline of R2.5 billion in the collection of non-tax revenue. The lower collection in non-tax revenue was mainly driven by lower departmental revenue from National Treasury.

Table 4: Budget revenue performance for 2009/10 against estimates

Tax type	Budget estimate Feb 2009	Budget estimate Feb 2010	Actual result	Increase / decrease on Feb 2009 estimate	Increase / decrease on Feb 2010 estimate
	R million	R million	R million	R million	R million
Total Tax Revenue	659 304	590 425	598 705	-60 599	8 280
Non-tax revenue *	11 602	8 983	9 150	-2 452	167
Fines and forfeitures	*-*	*-*	*2*	*2*	*2*
Mining leases and ownership (previously incl in Tax Revenue)	*325*	*810*	*633*	*308*	*-177*
Other departmental revenue received at Treasury	*11 277*	*8 173*	*8 514*	*-2 762*	*342*
Less: SACU payments	27 915	27 915	27 915	-	-
Total Budget Revenue	**642 990**	**571 492**	**579 940**	**-63 051**	**8 447**

Note: * The figures for non-tax revenue are preliminary and unaudited.

NET REVENUE

In Table 5 below net revenue is derived from the tax revenue and compared on a year-on-year basis, 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. The net revenue for 2009/10 decreased from R615.9 billion in 2008/09 to R594 billion, with a year-on-year negative variance of R21.9 billion.

Table 5: Net revenue for the year ended 31 March 2010

Revenue	2009/10	2008/09
	R million	R million
Tax revenue	598 705	625 100
Add:		
Unemployment Insurance Fund (UIF)	10 538	10 097
Road Accident Fund (RAF)	11 997	8 909
Mining leases and ownership	633	708
State fines and forfeitures	2	3
Provincial administration receipts	37	33
Less:		
Southern Africa Customs Union Agreement *	27 915	28 921
Net revenue for the year	**593 996**	**615 930**

Note: * Annual aggregate quarterly payments made by National Treasury to member states in terms of the Southern Africa Customs Union (SACU) agreement.

REVENUE PERFORMANCE PER 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) and collections in this category remained robust. A total of R206.5 billion was collected against the revised target of R204.6 billion, (R1.9 billion above the printed estimate) contributing 34.5% of total revenue collections. The economic downturn had a widespread negative impact on employment, resulting in nearly one million jobs being lost in 2009. Retrenchments were especially pronounced in the mining, manufacturing, retail and finance sectors. The higher than expected performance of PIT can mainly be ascribed to relatively large wage settlements and the fact that retrenchments were confined to low income earners. This contraction in employment is reflected by the single-digit growth of 5% of revenue year-on-year, which is significantly down from the 16% increase in the previous period of comparison.

Table 6: PIT including interest 2004/05 to 2009/10

Year	PIT	% Year-on-Year change	% of Tax Revenue
	R million	%	%
2004/05	111 697	12.6%	31.5%
2005/06	126 416	13.2%	30.3%
2006/07	141 397	11.9%	28.5%
2007/08	169 539	19.9%	29.6%
2008/09	196 068	15.6%	31.4%
2009/10	**206 484**	**5.3%**	**34.5%**

Corporate Income Tax (CIT) comprises all provisional and assessed taxes paid by companies (net of refunds). A total of R137 billion was collected against a target of R132.1 billion (R4.8 billion over the revised estimate), contributing 22.9% of total revenue. On a year-on-year basis, this represents an 18.1% decrease in CIT collections. There was some recovery in CIT collections as the economy began to improve during the second half of 2009. This improvement was due to better than expected collections from small to medium-sized companies that showed improved compliance which requires that 80% of the tax liability be settled through the second payment.

Table 7: CIT including interest 2004/05 to 2009/10

Year	CIT	% Year-on-Year change	% of Tax Revenue
	R million	%	%
2004/05	71 629	16.1%	20.2%
2005/06	87 326	21.9%	20.9%
2006/07	120 112	37.5%	24.2%
2007/08	141 635	17.9%	24.7%
2008/09	167 202	18.1%	26.7%
2009/10	**136 978**	**-18.1%**	**22.9%**

The worst performing sectors were mining and finance, while agriculture, construction, telecommunications and medical services were sectors showing a significant year-on-year improvement. A detailed breakdown of SARS-defined sector contributions is shown in Table 8.

Table 8: CIT collections by SARS-defined sectors

Sector	2007/08	2008/09	Growth	2009/10	Growth
	R million	R million	%	R million	%
Agriculture	1 414	2 106	48.9%	2 301	9.3%
Mining	13 220	22 370	69.2%	10 658	-52.4%
Telecommunications	9 284	8 332	-10.3%	11 138	33.7%
Financial services	41 315	48 129	16.5%	35 364	-26.5%
Banks	*10 241*	*9 691*	*-5.4%*	*9 227*	*-4.8%*
Insurance	*13 068*	*19 286*	*47.6%*	*10 185*	*-47.2%*
Other financial services	*18 006*	*19 152*	*6.4%*	*15 952*	*-16.7%*
Manufacturing	38 591	44 569	15.5%	35 516	-20.3%
Petroleum	*7 851*	*10 382*	*32.2%*	*6 954*	*-33.0%*
Other manufacturing	*30 740*	*34 187*	*11.2%*	*28 562*	*-16.5%*
Wholesale and retail	12 620	14 717	16.6%	14 287	-2.9%
Business services	12 857	12 042	-6.3%	11 321	-6.0%
Medical and health	1 835	1 914	4.3%	3 327	73.8%
Transport	3 760	3 140	-16.5%	2 885	-8.1%
Construction	3 039	4 587	50.9%	5 982	30.4%
Catering and accommodation	1 311	1 435	9.5%	1 466	2.2%
Recreation and cultural	1 805	1 812	0.4%	2 380	31.3%
Other	584	2 049	250.9%	353	-82.8%
Total	**141 635**	**167 202**	**18.1%**	**136 978**	**-18.1%**

Secondary Tax on Companies (STC) refers to the tax paid on profits distributed by companies. STC collections amounted to R15.5 billion and were below the revised estimate by R0.5 billion, contributing 2.6% to revenue collected, about 22.7% lower than the previous fiscal year, as indicated in Table 9. The economic downturn resulted in companies opting not to distribute dividends and a reduction in merger and acquisition activities.

Table 9: STC 2004/05 to 2009/10

Year	STC	% Year-on-Year change	% of Tax Revenue
	R million	%	%
2004/05	7 487	22.1%	2.1%
2005/06	12 278	64.0%	2.9%
2006/07	15 291	24.5%	3.1%
2007/08	20 585	34.6%	3.6%
2008/09	20 018	-2.8%	3.2%
2009/10	**15 468**	**-22.7%**	**2.6%**

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. The performance of VAT is reflected in Table 10.

VAT collection totalled R147.9 billion against a target of R146.5 billion, contributing 24.7% to revenue collected. On a year-on-year basis overall VAT collections declined by about 4% which was mainly as a result of the decline of about 24% in import VAT. Both import VAT and domestic VAT are affected by domestic demand by households and companies, with companies being further affected by capital expenditure. The decline in import VAT was mainly for imports of machinery, electrical equipment, vehicles and instruments. In nominal terms, domestic VAT grew year-on-year by about 4% which, if considering consumer inflation (7.1% for 2009) translates into a contraction in real terms.

The onset of the recession eroded domestic demand and confidence. Growth in real gross domestic expenditure declined from 3.3% in 2008 to -1.8% in 2009. Growth in real final household expenditure declined from 2.4% in 2008 to -3.1% in 2009. Growth in fixed capital formation also declined from 11.7% in 2008 to 2.3% in 2009.

VAT refunds are mainly driven by capital investments and overall levels of economic activities. These two were under pressure in the 2009 fiscal year, resulting in a decline in VAT refunds. Consumer demand for durable goods began showing signs of recovery in the fourth quarter of 2009, with vehicle sales moving to a positive growth in the first quarter of 2010. The turnaround in manufacturing in the first quarter of 2010 partially offset the decline in consumer demand, as companies increased spending on capital outlays. In addition, the government's counter-cyclical spending measures, especially for infrastructure, had a cushioning effect.

Table 10: Total VAT and components of VAT 2004/05 to 2009/10

Year	VAT	% Year-on-Year change	% of Tax Revenue
	R million	%	%
Net VAT			
2004/05	98 158	21.7%	27.7%
2005/06	114 352	16.5%	27.4%
2006/07	134 463	17.6%	27.1%
2007/08	150 443	11.9%	26.3%
2008/09	154 343	2.6%	24.7%
2009/10	**147 941**	**-4.1%**	**24.7%**
Domestic VAT			
2004/05	110 167	14.3%	31.0%
2005/06	125 756	14.2%	30.1%
2006/07	144 884	15.2%	29.2%
2007/08	171 619	18.5%	30.0%
2008/09	187 171	9.1%	29.9%
2009/10	**195 050**	**4.2%**	**32.6%**
Import VAT			
2004/05	43 466	17.6%	12.2%
2005/06	50 261	15.6%	12.0%
2006/07	66 917	33.1%	13.5%
2007/08	77 929	16.5%	13.6%
2008/09	92 010	18.1%	14.7%
2009/10	**70 320**	**-23.6%**	**11.7%**
VAT refunds			
2004/05	-55 475	5.3%	-15.6%
2005/06	-61 666	11.2%	-14.8%
2006/07	-77 338	25.4%	-15.6%
2007/08	-99 105	28.1%	-17.3%
2008/09	-124 838	26.0%	-20.0%
2009/10	**-117 428**	**-5.9%**	**-19.6%**

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 R1.1 billion above the revised estimate, mainly due to improved imports in the latter half of 2009/10 and contributed 3.3% to revenue collected. The decline of 14% shown in Table 11 in comparison to the previous year can be attributed to declining automotive import volumes, which attract high duties.

Table 11: Customs duties 2004/05 to 2009/10

Year	Customs duties	% Year-on-Year change	% of tax revenue
	R million	%	%
2004/05	12 888	52.0%	3.6%
2005/06	18 303	42.0%	4.4%
2006/07	23 697	29.5%	4.8%
2007/08	26 470	11.7%	4.6%
2008/09	22 751	-14.0%	3.6%
2009/10	**19 577**	**-14.0%**	**3.3%**

Fuel levy collections were below the revised estimate by R0.2 billion due to a decline in the rate of fuel consumption and freight transport activity (lower exports and imports), even though collections were 16% higher than the previous year. The fuel levy comprised fuel levy collections, recoupment of levies from the Road Accident Fund (RAF) and diesel refunds.

Excise duty collections were R0.3 billion above the revised estimate, mainly due to a rate increase on cigarettes.

Other taxes collection amounted to R14.2 billion, R0.7 billion above the revised estimate and R2.2 billion lower than the printed estimate. This was mainly due to lower collections from:

- *Ad valorem* duties (mainly driven by lower vehicle imports) and
- Securities transfer tax (driven by lower trading values on the JSE).

Revenue performance trends indicate that the contribution of different taxes to the tax revenue portfolio has changed over the period under review, with the most significant trend being the increased contribution of PIT and fuel levy, and the reduced contribution from CIT and STC and reflects that the less volatile tax is PIT. Table 12 provides a breakdown of the amounts collected during the period, this in comparison to Table 13, which sets out the percentage contribution of the various taxes to total taxes collected.

Table 12: Breakdown of tax revenue collected 2004/05 to 2009/10

Year	PIT	CIT	STC	VAT	Fuel levy	Customs	Other	Total tax revenue
	R million	R million	R million	R million	R million	R million	R million	R million
2004/05	111 697	71 629	7 487	98 158	19 190	12 888	33 929	354 979
2005/06	126 416	87 326	12 278	114 352	20 507	18 303	38 013	417 195
2006/07	141 397	120 112	15 291	134 463	21 845	23 697	38 744	495 549
2007/08	169 539	141 635	20 585	150 443	23 741	26 470	40 401	572 815
2008/09	196 068	167 202	20 018	154 343	24 884	22 751	39 834	625 100
2009/10	**206 484**	**136 978**	**15 468**	**147 941**	**28 833**	**19 577**	**43 425**	**598 705**

Note: * Source: Q1-2010 GDP, Statistics SA.

Graph 1: Total tax revenue compared to tax revenue as percentage of GDP 2004/05 to 2009/10

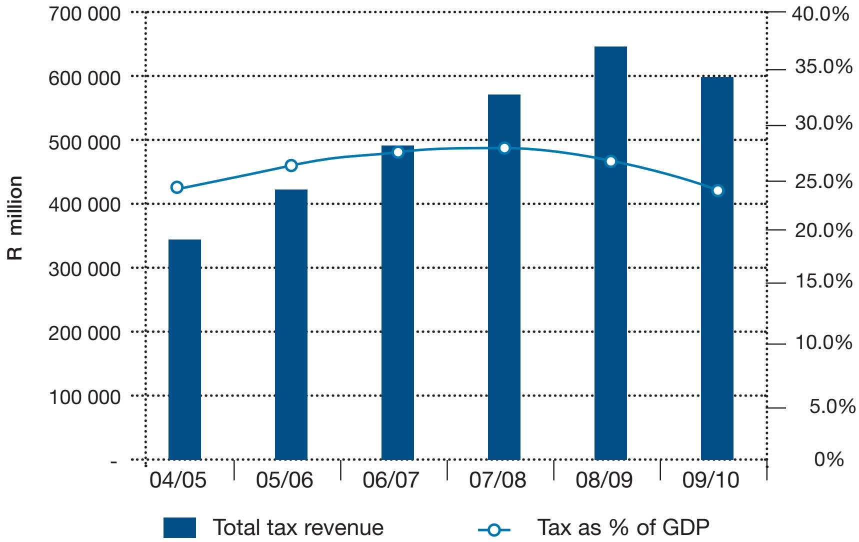


Table 13: Contribution of tax type to tax revenue

Year	PIT	CIT	STC	VAT	Fuel levy	Customs	Other
	%	%	%	%	%	%	%
2004/05	31.5%	20.2%	2.1%	27.7%	5.4%	3.6%	9.6%
2005/06	30.3%	20.9%	2.9%	27.4%	4.9%	4.4%	9.1%
2006/07	28.5%	24.2%	3.1%	27.1%	4.4%	4.8%	7.8%
2007/08	29.6%	24.7%	3.6%	26.3%	4.1%	4.6%	7.1%
2008/09	31.4%	26.7%	3.2%	24.7%	4.0%	3.6%	6.4%
2009/10	**34.5%**	**22.9%**	**2.6%**	**24.7%**	**4.8%**	**3.3%**	**7.3%**

SPECIAL REVENUE MANAGEMENT PROGRAMME

The revenue management programme included a set of special revenue initiatives that contributed R25.5 billion to the revenue collection effort in the 2009/10 fiscal year. The special initiatives consisted of the following themes:

Improved management of compliance and debt involved the proactive management of tax revenue that was due but not paid on time. Over the 12 months, more than a million calls were made to taxpayers. This included 367 886 courtesy calls, 744 068 follow-up calls, 332 554 SMSs and 121 057 emails for outstanding payments. These concentrated efforts resulted in the collection of an additional R7 billion recovered from late payments and accounts that had reached doubtful debt status.

Tighter management and monitoring of VAT collections and refunds resulted in a potential VAT refund saving of R960 million due to the suspension of approximately 16 000 unlawfully registered vendors.

Better use of third party data resulted in SARS collecting over R1.3 billion in revenue. Verifying taxpayer information using independent third party databases ensured increased accuracy and compliance with Acts administered by SARS.

Initiative enhancing compliance from corporations addressed underpayments of provisional tax, VAT under-declarations, claiming undue refunds, income tax irregularities and outstanding debt across all tax types. This resulted in additional revenue of nearly R13.9 billion.

Customs' special revenue initiatives resulted in additional revenue of R1 billion. The initiatives involved following up on outstanding acquittals, primarily in the motor vehicle industry, raising post clearance schedules and penalties as well as intensive campaigns within the clothing and textiles sector to eradicate tariff and valuation under declaration.

TAX RELIEF AND RATES

The benefits of tax reforms have become tangible with R58.3 billion in net tax relief granted to the South African public across various tax products. Over the past six years, individual taxpayers have enjoyed tax relief of R53.4 billion, while corporations have been given relief of R15.6 billion. Table 14 sets out the tax relief over this period with negative values indicating relief and positive numbers showing an increase in tax obligation.

Table 14: Summary of effects of tax proposals 2004/05 to 2009/10

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
2004/05	-4 062	-	-	-4 062	1 453	909	-600	1 762	-2 300
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**
Total	**-53 417**	**-15 585**	**-4 917**	**-73 919**	**8 978**	**8 949**	**- 2 291**	**15 636**	**-58 283**

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 CIT where a 1% reduction that came into effect from 1 April 2008 following on an earlier reduction of another 1% from April 2005. 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 15: Maximum marginal tax rates 2004/05 to 2009/10

Period	PIT*	CIT	STC	VAT	RFT**
	%	%	%	%	%
01 Apr 2004 – 31 Mar 2005	40.0%	30.0%	12.5%	14.0%	18.0%
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%**

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

PIT rates were adjusted in the 2009 budget providing relief to individuals during the 2009/10 tax year, consisting of increases in both the primary and secondary rebates as well as upward adjustments across income brackets.

Table 16: Tax rates for individuals 2009/10

Taxable income	Rates of tax				
Rand	Rand		%		Rand
0 to 132 000			18%	of each R1	
132 001 to 210 000	23 760	+	25%	of the amount above	132 000
210 001 to 290 000	43 260	+	30%	of the amount above	210 000
290 001 to 410 000	67 260	+	35%	of the amount above	290 000
410 001 to 525 000	109 260	+	38%	of the amount above	410 000
525 001 to and above	152 960	+	40%	of the amount above	525 000

Rebates		Tax threshold	
Primary	9 756	Below the age of 65	54 200
Secondary	5 400	Age 65 and over	84 200

COST OF REVENUE COLLECTION

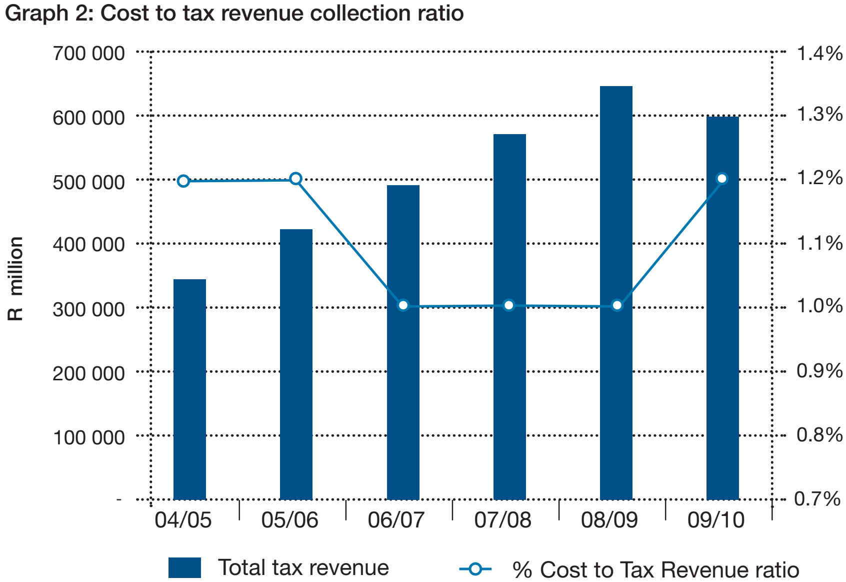
Over the past years, the cost to revenue collection ratio varied between a low of 1.0% to a high of about 1.2%. The rate at which costs (includes depreciation but excludes capital expenditure) grew, was slightly higher than the rate at which revenue collections (net tax revenue) increased.

Table 17: Cost of revenue collection 2004/05 to 2009/10

Year	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10
	R million	R million	R million	R million	R million	R million
Tax revenue	354 979	417 195	495 549	572 815	625 100	598 705
Operating cost	4 312	5 135	5 156	5 615	6 501	7 004
	%	%	%	%	%	%
Cost to Tax Revenue ratio	1.2%	1.2%	1.0%	1.0%	1.0%	1.2%

Graph 2 illustrates that SARS's cost of revenue collection remained in a band of 0.9% to 1.3% showing that costs have been contained whilst collecting more revenue.

Graph 2: Cost to tax revenue collection ratio

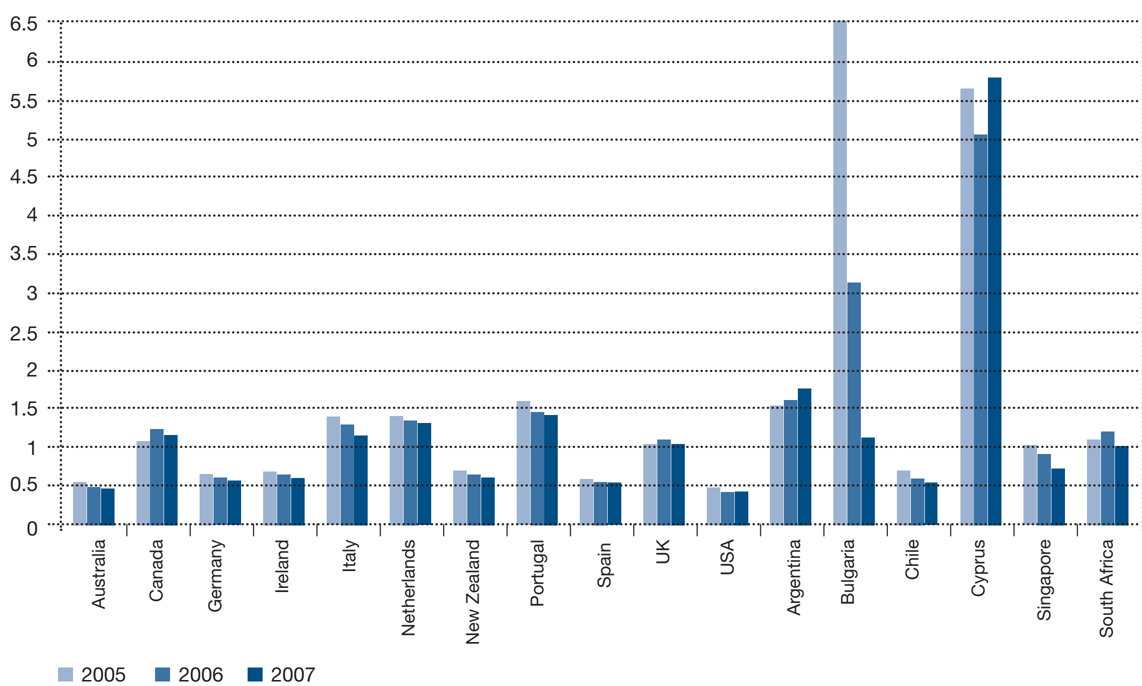


The key reasons for the steady increase in the ratio from 2008/09 include:

- Improvements to processes, systems and general resources have been implemented in the past to assist SARS to respond faster and more efficiently to changing market conditions. These improvements have allowed SARS to collect more revenue year-on-year and improve its service to taxpayers
- SARS has further implemented initiatives aimed at achieving its Transformation and Modernisation Agenda. Improvements have been made to assessments/operations with significant transformations to the income tax processes and forms as well as a streamlined filing season. In addition to the training and development to staff, enhancements were made to the service channels. Improvements were made to the risk management systems to minimise revenue leakages and reduce incidents of non-compliance and
- Revenue collections have grown year-on-year, and this trend reversed in 2009/10 when collections declined by 4% year-on-year. The growth in revenue collections in the past was sustained by strong growth in the economy supplemented by SARS's administrative efforts and an increase in taxpayer compliance. However, the impact of the recessionary environment severely affected revenue collections in 2009/10, thereby resulting in an increase in the cost of revenue collection ratio.

The comparative study undertaken by the OECD showed that the cost of revenue collections for most countries ranges between 1% and 2%. SARS's average ratio of 1% compares favourably with OECD and selected non-OEDC members. Graph 3 illustrates the OECD's "Tax Administration in OECD and selected non-OECD Countries: Comparative Information Series (2008)":

Graph 3: Administrative costs /net revenue collections (OECD)



Source: Tax Administration in OECD and selected non-OECD countries: comparative information series (2008), figure 13

2.2
STRENGTHEN COMPLIANCE

COMPREHENSIVE COMPLIANCE FRAMEWORK IMPLEMENTATION

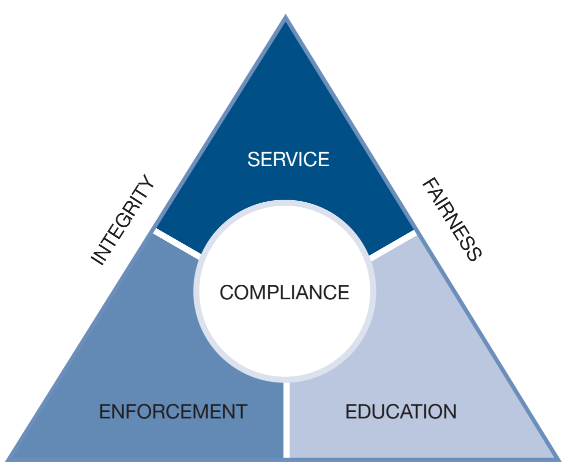
The improvement of taxpayer and trader compliance behaviour remains a cornerstone of SARS's strategy and its operations. The output of compliance by taxpayers and traders is the payment of revenue due and the securing of the country's borders. Revenue collection therefore serves as one of the key measures of change in compliance and taxpayer behaviour. Whilst the recessionary climate experienced over the past fiscal year may have placed pressure on taxpayers' ability to meet their obligations, some significant gains in improved compliance have been made.

In relation to taxpayers and traders, a comprehensive compliance framework was implemented to provide a transparent overview of the status of compliance, emerging risks and mitigation strategies.

The compliance model depicted below 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. Therefore, the understanding of the drivers of taxpayer behaviour is key in determining if an education, enforcement or service strategy is required to enhance compliance, or what mix of tactics is required.



Education efforts contributed to voluntary compliance as is evident in increased registrations and submissions. A total of 4 207 interventions during the period under review were dedicated to increase taxpayer awareness. SARS engaged with Large Business Centre (LBC) clients, government departments and municipalities to reach out to their employees through employer open days and additional points of service at employer sites. These tax-related endeavours aimed to assist taxpayers to understand their obligations, as well as guide them through any challenges that they might encounter during the tax season.

SARS placed a great deal of focus on improving compliance, through its modernisation initiatives to simplify its tax and trader processes. The voluntary compliance in the 2009 year of assessment (number of individual tax returns received in the correct year of assessment) increased year-on-year by 20.9 percentage points from 57.7% in the 2008 tax season to 78.6% in the 2009 tax season.

Table 18: Voluntary compliance

Income Tax Return Compliance at end of Filing Season	2008/09	2009/10
Returns received for the year of assessment	2 418 286	3 116 024
Returns outstanding for the year of assessment	1 768 548	845 367
Compliance Ratio	57.76%	78.66%

A review of the 2009 tax season for individuals and trusts revealed the following positive achievements:

- The number of individual income tax returns submitted across all channels (for all tax years) in the 2009 tax season exceeded 3.6 million, an increase of 57% over the 2008 tax season
- The number of individual income tax returns submitted via eFiling (for all tax years) in the 2009 tax season exceeded 2.0 million, an increase of 116% over the 2008 tax season
- The number of individual income tax returns captured electronically at branch offices (for all tax years) in the 2009 tax season exceeded the 1.3 million, an increase of 40% over the 2008 tax season
- The number of individual income tax returns captured manually – scanned, (for all tax years) in the 2009 tax season decreased from approximately 424 000 in the 2008 tax season to approximately 269 000 in the 2009 tax season, a 36% decrease from the 2008 tax year and
- The overall number of individual and trust income tax returns submitted in the 2009 year of assessment (for all tax years) exceeded 4.1 million.

Emphasis was placed on improving employers' compliance behaviour through the introduction of a PAYE employer tax season. A review of the 2009 tax season for employers resulted in the following positive achievements:

- Approximately 270 000 reconciliations were received of which 90% were submitted electronically
- An 86% customer satisfaction rating was achieved in the "e@syFile for Employers" survey
- A 30% increase in IRP5/IT3(a) certificates received (11.7 million in 2007/08 – when the PAYE employer tax season was launched – to 15.6 million in 2009/10)
- An enhanced pre-population capability through increased employer data accuracy allowed the use of 13.8 million certificates to pre-populate the 2009 individual income tax returns, a 30% improvement year-on-year
- The introduction of an EMP 701 form allowed employers to perform prior year payment reconciliations
- Approximately 7 000 employers were issued with fines for the non-submission of PAYE reconciliations
- Approximately 5 000 non-compliant employers were identified who failed to submit PAYE reconciliations or payments to SARS but issued IRP5s to their employees and
- More than 330 000 non-registered taxpayers were identified through the integrated use of third party data, namely IRP5/IT3(a) certificates. SARS tracks more than 12.2 million people's earnings on an on-going basis.

Another outcome of the compliance activities was a reduction of 4.06% in outstanding tax returns adjusted to allow for a year-on-year comparison by excluding returns due within the last 60 days of the tax season. During the 2009/10 period, SARS prosecuted 67 799 non-filing taxpayers for outstanding returns.

BROADEN THE TAX BASE

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 compliance initiatives focusing on informal, small and medium businesses.

Activities that contributed towards broadening the tax base and ensuring payment included:

- The voluntary disclosure programme announced in the Budget that will allow those with undisclosed tax liabilities to correct their affairs. This window period is scheduled to start in November 2010 and will run until October 2011
- Scrutiny of cash-intensive businesses which attempted to avoid VAT and income tax payments by failing to properly account for cash sales

- Forensic audits in co-operation with revenue authorities in other countries identified the use of sophisticated sales suppressing software programmes used in cash registers to lower sales
- A focus on tax avoidance schemes to minimise undue tax benefits being obtained and
- Armed with increasingly accurate and up-to-date information from third party sources, SARS is closing in on those who provided false information on their tax returns, withheld PAYE from their employees, collected VAT from their customers and failed to pay over to SARS.

Through the application of these compliance components, the SARS tax and trader register showed an average positive growth of 3.5% with a closing number of 9.65 million for the year under review.

Table 19: Tax register 2008/09 to 2009/10

Registered Taxpayers	2008/09	2009/10	% Growth
Income Tax	7 766 915	8 131 422	4.69%
Individuals	5 540 646	5 920 612	6.86%
Trusts	392 260	331 954	-15.37%
Companies	1 834 009	1 878 856	2.45%
Value Added Tax	737 885	685 523	-7.10%
Pay As You Earn	393 974	395 575	0.41%
Customs	422 636	439 065	3.89%
Importers	228 350	229 442	0.48%
Exporters	194 286	209 623	7.89%
Total Register	**9 321 410**	**9 651 585**	**3.54%**

Key contributors to broadening the tax base have been a 6.9% growth in the individual tax register and a 7.9% growth in the exporter tax base.

Enforcement activities within the compliance model consisted of the implementation of an enforcement programme, improved LBC business operations, introduction of administrative penalties and an increase in debt collection.

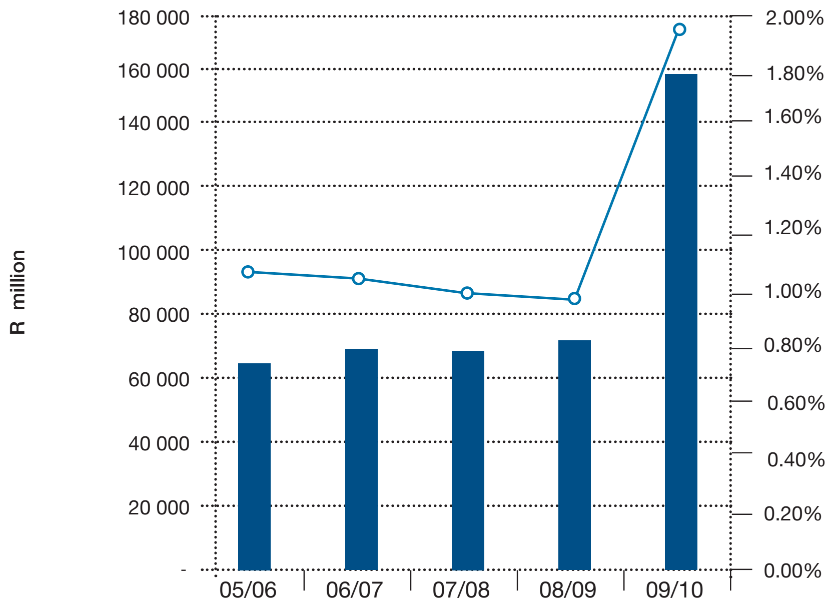
ENFORCEMENT PROGRAMME IMPLEMENTATION TO ENCOURAGE COMPLIANCE

The enforcement compliance programme, which optimised the application of SARS's enforcement capacity through the introduction of automated risk assessment, yielded a number of benefits:

- The introduction of an employer tax season concept allowed the pre-population of tax returns, which vastly reduced manual capturing errors
- Over one million salaried individuals with simple tax affairs and an annual income below R120 000 no longer have to complete and submit tax returns, hence releasing capacity for auditing and reducing the taxpayer compliance burden
- Improved quality of third party data enabled SARS to identify declaration variances between the information declared by taxpayers on their tax returns and information obtained from third party data sources
- The automated risk engine screened the returns to identify anomalous information contained therein for investigation
- The integration of an automated risk engine with e-case management improved capacity utilisation through an enhanced workflow solution that assists auditors to plan, execute, finalise and conclude (feedback) cases.

An outcome of automation activities has been an increase in the audit coverage ratio from 0.94% (72 926 audits) in 2008/09 to 1.88% (159 832 audits) in 2009/10 as indicated by graph 4. In the previous years, the manual assessment process included verification activities. In the 2009/10 year, the above verification activities have been standardised and became part of the broader audit activity.

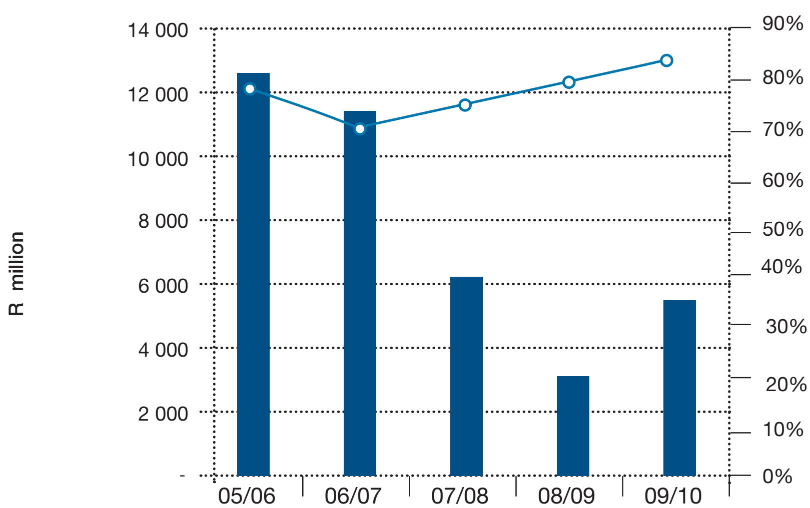
Graph 4: Audit cases and coverage



	05/06	06/07	07/08	08/09	09/10
No. of audits	63 900	69 270	69 118	72 926	159 832
Coverage	1.16%	1.07%	0.97%	0.94%	1.88%

The success rate of the investigative audits has shown a steady increase over the last three years culminating in a current success rate of 85% as illustrated graph 5.

Graph 5: Investigative audits and success rate

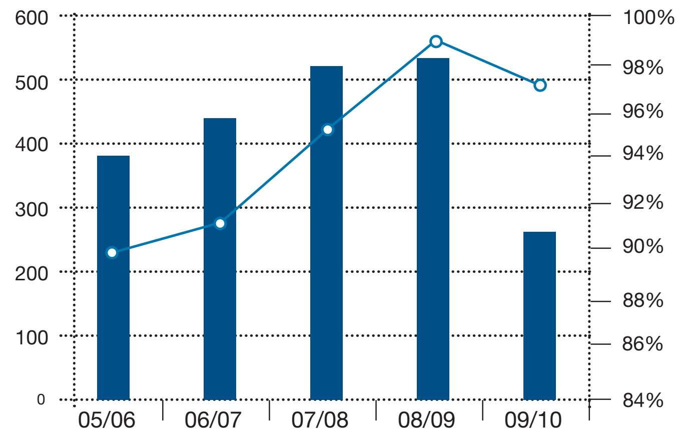


	05/06	06/07	07/08	08/09	09/10
Total cases	12 578	11 501	6 103	3 652	5 629
Success rate	79%	68%	73%	78%	85%

The effectiveness of hard enforcement actions resulted in 257 criminal prosecutions with a prosecution success rate of 97%.

SARS is dependent on the National Prosecutions Authority (NPA). The number of prosecutors available and the available court time hamper progress in such a way that a substantial backlog of 1 600 cases exists. Focus was placed on the prosecutions of more complex cases. The reduction in the number of cases was expected, due to the increase of turnaround time on finalising matters that are more complex.

Graph 6: Prosecutions and success rate



	05/06	06/07	07/08	08/09	09/10
Total cases	382	447	514	518	257
Success rate	90%	91%	95%	99%	97%

LEGISLATIVE ACTIONS

Strengthening the rule of law through the creation of the following appropriate enabling tax and Customs regulations frameworks contributed positively to an improved compliance climate. This is evident in the following legal instruments:

- The Draft Tax Administration Bill was released for public comment in the year under review and provides a comprehensive framework of principles and criteria-driven governance mechanisms to better direct and enable taxpayers and traders to comply with their obligations
- The Draft Customs Control Bill and the Draft Customs Duty Bill were published in the year under review, which collectively provide the legislative platform for implementation of the Customs modernisation programme
- The Taxation Laws Amendment Act, 2009 and Taxation Laws Second Amendment Act, 2009 were promulgated on 30 September 2009 dealing with some aspects which support enhanced compliance
- Negotiations commenced with 13 countries during the year on Tax Information Exchange Agreements to promote international co-operation in tax matters, including so called tax havens
- 51 binding private and binding class rulings were issued which provide clarity on the application of the tax laws relating to amongst other things, corporate rules, film allowances, employees tax, Controlled Foreign Companies and capital gains tax on planned transactions. SARS issued an important VAT binding general ruling on municipality apportionment
- During the period under review, SARS published a number of new interpretative tax policy documents and updated a number of existing interpretative tax policy documents, as illustrated in Table 20.

Table 20: New and updated interpretative tax policy documents

New interpretative tax policy documents published by SARS	Existing interpretative tax policy documents updated by SARS
Interpretation note: Apportionment methodology to be applied by category A municipalities	Tax guide for small businesses
Interpretation note: Discounts, rebates and incentives	Guide on the taxation of Members of the Provincial Legislature
Interpretation note: Tax implications of the receipt or accrual of government grants and government scrapping payments	Guide on the taxation of Ministers
Interpretation note: Remission of interest	Guide on the taxation of Members of Parliament
Interpretation note: Production of cold air and chilling or freezing of perishable products	Urban Development Zone (UDZ) guide
Interpretation note: Documentary proof required for vendor's entitlement to "input tax"	Comprehensive and quick guides to advance tax rulings
Interpretation note: Instalment credit agreements and debtors' allowance	Guide on learnerships
Interpretation note: Deduction for scientific or technological research and development	Interpretation note on the amalgamation of amateur and professional sporting bodies
Interpretation note: Pre-trade expenditure and losses	VAT guide for vendors
VAT guide: Fixed property and construction	ABC guide on Capital Gains Tax (CGT)
VAT guide: Entertainment, accommodation & catering	Diplomatic guide

SARS revised the Comprehensive Guide on Capital Gains Tax during 2009/10 and finalised the project in the new financial year.

Table 21: Breakdown of civil cases up to 31 March 2010:

Summary of Revenue appeal cases up to 31 March 2010		**Summary of total Customs litigation cases up to 31 March 2010**	
Tax Court	**Quantity**	**Magistrate Court**	**Quantity**
Won	8	Won	5
Lost	2	**High Court**	**Quantity**
Conceded	16	Won	7
Settled against SARS	10	Lost	4
Settled in favour of SARS	57	Settled against	2
Withdrawn	32	Settled in favour of SARS	3
Tax Court Total cases	**125**	**High Court Total cases**	**16**
High Court	**Quantity**	**Supreme Court of Appeal (SCA)**	**Quantity**
Won	2	Won	2
Lost	2	Lost	1
Conceded	0	**SCA Total cases**	**3**
Settled against SARS	1		
Settled in favour of SARS	0		
Withdrawn	0		
High Court Total cases	**5**		

During this financial year, SARS achieved an average of 72% success rate in litigation cases (Revenue and Customs).

INTRODUCTION OF ADMINISTRATIVE PENALTIES

Reducing non-compliance is essential to ensure a fair and equitable tax system in South Africa. Improved service delivery enabled SARS to introduce a penalty management system that automatically raises and administers penalties in respect of taxpayers who habitually fail to submit income tax returns. The announcement of the administrative penalties regime will enable SARS to penalise taxpayers with outstanding income tax returns for the 2007 and 2008 years of assessment, through automated penalties and agent appointments to ensure payment.

The positive compliance benefits of the administrative penalty regime were evident at the end of the 2009 tax season with approximately 400 000 more income tax returns received for the applicable year of assessment than at the end of the 2008 tax season.

In addition, during the course of 2009/10 financial year, SARS received over 500 000 (2008) and over 340 000 (2007) income tax returns. Despite these gains, a significant number of taxpayers failed to heed the warnings contained in the comprehensive publicity campaign ahead of the implementation of penalties.

As a result, SARS issued approximately 252 000 taxpayers with penalties for multiple outstanding returns (2007 and 2008) in January 2010, totalling fines worth R144 million. In the three months since these first penalties were issued, the following results have been achieved:

- Approximately 53 000 outstanding returns were submitted for the 2007 and 2008 years of assessment
- Approximately 18 000 penalty payments have been received to a total value of over R14 million and
- Approximately 8 000 requests for remission have been received and about 7 000 approved.

Despite significant publicity around this issue and the mailing of penalty notices to taxpayers, the majority of these recalcitrant taxpayers have failed to remedy their non-compliance. As warned, SARS plans to introduce a systemic means later in 2010 to collect these outstanding penalties.

IMPROVED LARGE BUSINESS CENTRE (LBC) DESIGN

An increased focus on compliance within the large business segment resulted in the establishment of Project Siyandiza to review SARS's current LBC business operations. The project aims to increase the LBC's ability to deliver on its mandate and ensure future sustainability for the large business segment by ensuring increased effectiveness in dealing with this customer segment, whilst delivering an employee value proposition which recognises people as an important asset, thereby attracting and retaining core competence.

STAKEHOLDER MANAGEMENT

Effective ongoing engagement and participation with external stakeholders, nationally and internationally, contributed to an improved compliance climate. Tax stakeholder engagements at a national level provided the necessary strategic direction aimed at establishing appropriate partnerships and enhancing current relationships. In this regard, key activities included the Commissioner's engagement with Senior Executives of The South African Institute of Chartered Accountants (SAICA) and the South African Institute of Professional Accountants (SAIPA).

The overall focus of international relations was to position SARS in the global and regional tax and Customs arenas and to contribute to SARS being recognised internationally as a dynamic and progressive organisation. In the aftermath of the global financial and economic crisis, the 2009/10 period has experienced a strong call for greater global cross-border co-operation on tax matters. In this regard, SARS participated in the numerous multilateral and bilateral initiatives.

At a multilateral level, there were engagements with structures, such as:

- The African Tax Administration Forum (ATAF), with its secretarial base at SARS
- The Inter-American Centre for Tax Administrations (CIAT)
- Co-operation with partners of the South, namely India and Brazil, as part of the IBSA Dialogue Forum

- Various co-operative activities in the WCO East and Southern Africa region
- The Southern African Development Community (SADC)
- The Southern African Customs Union (SACU)
- The Committee on Fiscal Affairs (CFA) of the OECD and
- The Global Forum.

The ATAF was launched on 19 November 2009 in Kampala (Uganda), with the participation of heads and senior officials of 31 African Tax Administrations, and representatives of nine development partner countries and 18 development partner organisations. The SARS Commissioner was unanimously elected as ATAF's first Chairperson, supported by a Council of the Heads of Tax Administration of nine other countries, while South Africa was also elected as the host country to the permanent seat of the ATAF Secretariat. The establishment of ATAF is a significant initiative that seeks to position effective and efficient tax and Customs revenue mobilisation as a key pillar of Africa's economic growth and social development efforts.

At a bilateral level, SARS continued to provide assistance to other African administrations in building their capacity. A General Memorandum of Co-operation, with special annexes on Capacity Building and the Customs Automation Project, was signed between SARS and the Malawi Revenue Authority in February 2010. Relations with other strategic partners were strengthened through the signing of Agreements on Mutual Administrative Assistance in Customs matters respectively with Canada and Uganda.

DEBT BOOK MOVEMENT 2009/10

The debt book has increased from R69.6 billion in 2008/09 to R85.8 billion in the 2009/10 financial year. This is an increase of R16.2 billion or 23% year on year.

This movement can largely be attributed to the effect of difficult economic conditions resulting in an increase in CIT and VAT debt, while revenue collections for these tax types declined in comparison to the previous year. Another contributor is the successful implementation of the Modernisation projects (PIT and PAYE reconciliations), which resulted in more debt being uncovered, while this investment caused an increase in debt. Also, with PIT due date for payments being postponed at the end of the filing season, it meant that much of the debt collectable would only become due in the 2010/11 financial year – another factor contributing to the increase in the debt book.

2.3

IMPROVE BORDER PROTECTION AND MANAGEMENT

SARS's intention is to re-engineer the Customs service to achieve the full benefit of tax and Customs integration and to enhance border security through alignment with other relevant stakeholders. Amongst other things, SARS has worked with other government agencies to establish better and more efficient mechanisms and structures to secure our borders, to provide a service that promotes legal trade, while restricting illegal trade. The Minister of State Security was appointed to establish a single Border Management Agency (BMA), with SARS as a participating institution. SARS contributed to the BMA framework by providing an international comparative analysis and benchmark in the establishment of a successful BMA.

Coupled with our role in border security, facilitation of legitimate trade is the cornerstone of SARS's Customs mandate. The ease and speed in which legitimate trade is allowed to move through our ports is an indication of how effective SARS Customs has been on its trade facilitation agenda. A number of programmes were initiated in support of SARS's strategy to improve trade facilitation, specifically the introduction of the Customs Bill centred on the principles of risk based facilitation and control, the move towards paperless release notification and automated requests for supporting documents which has drastically reduced the turnaround time.

IMPROVED CUSTOMS DETECTION

The slowdown in the economy was coupled with a negative impact on the compliance behaviour of businesses and individuals who were experiencing financial pressures. Table 22 illustrates the associated reduction in trade and passenger movements.

Table 22: Customs detection operational volumes

Customs Actions	2008/09	2009/10	% Growth
Passenger movement	32 596 593	28 026 384	-14.02%
Vehicle movement	3 405 986	3 227 173	-5.25%
No. of Passengers stopped: Inbound Passengers	353 889	342 847	-3.12%
No. of Passengers stopped: Outbound Passengers	273 963	196 474	-28.28%
Imports BOE	2 173 108	2 148 652	-1.13%
Exports BOE	2 940 294	2 978 050	1.28%
No. of containers	3 796 978	3 646 274	-3.97%
No. of Cargo Stops: Imports	68 432	58 982	-13.81%
No. of Cargo Stops: Exports	81 456	69 022	-15.26%
No. of Post Clearance Inspection Audits	2 718	2 448	-9.93%
No. of Seizures	7 951	4 342	-45.39%

To this end, Customs and border management had to be more vigilant and creative in detecting and deterring trade in illicit goods. The following activities contributed positively to the protection of South African trade:

- **The detection and intervention coverage of prohibited and restricted goods** increased year-on-year by 14.67%. The successes bear testimony to SARS's increased investment in the border control environment
- **Successes in counter-commercial fraud campaigns** yielded an annual coverage of 72% and a success rate of 57% specifically within the clothing and textile commercial environment. Since inception in 2009, the clothing and textile initiative has aimed to build its service, education and enforcement capability across the Customs and tax sphere. This is an integrated high impact initiative made up of education elements (where traders are taught how to be compliant to the laws governing the purchase; declaration and disposal of goods) and awareness; inspections and verification through information requests from clients (using all pieces of legislation across SARS, such as the Income Tax Act; Customs and Excise Act and VAT Act). A total of 4 265 clothing and textile cases were risk profiled (427 for suspected abuse of rules of origin, 3 625 for suspected abuse of valuation rules and 213 for suspected abuse of classification rules) during this financial year. Campaigns conducted in Gauteng, KwaZulu-Natal and the Western Cape yielded positive results namely seizures, detentions and closure of non-compliant shops. The campaign yielded goods detained to the value of R200 million and revenue collection of R21 million
- **The Customs risk engine** offered the opportunity to assess and prioritise risk based on a risk score. Since inception, the Customs risk engine screened more than 1.5 million import declarations. This risk assessment capability not only focuses on safety and security, but also on revenue collection irregularities. Since the launch of the new risk engine, 1.5 million declarations were processed corresponding to goods with a Customs value of R579 billion. The risk engine has provided a coverage ratio of 14.6% of which 1.7% of the total declarations covered were high-risk alerts and 12.9% of the total was medium risk. The success rate for the year was 28.7%
- **Customs' core technical skills were enhanced to ensure delivery of operational objectives** to combat illicit trade practices and increase visibility. By June 2009, a training programme was developed and implementation lasted throughout the year. The programme focused on core Customs technical skills, namely Tariff, Valuation, Rules of Origin (ROO) and Border Control to ensure the delivery of operational objectives
- **Preparation for the Confederation Cup 2009** involved SARS implementing a number of changes to policies, processes and IT systems to accommodate the agreed-upon FIFA guarantees. All changes were completed prior to April 2009 as they laid the foundation for the 2010 FIFA World Cup exemption processing. During the event, Customs participated in a national joint operations command centre, where information on the ports of entry was shared with other departments to

sustain effective border management and control during this period. The Confederations Cup 2009 served as a testing platform for SARS's plans in preparation for the 2010 FIFA World Cup and

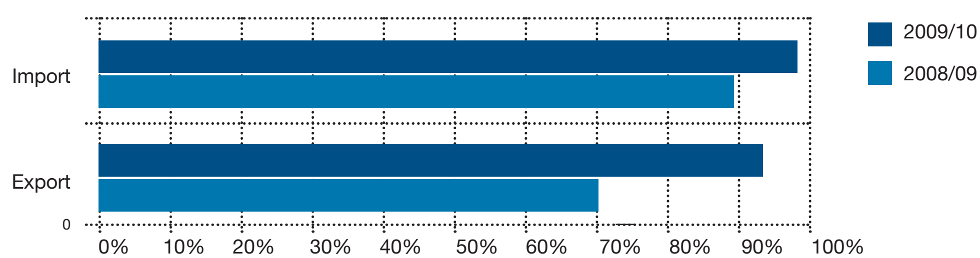
- **Readiness for the 2010 FIFA World Cup** required plans additional to those developed in preparation for the Confederation Cup 2009. These included:
  - An analysis of logistical and capacity requirements at the ports of entry, to ensure smooth entry and clearance of goods and people
  - Developing plans for additional taxpayer walk-in centres, auditing and processing capability for VAT refunds and
  - Developing and implementing an extensive communication campaign.

CUSTOMS MODERNISATION PROGRAMME

Fundamental to SARS's strategy is the modernisation of Customs and its associated technology. The modernisation efforts underway will further position SARS to operate at levels comparable to the best Customs agencies in the world. The programme consists of a number of components:

- **Replacement of the Customs legacy system** is the cornerstone of the Customs modernisation programme. The existing information technology system will be replaced with a locally developed Customs software platform. To ensure the long-term sustainability of the product, SARS has acquired the full rights to this software platform and will, through a wholly-owned subsidiary company, further develop and implement the solution within SARS, as well as for other potential Customs administrations in Africa and globally and
- **E-release** was legislated to support the modernisation of Customs and its move towards a "paperless" declaration processing and release environment. A significant increase in electronic processing in both imports and exports was noted within the reporting period.

Graph 7: Electronic Data Interface (EDI) submissions



Electronic Data Interface (EDI) submissions received for both international imports and exports have increased substantially over the past year. EDI has been established as the preferred channel for submission, as import submissions have grown from 89% in 2008/09 to 97% in 2009/10, while export submissions have grown from 70% in 2008/09 to 94% in 2009/10.

Non-intrusive Inspection Equipment - Cargo container scanners were deployed at the Durban harbour, resulting in a significant improvement in throughput from approximately 567 (September 2008) scans per month to 2 811 (January 2010). Further deployment of scanners at ports is being revised in conjunction with a new approach that will integrate targeting, inspection and State Warehousing processes.

STREAMLINE CUSTOMS OPERATIONS

A number of activities were implemented to ensure more effective and efficient Customs operations.

Re-engineered import processes were implemented to enable all functions to be risk-driven and based on available capacity, resulting in a more efficient operational environment with stable success rates and less unresolved cases.

The Contact Centre pilot project for the Pretoria Customs office formed part of the overall modernisation of service delivery channels, as the contact centre was promoted as the delivery channel of choice. Trader registration has benefited from this enhanced service, which will eventually be rolled out to other Customs offices around the country.

STREAMLINE TRADER REGISTRATION AND ACCREDITATION

A key component of the Customs strategic approach is the concept of the "trusted trader" model in which key stakeholders who meet strict criteria of self-regulation will enjoy the benefits of more rapid movement of goods. A pilot project has been implemented with a selected set of traders from the motor industry. The solution provides the opportunity for massive gains in streamlining and improving supply chain security for all stakeholders - not only for South Africa but also for its neighbours and other regional partners.

2.4

IMPROVE OPERATIONS MANAGEMENT AND PRODUCTIVITY

To fulfil the SARS's mandate, it is imperative to optimise the use and availability of resources to maximise service delivery. The streamlining of processes enable improved management of operations, productivity, capacity planning, budgeting, management of information, performance analysis and reporting. The outcome of improved operations management and productivity will be greater organisational effectiveness and efficiency.

STANDARDISED REVENUE AND ORGANISATIONAL PERFORMANCE MONITORING AND REPORTING

Revenue risk is managed through an emphasis on disaggregated revenue performance tracking, trend analysis and revenue forecasting through collation, integration and analysis of tax data trends. A dedicated unit was established to assist the organisation with these monitoring and reporting activities through dashboards and management of information at all levels. Several reports were developed which ranged from reports assisting with the planning of revenue budgets and the attainment thereof, to executive revenue reporting.

SARS followed an extensive strategic planning process to ensure that the strategic and divisional plans, as well as organisational and individual scorecards were aligned. A performance monitoring cycle was developed to ensure that organisational goals were attained and risk mitigation strategies implemented. Key enablers for SARS were centralised management information and warehousing capability that formed the basis for all management and executive reporting.

EXPANDED USE OF CASE MANAGEMENT TOOLS TO PRIORITISE CASES

To enhance SARS's enforcement capacity a workflow solution (e-case management system) was implemented to assist skilled resources to focus on priority cases. The e-case management system's objective was to re-engineer the audit process to focus on planning, execution and finalisation of audit cases in the most efficient and effective manner.

EXPAND ELECTRONIC PAYMENT SYSTEM USAGE

Emphasis was placed on improving SARS's processing capability through automation activities within operations. An outcome of these activities was a significant growth of 36.6% in eFiling payments.

Table 23: Electronic volumes for financial year

Electronic Volumes	2008/09	2009/10	% Growth
eFiling Payments			
VAT payment	742 051	955 706	28.80%
PAYE payments	1 172 064	1 597 188	36.30%
Provisional Tax payments	88 212	181 391	105.60%
Total Payments	**2 002 327**	**2 734 285**	**36.60%**

Increased refund processing efficiency contributed positively to the perceptions of taxpayers and in the current economic environment, to the pockets of taxpayers. An analysis of income tax refunds for 2009/10 indicated that 83.16% of refunds were processed within 5 days due to modernisation and refinement of the risk assessment process during the reporting period.

Table 24: Income tax refunds processed

Income Tax Refunds Processed	2008/09	2009/10	% Growth
Within 5 working days	995 697	1 743 117	75.07%
% Processed within 5 working days	52.46%	83.16%	

Refund processing in the Customs environment resulted in 81.2% of refunds being made within 15 days.

Increased efficiency in payment processing and banking is a result of converting the processing of payments from manual to electronic processing. This reduced the turnaround time in processing payments and minimised the risk associated with handling large sums of money, with 88.4% of payments processed in one day.

2.5
ENSURE IMPROVED SERVICE

Improved service refers to all the activities that were pursued to improve service to taxpayers and traders. The streamlining of processes contributed to shorter service turnaround times, greater accessibility to service points and channels, thereby providing a range of simpler ways to interact with SARS. These activities included the following programmes aimed at improving service:

DESIGN REVISED SERVICE CHARTER AND SERVICE STANDARDS

The Service Charter reflects SARS's commitment to an agreement with the public. SARS committed to assist the public by providing clear, accurate information and accessible professional service. SARS promised to be fair and respect the constitutional rights and the privacy of taxpayers and traders, whilst responding to any dissatisfaction or complaints. In return, the public is requested to be honest, meet their tax obligations on time and play a role in minimising corruption and fraud by reporting any dishonest activity that comes to their attention. During this reporting period the Service Charter was reviewed and appropriate measures identified that reflect SARS's improved service standards. This revised Service Charter is in the process of being institutionalised.

INTEGRATED BUSINESS REGISTRATION

SARS is participating in a multi-year interdepartmental programme to establish an integrated business register. A single integrated business registration system will reduce the regulatory burden, improve customer service and reduce the cost of doing business in South Africa. It will also redress the current deficiencies and fragmentation in the multiple business registration systems by introducing a business registration system that includes sole proprietorships, partnerships, trusts, public benefit organisations, in addition to companies and closed corporations. The new system will require a comprehensive legal and regulatory framework. All participating departments have reviewed and accepted the programme's memorandum of understanding.

INCREASED USE OF ELECTRONIC CHANNELS

Usage of electronic channels for processing has significantly increased the accuracy, ease and speed of service delivery.

Table 25: Electronic processing volumes for the financial year

Electronic Volumes	2008/09	2009/10	% Growth
Electronic Returns			
PIT Returns	1 643 380	4 432 276	169.70%
CIT Returns	252 928	599 160	136.90%
VAT returns	1 447 967	1 871 598	29.30%
PAYE returns	1 738 557	2 308 371	32.80%
Provisional Tax returns	968 304	1 839 125	89.90%
Total Returns	**6 051 136**	**11 050 530**	**82.60%**

An 82.6% growth has been achieved in the electronic submission of returns, which directly contributes to processing efficiencies.

Tax processing efficiencies increased to 95% of all individual income tax returns submitted for the 2009/10 tax year being assessed within 24 hours, compared to 62% in 2008/09. The average turnaround time (TAT) for processing income tax returns improved from 19 days in 2008/09 to 1.9 days in 2009/10.

Table 26: Income tax processing efficiency within filing season

Comparison of filing season	2008/09	2009/10	% Growth
Average turnaround time (working days)	18.94	1.93	-89.81%
Income tax returns assessed	3 293 991	3 889 844	18.09%
Turnaround time: one day (in %)	62.00%	94.97%	53.18%

This success is apparent in the reduction of income tax returns requiring manual capture from 424 000 in the 2008 tax season to 269 000 in the 2009 tax season, representing a 37% reduction due to the automation of the processes. A number of resources were reallocated from back-office processing activities to more value-added areas in the taxpayer service, outreach and enforcement capabilities.

Customs Processing Efficiencies contributed positively to facilitating trade and protecting South Africa's ports. Centralised processing and assessment of declarations provide an integrated picture of traders and trading activity, thereby yielding information for proactive risk management. A total of 1.7 million import declarations were processed electronically within two hours and 213 000 manual imports were processed within 48 hours. A total of 940 000 export declarations were processed electronically within four hours and 232 000 export declarations were manually processed within 48 hours.

IMPROVED CAPACITY FOR RESOLUTION OF SERVICE QUERIES AND COMPLAINTS

Increased capacity has been created for service query and complaints handling, through the improved ability of agents and technology enhancements. The Contact Centres' abandonment rate improved from 12% in 2008/09 to 10% in 2009/10, and the number of calls answered within 20 seconds improved by 10 percentage points, resulting in a year-to-date performance of 63%.

Table 27: Service volumes

Electronic Volumes	2008/09	2009/10
Branch Offices		
Taxpayer visits	3 678 811	4 621 936
Queries handled	6 098 309	6 487 440
Call Centres *		
Calls answered	5 924 894	5 578 714
% Calls answered in 20 seconds	53.00%	63.23%
Call abandonment rate	**12.00%**	**10.10%**

* Call Centre data reflects 6 months' volume due to the implementation of a new measurement capability.

The introduction of the branch queue management system resulted in an improved service and queue management. Branch offices are now able to measure accurately the number of taxpayers serviced per day as well as the average wait and service time.

An independent service escalation and resolution channel handled 161 851 cases escalated to SARS's Service Monitoring Office (SSMO). This represents a 9.42% increase from the previous reporting period and 75.39% of cases were resolved within 15 days.

Effective implementation of the service modernisation programme improved transactional workflow, optimised infrastructure and facilities, enhanced staff learning and delivered self-help service offerings. The strategic aim is to ensure that 80% of client interactions will result in first contact resolution. The ability to deliver this kind of service is dependent on improved self-service, which includes eFiling and the interactive voice response system (IVR), whilst equipping staff with tools and information needed to ensure a successful interaction. A knowledge base was established to provide information and scripted responses to ensure consistent and quality feedback to clients. During the tax season peak, the utilisation of the self-help options was as high as 12% to 13% of total calls. Infrastructure and telephony costs will be reduced with the change from analogue to digital technology, to receive calls and interact with taxpayers.

ADDITIONAL PHYSICAL SERVICE POINTS

Two of the cornerstones of the compliance model are service and education. To improve service and education delivery, SARS extended its footprint by opening a new branch in central Johannesburg and procured three mobile tax units. The mobile tax units will allow SARS to service taxpayers in remote areas where it is difficult for taxpayers to access SARS branches. The methodology employed to determine location, layout and service delivery would be based on best practice used in the financial industry.

IMPLEMENTATION OF TURNOVER TAX

Turnover Tax was implemented on 1 March 2009 as a simpler, cost effective tax alternative for less sophisticated, small businesses (mainly informal), that find it too expensive or complex to comply with income tax requirements. This tax allows them to de-register from VAT if their turnover does not exceed R1 million per annum. The Turnover Tax is available to a number of business entities including sole proprietors, partnerships, close corporations, companies and cooperatives if they register for Turnover Tax and meet the qualification criteria.

The table below illustrates the performance context and effort required for the implementation and servicing of Turnover Tax. Positive revenue collection from this type has been noted.

Table 28: Turnover Tax Key Performance context

Key Performance Area	
Branch Offices	
Total number of applications received	7 612
Number of applications accepted	6 677
Number of applications rejected	911
Work in Progress	24
Still to be adjudicated	211
Deregistered for VAT	2 332
Query-resolution	
Telephonic	541
Email	238
Compliance initiatives	
Emails	2 325
Sms	4 063
Education / training / awareness	
Radio interviews	65 radio stations
Workshops	89

2.6
FIX THE BASIC LEGACY SYSTEM

A number of initiatives were undertaken to improve the basic legacy systems pertaining to account information, segmentation of the registration process and trader reporting system.

IMPROVED ACCOUNT AND RECORD INFORMATION

The integrated use of third party data, namely IRP5/IT3(a) certificates, identified more than 330 000 non-registered taxpayers as a possible source for future revenue collection. SARS now tracks more than 12.2 million people's earnings on an on-going basis.

Increased employer compliance contributed to the accuracy of the data submitted for PAYE reconciliations resulting in enhanced pre-population capability. Out of the 15.6 million certificates submitted, 13.8 million were used to pre-populate the individual income tax returns for the 2009 tax filing season, which represents a 30% improvement year-on-year. Pre-population of tax returns reduces the errors introduced by manual capturing, resulting in accurate risk assessment and reducing the scope for under declaration.

There was a considerable saving of paper through the pre-population, shortening of forms and the use of eFiling. Since 2007, no blank forms were sent to taxpayers. In 2006, SARS printed and posted multiple-page printed forms to 5 million taxpayers. However, in 2009 only 526 000 forms were posted, and mostly only two-page returns are required of taxpayers. There was a significant reduction in paper returns to SARS, from over one million in 2006 to only 200 000 in 2009.

STREAMLINING AND SEGMENTATION OF THE TAX REGISTRATION PROCESS

The Customs single registration process design is in the process of being completed. The new VAT registration process contributed to the reduction in risk of VAT fraud. This process was successfully implemented with process compliance levels between 80% and 90%.

REVIEW AND ENHANCE TRADE STATISTICS REPORTING SYSTEMS

SARS employed the services of an expert from Canada to improve the quality of data for SARS, Statistics SA and the South African Reserve Bank (SARB). Gaps were identified within the current systems and processes and recommendations were tabled to be implemented. Most of the recommendations were implemented during 2009/10 and it is anticipated that all will have been implemented by the end of the current financial year.

2.7
IMPROVE GOVERNANCE

SARS is a public sector enterprise created by the South African Revenue Service Act No. 34 of 1997 (SARS Act) and regulated under the Public Finance Management Act No. 1 of 1999 (PFMA). SARS acknowledges the significance of governance in vesting institutional and individual accountability for delivering against the SARS mandate. SARS is committed to ensuring good governance throughout the organisation and, in addition to its statutory obligations in this regard, adheres to the principles of the King II and III Reports on Corporate Governance for South Africa where applicable to public sector entities.

STRENGTHEN THE GOVERNANCE FRAMEWORK

The change in leadership at SARS, coupled with the transition towards a new operating model, necessitated a review of the SARS Governance Framework through which SARS is directed and controlled with a view to reviewing the membership of the Executive Committee (EXCO) and rationalising the enterprise committee structure to support a more integrated approach to operations. This process was supported by the approval of a revised interim delegation of authority to ensure clarity in individual accountabilities during the leadership transition phase.

In particular, the following developments were evident:

- **Mr GNV Magashula was appointed by the President as Commissioner for SARS for a five-year term:** The Commissioner is accountable to the Minister of Finance who is the Executive Authority with a non-executive oversight role over the operations of SARS. In exercising oversight, the Minister of Finance meets regularly with SARS senior managers. In terms of the PFMA, the Commissioner serves as the Accounting Authority for SARS and is supported by EXCO. The EXCO is chaired by the Commissioner and is accountable for setting the strategic direction, high-level performance monitoring and delivery against the SARS mandate and
- **EXCO was reconstituted to accommodate the leadership changes:** EXCO members for the year under review are listed in Table 29, as well as in Part 4 on page 93.

Table 29: SARS EXCO

The EXCO members serving during the period under review were:	
Oupa Magashula	• Commissioner & Exco Chairperson from July 2009 • Acting Commissioner & Exco Chairperson from May 2009 • Deputy Commissioner from April 2009
Ivan Pillay	Deputy Commissioner from April 2009
Barry Hore	Chief Officer: Modernisation & Technology
Kosie Louw	Chief Officer: Legal & Policy
Trix Coetzer	Chief Financial Officer
Gene Ravele	Chief Officer: Customs & Border Management
Dipuo Mvelazi	Group Executive: Institutional Enablement & Integrity
Logan Wort	Group Executive: Reputation Management
Nathaniel Mabetwa	Group Executive: Taxpayer Services
Joseph Rock	Group Executive: Large Business Centre (LBC) • Acting Group Executive: LBC from February 2009 • Appointed Group Executive: LBC in February 2010
Elsie Pule	Group Executive: Human Resources • Appointed March 2010
Resignations	
Pravin Gordhan	Commissioner (Exco Chairperson) until April 2009 • Appointed as Minister of Finance from May 2009
Edward Kieswetter	Deputy Commissioner from April 2009 • Resigned in December 2009
Mandisa Mokwena	Group Executive: Segmentation & Research • Resigned in December 2009
Dudu Nyamane	Group Executive: Human Resource Management • Appointed December 2008 • Resigned in February 2009

The external statutory committees, namely the SARS Audit Committee, the Human Resource Committee and its Remuneration Sub-committee, continued to function effectively and in full compliance with all statutory requirements and approved terms of reference.

The SARS Audit Committee has ensured its independence in accordance with Section 77 of the PFMA and Treasury Regulations 27.1.3 and 27.1.4, through the appointment of an external chairperson Mr Nqwababa and four 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 (AG), 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 4 on page 71.

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 six non-executive members, namely:

- **Ms Judy Parfitt (Chairperson HR Committee)** Managing Director: Resolve Workplace Solutions and Director of the Resolve Group
  BJourn HDE (Rhodes), BA Hons (UPE), MA (UPE), MA (Warwick)
- **Mr Adolf Maphutha** Manager: Government Relations: Sasol Oil (Pty) Ltd
  BCom (UNISA), BCom Hons (UNISA), Diploma Workstudy, (Technikon Pretoria), Diploma Labour Law (GIMT), Diploma Energy Law (Wits)
- **Mr Mike Olivier (Chairperson Remuneration Committee)** Managing Director: Synchrona Leadership Strategies
  BSc (UCT), BSc Hons (Wits), MSc (Wits), MBA (Stanford University Graduate School of Business in California)
- **Ms Liz Humaira Choonara (nee)** Thebe Group Executive: Human Resources Metrorail (until August 2009), currently Independent Consultant
  BA Social Work Hons (UNISA), 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** Managing Director: Leaders Executive Coaching Services (resigned in Dec 2009), currently running own coaching practice from January 2010)
  BCom Economics, Business Economics and Private Law (University of Zululand), Industrial Relations Diploma (Natal Technikon), Effective Director Programme (Kagiso Leadership School), Post-Graduate Certificate Programme in Coaching (The i-Coach Academy)
- **Laura Machaba-Abiodun** Chairperson of the AMC International Group
  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) Ph.D (University Of Indiana, USA).

The last four of the listed persons are also members of the Remuneration Sub-committee. 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.

ASSURANCE

In order to provide assurance to management and the Audit Committee on the systems of internal control, risk management and governance, the Internal Audit unit (IA) developed and executed the SARS internal audit plan. The trend towards incremental reliance by the AG on the work of the IA unit was evident during the year under review and it further anchored the working relationship with the AG. A significant shift was made towards a centralised AG audit, with associated efficiency and cost gains in order to align the audit with the modernisation outcomes. This necessitated a new approach to managing the relationship with the AG and IA that better integrates business in the auditing cycle.

As part of the implementation of the enterprise risk model a comprehensive review of the model commenced and the implementation of the new model is envisaged in the next financial year. Progress was made during the year in integrating risk in the strategic planning process. However, further alignment is required to improve integration of risk with internal audit. A strategic risk register was prepared but enhancements to the quality of the register continue in tandem with the rollout of the new enterprise risk model.

Aligned enterprise risk management was achieved through various business divisions implementing enhanced governance frameworks at group level, reinforcing the governance impact on the organisation as a whole. Facilitation and monitoring of the implementation of governance standards at divisional level were introduced with respect to the main operational divisions.

ENHANCED REGULATORY AND BUSINESS COMPLIANCE

Statutory and business compliance levels assessed included an assessment of SARS's physical security. A project was implemented to improve the security of personnel and property. The project focused on influencing employee behaviour and improving security awareness of managers. SARS now has a capacity of 24-hour surveillance of its offices that can be accessed from five control rooms located across five regions.

Human Capital Planning aligned with the SARS operating model determined business demand for human resources taking into consideration the desired productivity levels and quality standards. The plan aimed to ensure that the right number of people with the appropriate skills were available for deployment at the right time where the demand existed. This positively contributed to enhanced regulatory and business compliance, addressing enterprise risk. This activity resulted in skills acquisition, development and small-scale redeployment within divisions.

Integrity promotion across the enterprise continued throughout the year. A draft integrity promotion framework was prepared to strengthen and direct these efforts. The supporting strategy will be completed and approval and implementation thereof is expected during the next financial year.

The new operating model will require future adjustments to the governance framework to embed individual accountability and to empower individuals to execute decisions informed by appropriate risk considerations. In particular, the governance framework will be revised to ensure that it not only maps out the structures required for effective decision-making, but also anchors the sub-frameworks for – amongst others – risk management, strategic planning, financial management, performance management, people management, security, ethics and integrity and IT management.

2.8
HUMAN RESOURCES

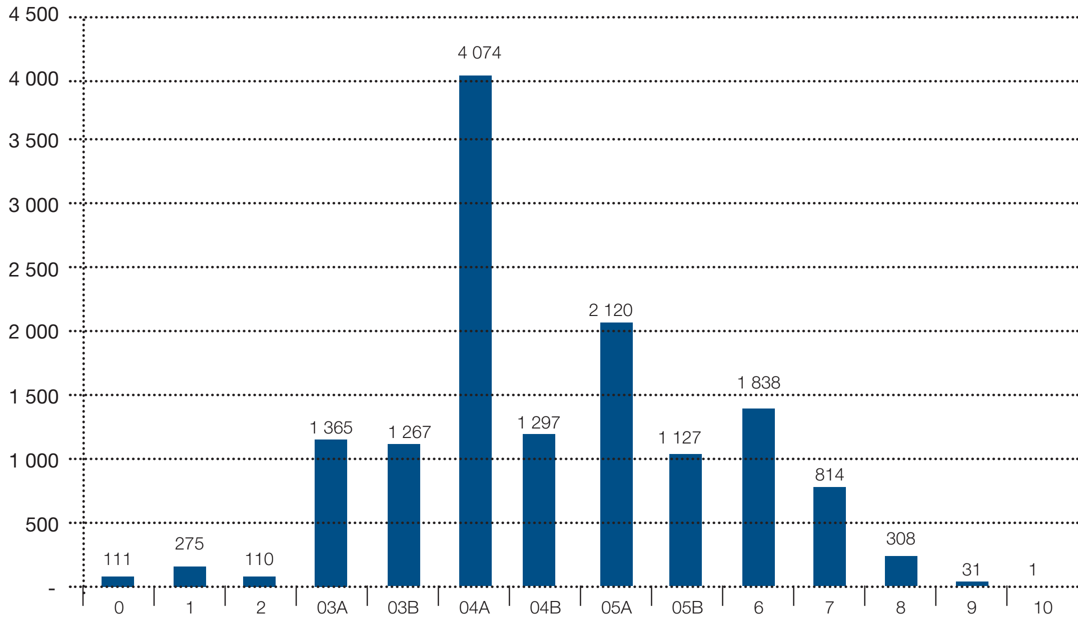
SARS continued to provide strategic support to build human capability. A year in which economic downturn affected the world, South Africa and SARS called for solid HR strategies to address skills challenges, including but not limited to scarce skills retention, employee wellness, development and resource optimisation. SARS's comprehensive strategy focused on ensuring that SARS achieved its priorities of securing revenue, strengthening compliance, protecting borders and improving service.

WORKFORCE PROFILE

SARS's employee head count at the end of March 2010 was 14 738 employees (excluding 525 temporary employees) with a total of 86% employees in the core delivery groups and 14% in support divisions (i.e. 7% enabling and 7% advisory) as per the SARS operating model. The bulk of employees are at operational and specialist (grade 4-6) levels as illustrated in graph 8.

The current workforce has an average tenure with SARS of a period of 10 years. The majority of SARS employees (52%) are between the ages of 23 and 45, whilst 28% of employees are younger than 23 years. The average age of SARS employees is 37 years.

Graph 8: Grade profile



Note: Grade 0 refers to trainees

SARS subscribes to the principle of freedom of association as provided by the Labour Relations Act and as such, 78% of employees belong to the officially recognised labour unions.

The health of SARS employees (with an absenteeism rate of 1.93%) 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.

Overall, the SARS head count is relatively stable and is in line with the staff establishment strategy. Table 30 provides staff numbers over the past three years.

Table 30: SARS employee head count

Actual Employee Head count	31 March 2008	31 March 2009	31 March 2010
Permanent Employees	14 548	14 751	14 738
Temporary Employees	496	556	525
Employees Total (including temporary employees)	15 044	15 307	15 263

Trainees in particular, who successfully completed their graduate development programme, have filled most of the positions through internal appointments (62%). With 594 employees externally appointed (38%) during this period, SARS experienced a negative growth of 582 in the total head count compared to the same period last year. The negative growth is also due to staff attrition of 607 employees being higher than external recruitment resulting in a net staff turnover of -0.13% as illustrated in Table 31.

Table 31: Net staff turnover

Net Staff Turnover 2009/10				
External Recruitment	Attrition (Exits)	Recruitment Rate	Attrition Rate	Net Staff Turnover %
594	607	4.03%	4.16%	-0.13%

EMPLOYMENT EQUITY AND WORKPLACE DIVERSITY

Progress made in this regard is evident in the overall Black representation of 67.5%, which is a net positive increase of approximately 1% and increase in female representation on management of 2%.

Table 32 indicates the overall workforce profile relating to employment equity in each of the occupational levels:

Table 32: Workforce profile relating to employment equity

Workforce profile with regard to Employment Equity											
Occupational Levels	Designated*							Non Designated			Total
	Male			Female				White Male	Foreign Nationals		
	A	C	I	A	C	I	W		M	F	
Top Management	3	3	3	4	2	0	2	10	1	0	32
Senior Management	255	54	90	149	24	56	204	281	6	3	1 122
Professionals	421	87	99	380	83	98	336	323	10	1	1 838
Skilled and Junior	1 907	342	191	2 608	570	305	2 167	625	7	7	8 729
Semi-Skilled	438	81	24	1 063	282	66	712	69	2	5	2 742
Unskilled	78	14	0	157	18	0	0	7	1	0	275
Total	**3 106**	**581**	**407**	**4 361**	**979**	**525**	**3 421**	**1 315**	**27**	**16**	**14 738**

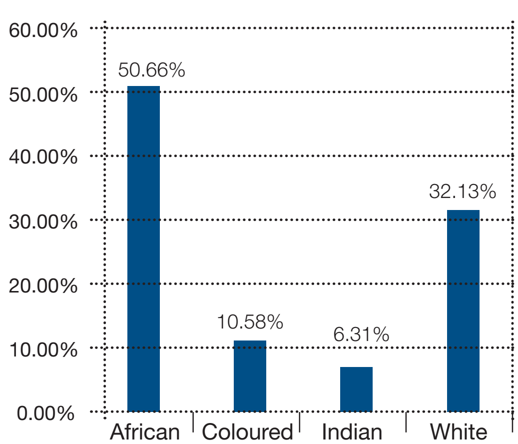
(Note: A=Africans, C=Coloureds, I=Indians and W=Whites. ‘Designated’ refers to those groups defined as previously disadvantaged in national legislation.)

Occupational levels	Explanation
Top Management	Grade: 9 -10 represents SARS Commissioner, Chief Officers and Group Executives
Senior Management	Grade: 7 – 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, 4 – 5 represents Graduate Trainees and Functional Operators
Semi-Skilled	Grade: 2-3 represents Support Staff
Unskilled	Grade: 1 represents General Assistants

RACIAL PROFILE

The total SARS head count percentages among various racial sectors are reflected in the graph below:

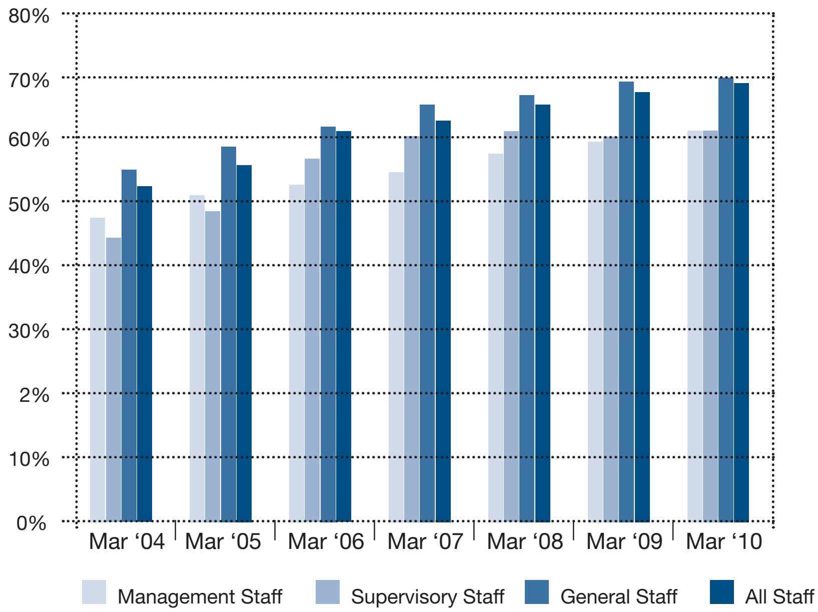
Graph 9: SARS racial profile



BLACK WORKFORCE PROFILE

The overall Black representation in SARS is stable with a slight increase of 0.69% and on management level increased to 1.55%. Graph 10 is a graphical representation of the Black distribution on occupational levels:

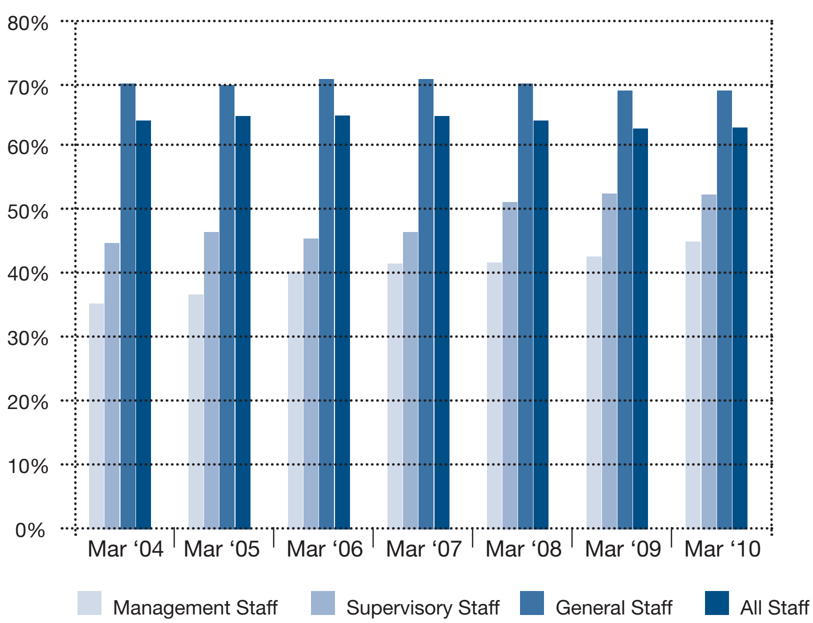
Graph 10: SARS Black workforce profile



FEMALE WORKFORCE PROFILE

The overall female representation in SARS is comparatively stable, but slightly decreased by 0.18%. SARS's aim is to create gender balance at management levels rather than in the unskilled occupational category. A slight increase from 36.13% to 38.21% has been realised in this regard despite the loss of 18 female staff at various management levels during the year under review. A total number of 38 external and 79 internal female staff were recruited in this category. The graphical representation of female distribution on all occupational levels is illustrated in graph 11.

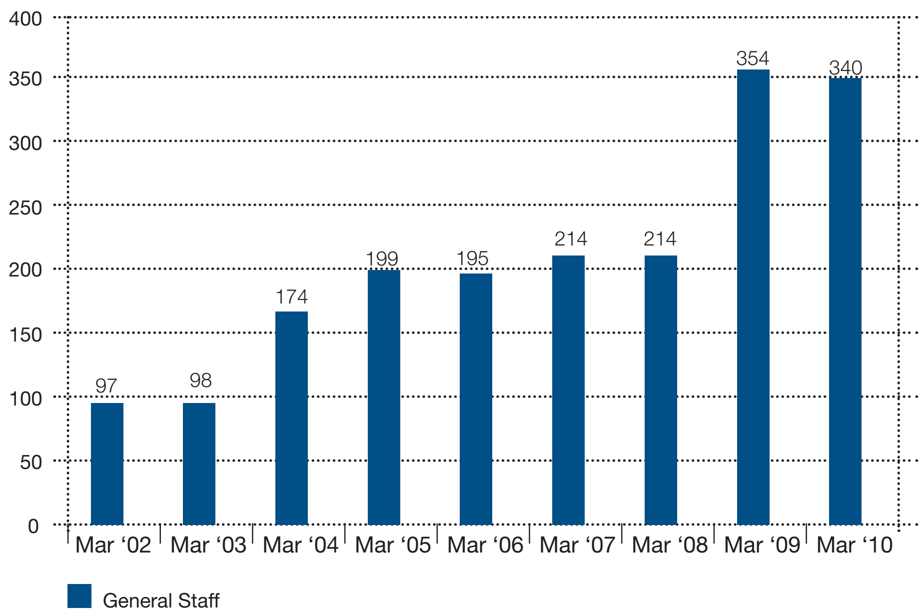
Graph 11: SARS female workforce profile



DISABILITY PROFILE

The percentage of employees with disabilities shows a nominal decrease of 0.09% leading to a disability representation of 2.31% in this category.

Graph 12: Representation of people with disabilities 2002 - 2010



TALENT MANAGEMENT

One of SARS's objectives was to create additional capacity in specific identified skills. As part of staff establishment, SARS filled the funded critical and business-as-usual vacancies, as well as established a skills pipeline through a graduate recruitment and development programme ensuring continuous capacity within the audit role family. Upon appointment, employees underwent the revised SARS induction programme to effectively equip and prepare them for their new roles and in understanding SARS's business and culture.

Within the process of talent management, SARS originally intended to implement succession management for the leadership and critical roles. Although SARS did not achieve this objective as planned, a succession management strategy has been completed that will overcome future vacancy risk in critical positions, readiness risk among designated successors and portfolio risks associated with leadership deployment.

A career management system has now been rolled out to grade 1-7 staff. This will set a foundation for managing human capital and talent within the broad perspective of SARS capabilities.

HUMAN RESOURCE INFORMATION SYSTEM

SARS introduced an internal compliance process to facilitate accuracy and reliability of human resources information to ensure informed decision-making.

EMPLOYMENT VALUE PROPOSITION (EVP) AND EMPLOYEE ENGAGEMENT

SARS recognises the importance of employer branding (i.e. a conclusive package of its offerings to denote the balance of the rewards, benefits and opportunities that are received by current and potential employees in return for their services at SARS) and its influence on skills attraction and employee engagement. Thus, employee engagement informs the extent to which employees commit both rationally and emotionally to perform above and beyond the call of duty and demonstrate the intention to stay with SARS as an employer. In 2009/10, EVP related initiatives have been introduced and generally, the impact and benefits of interventions are visible over a period of time.

COMPETENCY ENHANCEMENT AND SKILLS DEVELOPMENT

Learning and development continued to be the primary activity aimed at improving individual effectiveness to enable organisational performance. The SARS workplace skills plan (WSP) has been implemented to address identified technical/functional learning and development needs in the areas of tax and Customs, with priority given to the modernisation agenda programme, generic skills and leadership capabilities. In 2009/10, SARS has, on average, invested 2.84 training days per employee.

LEADERSHIP DEVELOPMENT

SARS has continued with a wide range of leadership development interventions (including coaching sessions, the Making Great Leaders programme (MGL), Foundation Development, Emergent Manager Development and Executive Development programme, Customs Capacity Building, etc.) aimed at addressing identified competence gaps as informed by the SARS values, performance and profiling and assessments. With the need to improved gender representation at management levels, dedicated focus towards development of women formed an integral part of the leadership development strategy, which will also leverage succession management.

2.9

PURSUE SEGMENTATION STRATEGY

A segmented approach to services provided to business and practitioners/traders, enabled SARS to balance its revenue and compliance mandates. Segmentation enables the provision of a differentiated ‘end-to-end’ service, with education/outreach, enforcement, redress and complaints management making up an integral suite of ‘service’ offerings that responds to identified needs of business and other segments and effecting the SARS strategic commitment to a segmented approach.

SEGMENTATION RESEARCH COMPLETED

Segmentation of the SARS taxpayer base is fundamental to the new operating model of the current SARS modernisation programme. The segmentation of the taxpayer base implies that SARS will be in a position to interact with taxpayers in a more focused manner in order to address the needs of specific target groups. SARS finalised a comprehensive segmentation strategy that focused on Government and Public Benefit Organisations (PBOs), high net worth individuals (HNWI), medium-sized businesses and tax practitioners.

ENHANCE HIGH NET WORTH INDIVIDUAL (HNWI) BUSINESS MODEL

A report was produced to provide strategic insight that will effectively service the HNWI segment, thereby improving general compliance. Based on this research, recommendations included the revision of the HNWI definition on an annual basis and an enhancement of in-depth audits, dedicated service delivery and education strategy to all HNWI taxpayers.

FOCUS ON MEDIUM-SIZED BUSINESS

A medium-sized business is defined as any unlisted business entity with a turnover between R14 million and R250 million. During the reporting period, emphasis was placed on establishing the compliance behaviour baseline. The introduction of an employer filing season and a reconciliation strategy increased PAYE submission compliance and data accuracy of submissions.

2.10
CONSOLIDATE THE NEW OPERATING MODEL

The SARS leadership journey began in July 2009 and was aimed at ensuring that SARS as an organisation is best positioned, structured, staffed and organised to meet its mandate efficiently and effectively over the medium to long term. Progress was made during the year with the completion of agreement on the high-level strategic priorities and a series of workshops were held to help determine key characteristics of the evolving operating model. These formed the foundation of the SARS Strategic Plan 2010/11 – 2012/13.

FUNCTIONS AND ACCOUNTABILITIES ALIGNED WITH NEW OPERATING MODEL

Following the implementation of the operating model in January 2009 and further developments in the modernisation agenda, a review of the operating model was required during late 2009 and early 2010. Steps of the value chain were analysed to determine an optimal human capital demand and supply pattern (Enterprise Capacity Plan) to inform workforce management and recruitment activities.

MONITORED CAPACITY MANAGEMENT SYSTEM

The Enterprise Capacity Plan was implemented which determines business demand for human resources taking into consideration desired productivity levels and quality standards. Workforce and production planning ensures that the right number of people with the appropriate skills are available for deployment.

2.11
THE WAY FORWARD

SARS has developed seven strategic priorities to help deliver against the overarching mandate in the next few years and to provide the necessary focus to respond to the challenging environment. Robust initiatives will be implemented to drive revenue realisation now, as well as ensure sustainability, which is critical given the economic climate that we are currently experiencing and the funding requirements for government to fast track the delivery process. Fully delivering on our Customs mandate in a way that is aligned with government's priorities is also a core focus, especially given the need to facilitate regional trade and support the government's stated objectives of increasing the levels of employment within SA.

Amongst others, some of the key deliverables that will be priority in the foreseeable future include:

- An increase in voluntary compliance through the implementation of a comprehensive framework of targeted responses in education, service and enforcement, based on insight into taxpayer behaviour and compliance levels
- Strong central revenue forecasting and management capability built to analyse, identify and manage emerging revenue opportunities consistently, through rigorous processes and tools
- Streamline Audit and Customs inspection processes and strengthen the audit capability to deal with complex cases and serious taxpayer and trader non-compliance
- Re-engineer debt collection processes

- Expand the administration of penalties for non-compliance
- Expand the use of third party data, time-series taxpayer history and statistical methodologies to enhance compliance risk detection and rating capabilities for PIT, PAYE, CIT, VAT and Customs
- Roll-out accreditation programmes to qualify traders and
- Develop a system to prioritise and expedite Customs inspections through the use of additional data sources and the continued roll-out of non-intrusive inspection capability

To support these priorities, SARS has also developed key enablers to ensure the successful achievement of the overarching objectives in the near to medium-term future.

CONCLUSION

SARS's commitment to delivering against its mandate is evidenced through the tracking of all our activities and outputs and assessing the outcomes of our endeavours.

Under difficult economic conditions, which limited potential tax revenue yield, SARS managed to achieve the revenue target set by government to fund the delivery of services to those living in South Africa. This required the sustaining of compliance levels through continued improvement of service offerings that made compliance by taxpayers and traders easier, whilst also focussing on areas where compliance risk was identified. The latter led to the crafting of carefully monitored special revenue collection initiatives, which ensured that the revenue target was not only met, but exceeded and equally importantly have laid the foundation for greater future effectiveness in ensuring compliance.

03

Performance Information

3.1

PERFORMANCE REPORTING AGAINST SARS's STRATEGIC PLAN FOR 2009/10

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 2009/10. The measures reported on in this chapter correspond to those supported by performance information submitted to the AG 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 our activities.

Please refer to detailed tables on pages 55 - 69.

3.2 STRATEGIC PRIORITY: SECURE THE REVENUE

Deliverable	Measure	Measure Format	Target / Forecast	YTD	Variance	Commentary
An established Revenue Management Programme to track, analyse and forecast revenue trends in order to mitigate revenue risks earlier	Achieve revenue target R659.304 billion (Revised to R590.425 billion)	R in billion	590.425	598.705	8.280	
Revenue	PIT	R in billion	204.560	206.484	1.924	
Revenue	CIT	R in billion	132.140	136.978	4.838	
Revenue	STC	R in billion	16.000	15.468	-0.532	The variance is due to a reduction in merger and acquisition activities and a decrease in company dividends declared
Revenue	VAT	R in billion	146.500	147.941	1.441	
Revenue	Excise	R in billion	21.000	21.289	0.289	
Revenue	Fuel Levy	R in billion	29.000	28.833	-0.167	The variance is due to the decline in fuel consumption and freight transport activities
Revenue	Customs	R in billion	18.500	19.577	1.077	
Revenue	Other	R in billion	22.725	22.136	-0.589	The shortfall in collections was mainly due to Ad valorem duties (mainly driven by lower vehicle imports) and Securities transfer tax (driven by lower trading values on the JSE)
Closure of the compliance gap enabled by improved revenue analysis	Revenue collected	R in billion	12.500	14.530	2.030	

Deliverable	Measure	Target / Forecast	Commentary
Accelerated collection of newly assessed debt	Implementation of new debt management process	Implementation for high volume and low value debt book	The process was implemented, contributing to increased debt collection
Focus on medium-sized businesses	Improvement in filing and payment behaviour of medium-sized businesses	Baseline compliance behaviour	Baseline implemented, resulting in an increase in submission compliance and data accuracy
Legislation to enhance SARS's administrative capabilities and collection mechanisms	Draft legislation	30 September 2009	The Tax Administration Bill was drafted by due date and released for public comment

3.3 STRATEGIC PRIORITY: STRENGTHEN COMPLIANCE

Deliverable	Measure	Measure Format	Target / Forecast	YTD	Variance	Commentary
Register of taxpayers and traders (Number)	Companies IT	Volume	1 781 549	1 878 856	97 307	
Register of taxpayers and traders (Number)	Individuals IT	Volume	5 595 563	5 920 612	325 049	
Register of taxpayers and traders (Number)	Trusts IT	Volume	410 948	331 954	-78 994	The realised number is less than the expected forecast
Register of taxpayers and traders (Number)	VAT	Volume	810 612	685 523	-125 089	Activities to clean up the tax base resulted in negative forecast realisation which is in line with strategic direction
Register of taxpayers and traders (Number)	PAYE	Volume	409 601	395 575	-14 026	The realised number is less than the expected forecast, due to economic downturn
Register of taxpayers and traders (Number)	No. of Importers	Volume	217 419	229 442	12 023	
Register of taxpayers and traders (Number)	No. of Exporters	Volume	197 035	209 623	12 588	
Better capacitated Large Business Centre	Revenue collected (R billion)	R in billion	7.000	13.920	6.920	
Compliance Actions	No. of Audits	Volume	75 000	159 832	84 832	
Compliance Actions	No. of Criminal prosecutions	Volume	500	257	-243	The realised number is less than the expected forecast due to external dependency on court capacity
Compliance Actions	No. of Tax Entities profiled	Volume	10 000	7 162	-2 838	The realised number is less than the expected forecast due to changes in strategic direction
Effectiveness of compliance actions	Audit coverage ratio	Percentage	0.90%	1.88%	0.98%	
Effectiveness of compliance actions	Success rate of investigative audits	Percentage	70.00%	85.00%	15.00%	
Effectiveness of compliance actions	Success rate of criminal cases/prosecutions	Percentage	95.00%	97.00%	2.00%	
Effectiveness of compliance actions	Debt reduction as % of Revenue	Percentage	10.00%	13.81%	3.81%	
Effectiveness of compliance actions	Outstanding returns reduction	Percentage	5.00%	4.06%	-0.94%	The actual is lower than expected. In the original target, the outstanding returns included returns from taxpayers earning below R120 000 p.a. These cases were reprioritised

3.3 STRATEGIC PRIORITY: STRENGTHEN COMPLIANCE - continued

Deliverable	Measure	Measure Format	Target / Forecast	YTD	Variance	Commentary
Broaden the tax base	New tax registrants arising from engagement with the public	Percentage	2%	4%	2%	
Compliance Actions	Number of non-filing cases attended to (referred for prosecution from outstanding returns)	Volume	75 000	67 799	-7 201	The number was less than the expected forecast due to re-prioritisation of capacity
Implement a new system of administrative penalties	Improvement in filing and payment compliance levels (Income Tax)	Percentage	5.00%	4.06%	-0.94%	Remedy by taxpayers was slower than anticipated
Improved detection of commercial fraud and the administration of preferential trade schemes	Stop success rate (30%) Audit success rate (50%) Customs risk management strategy developed	Percentage	30% 50% Implemented	72% 57% Implemented	42% 7%	The high intervention rate could be attributed to the fact that Customs and Enforcement joined forces and that Customs set aside a dedicated capacity to deal with the clothing and textile commercial fraud

Deliverable	Measure	Target / Forecast	Commentary
A comprehensive compliance programme	Agreed compliance programme	Compliance framework implemented	A methodology and a framework for the compliance programme were developed
Enforcement programme to encourage compliance	Enforcement programme implemented	September 2009	A comprehensive enforcement programme was implemented by the due date, contributing to increased voluntary compliance
Implement next phase of improvement in debt management	Reduction of debt older than 12 months, including estates	50% reduction of collectable debt	The workable debt component of the debt book as at 1 April 2009 was reduced by R31.5 billion. This represents a reduction of 59.5%

3.4 STRATEGIC PRIORITY: IMPROVE BORDER PROTECTION AND MANAGEMENT

Deliverable	Measure	Measure Format	Target / Forecast	YTD	Variance	Commentary
Compliance Actions	No. of Post Clearance Inspection Audits	Volume	2 291	2 448	157	
Compliance Actions	No. of Passengers stopped: Inbound Passengers	Volume	332 505	342 847	10 342	
Compliance Actions	No. of Passengers stopped: Outbound Passengers	Volume	244 065	196 474	-47 591	Volumes were lower than the expected forecast
Compliance Actions	No. of Seizures	Volume	7 275	4 342	-2 933	Volumes were lower than the expected forecast
Compliance Actions	No. of Cargo Stops: Imports	Volume	53 591	58 982	5 391	
Compliance Actions	No. of Cargo Stops: Exports	Volume	39 731	69 022	29 291	
Effectiveness of compliance actions	**Success rate of stops:** Imports Cargo (International)	Percentage	25%	29%	4%	
Effectiveness of compliance actions	**Success rate of stops:** Imports Cargo (SACU)	Percentage	20%	18%	-2%	The variance is due to testing of enhanced risk based control mechanism
Effectiveness of compliance actions	**Success rate of stops:** Exports - Cargo (International)	Percentage	30%	41%	11%	
Effectiveness of compliance actions	**Success rate of stops:** Exports - Cargo (SACU)	Percentage	15%	27%	12%	
Effectiveness of compliance actions	**Success rate of stops:** Imports - Passengers & Vehicles	Percentage	15%	10%	-5%	The variance is due to testing of enhanced risk based control mechanism
Effectiveness of compliance actions	**Success rate of stops:** Exports - Passengers & Vehicles	Percentage	15%	9%	-6%	The variance is due to testing of enhanced risk based control mechanism
Effectiveness of compliance actions	**Success rate of stops:** PCI Audit success ratio	Percentage	30%	58%	28%	

3.4 STRATEGIC PRIORITY: IMPROVE BORDER PROTECTION AND MANAGEMENT - continued

Deliverable	Measure	Measure Format	Target / Forecast	YTD	Variance	Commentary
Service volumes anticipated (Number)	Passenger movement	Volume	26 034 235	28 026 384	1 992 149	
Service volumes anticipated (Number)	Vehicle movement	Volume	3 124 323	3 227 173	102 850	
Service volumes anticipated (Number)	No. of written enquiries (customs)	Volume	42 897	46 900	4 003	
Service volumes anticipated (Number)	No. of face-to-face enquiries (customs)	Volume	192 884	154 413	-38 471	The variance is due to an increase in electronic channel usage, this number was lower than expected
Processing volumes (Number)	Imports BOE	Volume	2 180 336	2 148 652	-31 684	Volumes were lower than the expected forecast
Processing volumes (Number)	Exports BOE	Volume	2 893 890	2 978 050	84 160	
Processing volumes (Number)	No. of containers	Volume	4 067 490	3 646 274	-421 216	Volumes were lower than the expected forecast

Deliverable	Measure	Target / Forecast	Commentary
Enhanced customs' core technical skills to ensure the delivery of operational objectives	Training programme developed Number of staff trained	Training programme developed by September 2009 400 staff trained	The training programme was developed by June 2009. A number of 636 staff were trained on core customs technical skills, namely Tariff, Valuation and Rules of Origin (ROO).The Customs Academy has trained a total of 2 688 staff (YTD) of which 250 were trained via e-learning
Modernisation of Customs	Customs modernisation programme	Programme milestones met Introduction of new risk engines	On 1 June 2009, SARS implemented a new risk engine. In addition, negotiations underpinning the replacement software platform has been concluded. Good progress is being made in the re-engineering and design of the new national declaration process
Readiness for Confederation Cup in 2009	Confederation Cup plan appropriate service levels experienced by travellers and traders	Confederation Cup plan completed by end April 2009	Confederation Cup plan completed in May 2009

3.4 STRATEGIC PRIORITY: IMPROVE BORDER PROTECTION AND MANAGEMENT - continued

Deliverable	Measure	Target / Forecast	Commentary
Readiness for 2010 FIFA World Cup	2010 FIFA World Cup plan	2010 FIFA World Cup plan developed by June 2009	2010 Customs World Cup operational plans were completed by June 2009. The plans were tested during the Confederations Cup and amendments made where required
Streamlined customs operations	Gauteng pilot Centralised customs registration, licensing and accreditation	Pilot completed by June 2009 Centralisation complete	The centralisation of core Customs processes forms part of the Modernisation Agenda. The centralisation concept design is complete. The implementation period was aligned to the broader Customs Modernisation implementation period
Streamlined trader registration and accreditation	Complete second phase of Authorised Economic Operator (AEO) programme	Alignment to World Customs Organisation Secure and Facilitated global Environment framework (SAFE) Pilot completed	The Trusted Trader pilot as a precursor to AEO is currently underway with a selected set of traders from the motor industry. The Trusted Trader scheme takes into consideration the basis required of AEO and SAFE Framework

3.5 STRATEGIC PRIORITY: IMPROVE OPERATIONS MANAGEMENT AND PRODUCTIVITY

Deliverable	Measure	Measure Format	Target / Forecast	YTD	Variance	Commentary
Service standards (%)	% IT refunds processed within 30 days - FAU001	Percentage	75%	76%	1%	The refund report is inclusive of all IT Refunds
Service standards (%)	% IT refunds processed within 30 days - FAU004	Percentage	70%	0%	0%	This measure is included in above
Service volumes anticipated (Number)	IT Refunds Processed	Volume	1 767 582	2 322 766	555 184	
Service volumes anticipated (Number)	VAT Refunds Processed	Volume	651 876	641 400	-10 476	The variance is due to increased verification of VAT refund payments
Service standards (%)	**Return Throughput:** % VAT refunds processed within 21 days	Percentage	85%	84%	-1%	The variance is due to increased verification of VAT refund payments
Service standards (%)	Turnaround time on Customs refunds	Percentage	100%	81%	-19%	The variance is due to increased verification
Electronic volumes (Number)	VAT payments	Volume	1 039 996	955 706	-84 290	Volumes were lower than the expected forecast
Electronic volumes (Number)	PAYE payments	Volume	10 555 077	1 597 188	-8 957 889	Volumes were lower than the expected forecast
Electronic volumes (Number)	Provisional Tax payments	Volume	246 527	181 391	-65 136	Volumes were lower than the expected forecast
Electronic volumes (Number)	eFiling Payments	Volume	2 841 600	2 734 285	-107 315	Volumes were lower than the expected forecast

3.6 STRATEGIC PRIORITY: ENSURE IMPROVED SERVICES

Deliverable	Measure	Measure Format	Target / Forecast	YTD	Variance	Commentary
Electronic volumes (Number)	VAT returns	Volume	1 458 283	1 871 598	413 315	
Electronic volumes (Number)	Provisional Tax returns	Volume	521 032	1 839 125	1 318 093	
Electronic volumes (Number)	PIT returns	Volume	2 922 227	4 432 276	1 510 049	
Electronic volumes (Number)	CIT returns	Volume	325 915	599 160	273 245	
Processing volumes (Number)	PIT returns	Volume	3 791 873	5 013 811	1 221 938	
Processing volumes (Number)	CIT returns	Volume	638 026	766 383	128 357	
Processing volumes (Number)	VAT returns	Volume	3 821 856	4 015 850	193 994	
Processing volumes (Number)	PAYE returns	Volume	4 029 279	4 252 214	222 935	
Electronic volumes (Number)	Total E-filed returns	Volume	6 949 936	11 050 530	4 100 594	
Electronic volumes (Number)	PAYE returns	Volume	1 555 077	2 308 371	753 294	
Service standards (%)	**Return Throughput:** % Revised Assessments	Percentage	12%	15%	3%	Higher than target due to errors made by taxpayers
Service standards (%)	**Return Throughput:** % IT returns processed within 90 working days - peak	Percentage	97%	97%	0%	
Service standards (%)	**Return Throughput:** % IT returns processed within 34 working days - non-peak	Percentage	95.00%	93.91%	-1.09%	The variance is due to longer waiting times on taxpayer responses, the actual processing time was longer than expected
Service standards (%)	Inventory at year end as a % of throughput	Percentage	10%	4%	-6%	Decrease due to improved processing capabilities
Service standards (%)	**Call Centre:** % Calls answered in 20 seconds	Percentage	60%	63%	3%	
Service standards (%)	**Call Centre:** Call abandonment rate	Percentage	13%	10%	-3%	Decrease due to increase in efficiency and productivity of agents, as well as improved technology

3.6 STRATEGIC PRIORITY: ENSURE IMPROVED SERVICES - continued

Deliverable	Measure	Measure Format	Target / Forecast	YTD	Variance	Commentary
Service volumes anticipated (Number)	Calls answered	Volume	6 479 041	5 578 714	900 327	Only 6 months' volumes are shown due to implementation of new measurement capabilities
Service volumes anticipated (Number)	Taxpayer visits (Branch Offices)	Volume	4 315 235	4 621 936	306 701	Due to the increase in the use of the electronic channels, the number of queries increased as expected
Service volumes anticipated (Number)	Queries handled	Volume	9 082 989	6 487 440	2 595 549	Due to third party data and pre-population of returns this number was lower than expected, which is aligned with strategic direction
Improved capacity for resolution of service queries and complaints	Percentage improvement on first time resolved queries	Percentage	20%	-3%	-23%	No performance noted in 6 months' data. Corrective actions are in place
Increased use of electronic channels	Growth in use of electronic channels	Percentage	10%	71%	61%	YTD includes electronic submissions and payments for all taxes, excluding customs

Deliverable	Measure	Target / Forecast	Commentary
Service volumes anticipated (Number)	Correspondence handled	6 712 280	Correspondence handled is a legacy measurement that was replaced with the implementation of the Service Manager e-Track system. This is part of the bigger Modernisation Agenda. The rollout of e-Track is a phased implementation and therefore no comprehensive report on all correspondence handled can be reported
Additional physical service points	New service points	Five new branch offices and eight mobile tax units	Branches: 1 (Rissik Street, JHB) Service Points: 3 (Mobile Units Procured) Slower implementation is due to reprioritisation of capacity
Implementation of Turnover Tax	Systems development	System adopted by 10% of those eligible to register	The system was implemented with an 88% success rate

3.6 STRATEGIC PRIORITY: ENSURE IMPROVED SERVICES - continued

Deliverable	Measure	Target / Forecast	Commentary
Additional customer segment units	Units established and resourced for: Practitioners Small businesses	All segment units operational by March 2010	The Practitioners unit was fully functional by 31 March 2010 Small Business: This area still forms an integral part of the segmentation strategy and the development phase of this process is planned for the upcoming financial year
Multi-year interdepartmental programme to establish integrated business registration	SARS's position and input towards the scoping of the plan submitted to the affected government departments	Plan by September 2009	All the key deliverables were completed for 2009/10. These deliverables included: • Appointment of a Programme Director • Appointment of a Project Manager • Sign-off of Memorandums of Understanding • Signed-off Business Requirements Specification
Revised service charter and service standards	Service charter and standards	By March 2010	Service Charter and standards were revised by 31 March 2010

3.7 STRATEGIC PRIORITY: FIX THE BASIC LEGACY SYSTEMS

Deliverable	Measure	Target / Forecast	Actual	Variance	Commentary
Cleaner taxpayer and trader registration and accounts data	Reduction in errors in communication with taxpayers and traders	60% reduction with respect to IT	60%	0%	Project implementation was successful, with emphasis on data accuracy within Employer PAYE filing season
Cleaner taxpayer and trader registration and accounts data	Reduction in errors in communication with taxpayers and traders	10% reduction with respect to VAT	10%	0%	Project implementation was successful, with emphasis on the new VAT registration process
New policy on business registration for taxation	Policy developed	December 2009	Updated Policy completed	0%	The existing policy was revised, updated and completed
New system for tax and trader registration	Multi-year plan developed	Approved plan	100% Approved	0%	A multi-year plan was developed, approved and all sub-projects are on track
Reviewed trade statistics system	Review report	100%	100%	0%	The review was concluded, gaps identified and recommendations tabled
Streamline and segment the registration process	Compliance to new VAT registration process	100%	90%	-10%	Due to the new implemented VAT registration process, the compliance percentages will improve
Streamline and segment the registration process	Simplified, single registration process implemented	80%	60%	-20%	Due to the new implemented single registration process, the compliance percentages will improve

3.8 STRATEGIC PRIORITY: DEVELOP HUMAN CAPABILITY

Deliverable	Measure	Measure Format	Target / Forecast	YTD	Variance	Commentary
Develop and implement an Employment Value Proposition (EVP) to attract, retain and develop talent in strategically critical business areas.	Employee Value Proposition	Percentage	100%	95%	-5%	An EVP was developed and ratified with appropriate governance structures Communicated and implemented in LBC
Human Capital Plan	% Human Capital plan/s delivered to inform business strategies of Divisions	Percentage	75.0%	69.5%	-5.5%	Human capital plans are dependent on the career management positioning of staff
Improve Human Resource Services	Human Resource Business Appraisal Survey	Improvement Percentage	3.00%	-1.51%	-4.51%	A decline in service levels was noted and corrective action taken
Leadership Development Programmes focusing on organisational, team and individual effectiveness as per new Operating and Leadership Models	Leadership developed as per model, plan and programmes	% Female Development aimed at closing gender representation on grade 7-9	95%	92%	-3%	The actual leadership development was lower than the forecast
Talent and Career Management	Critical vacancies filled and employees inducted	Percentage	80%	52%	-28%	It takes an average of 36 days to fill a vacancy. Corrective action is taken
Talent and Career Management	Employees (grade 1 - 7) positioned in Roles on the Career Model with remuneration effected where applicable and planned career development tracks	Percentage	95%	100%	5%	

3.8 STRATEGIC PRIORITY: DEVELOP HUMAN CAPABILITY - continued

Deliverable	Measure	Measure Format	Target / Forecast	YTD	Variance	Commentary
Talent and Career Management	Implement phase 2 of Graduate Training Programme to ensure effective pipeline in Tax and Customs Administration	Number	200	132	-68	Targets were not met due to prolonged assessment and interview processes that contributed to slower employment rate

Deliverable	Measure	Target / Forecast	Commentary
Talent and Career Management	Succession Management implemented for identified leadership roles, critical and core skills and development plans in place	March 2010	Following the successful implementation of the SARS leadership model, SARS has instituted a succession management plan for its critical leadership roles

3.9 STRATEGIC PRIORITY: PROCEED WITH MODERNISATION

Deliverable	Measure	Target / Forecast	YTD	Commentary
Additional third party data sources to be integrated and used to pre-populate PIT returns	Integration of third party data sources	Integration completed	Completed	As a result of the new Risk Engine, improved quality of third party data and introduction of the Employer Filing season concept, SARS no longer required salaried individuals with simple tax affairs and an annual income below R120 000 to complete and submit tax returns. Instead, the process of assessment for these taxpayers has been completely automated, thereby reducing the administrative burden of over one million taxpayers every year, while realising significant further processing efficiencies for SARS
Introduction of credit scoring system to improve debt collection efforts	System implemented	Successful implementation	Successful implemented	The system was implemented, with emphasis on payments
Risk management in support of the VAT refund process	Detailed analysis of the current VAT refund process	Analysis completed	Completed	Analysis performed, resulting in improved segmentation of VAT register
Risk management in support of the VAT refund process	Development of a new risk identification and risk scoring model	Development of model completed	Completed	Development of model completed, resulting in enhanced forms and controls
Cargo and container scanners at border posts	Completion of the study evaluating the effectiveness of the current scanner and identification of areas of improvement	Study completed	Completed	The study was completed in reported period
Improved risk management in customs through the development of a customs risk engine	Development of fact base	Development completed	Completed	Development completed during reported period, resulting in an optimised inspection process
Improved risk management in customs through the development of a customs risk engine	Development of risk rules	Development completed	Completed	Development completed with focus on declaration processing

3.9 STRATEGIC PRIORITY: PROCEED WITH MODERNISATION - continued

Deliverable	Measure	Target / Forecast	Commentary
Phased replacement of Customs' legacy systems which will, inter alia, expand the ability to handle electronic submissions, segment traders, enhance risk management and reduce manual workflow and paper based control	Initial components of new integrated customs software and re-engineered processes to be ready for pilot at one modality	Phase 1 of new system ready to be piloted	The scope of the solution changed to incorporate the full capability inclusive of imports, exports, transit and SACU movements. E-release capability was launched to the trade industry

3.10 STRATEGIC PRIORITY: PURSUE SEGMENTATION STRATEGY

Deliverable	Measure	Target / Forecast	Commentary
Enhanced High Net Worth Individual (HNWI) business model	Clearer business unit accountabilities Clearer segment definitions HNWI compliance programme	Accountabilities and thresholds defined by October 2009	The report was completed by 31 October 2009. The steering committee made its submission and presentation on 4 November 2009
Segmentation research	Research report on segmentation	Completed report	Reports have been completed containing segment profiles, proposed strategies and operating models in respect of the following segments: • Medium Businesses • Complex Individuals • High Net Worth Individuals (HNWI) • Tax Practitioners • Government Departments and Public Benefit Organisation (PBOs)
Enhanced Large Business Centre (LBC) business model	Clearer business unit accountabilities Clearer segment definitions	Accountabilities and thresholds defined by October 2009	Report dated 3 August 2009 completed (covering both business unit accountabilities and segment definitions)

04

Financial Statements

Report of the Audit Committee

Report of the Audit Committee

We are pleased to present our report for the financial year ended 31 March 2010 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 three meetings for the financial year under review. For the period under review, Prof. Dillip Garach who had temporarily recused himself from the SARS Audit Committee for personal reasons, rejoined the Committee from 23 July 2009.

Member	23 July 09	15 Oct 09	19 March 10
Mr Bongani Nqwababa (Chairperson) **(Duration of Service: 07 April '06 to date)** Finance Director at Anglo Platinum Limited • B. Acc (Hons), 1989, University of Zimbabwe. • CA (Zim) 1991; • MBA in Finance, 1999, Universities of Manchester and Wales, Bangor	√	√	√
Mr Mustaq Brey **(Duration of Service: 17 April '03 to date)** • CEO : Brimstone Investment Corporation Limited • B.Compt (Hons); CA (SA)	√	√	Via Telecon
Ms Berenice Lue-Marais **(Duration of Service: 17 April '03 to date)** Head: Africa, CSIR Market & Business Development; and International Development Finance Manager, CSIR International Relations, CSIR, Pretoria • MBA International Finance, 1992 The American University, Washington, D.C. • Bachelor of Arts, BA Economics, 1988 August 1988 The University of the District of Columbia, Washington, D.C.	√	√	√
Prof Dillip Garach **(Duration of Service: 28 Jan '02 to date)** Accounting Professor at Natal University; Consulting Partner at Garach & Garach • MCom; CA(SA); CFP	√	√	X
Mr Vuyo Kahla **(Duration of Service: 29 July '08 to date)** Group Executive: Office of the Group Chief Executive: Transnet Limited • Bachelor of Arts, Rhodes University • LLB, Rhodes University	√	√	√

Report of the Audit Committee - continued

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 2010

SOUTH AFRICAN REVENUE SERVICE

Administered Revenue

ANNUAL FINANCIAL STATEMENTS – 31 March 2010

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The attached annual financial statements were approved and signed by:

Oupa G. Magashula
SARS Commissioner
12 July 2010

Report of the Auditor-General

for the year ended 31 March 2010

REPORT OF THE AUDITOR-GENERAL TO PARLIAMENT ON THE FINANCIAL STATEMENTS OF THE SOUTH AFRICAN REVENUE SERVICE: ADMINISTERED REVENUE FOR THE YEAR ENDED 31 MARCH 2010

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 2010, 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 76 to 85.

Accounting authority's responsibility for the financial statements

The accounting authority is responsible for the preparation and fair presentation of these financial statements in accordance with the basis of accounting determined by the National Treasury, as set out in accounting policy note 1.1 to the financial statements and in the manner required by the Public Finance Management Act of South Africa (PFMA). This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor-General's responsibility

As required by section 188 of the Constitution of South Africa, section 4 of the Public Audit Act of South Africa (PAA) and section 28 of the South African Revenue Service Act of South Africa (SARS Act), 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 1570 of 2009* issued in *Government Gazette No. 32758 of 27 November 2009.* 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 and fair presentation 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: Administered Revenue as at 31 March 2010, and its financial performance and cash flows for the year then ended, in accordance with the basis of accounting described in accounting policy note 1.1 to the financial statements and in the manner required by the PFMA.

Emphasis of matter

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

Basis of accounting

SARS: Administered Revenue's policy is to prepare financial statements on the basis of accounting determined by the National Treasury, described in accounting policy note 1.1 to the financial statements.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In terms of the PAA and *General Notice 1570 of 2009,* issued in *Government Gazette No. 32758 of 27 November 2009,* I include below my findings on the report on predetermined objectives, compliance with the PFMA, Treasury Regulations of 2005 (TR), the SARS Act and financial management (internal control).

Findings

Predetermined objectives

No matters to report.

Compliance with laws and regulations

No matters to report.

INTERNAL CONTROL

I considered internal control relevant to my audit of the financial statements and the report on predetermined objectives and compliance with the PFMA, TR and the SARS Act, but not for the purposes of expressing an opinion on the effectiveness of internal control. The matters reported below are limited to the deficiencies identified during the audit.

No matters to report.

OTHER REPORTS

Special audits

As requested by SARS and the Road Accident Fund (RAF), an assurance audit on the Certificate of Diesel Refund Claims as owed by the RAF was concluded during the year under review. The report covered the period 1 January 2008 to 31 December 2008 and was tabled on 21 July 2009.

Auditor - General

Pretoria

27 July 2010

AUDITOR - GENERAL
SOUTH AFRICA

Auditing to build public confidence

SOUTH AFRICAN REVENUE SERVICE - ADMINISTERED REVENUE

Statement of Financial Position

as at 31 March 2010

	Notes	2010 R'000	2009 R'000
ADMINISTERED ASSETS			
Current assets			
Bank	2	35 130	-
Cash and cash equivalents	3	5 577	12 280
Accounts receivable	4	3 909	5 433
Other assets	5	266	349
Total administered assets		**44 882**	**18 062**
ADMINISTERED LIABILITIES			
Amount due to National Revenue Fund		44 882	10 742
Current liabilities			
Bank	2	-	7 320
Total administered liabilities		**44 882**	**18 062**

Statement of Financial Performance

for the year ended 31 March 2010

	Notes	2010 R'000	2009 R'000
Taxation		**621 503 608**	**644 032 431**
Income tax	6	358 971 960	383 431 105
Value-added tax		147 941 322	154 343 121
Fuel levy		29 097 507	25 219 608
Excise duties		22 565 219	21 354 071
Customs duties		19 577 114	22 751 023
Road accident fund	7	13 026 684	9 815 077
Unemployment insurance fund		10 537 637	10 096 866
Other taxes	8	8 875 878	10 048 919
Skills development levy		7 804 829	7 327 463
Electricity levy	9	3 341 691	-
Air passenger tax		580 326	549 364
Universal service fund		224 774	207 167
Plastic bag levy		110 510	78 563
Small business tax amnesty		72 888	51 627
Incandescent light bulb levy	10	63 880	-
Turnover tax	11	6 493	-
Diesel refunds		(1 295 104)	(1 241 543)
Non-taxation		**407 806**	**818 128**
Mining leases and ownership		668 890	708 580
Provincial administration receipts	12	36 709	32 775
Non-tax revenue	13	(3 773)	(24 466)
Customs miscellaneous revenue	14	(294 020)	101 239
TOTAL REVENUE		**621 911 414**	**644 850 559**
Less: South African Customs Union Agreement			
Quarterly payments made by National Treasury in terms of the South African Customs Union Agreement	15	27 915 405	28 920 625
NET REVENUE FOR THE YEAR		**593 996 009**	**615 929 934**

Statement of Changes in Net Assets

for the year ended 31 March 2010

	R'000
AMOUNT DUE (TO) / BY NATIONAL REVENUE FUND	
Balance at 31 March 2008	**(144 907)**
Net gains and losses not recognised in the statement of financial performance	134 165
Net revenue for the year	(615 929 934)
Transfer to the National Revenue Fund	616 064 099
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)**

Cash Flow Statement

for the year ended 31 March 2010

	Notes	2010 R'000	2009 R'000
CASH FLOW FROM OPERATING ACTIVITIES			
Cash received from operating activities	16	**621 999 885**	**644 864 246**
Taxation		621 592 079	644 046 118
Non-taxation		407 806	818 128
Cash transferred		**(621 877 274)**	**(644 984 724)**
Payments in respect of Customs Union Agreement		(27 915 405)	(28 920 625)
Cash to National Revenue Fund		(593 961 869)	(616 064 099)
Net cash (transferred)/retained from operations		**122 611**	**(120 478)**
Cash and cash equivalents at beginning of year		**96 075**	**216 553**
Cash and cash equivalents at end of year	17	**218 686**	**96 075**

Notes to the Annual Financial Statements

for the year ended 31 March 2010

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.

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 Generally Recognised Accounting Practice 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. 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 and when the standard becomes effective. 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 may only be made in order to better conform to the standards of GRAP. The standard will become effective through the issue of a regulation.

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.

2. Bank

The bank balance of R35 130 430 for the 2009/10 financial year represents an asset whilst the bank balance of R7 320 024 for the 2008/09 financial year represented a liability.

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.

2008/09: Bank comprises cheques issued but not yet presented for payment amounting to R91 114 712, net reconciling items amounting to R70 449 294 and monies not transferred to the National Revenue Fund by the banks at 31 March amounting to R13 345 394.

		2010 R'000	2009 R'000
3.	**Cash and cash equivalents**	**5 577**	**12 280**
	Cash on hand	5 577	12 280
4.	**Accounts receivable**	**3 909**	**5 433**
	South African Post Office Limited (VAT)	3 907	3 342
	South African Post Office Limited (Stamp duty)	2	2 091
5.	**Other assets**	**266**	**349**
	Provincial administration	263	347
	Receivables	3	2

The provincial debtor of R263 259 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.

		2010 R'000	2009 R'000
6.	**Income tax**	**358 971 960**	**383 431 105**
	Pay as you earn	192 646 304	183 695 410
	Persons, individuals and companies	150 815 162	179 574 865
	Secondary tax on companies	15 467 795	20 017 578
	Tax on retirement fund industry	42 699	143 252
7.	**Road accident fund**	**13 026 684**	**9 815 077**
	Road accident fund levy	11 996 551	8 909 364
	Road accident fund (Recoupment)	1 030 133	905 713

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.

		2010 R'000	2009 R'000
8.	**Other taxes**	**8 875 878**	**10 048 919**
	Transfer duties	4 683 047	4 930 865
	Securities transfer tax	3 324 633	2 324 112
	Estate duty	759 273	756 737
	Donations tax	60 084	124 994
	Stamp duty	35 996	531 758
	Master fees	13 461	40 081
	Marketable securities tax	(616)	1 340 372
9.	**Electricity levy**	**3 341 691**	**-**
	Electricity levy	3 341 691	-

This environmental levy was introduced to support demand-side measures, energy-efficient strategies and support initiatives to deal with environmental concerns, air pollution and climate change.

		2010 R'000	2009 R'000
10.	**Incandescent light bulb levy**	**63 880**	**-**
	Incandescent light bulb levy	63 880	-

This environmental levy was introduced on incandescent light bulbs to promote energy efficiency and reduce electricity demand.

		2010 R'000	2009 R'000
11.	**Turnover tax**	**6 493**	**-**
	Turnover tax	6 493	-

Turnover tax was introduced to replace income tax, provisional tax, capital gains tax and secondary tax on companies, for micro businesses with a turnover of R1 million or less.

		2010 R'000	2009 R'000
12.	**Provincial administration receipts**	**36 709**	**32 775**
	Provincial administration consolidated account	36 709	32 775

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.

		2010 R'000	2009 R'000
13.	**Non-tax revenue**	**(3 773)**	**(24 466)**
	State fines and forfeitures	1 951	2 975
	State miscellaneous revenue	(5 724)	(27 441)

State miscellaneous revenue primarily comprises stale cheques credited to this allocation and refunds/debits effected to facilitate allocation to the correct tax category.

		2010 R'000	2009 R'000
14.	**Customs miscellaneous revenue**	**(294 020)**	**101 239**
	Revenue in respect of other departments	299	298
	Customs miscellaneous revenue	(294 319)	100 941

Customs miscellaneous revenue primarily comprises the liquidation of provisional payments.

	2010 R'000	2009 R'000
15. Payments in terms of Customs Union Agreement		
Contributions to the Common Customs Pool	**42 142 335**	**44 105 094**
Namibia	615 309	446 017
Botswana	420 686	311 630
Lesotho	81 058	110 249
Swaziland	76 591	64 310
Sub-total	**1 193 644**	**932 206**
South Africa	**40 948 691**	**43 172 888**

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.

	2010 R'000	2009 R'000
Received from the Common Customs Pool	**42 142 335**	**44 105 094**
Botswana	9 166 668	9 472 781
Namibia	8 585 462	8 502 148
Swaziland	5 188 953	6 009 031
Lesotho	4 918 212	4 900 961
Secretariat	56 110	35 704
Sub-total	**27 915 405**	**28 920 625**
South Africa	**14 226 930**	**15 184 469**

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.

	2010 R'000	2009 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	593 996 009	615 929 934
Adjusted for:		
Payments in terms of Customs Union Agreement	27 915 405	28 920 625
Increase / (Decrease) in cheques not yet presented for payment	86 864	15 725
Decrease / (Increase) in accounts receivable	1 524	(2 310)
Decrease / (Increase) in other assets	83	277
Increase / (Decrease) in other liabilities	-	(5)
Total cash received as per cash flow statement	**621 999 885**	**644 864 246**

	2010 R'000	2009 R'000
17. Cash and cash equivalents in respect of cash flow statement	**218 686**	**96 075**
Cheques issued but not yet presented for payment	177 979	91 115
Bank (as per statement of financial position)	35 130	(7 320)
Cash and cash equivalents (as per statement of financial position)	5 577	12 280

18. Sureties

(i) Lien - Sanlam shares

Nil (991 755 : 2008/09) Sanlam shares with a market value of R nil (R16 701 154 : 2008/09) are held in respect of amounts owing by nil (1 560 : 2008/09) taxpayers at 31 March 2010.

(ii) Lien - Old Mutual shares

Nil (1 910 700 : 2008/09) Old Mutual shares with a market value of R nil (R13 374 900 : 2008/09) are held in respect of amounts owing by nil (2 585 : 2008/09) taxpayers at 31 March 2010.

During the 2009/10 financial year SARS released all attached shares in respect of Sanlam and Old Mutual.

(iii) Guarantees

Guarantees issued in favour of SARS amounting to R58 550 946 (R59 202 209 : 2008/09) are held as security for various taxes payable.

Guarantees issued by financial institutions in favour of SARS amounting to R5 028 525 124 (R4 492 921 812 : 2008/09) are held as security for various duties payable.

19. Write-off of irrecoverable debt

Irrecoverable debt in respect of administered taxes to the amount of R4 151 658 910 (R4 670 594 746 : 2008/09) has been written off on or prior to 31 March 2010. 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 R153 682 180 (R73 435 207 : 2008/09) has been written off on or prior to 31 March 2010. Amounts still awaiting approval for write-off do not form part of actual write-offs.

SOUTH AFRICAN REVENUE SERVICE

Administered Revenue

UNAUDITED ANNEXURES - 31 MARCH 2010

CONTENTS .... Page

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

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**

UNAUDITED OUTSTANDING DEBT (RECEIVABLES) AS AT 31 MARCH 2009

2008/2009	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	1 360 827 857	1 723 363 564	757 121 630	14 237 304 265	9 298 514 117	27 377 131 433	7 978 178 928	35 355 310 361
Individuals	585 065 931	535 288 681	256 676 332	6 714 628 389	3 782 955 655	11 874 614 988	3 358 038 913	15 232 653 901
Trusts	44 839 383	25 876 701	13 630 424	179 492 229	79 282 291	343 121 028	250 545 101	593 666 129
Companies	730 922 543	1 162 198 182	486 814 874	7 343 183 647	5 436 276 171	15 159 395 417	4 369 594 914	19 528 990 331
PAYE	581 097 926	472 853 059	263 080 691	8 765 232 570	-	10 082 264 246	888 762 868	10 971 027 114
VAT	623 611 398	781 418 470	560 045 048	15 947 774 384	-	17 912 849 300	772 264 934	18 685 114 234
STC	108 964 542	88 333 156	85 993 163	1 269 649 291	562 871 392	2 115 811 544	158 296 603	2 274 108 147
Sub-Total	**2 674 501 723**	**3 065 968 249**	**1 666 240 532**	**40 219 960 510**	**9 861 385 509**	**57 488 056 523**	**9 797 503 333**	**67 285 559 856**
Diesel	-	-	-	-	-	1 163 381	-	1 163 381
SDL	-	-	-	-	-	892 517 337	-	892 517 337
UIF	-	-	-	-	-	1 448 879 331	-	1 448 879 331
Total	**2 674 501 723**	**3 065 968 249**	**1 666 240 532**	**40 219 960 510**	**9 861 385 509**	**59 830 616 572**	**9 797 503 333**	**69 628 119 905**

Unaudited Annexure 2

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)**

UNAUDITED OUTSTANDING CREDITS (PAYABLES) AS AT 31 MARCH 2009

2008/2009	Total Credits Rands
Income tax	(11 616 216 678)
Income Tax	**(11 616 216 678)**
PAYE	(16 667 289 263)
Returns not received	7 824 697 350
PAYE	**(8 842 591 914)**
VAT	(27 992 226 130)
Returns not received	5 846 837 695
VAT	**(22 145 388 435)**
UIF	(1 108 169 991)
Returns not received	556 748 180
UIF	**(551 421 811)**
SDL	(1 041 355 814)
Returns not received	500 796 084
SDL	**(540 559 730)**
Sub-Total	**(43 696 178 567)**
Diesel	(25 117 262)
STC	(1 787 500 241)
Total	**(45 508 796 070)**

DUTIES

UNAUDITED OUTSTANDING DEBT (RECEIVABLES) AS AT 31 MARCH 2010

2009/2010	Debt Rands	Interest Rands	Total Rands	New Debt Rands	Total Debt 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**

UNAUDITED OUTSTANDING DEBT (RECEIVABLES) AS AT 31 MARCH 2009

2008/2009	Debt Rands	Interest Rands	Total Rands	New Debt Rands	Total Debt Rands
Customs duty	624 530 986	141 992 184	766 523 170	42 792 487	809 315 656
Value-added tax	288 484 043	92 527 857	381 011 900	14 317 759	395 329 659
Surcharge	449 779	250 924	700 703	-	700 703
Fuel levy	(760 378)	1 074 707	314 330	-	314 330
P2A - Excise duty	51 186 106	12 505 137	63 691 243	2 035 871	65 727 114
P2B - Ad valorem	15 588 403	8 339 076	23 927 479	8 031	23 935 510
Penalties	52 467 604	-	52 467 604	241 728	52 709 332
Forfeiture	458 517 606	-	458 517 606	107 909	458 625 515
Unallocated	(824 028)	-	(824 028)	(233 995)	(1 058 023)
Total	**1 489 640 122**	**256 689 885**	**1 746 330 007**	**59 269 788**	**1 805 599 795**

SOUTH AFRICAN REVENUE SERVICE

Own Accounts

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 March 2010

CONTENTS .... Page

The attached annual financial statements were approved and signed by:

Oupa Magashula

Oupa G. Magashula
SARS Commissioner
27 July 2010

REPORT OF THE AUDITOR-GENERAL TO PARLIAMENT ON THE CONSOLIDATED FINANCIAL STATEMENTS OF THE SOUTH AFRICAN REVENUE SERVICE: OWN ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2010

REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

Introduction

I have audited the accompanying financial statements of the South African Revenue Service (SARS): Own Accounts, which comprise the statement of financial position as at 31 March 2010, 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 97 to 150.

Accounting authority's responsibility for the financial statements

The accounting authority is responsible for the preparation and fair presentation of these financial statements in accordance with the basis of accounting determined by the National Treasury, as set out in accounting policy note 1.1 to the financial statements and in the manner required by the Public Finance Management Act of South Africa (PFMA). This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor-General's responsibility

As required by section 188 of the Constitution of South Africa, section 4 of the Public Audit Act of South Africa (PAA) and section 28 of the South African Revenue Service Act of South Africa (SARS Act), 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 1570 of 2009* issued in *Government Gazette No. 32758 of 27 November 2009.* 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 and fair presentation 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: Own Accounts as at 31 March 2010, and its financial performance and cash flows for the year then ended, in accordance with the basis of accounting described in accounting policy note 1.1 to the financial statements and in the manner required by the PFMA.

Report of the Auditor-General

for the year ended 31 March 2010

Emphasis of matter

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

Restatement of corresponding figures

As disclosed in note 35 to the financial statements, the corresponding figures for 31 March 2009 have been restated as a result of an error discovered during the financial year ending 31 March 2010 in the financial statements of the South African Revenue Service: Own accounts at, and for the year ended, 31 March 2009.

Material losses / impairments

As disclosed in note 9 to the financial statements, SARS impaired the loan amount of R88 million, advanced to Clidet (Pty) Limited for the procurement of the IP License, in the consolidated financial statements.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In terms of the PAA and *General Notice 1570 of 2009,* issued in *Government Gazette No. 32758 of 27 November 2009,* I include below my findings on the report on predetermined objectives, compliance with the PFMA, Treasury Regulations of 2005 (TR), the SARS Act and financial management (internal control).

Findings

Predetermined objectives

No matters to report.

Compliance with laws and regulations

No matters to report.

INTERNAL CONTROL

I considered internal control relevant to my audit of the financial statements and the report on predetermined objectives and compliance with the PFMA, TR and the SARS Act, but not for the purposes of expressing an opinion on the effectiveness of internal control. The matters reported below are limited to the deficiencies identified during the audit.

No matters to report.

Auditor - General

Pretoria

31 July 2009

AUDITOR - GENERAL
SOUTH AFRICA

Auditing to build public confidence

Report by the Accounting Authority

for the year ended 31 March 2010

1. 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 2010. 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.

2. Executive Members

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

The Exco members serving during the period under review were:

The Exco members serving during the period under review were:	
Oupa Magashula	• Commissioner & Exco Chairperson from July 2009 • Acting Commissioner & Exco Chairperson from May 2009 • Deputy Commissioner from April 2009
Ivan Pillay	Deputy Commissioner from April 2009
Barry Hore	Chief Officer: Modernisation & Technology
Kosie Louw	Chief Officer: Legal & Policy
Trix Coetzer	Chief Financial Officer
Gene Ravele	Chief Officer: Customs & Border Management
Dipuo Mvelazi	Group Executive: Institutional Enablement & Integrity
Logan Wort	Group Executive: Reputation Management
Nathaniel Mabetwa	Group Executive: Taxpayer Services
Joseph Rock	Group Executive: Large Business Centre (LBC) • Acting Group Executive: LBC from February 2009 • Appointed Group Executive: LBC in February 2010
Elsie Pule	Group Executive: Human Resources • Appointed March 2010
Resignations	
Pravin Gordhan	Commissioner (Exco Chairperson) until April 2009 • Appointed as Minister of Finance from May 2009
Edward Kieswetter	Deputy Commissioner from April 2009 • Resigned in December 2009
Mandisa Mokwena	Group Executive: Segmentation & Research • Resigned in December 2009
Dudu Nyamane	Group Executive: Human Resource Management • Appointed December 2008 • Resigned in February 2009

3. 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.

4. 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.

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

Own Accounts

The Revenue for the year was made up as follows:

	% change	2010	2009
Operating revenue	13.9%	7 177 522	6 302 778
Transfers from government entities / National Treasury	13.4%	7 148 446	6 302 778
Rendering of Services		1 076	
Market Fee income		28 000	-
Other Income	-7.7%	337 109	365 361
Interest received	-20.0%	111 682	139 517
Other revenue	-0.2%	225 427	225 844
	12.7%	**7 514 631**	**6 668 139**

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:

	2010	2009
Balance accumulated surplus at 1 April as previously reported	790 151	655 538
Prior year adjustments	(36 641)	(53 296)
Restated balance 1 April	753 510	602 242
Depreciation based on revalued portion of assets	22	
Net surplus for the year	510 257	151 268
Balance accumulated surplus at 31 March	**1 263 789**	**753 510**

Administered Revenue

The net revenue for the year was R 593 996 009 (2009: R 615 929 934). 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 Southern African Customs Union. The operating expenditure for Administered Revenue is provided for in the Own Accounts budget.

	% change	2010	2009
Total revenue	-3.56%	621 911 414	644 850 559
SA Customs Union Agreement	-3.48%	27 915 405	28 920 625
Net revenue	**-3.56%**	**593 996 009**	**615 929 934**

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

6. 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.

7. 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.

8. Business Combinations

On 1 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.

9. Public/Private Partnerships

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

10. Events Subsequent to the Balance Sheet Date

There are no events subsequent to 31 March 2010 affecting the financial statements that requires disclosure.

11. 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's other offices are available from SARS.

Oupa G Magashula
SARS Commissioner
27 July 2010

Statement of Financial Position

for the year ended 31 March 2010

		ECONOMIC ENTITY		CONTROLLING ENTITY	
		2010	2009	2010	2009
	Note(s)	R'000	R'000	R'000	R'000
ASSETS					
Current assets		**1 458 246**	**1 076 031**	**1 440 639**	**1 076 031**
Trade and other receivables	3	84 539	94 361	81 712	94 361
Cash and cash equivalents	4	1 373 707	981 670	1 358 927	981 670
Non-current assets		**1 335 210**	**1 123 844**	**1 283 547**	**1 123 844**
Property, plant and equipment	5	867 614	786 829	867 560	786 829
Goodwill	6	-	-	-	-
Intangible assets	7	467 596	337 015	415 987	337 015
Investment in controlled entity	8	-	-	-	-
Loan to controlled entity	9	-	-	-	-
Total Assets		**2 793 456**	**2 199 875**	**2 724 186**	**2 199 875**
LIABILITIES					
Current liabilities		**1 080 993**	**1 033 862**	**1 069 489**	**1 033 862**
Current tax payable	10	5 135	-	-	-
Finance lease obligation	11	18 440	17 671	18 440	17 671
Trade and other payables	12	706 650	659 040	704 268	659 040
VAT payable		3 987	-	-	-
Deferred income	13	676	1 518	676	1 518
Provisions	14	346 105	355 633	346 105	355 633
Non-Current Liabilities		**386 906**	**350 713**	**386 548**	**350 713**
Financial guarantee contracts	15	3 694	5 014	3 694	5 014
Finance lease obligation	11	136 845	143 500	136 845	143 500
Operating lease liability		245 572	201 382	245 528	201 382
Deferred income	13	795	817	481	817
Total Liabilities		**1 467 899**	**1 384 575**	**1 456 037**	**1 384 575**
Net Assets		**1 325 557**	**815 300**	**1 268 149**	**815 300**
NET ASSETS					
Reserves					
Asset revaluation reserve	16	29 404	29 426	29 404	29 426
Capital reserve on establishment	17	32 364	32 364	32 364	32 364
Accumulated surplus		1 263 789	753 510	1 206 381	753 510
Total net assets		**1 325 557**	**815 300**	**1 268 149**	**815 300**

SOUTH AFRICAN REVENUE SERVICE - OWN ACCOUNTS

Statement of Financial Performance

for the year ended 31 March 2010

		ECONOMIC ENTITY		CONTROLLING ENTITY	
		2010	2009	2010	2009
	Note(s)	R'000	R'000	R'000	R'000
REVENUE		**7 514 631**	**6 668 139**	**7 485 553**	**6 668 139**
Rendering of services	18	1 076	-	-	-
Market fee income	18	28 000	-	-	-
Transfers from government entities	18	7 148 446	6 302 778	7 148 446	6 302 778
Other income	19	337 109	365 361	337 107	365 361
EXPENDITURE		**(6 996 742)**	**(6 511 109)**	**(7 032 573)**	**(6 511 109)**
Administrative expenses		(1 381 332)	(1 280 439)	(1 380 896)	(1 280 439)
Depreciation and amortisation		(381 078)	(277 333)	(381 053)	(277 333)
Provision for impairment of loan to controlled entity	20	-	-	(88 005)	-
Impairments of assets	20	(35 836)	(23 365)	10 669	(23 365)
Revaluation of fixed property	5	-	(65 495)	-	(65 495)
Employee costs		(4 427 767)	(4 021 471)	(4 422 732)	(4 021 471)
Professional and special services		(746 536)	(817 454)	(746 363)	(817 454)
Other expenses		(3 401)	(174)	(3 401)	(174)
Finance costs	21	(20 792)	(25 378)	(20 792)	(25 378)
(Loss) / Gain on disposal of assets and liabilities		(131)	(5 762)	(131)	(5 762)
Taxation	10 & 22	(7 501)	-	-	-
Surplus for the year		**510 257**	**151 268**	**452 849**	**151 268**

Statement of Changes in Net Assets

for the year ended 31 March 2010

	Revaluation reserve R'000	Capital reserve R'000	Total reserves R'000	Accumulated surplus R'000	Total net assets R'000
Economic entity					
Opening balance as previously reported	811	32 364	33 175	655 538	688 713
Adjustments					
Prior year adjustments	-	-	-	(53 296)	(53 296)
Balance at 01 April 2008 as restated	**811**	**32 364**	**33 175**	**602 242**	**635 417**
Changes in net assets					
Depreciation based on the revalued portion of assets	(8)	-	(8)	-	(8)
Net income (losses) recognised directly in net assets	(8)	-	(8)	-	(8)
Surplus for the year	-	-	-	151 268	151 268
Total recognised income and expenses for the year	**(8)**	**-**	**(8)**	**151 268**	**151 260**
Impairment loss recognised in equity	(341)	-	(341)	-	(341)
Surplus in revaluation of property	28 964	-	28 964	-	28 964
Total changes	**28 615**	**-**	**28 615**	**151 268**	**179 883**
Opening balance as previously reported	29 426	32 364	61 790	790 151	851 941
Adjustments					
Prior year adjustments	-	-	-	(36 641)	(36 641)
Balance at 01 April 2009 as restated	**29 426**	**32 364**	**61 790**	**753 510**	**815 300**
Changes in net assets					
Depreciation based on the revalued portion of assets	(22)	-	(22)	22	-
Net income (losses) recognised directly in net assets	(22)	-	(22)	22	-
Surplus for the year	-	-	-	510 257	510 257
Total recognised income and expenses for the year	**(22)**	**-**	**(22)**	**510 279**	**510 257**
Total changes	**(22)**	**-**	**(22)**	**510 279**	**510 257**
Balance at 31 March 2010	**29 404**	**32 364**	**61 768**	**1 263 789**	**1 325 557**
Note(s)	16	17			

SOUTH AFRICAN REVENUE SERVICE - OWN ACCOUNTS

Statement of Changes in Net Assets

for the year ended 31 March 2010

	Revaluation reserve R'000	Capital reserve R'000	Total reserves R'000	Accumulated surplus R'000	Total net assets R'000
Controlling entity					
Opening balance as previously reported	811	32 364	33 175	655 538	688 713
Adjustments					
Prior year adjustments	-	-	-	(53 296)	(53 296)
Balance at 01 April 2008 as restated	**811**	**32 364**	**33 175**	**602 242**	**635 417**
Changes in net assets					
Depreciation based on the revalued portion of assets	(8)	-	(8)	-	(8)
Net income (losses) recognised directly in net assets	(8)	-	(8)	-	(8)
Surplus for the year	-	-	-	151 268	151 268
Total recognised income and expenses for the year	**(8)**	**-**	**(8)**	**151 268**	**151 260**
Impairment loss recognised in equity	(341)	-	(341)	-	(341)
Surplus in revaluation of property	28 964	-	28 964	-	28 964
Total changes	**28 615**	**-**	**28 615**	**151 268**	**179 883**
Opening balance as previously reported	29 426	32 364	61 790	790 151	851 941
Adjustments					
Prior year adjustments	-	-	-	(36 641)	(36 641)
Balance at 01 April 2009 as restated	**29 426**	**32 364**	**61 790**	**753 510**	**815 300**
Changes in net assets					
Depreciation based on the revalued portion of assets	(22)	-	(22)	22	-
Net income (losses) recognised directly in net assets	(22)	-	(22)	22	-
Surplus for the year	-	-	-	452 849	452 849
Total recognised income and expenses for the year	**(22)**	**-**	**(22)**	**452 871**	**452 849**
Total changes	**(22)**	**-**	**(22)**	**452 871**	**452 849**
Balance at 31 March 2010	**29 404**	**32 364**	**61 768**	**1 206 381**	**1 268 149**
Note(s)	16	17			

SOUTH AFRICAN REVENUE SERVICE - OWN ACCOUNTS

Cash Flow Statement

for the year ended 31 March 2010

		ECONOMIC ENTITY		CONTROLLING ENTITY	
		2010	2009	2010	2009
	Note(s)	R'000	R'000	R'000	R'000
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts		**7 518 678**	**6 666 150**	**7 492 114**	**6 666 150**
Sale of goods and services		1 076	-	-	-
Grants		7 148 446	6 302 778	7 148 446	6 302 778
Interest income		110 065	146 020	110 063	146 020
Other receipts		259 091	217 352	233 605	217 352
Payments		**(6 470 760)**	**(5 951 459)**	**(6 468 637)**	**(5 951 459)**
Employee costs		(4 396 554)	(3 962 825)	(4 392 761)	(3 962 825)
Suppliers		(2 071 840)	(1 988 634)	(2 075 876)	(1 988 634)
Tax paid	10	(2 366)	-	-	-
Net cash flows from operating activities	**23**	**1 047 918**	**714 691**	**1 023 477**	**714 691**
CASH FLOWS FROM INVESTING ACTIVITIES					
Net cash flows from investing activities		**(627 883)**	**(646 468)**	**(618 222)**	**(646 468)**
Purchase of property, plant and equipment	5	(270 484)	(406 531)	(270 484)	(406 531)
Proceeds from sale of property, plant and equipment		3 571	744	3 571	744
Purchase of intangible assets	7	(263 314)	(240 681)	(263 304)	(240 681)
Business combinations	24	(97 656)	-	-	-
Loan advanced to controlled entity	9	-	-	(88 005)	-
CASH FLOWS FROM FINANCING ACTIVITIES					
Net cash flows from financing activities		**(27 998)**	**(159 069)**	**(27 998)**	**(159 069)**
Repayment of financial guarantee contracts		(1 320)	(3 485)	(1 320)	(3 485)
Finance lease payments		(26 678)	(155 584)	(26 678)	(155 584)
Net increase/(decrease) in cash and cash equivalents		**392 037**	**(90 846)**	**377 257**	**(90 846)**
Cash and cash equivalents at the beginning of the year		981 670	1 072 516	981 670	1 072 516
Cash and cash equivalents at the end of the year	4	**1 373 707**	**981 670**	**1 358 927**	**981 670**

Accounting Policies

1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with the effective South African Statements of Generally Recognised Accounting Practice (GRAP) including any interpretations and directives issued by the Accounting Standards Board in accordance with the Public Finance Management Act (Act 1 of 1999). These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise. They are presented in South African Rand.

A summary of the significant accounting policies, which have been consistently applied, 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 so as to obtain benefits from its activities.

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.

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 is 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.

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 14 - 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.

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.

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 is initially measured at cost.

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

Where an asset is acquired 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.

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 are depreciated on the straight line basis over their expected useful lives to their estimated residual value.

Property, plant and equipment, other than Land and Buildings, are carried at cost less accumulated depreciation and any impairment losses.

Land and Buildings 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.

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

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

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
Computer equipment	3 years to 5 years
Leasehold improvements	Over the life of the asset or the lease period whichever is shorter
Generators	10 years
Security equipment	5 years

The residual value, and 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.

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

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

Items of property, plant 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.

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.

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

Item	Useful life
Intellectual Property	Indefinite
Computer software	3 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.

1.5 Investment in controlled entity

Economic entity's annual financial statements

The economic entity's 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's annual financial statements

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

The cost of an investment in 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

Classification

The economic entity classifies financial assets and financial liabilities into the following categories:

- Financial assets at fair value through surplus or deficit designated
- Loans and receivables
- Financial liabilities at fair value through surplus or deficit designated

Classification depends on the purpose for which the financial instruments were obtained / incurred and takes place at initial recognition. Classification is re-assessed on an annual basis, except for derivatives and financial assets designated as at fair value through surplus or deficit, which shall not be classified out of the fair value through surplus or deficit category.

Initial recognition and measurement

Financial instruments are recognised initially when the economic entity becomes a party to the contractual provisions of the instruments.

The economic entity classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement.

Financial instruments are measured initially at fair value, except for equity investments for which a fair value is not determinable, which are measured at cost and are classified as available for sale financial assets.

For financial instruments which are not at fair value through surplus or deficit, transaction costs are included in the initial measurement of the instrument.

Transaction costs on financial instruments at fair value through surplus or deficit are recognised in surplus or deficit.

Subsequent measurement

Financial instruments at fair value through surplus or deficit are subsequently measured at fair value, with gains and losses arising from changes in fair value being included in surplus or deficit for the period.

Net gains or losses on the financial instruments at fair value through surplus or deficit include dividends and interest.

Loans and receivables are subsequently measured at amortised cost, using the effective interest method, less accumulated impairment losses.

Financial liabilities at amortised cost are subsequently measured at amortised cost, using the effective interest method.

Fair value determination

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the economic entity establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models making maximum use of market inputs and relying as little as possible on entity specific inputs.

Impairment of financial assets

At each end of the reporting period the economic entity assesses all financial assets, other than those at fair value through surplus or deficit, to determine whether there is objective evidence that a financial asset or group of financial assets has been impaired.

For amounts due to the economic entity, significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy and default of payments are all considered indicators of impairment.

Impairment losses are recognised in surplus or deficit.

Impairment losses are reversed when an increase in the financial asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the financial asset at the date that the impairment is reversed shall not exceed what the carrying amount would have been had the impairment not been recognised.

Reversals of impairment losses are recognised in surplus or deficit except for equity investments classified as available-for-sale.

Where financial assets are impaired through use of an allowance account, the amount of the loss is recognised in surplus or deficit within operating expenses. When such assets are written off, the write-off is made against the relevant allowance account. Subsequent recoveries of amounts previously written off are credited against operating expenses.

Financial instruments designated as at fair value through surplus or deficit
Financial guarantee contracts are classified as financial instruments designated as at fair value through profit and loss.

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of the debt instrument.

SARS provides financial guarantees for employee housing loans to financial institutions.

Loans to economic entities
Loans to economic entities are classified as loans and receivables.

Trade and other receivables
Trade receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in surplus or deficit when there is objective evidence that the asset is impaired. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the deficit is recognised in surplus or deficit within operating expenses. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against operating expenses in surplus or deficit.

Trade and other receivables are classified as loans and receivables.

Trade and other payables
Trade payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These are initially and subsequently recorded at fair value.

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 liability is recognised for all taxable temporary differences associated with investments in the controlled entity, branches and associates, and interests in joint ventures, except to the extent that both of the following conditions are satisfied:

- the parent, investor or venturer is able to control the timing of the reversal of the temporary difference; and
- it is probable that the temporary difference will not reverse in the foreseeable future.

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).

A deferred tax asset is recognised for all deductible temporary differences arising from investments in the controlled entity, branches and associates, and interests in joint ventures, to the extent that it is probable that:

- the temporary difference will reverse in the foreseeable future; and
- taxable surplus will be available against which the temporary difference can be utilised.

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 other comprehensive income; or
- a business combination.

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

1.8 Leases

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

Finance leases - 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 straight line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease liability.

1.9 Impairment of cash generating assets

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

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset’s future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash generating unit is the smallest identifiable group of assets 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 (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:

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

Reversal of impairment loss

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

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

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

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

After a reversal of an impairment loss is recognised, the depreciation (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.

The amount of the reversal of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit.

1.10 Share capital / contributed capital

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

1.11 Employee benefits

Short term employee benefits

The cost of short term employee benefits (those payable within 12 months after the service is rendered, such as paid vacation 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 to defined contribution retirement benefit plans are charged as an expense as they fall due.

Payments made to industry managed or state plans are dealt with as defined contribution plans where the economic 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 which responsibility vests with the contribution retirement benefit schemes.

1.12 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 some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the economic entity settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

Provisions are not recognised for future operating deficits.

If an entity has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

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, that is, there is a binding agreement.

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 31.

1.13 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 (primarily in the form of goods, services or use of assets) 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.

1.14 Government grants

Turnover comprises of sales to customers and service rendered to customers. Turnover is stated at the invoice amount and is exclusive of value added taxation.

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 administrative revenue.

1.15 Investment income

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

1.16 Borrowing costs

It is inappropriate to capitalise borrowing costs when, and only when, there is clear evidence that it is difficult to link the borrowing requirements of an entity directly to the nature of the expenditure to be funded i.e. capital or current.

Borrowing costs are recognised as an expense in the period in which they are incurred.

1.17 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 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;
- non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction; and
- non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

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.

1.18 Comparative figures

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

1.19 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. New standards and interpretations

2.1 Standards and interpretations effective and adopted in the current year

In the current year, the economic entity has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

GRAP 4: The Effects of Changes in Foreign Exchange Rates

The initial application of GRAP 4 will have no impact on the annual financial statements.

The following Directives also need to be considered:

Directive 2 - Transitional provisions for public entities, municipal entities and constitutional institutions, require retrospective application on the initial adoption of the standard except for the acquisition of foreign operations.

The effective date of the standard is for years beginning on or after 01 April 2009.

The economic entity has adopted the standard for the first time in the 2010 annual financial statements.

GRAP 6: Consolidated and Separate Financial Statements

GRAP 6 includes specific guidance on whether control exists and on power conditions to determine whether control exits in a public sector context – public sector entities need to consider impact of this guidance to determine whether an investment should be accounted for in accordance with GRAP 6.

The initial application of GRAP 6 will have no impact on the annual financial statements.

The following Directives also need to be considered:

Directive 2 - Transitional provisions for public entities, municipal entities and constitutional institutions, requires retrospective application of the standard.

The effective date of the standard is for years beginning on or after 01 April 2009.

The economic entity has adopted the standard for the first time in the 2010 annual financial statements.

GRAP 13: Leases

GRAP 13 incorporates additional guidance on the concept of substance and legal form of a transaction, to illustrate the difference between lease and other contracts and on operating lease incentives.

In certain circumstances, legislation may prohibit the entering into certain types of lease agreements. If the economic entity has contravened these legislative requirements, the economic entity is still required to apply the requirements of GRAP 13.

Other than the abovementioned requirements, there is no other impact on the initial adoption of GRAP 13.

The following Directives also need to be considered:

Directive 2 - Transitional provisions for public entities, municipal entities and constitutional institutions requires retrospective application of the standard.

The effective date of the standard is for years beginning on or after 01 April 2009.

The economic entity has adopted the standard for the first time in the 2010 annual financial statements.

GRAP 14: Events after the reporting date

An event, which could be favourable or unfavourable, that occurs between the reporting date and the date the annual financial statements are authorised for issue.

GRAP 14 requires that the date of authorisation for issue is the date on which the annual financial statements have received approval from management to be issued to the executive authority or municipal council.

Two types of events can be identified:

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

An entity shall adjust the amounts recognised in its annual financial statements to reflect adjusting events after the reporting date.

An entity shall not adjust the amounts recognised in its annual financial statements to reflect non-adjusting events after the reporting date.

The effective date of the standard is for years beginning on or after 01 April 2009.

The economic entity has adopted the standard for the first time in the 2010 annual financial statements.

The impact of the standard is not material.

GRAP 17: Property, Plant and Equipment

Additional commentary has been included to clarify the applicability of infrastructure assets to be recognised in terms of GRAP 17.

Where an entity acquires an asset through a non-exchange transaction, i.e. for a nominal or no consideration, its cost is its fair value as at the date of acquisition.

The disclosure requirement for temporarily idle, fully depreciated property, plant and equipment and for property, plant and equipment that are retired from active use is required in GRAP 17 whereas IAS 16 only encourages this disclosure.

The following Directives also need to be considered:

Directive 2 - Transitional provisions for public entities, municipal entities and constitutional institutions requires retrospective application of this standard.

The effective date of the standard is for years beginning on or after 01 April 2009.

The economic entity has adopted the standard for the first time in the 2010 annual financial statements.

The impact of the standard is not material.

GRAP 19: Provisions, Contingent Liabilities and Contingent Assets

GRAP 19 excludes from its scope those provisions and contingent liabilities arising from social benefits for which it does not receive consideration that is approximately equal to the value of goods and services provided directly in return from the recipients of those benefits.

Outflow of resources embodying service potential also needs to be considered when assessing if a present obligation that arises from past events exists or not.

Additional disclosure for each class of provision regarding reductions in the carrying amounts of provisions that result from payments or other outflows of economic benefits or service potential made during the reporting period and reductions in the carrying amounts of provisions resulting from remeasurement of the estimated future outflow of economic benefits or service potential, or from settlement of the provisions without cost to the economic entity.

Directive 2 - Transitional provisions for public entities, municipal entities and constitutional institutions requires retrospective application of this standard.

The effective date of the standard is for years beginning on or after 01 April 2009.

The economic entity has adopted the standard for the first time in the 2010 annual financial statements.

The impact of the standard is not material.

GRAP 102: Intangible Assets

GRAP 102 excludes guidance on accounting for intangible assets acquired as part of an entity combination and in process research and development costs acquired in an entity combination.

Recognition requirement includes the concept of the probable flow of service potential.

GRAP 102 distinguishes between impairment loss of cash generating and non-cash generating assets.

Intangible assets acquired at no or for a nominal cost shall be measured on acquisition date at its fair value.

In GRAP 102 the identifiability criterion in the definition of an intangible asset has been expanded to include contractual rights arising from binding arrangements, and to exclude rights granted by statute.

Additional guidance included in GRAP 102 to explain that distinction should be made between assets associated with the item of property, plant and equipment and the intangible asset.

Guidance on web site costs has been included in GRAP 102 from SIC Interpretation 32 Intangible Assets – Web Site Costs.

Directive 2 - Transitional provisions for public entities, municipal entities and constitutional institutions requires retrospective application of this standard.

The effective date of the standard is for years beginning on or after 01 April 2009.

The economic entity has adopted the standard for the first time in the 2010 annual financial statements.

The impact of the standard is not material.

IPSAS 20: Related Party Disclosure

IPSAS 20 specifically excludes any consideration provided to key management personnel solely as a reimbursement for expenditure incurred by those individuals for the benefit of the reporting entity.

The effective date of the standard is for years beginning on or after 01 April 2009.

The economic entity has adopted the standard for the first time in the 2010 annual financial statements.

The impact of the standard is not material.

2.2 Standards and interpretations issued, but not yet effective

The economic entity has not applied the following standards and interpretations, which have been published and are mandatory for the economic entity's accounting periods beginning on or after 01 April 2010 or later periods:

IFRS 3 (AC 140) (Revised) Business Combinations

The revisions to IFRS 3 (AC 140) Business combinations require:

- Acquisition costs to be expensed.
- Non-controlling interest to either be calculated at fair value or at their proportionate share of the net identifiable assets of the acquiree.
- Contingent consideration to be included in the cost of the business combination without further adjustment to goodwill, apart from measurement period adjustments.
- All previous interests in the acquiree to be remeasured to fair value at acquisition date when control is achieved in stages, and for the fair value adjustments to be recognised in surplus or deficit.
- Goodwill to be measured as the difference between the acquisition date fair value of consideration paid, non-controlling interest and fair value of previous shareholding and the fair value of the net identifiable assets of the acquiree.
- The acquirer to reassess, at acquisition date, the classification of the net identifiable assets of the acquiree, except for leases and insurance contracts.
- Contingent liabilities of the acquiree to only be included in the net identifiable assets when there is a present obligation with respect to the contingent liability.

The effective date of the standard is for years beginning on or after 01 July 2009.

The economic entity expects to adopt the standard for the first time in the 2011 annual financial statements.

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

GRAP 24: Presentation of Budget Information in the Financial Statements

Subject to the requirements of paragraph .19 of GRAP 24 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.

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 effective date of the standard is for years beginning on or after 01 April 2010.

The economic entity expects to adopt the standard for the first time in the 2011 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 is currently provided in the annual financial statements.

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 use 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.

The effective date of the standard is for years beginning on or after 01 April 2010.

The economic entity expects to adopt the standard for the first time in the 2011 annual financial statements.

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

GRAP 25: Employee benefits

The objective of GRAP25 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
- 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
- Other long term employee benefits as employee benefits (other than post employment benefits and termination benefits) that is not due to be settled within twelve months after the end of the period in which the employees render the related service
- Short term employee benefits as employee benefits (other than termination benefits) that are due to be settled within twelve months after the end of the period in which the employees render the related service
- Termination benefits as employee benefits payable as a result of either:
  - an entity's decision to terminate an employee's employment before the normal retirement date or
  - an employee's decision to accept voluntary redundancy in exchange for those benefits 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.

The standard states post employment benefits: Distinction between defined contribution plans and defined benefit plans:

- Multi employer plans
- Defined benefit plans where the participating entities are under common control
- State plans
- Composite social security programmes and
- Insured 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 effective date of the standard is for years beginning on or after 01 April 2011.

The economic entity expects to adopt the standard for the first time in the 2012 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 is currently provided in the annual financial statements.

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, transaction 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.

Concessionary loans are loans either received by or granted to another economic entity on concessionary terms, e.g. at low interest rates and flexible repayment terms. On initial recognition, the fair value of a concessionary loan is the present value of the agreed contractual cash flows, discounted using a market related rate of interest for a similar transaction. The difference between the proceeds either received or paid and the present value of the contractual cash flows is accounted for as non-exchange revenue by the recipient of a concessionary loan in accordance with standard of GRAP on Revenue from non-exchange Revenue Transactions (Taxes and Transfers), and using the Framework for the Preparation and Presentation of Financial Statements (usually as an expense) by the grantor of the loan.

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 derivative
- a combined instrument designated at fair value, i.e. an instrument that includes a derivative and a non-derivative host contract
- held for trading
- 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.

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
- significant risks and rewards are transferred to another party or
- despite having retained significant risks and rewards, an economic entity has transferred control of the asset to another economic entity.

An economic entity derecognises a financial liability when the obligation is extinguished. Exchanges of debt instruments between a borrower and a lender are treated as the extinguishment of an existing liability and the recognition of a new financial liability. Where an economic entity modifies the term of an existing financial liability, it is also treated as the extinguishment of an existing liability and the recognition of a new liability.

An economic entity cannot offset financial assets and financial liabilities in the statement of financial position unless a legal right of set off 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.

GRAP 104 does not prescribe principles for hedge accounting. An economic entity is permitted to apply hedge accounting, as long as the principles in IAS 39 are applied.

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 effective date of the standard is for years beginning on or after 01 April 2011.

The economic entity expects to adopt the standard for the first time in the 2012 annual financial statements.

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

The aggregate impact of the initial application of the statements and interpretations on the entity's financial statements is not expected to be material.

	ECONOMIC ENTITY		CONTROLLING ENTITY	
	2010	2009	2010	2009
	R'000	R'000	R'000	R'000
3. Trade and other Receivables				
Government departments	23 276	35 303	23 276	35 303
Employee costs in advance	13 170	13 456	13 170	13 456
Prepayments	20 600	34 366	20 600	34 366
Deposits	3 023	2 935	3 023	2 935
Advanced Tax Ruling (ATR) debtors	36	244	36	244
Staff accounts receivables	1 667	1 303	1 663	1 303
Other receivables	19 944	6 754	19 944	6 754
Trade debtors	2 823	-	-	-
	84 539	**94 361**	**81 712**	**94 361**
Fair value of trade and other receivables				
Trade and other receivables	84 539	94 361	81 712	94 361

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

Trade and other receivables past due but not impaired

Trade and other receivables which are less than 3 months past due are not considered to be impaired. At 31 March 2010, R 6 751 380 (2009: R 18 203 328) were past due but not impaired.

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

1 month past due	5 062	16 934	5 062	16 934
2 months past due	480	70	480	70
3 months and more past due	1 209	1 199	1 209	1 199

Trade and other receivables impaired

As of 31 March 2010, trade and other receivables of R 4 383 369 (2009: R 5 079 377) were impaired and provided for.

The ageing of these loans is as follows:

1 to 3 months	385	-	385	-
Over 3 months	3 999	5 079	3 999	5 079

Reconciliation of provision for impairment of trade and other receivables				
Opening balance	5 079	7 079	5 079	7 079
Provision for impairment	84	(306)	84	(306)
Amounts written off as uncollectible	(780)	(1 694)	(780)	(1 694)
	4 383	**5 079**	**4 383**	**5 079**

The provision for impaired receivables have been included in operating expenses in the statement of financial performance. 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.

	ECONOMIC ENTITY		CONTROLLING ENTITY	
	2010 R'000	2009 R'000	2010 R'000	2009 R'000
4. Cash and cash equivalents				
Cash and cash equivalents consist of:				
Cash on hand	380	382	380	382
Bank balances	1 373 327	981 288	1 358 547	981 288
	1 373 707	**981 670**	**1 358 927**	**981 670**

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.

5. Property, plant and equipment

	2010			2009		
	Cost / Valuation	Accumulated depreciation	Carrying value	Cost / Valuation	Accumulated depreciation	Carrying value
Economic entity						
Land	39 933	-	39 933	39 925	-	39 925
Buildings	158 025	(19 932)	138 093	157 974	(13 548)	144 426
Plant and equipment	18 231	(6 523)	11 708	18 231	(4 378)	13 853
Furniture fittings and office equipment	288 262	(162 251)	126 011	261 108	(138 050)	123 058
Motor vehicles	100 956	(58 368)	42 588	87 811	(67 281)	20 530
IT equipment	716 981	(411 923)	305 058	577 178	(344 134)	233 044
Leasehold improvements	310 039	(217 433)	92 606	267 634	(186 779)	80 855
Generators	32 169	(2 415)	29 754	32 168	(260)	31 908
Security equipment	62 025	(12 223)	49 802	18 433	(5 790)	12 643
Assets under construction	32 061	-	32 061	86 587	-	86 587
Total	**1 758 682**	**(891 068)**	**867 614**	**1 547 049**	**(760 220)**	**786 829**
Controlling entity						
Land	39 933	-	39 933	39 925	-	39 925
Buildings	158 025	(19 932)	138 093	157 974	(13 548)	144 426
Plant and equipment	18 231	(6 523)	11 708	18 231	(4 378)	13 853
Furniture fittings and office equipment	288 262	(162 251)	126 011	261 108	(138 050)	123 058
Motor vehicles	100 956	(58 368)	42 588	87 811	(67 281)	20 530
Computer equipment	716 920	(411 916)	305 004	577 178	(344 134)	233 044
Leasehold improvements	310 039	(217 433)	92 606	267 634	(186 779)	80 855
Generators	32 169	(2 415)	29 754	32 168	(260)	31 908
Security equipment	62 025	(12 223)	49 802	18 433	(5 790)	12 643
Assets under construction	32 061	-	32 061	86 587	-	86 587
Total	**1 758 621**	**(891 061)**	**867 560**	**1 547 049**	**(760 220)**	**786 829**

5. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment – Economic entity 2010

Figures in Rand thousand	Opening balance	Additions	Additions through business combinations	Disposals	Transfers	Impairments	Depreciation	Impairment reversal	Total
Land	39 925	8	-	-	-	-	-	-	39 933
Buildings	144 426	51	-	-	-	-	(6 384)	-	138 093
Plant and equipment	13 853	-	-	-	-	-	(2 145)	-	11 708
Furniture, fittings and office equipment	123 058	39 501	-	(676)	441	(68)	(38 865)	2 620	126 011
Motor vehicles	20 530	30 248	-	(539)	-	(58)	(7 593)	-	42 588
Computer equipment	233 044	103 091	62	(2 449)	81 434	(1 355)	(112 946)	4 177	305 058
Leasehold improvements	80 855	27 119	-	-	15 187	-	(30 555)	-	92 606
Generators	31 908	-	-	-	-	-	(2 154)	-	29 754
Security equipment	12 643	38 772	-	(38)	4 576	(19)	(6 358)	226	49 802
Assets under construction	86 587	31 694	-	-	(86 220)	-	-	-	32 061
	786 829	**270 484**	**62**	**(3 702)**	**15 418**	**(1 500)**	**(207 000)**	**7 023**	**867 614**

Reconciliation of property, plant and equipment – Economic entity 2009

Figures in Rand thousand	Opening balance	Additions	Disposals	Revaluations	Depreciation	Impairments	Total
Land	11 945	-	-	27 980	-	-	39 925
Buildings	162 166	-	-	(10 946)	(6 794)	-	144 426
Plant and equipment	-	18 231	-	-	(4 378)	-	13 853
Furniture, fittings and office equipment	100 171	66 414	(448)	-	(36 730)	(6 349)	123 058
Motor vehicles	18 268	4 788	-	-	(2 380)	(146)	20 530
Computer equipment	194 102	132 847	(4 374)	-	(78 336)	(11 195)	233 044
Leasehold improvements	108 045	68 927	-	(53 906)	(42 211)	-	80 855
Generators	-	32 168	-	-	(260)	-	31 908
Security equipment	3 125	12 019	-	-	(1 991)	(510)	12 643
Assets under construction	15 450	71 137	-	-	-	-	86 587
	613 272	**406 531**	**(4 822)**	**(36 872)**	**(173 080)**	**(18 200)**	**786 829**

5. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment – Controlling entity 2010

Figures in Rand thousand	Opening balance	Additions	Disposals	Transfers	Impairments	Depreciation	Impairment reversal	Total
Land	39 925	8	-	-	-	-	-	39 933
Buildings	144 426	51	-	-	-	(6 384)	-	138 093
Plant and equipment	13 853	-	-	-	-	(2 145)	-	11 708
Furniture, fittings and office equipment	123 058	39 501	(676)	441	(68)	(38 865)	2 620	126 011
Motor vehicles	20 530	30 248	(539)	-	(58)	(7 593)	-	42 588
Computer equipment	233 044	103 091	(2 449)	81 434	(1 355)	(112 938)	4 177	305 004
Leasehold improvements	80 855	27 119	-	15 187	-	(30 555)	-	92 606
Generators	31 908	-	-	-	-	(2 154)	-	29 754
Security equipment	12 643	38 772	(37)	4 576	(19)	(6 359)	226	49 802
Assets under construction	86 587	31 694	-	(86 220)	-	-	-	32 061
	786 829	**270 484**	**(3 701)**	**15 418**	**(1 500)**	**(206 993)**	**7 023**	**867 560**

Reconciliation of property, plant and equipment – Controlling entity - 2009

Figures in Rand thousand	Opening balance	Additions	Disposals	Revaluations	Depreciation	Impairments	Total
Land	11 945	-	-	27 980	-	-	39 925
Buildings	162 166	-	-	(10 946)	(6 794)	-	144 426
Plant and equipment	-	18 231	-	-	(4 378)	-	13 853
Furniture, fittings and office equipment	100 171	66 414	(448)	-	(36 730)	(6 349)	123 058
Motor vehicles	18 268	4 788	-	-	(2 380)	(146)	20 530
Computer equipment	194 102	132 847	(4 374)	-	(78 336)	(11 195)	233 044
Leasehold improvements	108 045	68 927	-	(53 906)	(42 211)	-	80 855
Generators	-	32 168	-	-	(260)	-	31 908
Security equipment	3 125	12 019	-	-	(1 991)	(510)	12 643
Assets under construction	15 450	71 137	-	-	-	-	86 587
	613 272	**406 531**	**(4 822)**	**(36 872)**	**(173 080)**	**(18 200)**	**786 829**

	ECONOMIC ENTITY		CONTROLLING ENTITY	
	2010 R'000	2009 R'000	2010 R'000	2009 R'000
5. Property, plant and equipment (continued)				
Assets subject to finance lease (Net carrying amount)				
Land	39 835	39 835	39 835	39 835
Buildings	136 713	143 065	136 713	143 065
Furniture, fittings and office equipment	24 197	22 970	24 197	22 970
	200 745	**205 870**	**200 745**	**205 870**

Revaluations

The effective date of the revaluations was 31 March 2009. Revaluation was performed by independent valuer WJ Hewitt (NDPV, C.I.E.A., FIV (SA)), Professional valuer of Mills Fitchet (TVL) cc.

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

Discount rate	16%
Capitalisation rate	10%
Period	9 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:

	ECONOMIC ENTITY 2010 R'000	ECONOMIC ENTITY 2009 R'000	CONTROLLING ENTITY 2010 R'000	CONTROLLING ENTITY 2009 R'000
Land	11 541	11 541	11 541	11 541
Buildings	148 184	154 972	148 184	154 972
Other information				
Property, plant and equipment fully depreciated and still in use (Gross carrying amount)				
Property, plant and equipment	322 438	302 955	322 438	302 955

6. Goodwill

Economic entity	2010 Cost / Valuation	2010 Accumulated amortisation	2010 Carrying value	2009 Cost / Valuation	2009 Accumulated amortisation	2009 Carrying value
Goodwill	-	-	-	-	-	-

Reconciliation of goodwill - Economic entity - 2010

	Opening balance	Additions through business combinations	Impairments	Total
Goodwill	-	46 505	(46 505)	-

Refer to note 24 for details on the origin of goodwill acquired by the economic entity.

Refer to note 20 for details on the impairment of goodwill.

7. Intangible assets

	2010 Cost / Valuation	2010 Accumulated amortisation	2010 Carrying value	2009 Cost / Valuation	2009 Accumulated amortisation	2009 Carrying value
Economic entity						
Computer software	822 079	(492 243)	329 836	628 110	(340 369)	287 741
Software under development	86 283	-	86 283	49 274	-	49 274
Intellectual property and other rights	51 477	-	51 477	-	-	-
Total	**959 839**	**(492 243)**	**467 596**	**677 384**	**(340 369)**	**337 015**
Controlling entity						
Computer software	821 929	(492 225)	329 704	628 110	(340 369)	287 741
Software under development	86 283	-	86 283	49 274	-	49 274
Total	**908 212**	**(492 225)**	**415 987**	**677 384**	**(340 369)**	**337 015**

7. Intangible assets (continued)

Reconciliation of intangible assets - Economic entity - 2010

	Opening balance	Additions	Additions through business combinations	Transfers	Amortisation	Impairment reversal	Total
Computer software	287 741	80 267	140	130 620	(174 078)	5 146	329 836
Software under development	49 274	183 047	-	(146 038)	-	-	86 283
Intellectual property and other rights	-	-	51 477	-	-	-	51 477
	337 015	**263 314**	**51 617**	**(15 418)**	**(174 078)**	**5 146**	**467 596**

Reconciliation of intangible assets - Economic entity - 2009

	Opening balance	Additions	Disposals	Impairments	Amortisation	Total
Computer software	207 437	191 407	(1 684)	(5 166)	(104 253)	287 741
Software under development	-	49 274	-	-	-	49 274
Intellectual property and other rights	-	-	-	-	-	-
	207 437	**240 681**	**(1 684)**	**(5 166)**	**(104 253)**	**337 015**

Reconciliation of intangible assets - Controlling entity - 2010

	Opening balance	Additions	Transfers	Amortisation	Impairment reversal	Total
Computer software	287 741	80 257	130 620	(174 060)	5 146	329 704
Software under development	49 274	183 047	(146 038)	-	-	86 283
	337 015	**263 304**	**(15 418)**	**(174 060)**	**5 146**	**415 987**

Reconciliation of intangible assets - Controlling entity - 2009

	Opening balance	Additions	Disposals	Impairments	Amortisation	Total
Computer software	207 437	191 407	(1 684)	(5 166)	(104 253)	287 741
Software under development	-	49 274	-	-	-	49 274
	207 437	**240 681**	**(1 684)**	**(5 166)**	**(104 253)**	**337 015**

	ECONOMIC ENTITY		CONTROLLING ENTITY	
	2010	2009	2010	2009
	R'000	R'000	R'000	R'000

7. **Intangible assets (continued)**

Details of valuation

The effective date of the revaluation was 01 February 2010. The valuation was performed by an independent valuer, KPMG Services (Proprietary) Limited. KPMG Services (Proprietary) Limited is not connected to the economic entity and have recent experience in location and category of the intangible being valued.

For the intellectual property, totalling R 51 477 000 where there was a lack of comparable market data, the valuation was based on the relief-from-royalty method. The following assumption was used:
Discount rate 21.66%

8. **Investment in controlled entity**

Name of company	Held by	% holding 2010	% holding 2009	Carrying amount 2010	Carrying amount 2009
Clidet No 967 (Pty) Ltd	South African Revenue Service	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 24.

9. **Loan to the controlled entity**

Clidet No 967 (Pty) Ltd	-	-	88 005	-
	-	-	88 005	-
Provision for impairment of loan to the controlled entity	-	-	(88 005)	-
	-	-	-	-

The loan is unsecured, carries no interest and does not have repayment terms. SARS will provide Clidet with operational funding in accordance with pre-approved annual budgets for a maximum of 4 years.

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 liabilities.

Fair value of the loan to the controlled entity

Loan to controlled entity	-	-	-	-

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 2010, the loan to Clidet No 967 (Pty) Ltd of R 88 004 974 (2009: R -) was provided for.

The amount of the provision was R 88 004 974 as of 31 March 2010 (2009: R -).

	ECONOMIC ENTITY 2010 R'000	ECONOMIC ENTITY 2009 R'000	CONTROLLING ENTITY 2010 R'000	CONTROLLING ENTITY 2009 R'000
9. Loan to the controlled entity (continued)				
The ageing of these loans is as follows:				
Current	-	-	6 296	-
1 to 6 months	-	-	62 709	-
Over 6 months	-	-	19 000	-
Reconciliation of the provision for impairment of the loan to the controlled entity				
Provision for impairment	-	-	88 005	-

The provision for impaired loan to the controlled entity have been included in operating expenses in the statement of financial performance (note 20).

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

	ECONOMIC ENTITY 2010 R'000	ECONOMIC ENTITY 2009 R'000	CONTROLLING ENTITY 2010 R'000	CONTROLLING ENTITY 2009 R'000
10. Tax paid				
Current tax for the year recognised in surplus or deficit	(7 501)	-	-	-
Balance at end of the year	5 135	-	-	-
	(2 366)	-	-	-
11. Finance lease obligation				
Land and buildings - Alberton acquisition				
Minimum lease payments due				
- within one year	20 526	19 183	20 526	19 183
- in second to fifth year inclusive	97 515	91 135	97 515	91 135
- later than five years	83 889	110 794	83 889	110 794
	201 930	**221 112**	**201 930**	**221 112**
less: future finance charges	(70 785)	(85 299)	(70 785)	(85 299)
Present value of minimum lease payments	**131 145**	**135 813**	**131 145**	**135 813**

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	ECONOMIC ENTITY		CONTROLLING ENTITY	
	2010 R'000	2009 R'000	2010 R'000	2009 R'000
11. Finance lease obligation (continued)				
Office equipment				
Minimum lease payments due				
- within one year	16 382	17 525	16 382	17 525
- in second to fifth year inclusive	17 494	17 246	17 494	17 246
	33 876	34 771	33 876	34 771
less: future finance charges	(9 736)	(9 413)	(9 736)	(9 413)
Present value of minimum lease payments	**24 140**	**25 358**	**24 140**	**25 358**
Non-current liabilities	136 845	143 500	136 845	143 500
Current liabilities	18 440	17 671	18 440	17 671
	155 285	**161 171**	**155 285**	**161 171**

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 GRAP 13. The leases are payable in 36 or 60 monthly installments.

	ECONOMIC ENTITY 2010 R'000	ECONOMIC ENTITY 2009 R'000	CONTROLLING ENTITY 2010 R'000	CONTROLLING ENTITY 2009 R'000
12. Trade and other payables				
Trade accounts payables and accruals	395 515	390 801	393 824	390 801
Retentions	91	15	91	15
Accruals for salary related expenses	310 809	267 955	310 118	267 955
Other payables	235	269	235	269
	706 650	**659 040**	**704 268**	**659 040**

	ECONOMIC ENTITY		CONTROLLING ENTITY	
	2010 R'000	2009 R'000	2010 R'000	2009 R'000
13. Deferred income				
Tenant allowances	1 400	1 803	1 086	1 803
Unspent donor funding	71	532	71	532
	1 471	**2 335**	**1 157**	**2 335**
Non-current liabilities	795	817	481	817
Current liabilities	676	1 518	676	1 518
	1 471	**2 335**	**1 157**	**2 335**

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

Unspent donor funding represents unspent donations received for a specific purpose at the year end.

14. Provisions

Reconciliation of provisions	Opening Balance R'000	Additions R'000	Utilised during the year R'000	Unutilised provision R'000	Total R'000
Economic entity - 2010					
Leave pay	65 633	11 815	(4 190)	(553)	72 705
Performance bonuses	290 000	270 000	(286 063)	(3 937)	270 000
Other sundry provisions	-	3 400	-	-	3 400
	355 633	**285 215**	**(290 253)**	**(4 490)**	**346 105**
Economic entity - 2009					
Leave pay	44 907	28 296	(5 844)	(1 726)	65 633
Performance bonuses	290 000	290 000	(279 555)	(10 445)	290 000
	334 907	**318 296**	**(285 399)**	**(12 171)**	**355 633**
Controlling entity - 2010					
Leave pay	65 633	11 815	(4 190)	(553)	72 705
Performance bonuses	290 000	270 000	(286 063)	(3 937)	270 000
Other sundry provisions	-	3 400	-	-	3 400
	355 633	**285 215**	**(290 253)**	**(4 490)**	**346 105**
Controlling entity - 2009					
Leave pay	44 907	28 296	(5 844)	(1 726)	65 633
Performance bonuses	290 000	290 000	(279 555)	(10 445)	290 000
	334 907	**318 296**	**(285 399)**	**(12 171)**	**355 633**

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	ECONOMIC ENTITY		CONTROLLING ENTITY	
	2010	2009	2010	2009
	R'000	R'000	R'000	R'000

14. Provisions (continued)

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.

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.

15. Financial guarantee contracts

	Economic 2010	Economic 2009	Controlling 2010	Controlling 2009
At fair value through surplus or deficit				
Housing guarantees	3 694	5 014	3 694	5 014

Housing guarantees are issued in terms of the State Housing Programme to qualifying employees.

	Economic 2010	Economic 2009	Controlling 2010	Controlling 2009
Non-current liabilities				
Fair value through surplus or deficit	3 694	5 014	3 694	5 014

The fair values of the financial liabilities were determined as follows:

Financial guarantees are initially recognised at fair value. This amount initially recognised is the best estimate of the expenditure required to settle the present obligation.

16. Asset revaluation reserve

	Economic 2010	Economic 2009	Controlling 2010	Controlling 2009
Opening balance	29 426	811	29 426	811
Depreciation based on the revalued portion of assets	(22)	(8)	(22)	(8)
Reversal of prior period revaluation	-	(341)	-	(341)
Current year revaluation	-	28 964	-	28 964
	29 404	**29 426**	**29 404**	**29 426**

17. Capital reserve on establishment

	Economic 2010	Economic 2009	Controlling 2010	Controlling 2009
Surplus of assets over liabilities transferred from Government on 1 October 1997	32 364	32 364	32 364	32 364

	ECONOMIC ENTITY 2010 R'000	ECONOMIC ENTITY 2009 R'000	CONTROLLING ENTITY 2010 R'000	CONTROLLING ENTITY 2009 R'000
18. Revenue				
Rendering of services	1 076	-	-	-
Sale of seller rights	28 000	-	-	-
Transfers from government entities	7 148 446	6 302 778	7 148 446	6 302 778
	7 177 522	**6 302 778**	**7 148 446**	**6 302 778**

The amount included in revenue arising from exchanges of goods or services included in revenue are as follows:

	ECONOMIC ENTITY 2010 R'000	ECONOMIC ENTITY 2009 R'000	CONTROLLING ENTITY 2010 R'000	CONTROLLING ENTITY 2009 R'000
Rendering of services	1 076	-	-	-
Sale of seller rights	28 000	-	-	-
	29 076	**-**	**-**	**-**

The amount included in revenue arising from non-exchange transactions included in revenue is as follows:

	ECONOMIC ENTITY 2010 R'000	ECONOMIC ENTITY 2009 R'000	CONTROLLING ENTITY 2010 R'000	CONTROLLING ENTITY 2009 R'000
Transfers from government entities	**7 148 446**	**6 302 778**	**7 148 446**	**6 302 778**
19. Other income				
Commission received	209 284	204 913	209 284	204 913
Interest received	111 682	139 517	111 680	139 517
Other income	13 529	20 002	13 529	20 002
Funds received from international donors	-	732	-	732
Profit from foreign exchange rate differences	2 614	197	2 614	197
	337 109	**365 361**	**337 107**	**365 361**
20. Impairment of assets				
Impairments				
Property, plant and equipment	1 500	18 199	1 500	18 199
Intangible assets	-	5 166	-	5 166
Goodwill	46 505	-	-	-
Loan to controlled entity	-	-	88 005	-
	48 005	**23 365**	**89 505**	**23 365**
Reversal of impairments				
Property, plant and equipment	(7 023)	-	(7 023)	-
Intangible assets	(5 146)	-	(5 146)	-
	(12 169)	**-**	**(12 169)**	**-**
Total impairment losses (recognised) reversed	**35 836**	**23 365**	**77 336**	**23 365**

Assets impaired generally represents 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.

	ECONOMIC ENTITY		CONTROLLING ENTITY	
	2010	2009	2010	2009
	R'000	R'000	R'000	R'000

20. Impairment of assets (continued)

Reversal of impairments 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.

The loan to Clidet No 967 (Pty) Ltd was impaired based on the required fair value measurement of expected future cash flows from the loan.

21. Finance costs

Finance leases	20 792	25 378	20 792	25 378

22. Taxation

Major components of the tax expense

Current

Local income tax - current period	7 501	-	-	-

Reconciliation of the tax expense

Reconciliation between accounting surplus and tax expense.

Surplus before tax	517 758	-	-	-
Surplus attributable to SARS (exempt from tax)	(540 854)	-	-	-
Accounting Profit subject to tax	(23 096)	-	-	-
Tax at 28%	(6 467)	-	-	-
Deferred tax not raised	1 094	-	-	-
Permanent difference - provision for leave pay at acquisition date	(148)	-	-	-
Non-deductible expenses	13 022	-	-	-
	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	
	2010	2009	2010	2009
	R'000	R'000	R'000	R'000
23. Cash generated from operations				
Surplus	510 257	151 268	452 849	151 268
Adjustments for:				
Depreciation and amortisation	381 078	277 333	381 053	277 333
Gain on sale of assets and liabilities	131	5 762	131	5 762
Impairment deficit	35 836	88 860	77 336	88 860
Movements in operating lease assets and accruals	44 190	14 664	44 146	14 664
Movements in provisions	(9 528)	20 726	(9 528)	20 726
Movement in tax receivable and payable	5 135	-	-	-
Finance costs	20 792	25 378	20 792	25 378
Changes in working capital:				
Trade and other receivables	9 822	(12 950)	12 649	(12 950)
Trade and other payables	47 082	149 887	45 227	149 887
VAT	3 987	-	-	-
Deferred income	(864)	(6 237)	(1 178)	(6 237)
	1 047 918	**714 691**	**1 023 477**	**714 691**

24. 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				
Property, plant and equipment	62	-	-	-
Intangible assets	51 617	-	-	-
Bonus and leave provision	(528)	-	-	-
Total identifiable net assets	51 151	-	-	-
Goodwill	46 505	-	-	-
	97 656	**-**	**-**	**-**

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	ECONOMIC ENTITY		CONTROLLING ENTITY	
	2010	2009	2010	2009
	R'000	R'000	R'000	R'000
24. Business combinations (continued)				
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 R29 078 243 and loss of R30 596 701 of Clidet No 967 (Pty) Ltd have been included in the economic entity's results since the date of acquisition.

25. Financial assets by category

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

	Loans and receivables	Fair value through surplus or deficit - designated	Total
Economic entity - 2010			
Trade and other receivables	84 539	-	84 539
Cash and cash equivalents	-	1 373 707	1 373 707
	84 539	**1 373 707**	**1 458 246**
Economic entity - 2009			
Trade and other receivables	94 361	-	94 361
Cash and cash equivalents	-	981 670	981 670
	94 361	**981 670**	**1 076 031**
Controlling entity - 2010			
Loan to controlled entity	-	-	-
Trade and other receivables	81 713	-	81 713
Cash and cash equivalents	-	1 358 927	1 358 927
	81 713	**1 358 927**	**1 440 640**
Controlling entity - 2009			
Loan to controlled entity	-	-	-
Trade and other receivables	94 361	-	94 361
Cash and cash equivalents	-	981 670	981 670
	94 361	**981 670**	**1 076 031**

	ECONOMIC ENTITY		CONTROLLING ENTITY	
	2010	2009	2010	2009
	R'000	R'000	R'000	R'000

26. Retirement benefits

Defined contribution retirement fund

Entitlement to retirement benefits is governed by the rules of the Pension Fund which is a defined contribution retirement fund. The economic entity has no legal or constructive obligation to pay for future benefits, this responsibility vests with the Pension Fund.

	ECONOMIC ENTITY 2010 R'000	ECONOMIC ENTITY 2009 R'000	CONTROLLING ENTITY 2010 R'000	CONTROLLING ENTITY 2009 R'000
The total economic entity contribution to such schemes	253 487	224 208	253 297	224 208

27. Financial liabilities by category

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

	Financial liabilities at amortised cost	Fair value through surplus or deficit - designated	Total
Economic entity - 2010			
Finance lease obligation	155 285	-	155 285
Trade and other payables	-	706 650	706 650
VAT payable	-	3 987	3 987
Deferred income	-	1 471	1 471
Financial guarantee contracts	-	3 694	3 694
Operating lease liability	-	245 572	245 572
	155 285	**961 374**	**1 116 659**
Economic entity - 2009			
Finance lease obligation	161 171	-	161 171
Trade and other payables	-	659 040	659 040
VAT payable	-	-	-
Deferred income	-	2 335	2 335
Financial guarantee contracts	-	5 014	5 014
Operating lease liability	-	201 382	201 382
	161 171	**867 771**	**1 028 942**

27. Financial liabilities by category (continued)

	Financial liabilities at amortised cost	Fair value through surplus or deficit - designated	Total
Controlling entity - 2010			
Finance lease obligation	155 285	-	155 285
Trade and other payables	-	704 268	704 268
Deferred income	-	1 157	1 157
Financial guarantee contracts	-	3 694	3 694
Operating lease liability	-	245 528	245 528
	155 285	**954 647**	**1 109 932**
Controlling entity - 2009			
Finance lease obligation	161 171	-	161 171
Trade and other payables	-	659 040	659 040
Deferred income	-	2 335	2 335
Financial guarantee contracts	-	5 014	5 014
Operating lease liability	-	201 382	201 382
	161 171	**867 771**	**1 028 942**

	ECONOMIC ENTITY		CONTROLLING ENTITY	
	2010	2009	2010	2009
	R'000	R'000	R'000	R'000
28. Auditors' remuneration				
Current year fees	23 916	17 817	23 786	17 817
Prior year fees	13 019	12 386	13 019	12 386
	36 935	**30 203**	**36 805**	**30 203**
29. Operating lease				
Buildings rentals	403 016	357 988	402 729	357 988

The lease periods range from 1 years to 15 years.

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

	ECONOMIC ENTITY		CONTROLLING ENTITY	
	2010	2009	2010	2009
	R'000	R'000	R'000	R'000
30. Commitments				
Authorised capital expenditure				
Already contracted for but not provided for				
• Property, plant and equipment	9 396	271	9 396	271
• Intangible assets	34 751	150 425	34 751	150 425
	44 147	**150 696**	**44 147**	**150 696**
Authorised but not yet contracted for				
• Property, plant and equipment	12 562	-	-	-
Operating leases - as lessee (expense)				
Minimum lease payments due				
- within one year	294 165	309 121	292 725	309 121
- in second to fifth year inclusive	1 018 287	1 071 731	1 011 552	1 071 731
- later than five years	942 449	1 174 994	942 449	1 174 994
	2 254 901	**2 555 846**	**2 246 726**	**2 555 846**
31. Contingent liabilities				
Accumulated leave prior to 31 December 1998	24 608	27 145	24 608	27 145

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 14.

32. Related parties

Relationships

Controlled entities — Refer to note 8

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.

Statement of Annual Financial Position

for the year ended 31 March 2010

	ECONOMIC ENTITY		CONTROLLING ENTITY	
	2010	2009	2010	2009
	R'000	R'000	R'000	R'000
32. Related parties (continued)				
Related party balances				
Loan accounts - Owing by related parties				
Clidet No 967 (Pty) Ltd			88 005	-
Amounts included in Trade Receivables and (Trade Payables) regarding related parties				
Department of Foreign Affairs			(366)	(10)
Eskom			10 231	(777)
Department of Public Works			(11 308)	(10 160)
Government Printing			(37)	(2)
Local Municipalities			(1 728)	(1 048)
South African Airways			(11)	(6)
State Attorney			(4 892)	(1 490)
Telkom SA Limited			(5 389)	(17 948)
Transnet Limited			(3)	(1)
Vodacom (as a subsidiary of Telkom SA Ltd)			-	(1 173)
Department of Housing			-	120
Public Investment Corporation			-	609
Skills Development Levies			8 397	8 710
Unemployment Insurance Fund			13 664	25 864
Department of Health and Social Development			2	-
National Treasury (Secondments)			1 210	-
SARS Administered Revenue			3	-
Related party transactions				
Receiving of services from related parties				
Department of Foreign Affairs			2 726	1 155
Department of Public Works			578	2 133
Eskom			5 185	4 838
Government Printing			823	905
Independent Regulatory Board of Auditors			14	5
Local Municipalities			6 556	4 474
Pension Funds			253 297	224 208
SA Broadcasting Commission			28	68
SA Bureau of Standards			31	187
SA Post Office Limited			3 263	6 393
South African Airways			49	38
State Attorney			19 659	18 824
Telkom SA Limited			84 645	142 569
Transnet Limited			25	189
Unemployment Insurance Fund			20 783	20 396
Vodacom (as subsidiary of Telkom SA Limited)			-	13 795
South African Reserve Bank			3	-

	ECONOMIC ENTITY 2010 R'000	ECONOMIC ENTITY 2009 R'000	CONTROLLING ENTITY 2010 R'000	CONTROLLING ENTITY 2009 R'000
32. Related parties (continued)				
Rendering of services to related parties				
Department of Housing			646	60
National Treasury (Grant)			7 148 446	6 302 778
National Treasury (Secondments)			1 210	-
Public Investment Corporation			215	624
SARS Administered Revenue			6 021	6 436
Skills Development Levy			51 798	53 460
Unemployment Insurance Fund			157 486	151 453

33. Executive members remuneration

2010	Salary	Bonus	Allowances including Leave Payments	Contributions Medical & Pension	2010 Total R'000	2009 Total R'000
Commissioner for SARS (1 month)	462	1 094	916	41	2 513	3 830
Commissioner for SARS (11 months)	1 893	-	360	42	2 295	-
Deputy Commissioner / Chief Officer: Enforcement & Risk	1 373	587	287	206	2 453	2 254
Deputy Commissioner / Chief Officer: Strategic Services (9 months)	1 399	493	544	32	2 468	2 679
Chief Officer: Modernisation & Technology	2 276	791	255	47	3 369	3 071
Chief Officer: Legal & Policy	1 468	620	338	218	2 644	2 412
Chief Officer: Customs & Border Management	1 404	281	228	38	1 951	1 489
Chief Financial Officer	2 009	-	187	44	2 240	513
Group Executive: Large Business Centre	1 407	391	358	38	2 194	245
Group Executive: Taxpayer Services	1 354	317	224	38	1 933	1 706
Group Executive: Reputation Management	1 173	254	187	36	1 650	1 612
Group Executive: Institutional Enablement and Integrity	887	167	214	142	1 410	273
Group Executive: Segmentation & Research (9 months)	1 037	208	337	28	1 610	1 624
Group Executive: Human Resources (3 months)	416	-	101	8	525	657
Chief Officer: Business Enabling & Delivery Services (1 month)	189	719	42	5	955	2 818
Group Executive: Human Resources (1 month)	116	-	19	19	154	-
Chief Information Officer	-	-	-	-	-	1 330
GM: Operational Policy & Performance Management	-	-	-	-	-	645
GM: Officer of the Commissioner	-	-	-	-	-	1 015
Deputy Chief Operating Officer	-	-	-	-	-	1 041
GM: Enforcement	-	-	-	-	-	848
GM: Finance	-	-	-	-	-	967
GM: Large Business Centre	-	-	-	-	-	2 246
	18 863	**5 922**	**4 597**	**982**	**30 364**	**33 275**

34. Change in estimate

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	44.72%	37.34%
36 years to 45 years	57.28%	49.89%
46 years to 54 years	77.70%	79.05%
55 years and older	97.86%	96.80%

The effect of this revision has increased the provision for the current and future periods by R 2 549 747.

35. Prior period adjustments

Property, Plant and Equipment was understated in the the prior year due to errors in depreciation and expense classification.

Trade and other receivables were understated due to an error in the classification of expenditure.

Trade and other payables were understated due to expenses that were not accrued for.

Intangible assets were understated due to an error in classification of expenditure.

Finance lease obligation was understated due to the vendor supplying new information in the current financial year.

Operating lease liability was overstated in 2009 and 2008 due to calculation errors in the straightlining of operating lease expenses.

Deferred income was understated due to non application to IAS 20.

The correction of the error(s) results in adjustments as follows:

	2009	2008	2009	2008
Statement of financial position				
Property, plant and equipment	15 134	(2)	15 134	(2)
Trade and other receivables	13 000	-	13 000	-
Trade and other payables	(68 095)	(68 195)	(68 095)	(68 195)
Intangible assets	210	-	210	-
Finance lease obligation	(4 857)	-	(4 857)	-
Operating lease liability	8 499	14 891	8 499	14 891
Deferred income	(532)	-	(532)	-
Opening retained earnings	(53 301)	8	(53 301)	8
Accumulated surplus	16 660	(53 298)	16 660	(53 298)

35. Prior period adjustments (continued)

	2009	2008	2009	2008
Statement of financial performance				
Depreciation expense	979	-	979	-
Administrative expenses	(15 278)	-	(15 278)	-
Professional and special services	(13 288)	-	(13 288)	-
Finance costs	374	-	374	-
Other income	515	-	515	-
Amortisation	55	-	55	-
Employee costs	9 983	-	9 983	-

36. Risk management

Financial risk management

The economic entity's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk and cash flow interest rate risk), credit risk and liquidity risk.

Liquidity risk

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 managment which includes maintaining sufficient cash and cash equivalents.

SARS's chief source of income is an annual grant from Parliament 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	1 year	2 - 5 years	Beyond 5 years	Total
At 31 March 2010				
Interest bearing borrowings	36 908	115 009	83 889	**235 806**
Financial guarantee contracts	-	-	3 694	**3 694**
Trade and other payables	706 650	-	-	**706 650**
Taxes payble	9 122	-	-	**9 122**
At 31 March 2009				
Interest bearing borrowings	36 708	108 381	110 794	**255 883**
Financial guarantee contracts	-	-	5 014	**5 014**
Trade and other payables	659 040	-	-	**659 040**

36. Risk management (continued)

Controlling entity	1 year	2 - 5 years	Beyond 5 years	Total
At 31 March 2010				
Interest bearing borrowings	36 908	115 009	83 889	**235 806**
Financial guarantee contracts	-	-	3 694	**3 694**
Trade and other payables	704 268	-	-	**704 268**
At 31 March 2009				
Interest bearing borrowings	36 708	108 381	110 794	**255 883**
Financial gu arantee contracts	-	-	5 014	**5 014**
Trade and other payables	659 040	-	-	**659 040**

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 guarentees are claimed.

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.

	Note	ECONOMIC ENTITY 2010 R'000	ECONOMIC ENTITY 2009 R'000	CONTROLLING ENTITY 2010 R'000	CONTROLLING ENTITY 2009 R'000

37. 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 2009 to 31 March 2010. The budget includes SARS and Clidet No 967 (Pty) Ltd, a fully owned subsidiary of SARS.

	Note	ECONOMIC ENTITY 2010 R'000	ECONOMIC ENTITY 2009 R'000	CONTROLLING ENTITY 2010 R'000	CONTROLLING ENTITY 2009 R'000
Surplus per the statement of financial performance		510 257	-	452 849	-
Adjusted for:					
Additional Revenue		**(41 129)**	**-**	**(12 053)**	**-**
Market fee		(28 000)	-	-	-
Other income		(13 129)	-	(12 053)	-
Non-cash items		**84 560**	**-**	**126 016**	**-**
Impairment (reversals) of assets	20	35 836	-	77 336	-
Leave pay provision	14	7 072	-	7 072	-
Straight-lining (operating leases)		44 190	-	44 146	-
Office equipment finance lease reduction	11	(1 218)	-	(1 218)	-
Housing guarantees	15	(1 320)	-	(1 320)	-
Expenditure lower than budget		**(457 199)**	**-**	**(470 323)**	**-**
Professional services		(377 759)	-	(377 759)	-
Admin expenses		(63 307)	-	(110 306)	-
Taxation	22	7 501	-	-	-
Other		(23 634)	-	17 742	-
Surplus per final budget as per the 2010 Estimates of National Expenditure		96 489	-	96 489	-

Statement of Annual Financial Position

for the year ended 31 March 2010

	ECONOMIC ENTITY 2010 R'000	ECONOMIC ENTITY 2009 R'000	CONTROLLING ENTITY 2010 R'000	CONTROLLING ENTITY 2009 R'000
38. 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) ATAF - African Tax Administration Forum	226	45	226	45
Travelling and accommodation for attendance of meetings, technical events and an audit of expenditure for ATAF inauguration (2009: For attendance of OECD's annual committee meeting of the advisory group for co-operation with non-OECD economies in Fes, Morocco)				
2) SADC - Southern African Development Community	168	158	134	158
SADC sub-committee meetings, other working group meetings and training workshops				
3) WCO - World Customs Organisation	75	-	58	-
Travelling and accommodation for attendance of workshops				
4) AKMAL - Royal Malaysian Customs Academy	66	373	66	373
Travelling and accommodation in Malaysia for customs training programmes				
5) IRBM - Inland Revenue Board of Malaysia	65	-	65	-
Travel and accommodation for the attendance of International Seminar on Taxpayer Service				
6) UN - United Nations	64	30	64	30
Travelling and accommodation in Geneva, Switzerland for attendance of meeting of UN Committee of Experts on International co-operation in Tax Matters and participation in study tour to Netherlands				
7) OECD - Organisation for Economic Co-operation and Development	55	-	55	-
Travel and accommodation for the attendance of the ISTAX Seminar in Japan				
8) RRA - Rwanda Revenue Authority	35	-	35	-
Airfares, accommodation and subsistence in Rwanda for attendance of the ITD Conference on Taxing Micro and Small Business (2009: Workshop on Interpretation and Application on tax treaties with RRA)				
9) Japan	33	-	33	-
Travel and accommodation for attendence of the WCO 5th Fellowship Programme for English speaking Customs officers				

	ECONOMIC ENTITY		CONTROLLING ENTITY	
	2010 R'000	2009 R'000	2010 R'000	2009 R'000
38. Donations in kind (continued)				
10) WTO - World Trade Organisation	25		25	-
Travel and accommodation for attendence of the WTO Trade Faclitation negotiating group meeting				
11) AU - African Union	23	15	23	15
Travelling for attendance of workshop of the AU Customs Technical Working Group Workshops				
12) SACU - South African Customs Union	11	42	11	42
Travelling and accommodation for attendance of training (2009: Workshops on the capacity building initiative, the one stop border initiative, the single administrative document initiative and the joint border controls initiative)				
13) STA - Swedish Tax Agency	-	280	-	280
Travelling and accommodation in Sweden for capacity building and benchmarking study visit in the areas of operations Policy and Standards and performance management and in support of the working agreement between SARS and STA				
14) CSI - Container Security Initiative	-	180	-	180
Travelling and accommodation to USA for attendance of global targeting assembly of technical experts symposium				
15) AusAID - Australian Agency for International Development	-	95	-	95
Travelling and accommodation in Jakarta, Indonesia for visit to Directorate General of Taxation, Ministry of Finance, Republic of Indonesia				
16) INTA - International Trademark Association	-	46	-	46
Travelling and accommodation in Maputo for attendance of the Mozambique customs training seminar on counterfeit goods				
17) ILEA - International Law Enforcement Academy	-	42	-	42
Accommodation and airfares in Botswana for attendance of airport interdiction course (2008: Course on Law Enforcement Executive Development Program)				
18) NTA - National Tax Agency of Japan	-	42	-	42
Travelling and accommodation to Tokyo, Japan to present lectures at the ISTAX				

	ECONOMIC ENTITY		CONTROLLING ENTITY	
	2010 R'000	2009 R'000	2010 R'000	2009 R'000
38. Donations in kind (continued)				
19) InWEnt - Capacity Building International, Germany	-	41	-	41

Accommodation in Dar es Salaam, Tanzania for attendance of the follow up seminar on regional integration in SADC and EAC

20) DFID - The UK Department for International Development, through the Regional Trade Facilitation Programme (RTFP)	-	24	-	24

Travelling, subsistence allowance and accommodation in Maputo, Mozambique for attendance of the one stop border post working session

21) LRA - Lesotho Revenue Authority	-	10	-	10

Travelling and accommodation to Maseru, Lesotho for attendance of the LRA Tax Treaty Workshop

22) SAGCH - The Southern African Global Competitiveness Hub	-	8	-	8

Accommodation and travelling costs to Gaborone, Botswana for participation in the customs to business forum

Amounts have been converted at exchange rates ruling at the time of the transaction.

39. Soccer World Cup clothing and tickets

	ECONOMIC ENTITY 2010 R'000	ECONOMIC ENTITY 2009 R'000	CONTROLLING ENTITY 2010 R'000	CONTROLLING ENTITY 2009 R'000
World Cup Expenditure				
Tickets acquired	-	-	-	-
Travel costs	-	-	-	-
Purchase of other World Cup apparel	27	-	27	-
Ticket acquired after year-end	-	-	-	-
	27	**-**	**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.

40. Fraudulent activities

During the year under review one reportable incident of fraudulent activities by staff members colluding with outside suppliers to the value of R11,363 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.

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