

Annual Report

2014 - 2015

South
African
Revenue
Service

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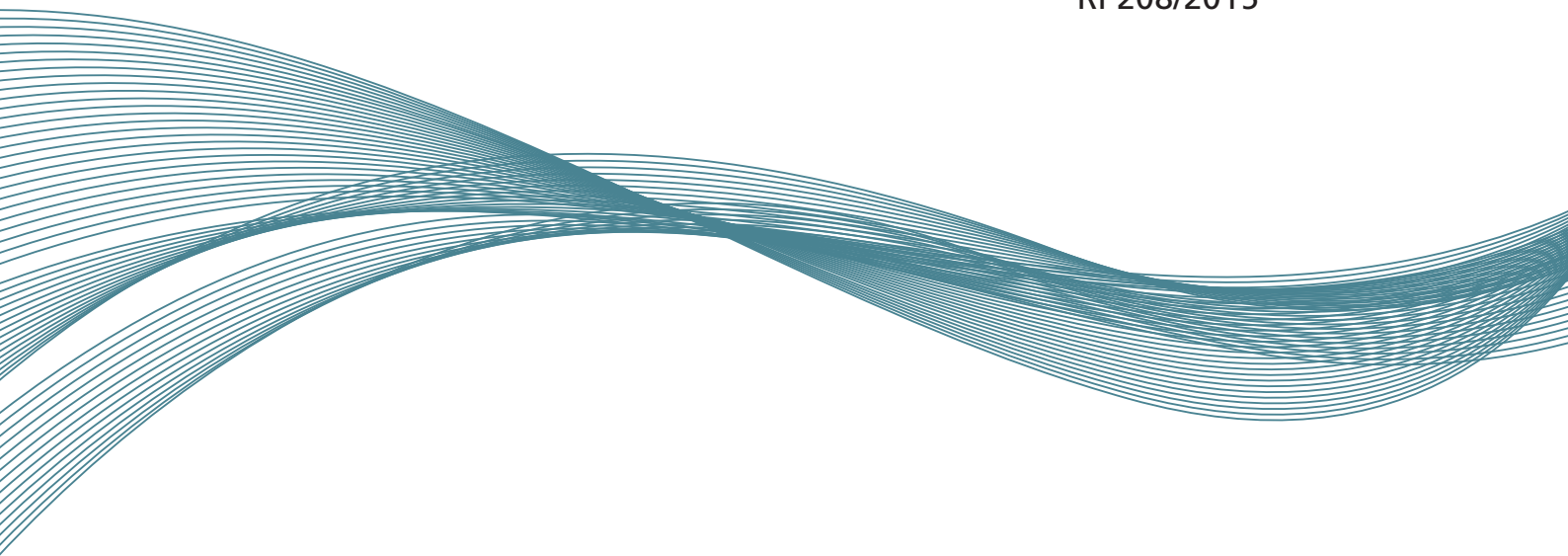


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ABOUT THIS REPORT

About this report

In accordance with Government's performance monitoring methodology, SARS has aligned this report with its annual strategic plan. It is therefore not only reporting on its activities during the year under review but also its progress in meeting the objectives and performance measures published in the SARS strategic plan. This progress is measured against the four strategic outcomes:

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

Structuring the report in this way enables readers to better assess SARS' progress in achieving these key performance outcomes. However, not all the programmes, initiatives and activities of SARS can be measured against a single strategic outcome. The activities of SARS often span all four of these outcomes and impact many areas of the organisation. A complete review of each of the four strategic outcomes would result in much repetition. To avoid such repetition, this report examines the various activities of SARS within the context of the strategic outcome they impact most.

Part One

Performance and organisational highlights

Part One reviews the key performance and organisational highlights of the 2014/15 financial year and relates them to SARS' four core outcomes.

Part Two

Performance information

Part Two reports SARS' performance against the predetermined objectives set in the Annual Performance Plan of 2014/15.

Part Three

Governance, legal and risk management

Part Three describes SARS' governance and corporate structures as well as its governing bodies and forums. It also details changes in the SARS legal framework and risk management.

Part Four

Human resources

Part Four reviews SARS' human resources and highlights priorities, workforce planning and policy development.

Part Five

Financials

Part Five reports on the Auditor-General report and SARS' financial status at the end of the financial year on 31 March 2015.

ABOUT THIS REPORT

Statement of responsibility and confirmation of accuracy for the annual report

To the best of my knowledge and belief, I confirm that all information and amounts disclosed in the annual report are consistent with the annual financial statements audited by the Auditor-General. The annual report is complete, accurate and free from any omissions. The accounting authority is responsible for establishing and implementing a system of internal control that has been designed to provide reasonable assurance as to the integrity and reliability of the performance information, the human resources information and the annual financial statements. In my opinion, the annual report fairly reflects the operations, the performance information, the human resources information and financial affairs of SARS for the financial year ended 31 March 2015.



Tom Moyane

SARS Commissioner

ABOUT SARS

Mandate

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

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

Mission

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

Vision

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

Values

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

F – Fairness

A – Accountability

I – Integrity

R - Respect

Core Outcomes

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

ORGANISATIONAL STRUCTURE



Tom Moyane
Commissioner



Elizabeth Kumalo
Chief Officer: Human Resources



Matsobane Matlwa
Chief Financial Officer



Kosie Louw
Chief Officer: Legal and Policy



Gene Ravele
Chief Officer: Tax and Customs
Enforcement Investigations



Jonas Makwakwa
Acting Chief Operating Officer



Makungu Mthebule
Acting Chief Officer: Strategy,
Enablement and Communication



Sunita Manik
Group Executive: Large Business Centre



Bob Head
Special Advisor to the Commissioner



MESSAGE FROM THE MINISTER OF FINANCE



I have great pleasure in presenting this annual report of the work of the South African Revenue Service (SARS) for the 2014/15 fiscal year.

SARS is responsible for collecting more than 90% of the funds required by the government to conduct its business. Through its Customs mandate, SARS implements important elements of the South African Government's trade and fiscal policy to protect the country's economy and its people. SARS therefore plays a critical role in ensuring the health and stability of the country's fiscal framework, economy, and the general well-being of the country's citizens. A highly efficient, effective and healthy SARS is a crucial pre-requisite for a well-functioning democratic dispensation.

The ability of SARS to effectively deliver on its mandate over the past 20 years of our country's democracy enabled our Government to build homes, improve access to schools, provide access to clean running water for millions of households, extend health care and social security (social grants) protection to millions of our most vulnerable citizens. The willingness of the vast majority of South African citizens to voluntarily comply with their tax and customs obligations has also been a crucial factor in the successes of SARS over the past years. This increasing culture of compliance is reflected in the performance of SARS during the year under review.

Notwithstanding the challenging economic conditions SARS collected R986.3 billion during the 2014/15 fiscal period. This represents a 9.6% growth in total revenue compared to 2013/14 revenue collection figures, and is R7.3 billion above the Revised Estimate of R979 billion that I announced in the 2015 Budget Speech. More than 94% of taxpayers filed 5.32 million returns by the filing season deadline, thus demonstrating their willingness to meet their tax obligations on time. SARS continued to make it easier, convenient and less burdensome for taxpayers to meet their obligations. SARS assisted over 12.0 million taxpayers through its branches and contact centre during the year under review. In particular, SARS' rollout of "small business desks" across its branch office network will go a long way to alleviate the administrative burden for small businesses, and will further enhance small business taxpayer compliance.

Trade facilitation and border protection also received a major boost during 2014/15. SARS, as part of its modernisation efforts, completed the installation of a new non-intrusive, world class, integrated cargo scanner at one of the biggest ports on the continent, Durban Harbour, during 2014/15. This will provide the infrastructure to enable SARS to process trade transactions more efficiently, identify and respond to risks much quicker and combat illicit trade activities.

I am pleased with SARS' continuing efforts to work closely with other key government institutions to further increase efficiencies and effectiveness across the whole of government. SARS recognises that its overall success in the long run is dependent on effective collaboration with other state agencies and departments, for the benefit of the country. In this regard, I commend the work that SARS is involved in with, for example, the National Treasury, Department of Home Affairs, Department of Labour, Department of Trade and Industry, Companies and Intellectual Property Commission and the Government Pensions Administration Agency.

SARS' participation in international Tax and Customs forums such as the African Tax Association Forum, the World Customs Organisation, the Organisation for Economic Co-operation and Development and the Global Forum on Transparency and Exchange of Information for Tax Purposes, to stop the erosion of our country's tax base, and to strengthen its administration deserves praise. I believe that the sterling work that SARS continues to do in this area is critical not only for revenue collection purposes, but also for the continued integrity, equity and fairness of our tax system.

An important institution such as SARS must continually take stock of its successes and challenges, and reinvent itself to meet the growing demands of taxpayers, employees and other key stakeholders. During 2014/15, I approved a comprehensive review of the SARS operating model and modernisation programme. I am confident that the outcome of this comprehensive review will be an even more responsive, effective and better equipped SARS that remains relevant and able to deal with the challenges it faces in an ever changing environment.

MESSAGE FROM THE MINISTER OF FINANCE

The 2014/15 fiscal year was a notable one in that I was sworn in as the Minister of Finance of the Republic of South Africa and Mr Tom Moyane was officially appointed in September 2014 as the new Commissioner for SARS. I believe that my recent appointment of the SARS Advisory Committee, as an addition to the SARS governance mechanism, will further strengthen SARS' administration.

I want to reassure the South African public, taxpayers and other key stakeholders that SARS continues to be a robust and resilient institution. I have no doubt that SARS will continue to enable Government to implement the aspirations of the National Development Plan.

In many ways 2014/15 has been a difficult year for SARS. I want to thank Commissioner Tom Moyane and his senior management team for steering this important public institution through a challenging period. I also take this opportunity to thank SARS staff for their commitment, support and professionalism to ensure that SARS remains highly successful.

Last, but not least, I want to express my appreciation to the millions of taxpayers who comply with their tax obligations and thereby make the most important contribution to the development of our country.



Nhlanhla Nene

Minister of Finance

REVIEW BY THE COMMISSIONER



The 2014/15 year was marked by challenges, controversy and change for SARS perhaps at levels unseen since the organisation was established. The alleged existence of a “covert” intelligence unit in SARS, questionable conduct of certain senior SARS employees and the media coverage of these events eroded the image of SARS in the eyes of the South African public and taxpayers, and negatively affected SARS employee morale. Several senior SARS employees including the Deputy Commissioner have since resigned or were suspended and/or dismissed.

In spite of the controversies and challenges in the global and local economic environment, I am pleased to say that we closed the year on a very positive note. We collected R986.3 billion and this was R7.3 billion above the Revised Estimate announced by the Minister of Finance, and represented a year on year percentage growth of 9.6% compared to 2013/14. This is testament to the hard work and commitment of our employees in that we managed to meet the many high expectations of our stakeholders despite the challenges SARS faced during 2014/15. We carried out a lot of compliance work, and had to introduce new organisational arrangements to collect the additional revenue required to meet our revenue target.

We carried out compliance campaigns targeting specific groups of taxpayers to encourage compliance. Our compliance initiatives to broaden the tax base during 2014/15 resulted in more than 18 000 companies submitting returns for the first time, and this led to us collecting additional revenue of R1.8 billion. Our efforts to tackle the challenges brought about by Base Erosion and Profit Shifting (BEPS) schemes yielded an additional R1.5 billion during the year under review. We will continue to work with our international partners to tackle offshore evasion schemes.

The annual filing season is one of the biggest direct engagements between SARS and taxpayers, and serves as a reliable barometer of the compliance of individual taxpayers. During this period we also get the opportunity to interact and engage with taxpayers at multiple levels to understand and meet their expectations. I am pleased to report that the 2014 filing season was another success. More than 94% of taxpayers filed 5.32 million returns by the filing season deadline. This means that an overwhelming majority of taxpayers filed on time. We processed and assessed 95.79% of returns within three seconds of them being submitted, and we released 98% of refunds within 72 hours. Performance of our contact centre and branch offices reached new milestones for the organisation. Our contact centre assisted 4.6 million taxpayers, and more than 8.0 million taxpayers visited our branch offices during 2014/15.

Easy and convenient access for taxpayers to our services and processes is one of the pillars of our compliance strategy. During 2014/15 we added two new branch offices and six mobile tax offices to our service infrastructure, bringing the number of SARS branch offices and mobile offices to 64. We also increased our efforts to assist small businesses to comply with their tax obligations by rolling out 138 small business desks at selected SARS branch offices throughout the country. It is our intention to have small business desks at every SARS branch office over the next three years. We believe that this will significantly reduce the administrative costs of compliance for small businesses, and contribute to small business development in general.

We also made significant changes to our processes during the year under review. The first phase of the Single Registration system was successfully released into production in May 2014 with further enhancements made during the course of the year. The system provides SARS employees, taxpayers, traders and vendors with a single comprehensive display of a taxpayer’s relationship with SARS across all the tax types and customs products. It enables SARS to improve compliance, enables debt equalisation and enhances security while reducing the administrative burden on taxpayers.

As part of our mandate, we also play an important role in facilitating legitimate cross-border trade and travel activities, and in disrupting harmful illicit trade activities. We spent significant resources over the past year to improve our efficiencies, and to strengthen our risk management capability. We procured and installed a new end-to-end integrated cargo scanner at the Durban Harbour, continued to rollout the Preferred Trader programme, expanded the presence of detector dogs to other ports

REVIEW BY THE COMMISSIONER

of entry and continued to intercept high volumes of illicit goods such as illicit cigarettes and drugs. I was also pleased with the launch of our Model Port project, which aims to create a more hospitable environment for our employees, travellers and traders at all of our ports of entry. We piloted the Model Port project at our Beitbridge port of entry with success, and we will be rolling it out to other ports of entry.

We continued to play a significant role in the international tax and customs community throughout 2014/15, through our participation in many international fora to tackle issues of tax avoidance and to improve trade facilitation. We commenced work with international revenue agencies and governments to implement exchange of information and data sharing platforms and systems in accordance with the Foreign Account Tax Compliance Act (FATCA). We are playing an active role to develop the Organisation for Economic Co-operation and Development (OECD) BEPS action plan aimed at reducing base erosion by making the international tax system fit for purpose. We are also active within the World Customs Organisation - East and Southern Africa (WCO-ESA) region whose mandate is to ensure global recognition in providing capacity building and leadership, including the development and managing of innovations within this region. South Africa has been nominated to take over as Regional vice-chair from July 2015.

We also continued our collaborations with our sister government departments and the broader community of tax advisers and practitioners to improve overall taxpayer compliance, SARS efficiency and effectiveness across the whole of government. We continued our collaboration with the Department of Home Affairs (DHA) to improve our movement control systems and accuracy of vital taxpayer information. We partnered with the Companies and Intellectual Property Commission (CIPC) to improve the validation of company information and to reduce the administrative burden on taxpayers. Additionally, through our involvement in government cluster work, we conducted joint enforcement operations to protect the revenue base and disrupt illicit activities.

SARS and its employees received several accolades and other forms of recognition during the 2014/15 financial year. SARS was voted the best government department by readers of the Star and the Pretoria News newspapers. We continue to receive a clean audit report on our financial statements and internal control arrangements.

We recognise the role our employees play in the administration of complex tax and customs laws, and in promoting overall compliance amongst taxpayers. Engaged, knowledgeable and motivated SARS employees are crucial to successful taxpayer interactions, customer service, interpretation and application of the laws that SARS administers. In this regard we continued to develop our skills pipeline for the future to meet the many expectations of taxpayers and other key stakeholders. We employed over 400 graduate trainees into the SARS ranks during 2014/15. We continued to enhance the skills and knowledge of our employees through a variety of training and knowledge acquisition interventions.

We continue to change the way we operate to make SARS a customer-centric, service oriented and employee-centred organisation. During 2014/15, we conducted a review of our operating model, our governance mechanisms, Information and Communication Technology (ICT) strategy (including the modernisation agenda) to determine how we can best serve taxpayers, interact with key stakeholders and increase our employee engagement. We will continue to implement the recommendations of the operating model review to help us achieve our goals.

I welcome the Minister of Finance's appointment of a SARS Advisory Committee headed by Judge Frank Kroon, and look forward to working with Judge Kroon and his fellow committee members in charting the next journey in SARS' transformation. The appointment of the SARS advisory committee is an important addition to SARS' governance mechanism and will provide much needed guidance and direction, strengthen the SARS leadership decision effectiveness, and help us to deal with the many challenges and risks SARS faces.

SARS' 2014/15 performance is commendable, given the challenges we confronted during the year. I would like to express my appreciation to the many important stakeholders who contributed to SARS' performance during 2014/15 – SARS employees, Minister of Finance Nhlanhla Nene and Deputy Minister of Finance Mcebisi Jonas for their consistent leadership, our government partners and professional bodies. Finally, I would like to thank the millions of compliant taxpayers and traders; it is because of them that we are able to provide the funds required to deliver important government services and infrastructure.

REVIEW BY THE COMMISSIONER

As SARS emerges and recovers from the recent controversies, it faces many challenges, the foremost of which is restoring the public's trust. This is a major priority for me and I want to emphasise our commitment to carry out the SARS mandate without fear or favour, and to act with integrity, impartiality and fairness in dealing with all taxpayers.



Tom Moyane

SARS Commissioner

The page features a large, abstract graphic on the left side. It consists of a solid teal shape at the bottom that transitions into a series of thin, overlapping teal lines that curve upwards and to the right, creating a sense of motion and depth. The background is a light, neutral color.

Part One Performance and Organisational highlights

01

PERFORMANCE AND ORGANISATIONAL HIGHLIGHTS

SARS performance highlights at a glance

Revenue collected

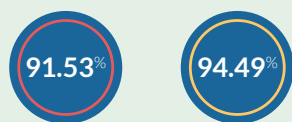


2014 PIT Filing Season



5.32 million total returns received

On-time returns



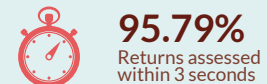
Total returns 2014



Electronic Submission



Assessment



Refunds



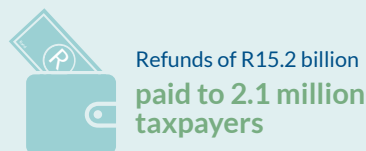
Branch visits



Penalties

SARS received R436 million in outstanding penalties from defaulting taxpayers

Refunds Paid



Contact Centre



SARS voted best government department by readers of "The Star" and "Pretoria News" newspapers



SARS recognised for its excellent work in procurement at the Pan-African Supply Chain and Procurement Awards



New end-to-end integrated cargo scanner at the Durban harbour using X-ray technology with dual radiation scanning



Port of Entry Control Centre at the Cape Town harbour

PERFORMANCE AND ORGANISATIONAL HIGHLIGHTS

1.1 Revenue overview

1.1.1 Overall revenue performance in 2014/15

The 2014/15 collections target, based on a 2.9% Gross Domestic Product (GDP) growth outlook, was set at R993.7 billion in the February 2014 Budget announcement.

Despite challenging economic conditions, SARS collected R986.3 billion which is a 9.6% growth in total revenue from 2013/14. This is R7.3 billion above the revised estimate of R979 billion announced in the February 2015 Budget. This revenue performance was made possible by an extraordinary drive by SARS on compliance improvement, which in aggregate, added about R22 billion. This closing of the compliance gap compensated for revenue collection shortfall caused by a slowing economy. The successful outcome of the 2014/15 Revenue drive lifted the estimated Tax to GDP ratio from the 25.2% anticipated in the 2015 Budget to 25.7%.

Revenue estimates for the next three years, the medium term, are set or adjusted on three occasions during the financial year. For 2014/15, estimates were announced in the February 2014 Budget (generally referred to as the Printed Estimate), in October 2014 in the Medium Term Budget Policy Statement (MTBPS) and in the February 2015 Budget (the Revised Estimate). Presented in Table 1 are the Printed Estimate, the MTBPS Estimate and the Revised Estimate for the 2013/14 and 2014/15 financial years. Revenue estimates are simulated by using various statistical models. They take into account prevailing and forecasted economic conditions and provide detailed analysis of the likely performance of different tax types.

Table 1: Budget estimates for 2013/14 and 2014/15

Estimate description	Date announced	2013/14 Estimate	Date announced	2014/15 Estimate
		R million		R million
Printed Estimate	27 February 2013	898 004	26 February 2014	993 650
Medium Term Budget Policy Statement (MTBPS) Estimate	23 October 2013	895 004	22 October 2014	983 610
Revised Estimate	26 February 2014	899 000	25 February 2015	979 000

Notwithstanding considerable global economic uncertainty and domestic supply side constraints, which saw National Treasury revising the GDP growth from 2.9% in February 2014 to 1.4% in February 2015, SARS collected revenue of R986.3 billion for the 2014/15 financial year. This is R7.3 billion above the Revised Estimate of R979.0 billion and R86.3 billion (9.6%) more than the previous financial year. Table 2 shows the composition of tax revenue by tax product and compares actual 2014/15 performance to the Printed Estimate as well as the Revised Estimate.

The split between customs revenue and tax revenue, recorded at the bottom of Table 2, shows that the gain in customs revenue was mainly responsible for the surge in Value Added Tax (VAT) refunds, ahead of the Revised Estimate. Personal Income Tax (PIT) performed better than expected with the remainder of the taxes close to the Revised Estimate.

PERFORMANCE AND ORGANISATIONAL HIGHLIGHTS

Table 2: Tax revenue performance by tax type for 2014/15

Tax type	Printed estimate Feb 2014	Revised estimate Feb 2015	Actual result	Increase / decrease on Printed estimate	Increase / decrease on Revised estimate
	R million	R million	R million	R million	R million
Personal Income Tax (PIT)	336 910	350 750	353 918	17 008	3 168
Company Income Tax (CIT)	200 791	184 550	186 622	-14 169	2 071
Secondary Tax on Companies (STC) / Dividends Tax (DT)	19 250	21 400	21 247	1 997	-153
Value-added Tax (VAT)	267 160	260 600	261 295	-5 865	695
<i>Domestic VAT</i>	290 899	287 000	286 889	-4 010	-111
<i>Import VAT</i>	151 659	135 000	136 544	-15 115	1 544
<i>VAT refunds</i>	-175 398	-161 400	-162 138	13 260	-738
Fuel levy	47 517	48 200	48 467	950	267
Customs duties	50 300	39 900	40 679	-9 622	779
Specific excise duties	31 080	32 000	32 334	1 254	334
Taxes on property	11 477	12 603	12 472	995	-131
Skills development levy	13 440	13 200	14 032	592	832
Other taxes and duties	15 726	15 797	15 231	-495	-567
Total tax revenue	993 650	979 000	986 295	-7 355	7 295
Customs revenue *	202 154	175 804	177 981	-24 172	2 177
Tax revenue (excluding customs revenue)	791 497	803 196	808 314	16 817	5 118
Total tax revenue	993 650	979 000	986 295	-7 355	7 295

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

Table 3 shows the contribution of tax revenue and non-tax revenue to total national budget revenue. Payments to Botswana, Lesotho, Namibia and Swaziland (BLNS) in terms of the Southern African Customs Union (SACU) agreement are deducted. Included in the total non-tax revenue that SARS collects, are Mineral and Petroleum Resource Royalties (MPRR), mining leases and ownership, as well as receipts from other State departments and extraordinary receipts.

Table 3: Budget revenue performance for 2014/15

Tax type	Printed estimate Feb 2014	Revised estimate Feb 2015	Actual result	Increase / decrease on Printed estimate	Increase / decrease on Revised estimate
	R million	R million	R million	R million	R million
Tax revenue	993 650	979 000	986 295	-7 355	7 295
Non-tax revenue	20 869	27 006	29 225	8 355	2 218
<i>Mineral and Petroleum Resource Royalties</i>	7 167	5 636	5 422	-1 745	-214
<i>Mining leases and ownership</i>	49	30	33	-16	3
<i>Other non-tax revenue and extraordinary receipts*</i>	13 653	21 340	23 770	10 116	2 429
Less: SACU payments	51 738	51 738	51 738	-	-
Total budget revenue	962 782	954 269	963 782	1 000	9 513

Note:* This figure, received at National Treasury, is preliminary and unaudited.

In addition to tax revenue and other non-tax revenue, as shown in Table 3, SARS also collects Unemployment Insurance Fund (UIF) contributions for the Department of Labour and Road Accident Fund (RAF) levies on behalf of the Department of Transport.

PERFORMANCE AND ORGANISATIONAL HIGHLIGHTS

1.1.2 Breakdown of tax revenue collections and contribution to tax revenue from 2009/10 to 2014/15

PIT, CIT and VAT remain the largest sources of tax revenue and comprise about 80% of total tax revenue collections. As a result of the 2009/10 global financial crisis, the relative contribution of taxes to the tax revenue portfolio has changed over the past six years. The relative contribution of CIT fell from 22.9% in the 2009/10 financial year to 18.9% in the 2014/15 financial year while PIT increased from 34.5% to 35.9% and VAT rose from 24.7% to 26.5% during this period. Table 4 provides a breakdown of the relative contributions of the different taxes.

Table 4: Breakdown of revenue collected and contribution of tax revenue for 2009/10 to 2014/15

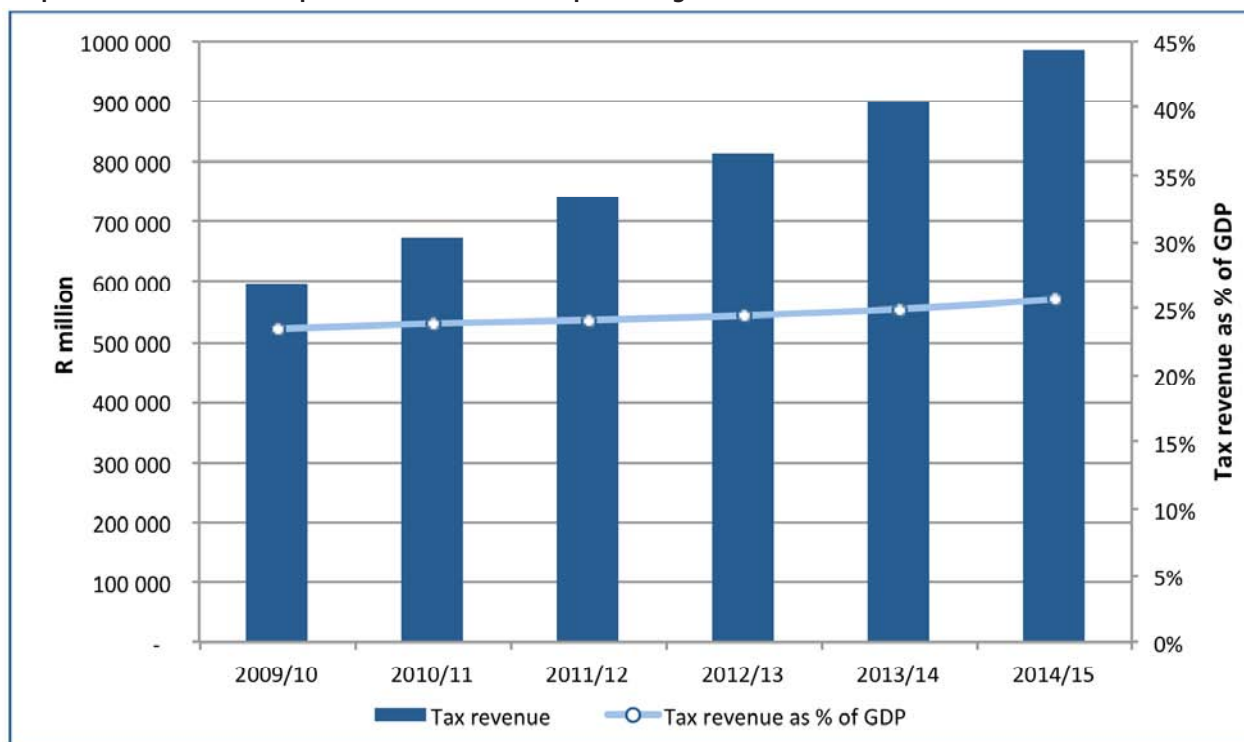
Year	PIT	CIT	STC/DT	VAT	Fuel levy	Customs duties	Other	Total tax revenue	GDP*
	R million	R million	R million	R million	R million	R million	R million	R million	R million
2009/10	206 484	136 978	15 468	147 941	28 833	19 577	43 425	598 705	2 551 316
2010/11	228 096	134 635	17 178	183 571	34 418	26 637	49 647	674 183	2 826 072
2011/12	251 339	153 272	21 965	191 020	36 602	34 198	54 253	742 650	3 080 887
2012/13	276 679	160 896	19 739	215 023	40 410	38 998	62 081	813 826	3 327 627
2013/14	310 929	179 520	17 309	237 667	43 685	44 179	66 727	900 015	3 609 842
2014/15	353 918	186 622	21 247	261 295	48 467	40 679	74 068	986 295	3 843 778
	%	%	%	%	%	%	%	%	%
2009/10	34.5%	22.9%	2.6%	24.7%	4.8%	3.3%	7.3%	100.0%	23.5%
2010/11	33.8%	20.0%	2.5%	27.2%	5.1%	4.0%	7.4%	100.0%	23.9%
2011/12	33.8%	20.6%	3.0%	25.7%	4.9%	4.6%	7.3%	100.0%	24.1%
2012/13	34.0%	19.8%	2.4%	26.4%	5.0%	4.8%	7.6%	100.0%	24.5%
2013/14	34.5%	19.9%	1.9%	26.4%	4.9%	4.9%	7.4%	100.0%	24.9%
2014/15	35.9%	18.9%	2.2%	26.5%	4.9%	4.1%	7.5%	100.0%	25.7%

Source: * Q1-2015 GDP, Statistics SA.

Before the global financial crisis, the Tax/GDP ratio had climbed above 26% as a result of the commodity boom and reforms in the financial sector. When tax revenue contracted in the 2009/10 financial year, as a result of the financial crisis, the Tax/GDP ratio declined to 23.5%. It has increased steadily since then and reached 25.7% in the year under review. This is the fourth highest Tax/GDP ratio in the past 22 years.

PERFORMANCE AND ORGANISATIONAL HIGHLIGHTS

Graph 1: Tax revenue compared to tax revenue as percentage of GDP for 2009/10 to 2014/15



1.1.3 Tax relief and rates

Tax relief implemented during the past five years curtailed taxpayers' direct tax obligations and raised indirect taxes (Table 5). Reforms applied across a variety of tax products resulted in net tax relief to taxpayers of R19.4 billion between the 2009/10 and 2014/15 financial years.

Table 5: Summary effects of tax proposals for 2009/10 to 2014/15

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
2009/10	-13 550	-1 000	-	-14 550	2 100	4 890	2 985	9 975	-4 575
2010/11	-5 400	-1 350	-	-6 750	2 250	3 600	450	6 300	-450
2011/12	-8 850	500	-750	-9 100	1 935	1 900	1 150	4 985	-4 115
2012/13	-9 800	1 100	-1 950	-10 650	1 840	4 517	1 985	8 342	-2 308
2013/14	-7 382	-860	-	-8 242	2 065	3 270	495	5 830	-2 412
2014/15	-9 250	-1 000	-	-10 250	2 110	2 565	-	4 675	-5 575
Total	-54 232	-2 610	-2 700	-59 542	12 300	20 742	7 065	40 108	-19 434

PERFORMANCE AND ORGANISATIONAL HIGHLIGHTS

Maximum marginal tax rates (shown in Table 6) remained unchanged across most tax types. The exception was the Secondary Tax on Companies (STC). This was replaced with Dividends Tax (DT), imposed at a rate of 15%, from 1 April 2012. Despite the tax relief granted during this period, tax revenue continued to grow as a result of economic growth and increased compliance.

Table 6: Maximum marginal tax rates for 2009/10 to 2014/15

Period	PIT*	CIT	STC/DT	VAT
	%	%	%	%
01 Apr 2009 – 31 Mar 2010	40.0%	28.0%	10.0%	14.0%
01 Apr 2010 – 31 Mar 2011	40.0%	28.0%	10.0%	14.0%
01 Apr 2011 – 31 Mar 2012	40.0%	28.0%	10.0%	14.0%
01 Apr 2012 – 31 Mar 2013	40.0%	28.0%	**15.0%	14.0%
01 Apr 2013 – 31 Mar 2014	40.0%	28.0%	**15.0%	14.0%
01 Apr 2014 – 31 Mar 2015	***41.0%	28.0%	**15.0%	14.0%

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

** Dividends Tax (DT) was introduced from 1 April 2012 and replaced the Secondary Tax on Companies (STC).

*** The marginal rate for Individuals increased from 40% to 41% with effect from 1 March 2015.

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1.2 Outcome 1: Increased customs compliance

1.2.1 Customs revenue performance

SARS collected R178.0 billion in customs revenue during the 2014/15 financial year. This is R2.2 billion above the Revised Estimate of R175.8 billion. Import VAT and customs duties accounted for most of this income (see Table 7). Import VAT is levied on goods imported into South Africa and is calculated according to the value of these products. Customs duties vary according to the tariff codes under which goods are declared.

Table 7: Customs revenue performance by tax type for 2014/15

Tax type	Printed estimate Feb 2014	Revised estimate Feb 2015	Actual result	Increase / decrease on Printed estimate	Increase / decrease on Revised estimate
	R million	R million	R million	R million	R million
Import VAT	151 659	135 000	136 544	-15 115	1 544
Customs duties	50 300	39 900	40 679	-9 622	779
Miscellaneous customs and excise	82	792	667	585	-125
Incandescent light bulb levy	112	112	91	-21	-21
Total customs revenue	202 154	175 804	177 981	-24 172	2 177

The global financial crisis caused a slump in Import VAT in 2009/10. Since then, imports have recovered strongly and Import VAT has increased. However, growth in Import VAT in 2014/15 was modest because of the sluggish domestic economy and the weakening rand.

Table 8: Import VAT for 2009/10 to 2014/15

Year	Actual	% Year-on-year change	% of tax revenue	% of GDP
	R million	%	%	%
2009/10	70 320	-23.6%	11.7%	2.8%
2010/11	82 189	16.9%	12.2%	2.9%
2011/12	101 813	23.9%	13.7%	3.3%
2012/13	111 427	9.4%	13.7%	3.3%
2013/14	131 085	17.6%	14.6%	3.6%
2014/15	136 544	4.2%	13.8%	3.6%

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Customs duties fell 7.9% to R40.7 billion in 2014/15 (Table 9) as a result of a severe decline in vehicle imports. These duties were R0.8 billion higher than the Revised Estimate of R39.9 billion. Another major factor that reduced income from customs duties was the re-allocation in 2014/15 of imported fuel duties of R2.7 billion. Imported fuel duties are now included in the Fuel Levy tax category instead of Customs Duty. Figures for previous years have not been adjusted to accommodate this re-allocation.

Table 9: Customs duties for 2009/10 to 2014/15

Year	Actual	% Year-on-year change	% of tax revenue	% of GDP
	R million	%	%	%
2009/10	19 577	-14.0%	3.3%	0.8%
2010/11	26 637	36.1%	4.0%	0.9%
2011/12	34 198	28.4%	4.6%	1.1%
2012/13	38 998	14.0%	4.8%	1.2%
2013/14	44 179	13.3%	4.9%	1.2%
2014/15	40 679	-7.9%	4.1%	1.1%

1.2.2 Promulgation of the Customs Control Act, Customs Duty Act and Customs and Excise Amendment Act

The Customs Control Act, 2014 and the Customs Duty Act, 2014 were promulgated in July 2014 and will take effect on a date to be determined by the President. Translations of the Bills were sent to Parliament in February 2014. The Bills were adopted by the Select Committee on Finance in March 2014 and were signed by the President in July 2014.

The Customs Control Act, 2014 improves customs control over goods and people entering or leaving South Africa by land, sea, rail or air. The Act is intended to facilitate the implementation of certain laws that levy taxes on imported or exported goods as well as other legislation that governs goods and people moving in and out of the country. They include laws that prohibit, restrict or regulate the transport of goods such as arms and ammunition and protected species.

The Customs Duty Act, 2014, provides for the imposition, assessment, payment and recovery of customs duties on goods imported or exported from South Africa.

Draft rules to support the primary legislation were circulated for external comment between July 2014 and April 2015. The Legal and Policy Division of SARS hosted workshops with trade representatives and other stakeholders that provided a forum for these comments to be discussed. The workshops began in August 2014 and will continue until the rules are finalised.

The Customs and Excise Amendment Act, 2014, was also promulgated in July 2014. This Act removed from the Customs and Excise Act, 1964, provisions that have now been incorporated into the two new Customs Acts.

1.2.3 Preferred Trader programme

Customs Preferred Trader programme

The Customs Preferred Trader (PT) accreditation programme continued to grow in terms of its engagement and coverage of trade in 2014/15. Over 500 of the largest volume and value traders have been voluntarily engaged to participate in the programme. During the 2014/15 financial year SARS completed 144 PT audits, 24 over its target, representing 35 engagement audits and 109 follow-up audits. The Preferred Trader audit programme covered clients responsible for 26.42% of trade volumes, gauged according to trader lines, during the year under review.

SACU regional Customs PT programme

SARS continued to support the development of the SACU regional Customs PT programme, based on the RSA PT model, working in collaboration with the World Customs Organisation (WCO) and supported by Swedish International Development

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Agency (SIDA) funding. All of the SACU member states successfully undertook audit pilots in 2014/15, and SARS hosted auditors from all the member countries for a second set of formal training on the PT module, that combined classroom work in association with the SARS Academy, with practical field work and observation of SARS audit best practices, working alongside the SARS PT audit experts. SARS together with SACU colleagues created a draft Mutual Recognition Agreement (MRA) for SACU PT, and agreed on a set of minimum PT standards that once agreed and ratified, will form the legal basis for a reciprocal regional PT programme. The regional PT group also engaged with the exchange of information project to plan the future alignment of import and export processes and data exchange that will provide the electronic capability to identify and recognise regional trade from trusted or Preferred Traders in each other's countries.

Excise PT programme

The Excise Preferred Trader Programme audit pilot has been successfully tested. The Excise PT self-assessment and audit procedures with two clients involved based on draft Excise audit policies and templates. The new audit methodology was considered excellent for verification of Excise compliance, and potential Excise PT criteria. However, creation of an Excise PT programme remains dependent upon the development of an Excise audit function and the training of Excise auditors. In 2014/15 SARS developed Excise accounting training material for subsequent use within the SARS Institute of Learning Excise training program. The latter course module material is currently being vetted and aligned to establish a SARS standard for this training objective. Development of a prospective training module for Excise audit has started and is progressing.

The eFiling system was enhanced during 2014/15 to provide Excise clients with better service. Clients can now use the electronic service to amend Excise returns, upload data files, calculate duties and generate management reports. SARS further improved its Excise systems by introducing advanced risk management capabilities, automated audit and inspection workflow processes and enhanced electronic payment facilities.

1.2.4 Automation and digitisation of the Customs environment

Manifest Processing systems

The Customs Control Act, approved by Parliament in 2014, prompted SARS to review its Customs projects to ensure they were aligned with the new legislation. SARS recognised its need to change, for operational purposes, the name of its Automated Cargo Management (ACM) system to the Manifest Processing (MPR) system.

The MPR system processes all the manifests or reports traders must submit to Customs to move cargo in and out of South Africa. During the 2014/15 financial year it processed 1.63 million electronic manifests. This was 1.9% less than the previous year.

Cargo declarations inspected

Historically SARS has had to target a high volume of cargo declarations in order to adequately detect under declaration. The introduction and implementation of the Customs risk engine has since resulted in an improvement in our ability to detect under declaration or misclassification of goods and prohibited and restricted goods. SARS aims not only at reducing the overall number of declarations selected for inspection, but also the effectiveness of this process. In the 2014/15 financial year, SARS had to increase these inspections due to specific reasons as explained below.

Customs inspected 13.39% of cargo declarations during the 2014/15 financial year against the target of 11%. Reasons for the higher rate of inspection include:

- An increased focus on clothing and textiles with nine additional rules on yarns and textiles added to the reference prices and four tariff headings added to textiles regarding polyester fibres including seven additional tariff items to tyres for passenger tyres, buses and lorries with a load index not exceeding 121 (tyres with weight less than 1 450 kg) has been the main reason for the increased risk alerts
- The adjusted rate of exchange resulted in an increase in the number of alerts - the reference prices are adjusted periodically according to fluctuations in the rate of exchange. This resulted in more consignments being targeted

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Declarations

In the 2014/15 financial year, the average number of declarations was higher than the previous year at 199 759 while the average monthly value increased by 4% to R119.60 billion. The coverage was in line with the previous financial year's coverage at 13%.

Customs and Excise provisional payments

In the 2014/15 financial year, development of the automated provisional payments for Customs and Excise was initiated. The solution development includes the introduction of provisional payments on the recently implemented Core Customs Declaration System (Interfront), management of conditions pertaining to types of provisional payments lodged and finalisation of liquidation of provisional payments. Customs operations are compiling daily reports on the status of provisional payments for management.

1.2.5 Strengthen risk management capabilities in Customs

Enhancement of Water Wing

The Customs marine unit, or Water Wing, was further bolstered during 2014/15. Two employees at the Western Cape marine unit trained to become category C skippers and four marine units participated in a sea familiarisation course in Cape Town. During the coming year the Customs marine units in Durban and Cape Town will each be supplied with a new patrol boat.

New cargo scanner at Durban harbour

Customs installed a highly sophisticated cargo scanner at Durban harbour during the year under review. The fixed scanner, one of the most advanced in the world, is much faster than traditional x-ray systems. It can check a consignment of cargo within 12 minutes. The scanner, which has been integrated into Customs' automated risk and case management systems, has improved substantially the organisation's ability to detect and deter the smuggling of illicit goods.

The new fixed cargo-scanner at the Durban harbour is scanning goods identified by the Customs risk engine. Since the scanner was operationalised in October, close to 32 000 risk cases were created by the risk engine, 8% of those cases resulted in physical inspections and 11% required scanning with the new scanner which amounted to around 3 000 scans completed at the site. A manual case-creation solution has been designed that will enable the scanner to be used to inspect cargoes identified by other methods of detection. It will also enable the scanner to be used at the request of other Government agencies.

Detector dogs and handlers

Customs continues to expand its detector dog unit. A total of 52 Customs officers and their dogs were trained at the SARS Detector Dog Training Academy during the 2014/15 financial year. They were deployed at border posts in Nakop, Vioolsdrif, Lebombo, Ermelo, Port Elizabeth, Ladybrand, White River and Zeerust.

Improvements to state warehouses

SARS, in the year under review, embarked on an initiative to upgrade and increase state warehouse facilities nationally to accommodate goods detained pending compliance with Customs and other relevant legislative framework. The improvements in Beitbridge and Pretoria state warehouses have been finalised and progress made with regard to state warehouses in Durban, Cape Town, Musina, Lebombo, Groblersbridge and OR Tambo International Airport. This includes lean implementation and six sigma to improve state warehouse management processes and controls. Impactful initiatives focused on improvements of state warehouses that are part of the overall compliance programme. The approach further reflects on SARS' commitment to implement end-to-end effective and efficient streamlined business processes as part of the value chain within the ports of entry environment.

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Improve the Passenger Processing System (PPS)

The project has been completed in the previous reporting year and improvements to the system will continue to be done.

Illicit cigarettes

The illicit cigarette market is attracting the attention of revenue authorities throughout the world. It is highly lucrative and extremely complex. SARS has stepped up efforts to combat this illegal trade by improving its supervision of cigarette warehouses.

During the 2014/15 financial year SARS conducted 17 audits of bonded warehouses. About 25% of these audits resulted in the discovery of illicit trade. Illegal activities uncovered by the audits included the unauthorised diversion of goods, the removal of goods without Customs clearance, theft from a bonded warehouse, the export of high-risk goods without supervision and lack of adherence to Customs rebate requirements.

SARS has begun integrated audits, which involve a combined team of auditors and specialists, at seven cigarette manufacturers. It has completed 24 factory visits and issued 34 engagement letters.

Increased supervision of cigarette warehouses by SARS during the year under review prompted many importers to move from these facilities. The volume of cigarettes imported and stored in bonded warehouses fell 62% (589 million sticks) during the 2014/15 financial year.

SARS continued to combat the smuggling of cigarettes across South Africa's borders. Its enforcement and operations staff conducted 1 494 interventions and seized 204 million sticks of contraband cigarettes worth more than R110 million. Five cases, involving illicit goods valued at R5.6 million, have been forwarded to the National Prosecuting Authority (NPA).

During the year under review SARS enhanced its risk management systems to better track cigarettes in transit through South Africa. It continues to meet cigarette manufacturers and importers to improve trade statistics, increase compliance and counter smuggling.

Clothing and textile industry

SARS is working to combat importers who undervalue the clothing and textiles they bring into South Africa. This illegal practice is a big threat to the growth of the local clothing and textile industry. Customs' introduction of a reference pricing model for these goods has improved the accuracy of declarations of clothing and textile imports. The unit price of imported bed linen, for example, increased 23.9% while the average price of baby clothing coming into the country climbed 22%. The declared price of imported curtains rose 9.1%, clothing and apparel increased 8% and toilet and kitchen linen increased by 7.6%.

The clothing and textile reference pricing database currently comprises information on about 130 items. Customs, together with the International Trade Administration Commission (ITAC), has added more tariff subheadings and improved the rebate facilities within the database.

In 2014/15, SARS audit enforcement staff completed 44 audits at clothing and textile importers and traders. These audits achieved a 93% success rate and resulted in the collection of R1.4 million in revenue.

Customs conducted 630 successful interventions at which illicit clothing and textiles, worth R68.8 million, were seized. It also conducted 477 post-clearance audits that attained an 8% success rate.

SARS has identified 57 cases for further investigation. Two cases, with a prejudice of R71 million, were referred to the NPA. SARS regularly meets representatives of the clothing and textile industry and the Department of Labour to improve compliance and curb illegal imports.

Operationalise International Oil Pollution Compensation Fund (IOPCF) Levy

South Africa became a signatory to the International Convention on Civil Liability for Oil Pollution Damage and the Fund Convention of 1992. The purpose of these conventions are to govern the liability of ship owners for oil pollution damage and

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the establishment of a system of compulsory liability insurance which establishes the IOPCF to provide compensation for victims who do not obtain full compensation under the Civil Liability Convention. South Africa had to incorporate these provisions into its domestic law in order for it to apply. The Minister of Finance in the 2014 Budget tasked SARS to administer this levy. In the financial period under review, SARS was successful in completing the following project milestones: developing a return, training staff as well as providing advice to external parties concerned with the legislative requirements and processes in order to ensure compliance.

Protecting local industry

SARS, in its tireless effort to address non-compliance with Customs and other relevant legislative frameworks, initiated the disposal of goods nationally through destruction and auction. The approach is part of SARS' commitment to protect local industry against unfair competition and protect the public from being exposed to goods that should not be on the South African market. These goods were detained and stored in the warehouse pending compliance with the relevant legislative framework including payment of duties and goods identified as harmful have been processed in accordance with SARS' destruction procedures. In the 2014/15 financial year, 22 tons of illicit cigarettes with estimated value of R33 million were destroyed. Furthermore, through auctions carried out nationally, SARS was able to raise revenue collection by over R13 million.

1.2.6 Automate the Traveller Management System (TMS)

The Customs traveller management system implemented by SARS has substantially increased the efficiency and performance of the organisation's administrative processes. The integration of this system with the SARS risk engine enables illegal trade to be more accurately identified and the activities of unscrupulous traders better analysed. Risk management at Customs was further enhanced by the installation of additional cargo, container and baggage scanners, improved controls at bonded warehouses and greater use of mobile electronic devices during inspections.

1.2.7 Expand the Customs inspections workflow to include CBU activities

Integration with the Case Management System for both Durban and Cape Town scanner units was implemented. The same integration will be utilised in all future scanner unit deployments. Intervention activities related to the integration of the dog units, water wing and other units are work in progress.

1.2.8 Support a whole of Government approach at ports of entry to achieve value chain efficiencies

Border Control Operations Co-ordinating Committee

SARS continues to support a whole of Government approach to the management of ports of entry on South Africa's borders. This has resulted in SARS maintaining close work relations with other Government agencies to strengthen border security and improve the efficiency of international trade and travel. During 2014/15 SARS transferred the work it performed, while chairing the Border Control Operational Co-ordinating Committee (BCOCC), to the Department of Home Affairs which will oversee the new Border Management Agency (BMA). To ensure continuation of the work already done by SARS under BCOCC, SARS seconded 93 SARS employees to the project to ensure a smooth transition of work already done and work to be done under the new agency.

Model port project

The model port pilot project, intended to improve Customs efficiency at major ports of entry, was completed at the Beitbridge border post that processes cargo and passengers transported over land between South Africa and Zimbabwe. Similar projects began at Durban harbour (sea transport) and OR Tambo International Airport (air transport) and are expected to be completed in the 2015/16 financial year.

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1.2.9 Facilitate the implementation of a “single window” at the ports of entry for better interfaces with other government agencies

This project was placed on hold in the financial year under review, with focus placed on other customs projects, especially in response to the new customs legislations that required immediate implementation by SARS.

1.2.10 Facilitate effective co-ordination of border activities and links with other jurisdictions

One Stop Border Post (OSBP) bilateral agreement and annexures

SARS is playing a pivotal role in the implementation of the bilateral agreement and annexures that will establish an OSBP on South Africa’s border with Mozambique. The OSBP will significantly streamline the processing of cargo and travellers moving between the two countries. The bilateral agreement and annexes thereof have been ratified by RSA Parliament. What remains is the gazetting of the bilateral agreement and the annexes. This work will be undertaken by DHA.

Planning for an OSBP on the boundary between South Africa and Zimbabwe will begin and an international agreement will be entered into with Zimbabwe to create the necessary legislative framework for an OSBP between South Africa and Zimbabwe.

1.2.11 Improved capturing of trade statistics

SARS concluded the SACU revenue sharing process three months earlier than planned owing to the trade statistics data integrity. SARS continues to improve its trade statistics data verification processes and implemented an electronic query register in July 2014 to enhance the tracking and reporting of trade statistics data queries. SARS continuously improves its economic analysis and insight into trade value movements which further increases confidence in the data.

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1.3 Outcome 2: Increased tax compliance

1.3.1 Tax revenue performance

Tax revenue, excluding customs revenue, collected during the 2014/15 financial year amounted to R808.3 billion (Table 10). This was R5.1 billion above the Revised Estimate of R803.2 billion.

Table 10: Tax revenue (excluding customs revenue) performance by tax type for 2014/15

Tax type	Printed estimate Feb 2014	Revised estimate Feb 2015	Actual result	Increase / decrease on Printed estimate	Increase / decrease on Revised estimate
	R million	R million	R million	R million	R million
Personal Income Tax (PIT)	336 910	350 750	353 918	17 008	3 168
Company Income Tax (CIT)	200 791	184 550	186 622	-14 169	2 071
STC/DT	19 250	21 400	21 247	1 997	-153
Domestic VAT	290 899	287 000	286 889	-4 010	-111
VAT refunds	-175 398	-161 400	-162 138	13 260	-738
Fuel levy	47 517	48 200	48 467	950	267
Specific excise duties	31 080	32 000	32 334	1 254	334
Taxes on property	11 477	12 603	12 472	995	-131
Skills development levy	13 440	13 200	14 032	592	832
Other taxes and duties	15 532	14 893	14 473	-1 059	-420
Total tax revenue (excl customs)	791 497	803 196	808 314	16 817	5 118

PIT collections grew to R353.9 billion, R3.2 billion above the Revised Estimate of R350.8 billion, and contributed 35.9% of total revenue collections for the year under review. PIT is the largest contributor to tax revenue. It comprises assessed and provisional tax as well as Pay-As-You-Earn (PAYE) collected by employers on behalf of employees (net of refunds). Despite muted job growth, PIT collections rose and were fuelled by above-inflation wage settlements and once-off PAYE collections from the vesting of shares.

Table 11 shows the trend of increasing PIT collections from the 2009/10 to 2014/15 financial years.

Table 11: PIT revenue including interest for 2009/10 to 2014/15

Year	Actual	% Year-on-year change	% of tax revenue	% of GDP
	R million	%	%	%
2009/10	206 484	5.3%	34.5%	8.1%
2010/11	228 096	10.5%	33.8%	8.1%
2011/12	251 339	10.2%	33.8%	8.2%
2012/13	276 679	10.1%	34.0%	8.3%
2013/14	310 929	12.4%	34.5%	8.6%
2014/15	353 918	13.8%	35.9%	9.2%

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Company Income Tax (CIT) revenue, which comprises all provisional and assessed taxes paid by companies (net of refunds), increased by only 4.0% to R186.7 billion. The contraction in profits during the global financial crisis caused CIT revenues to slump during the 2009/10 financial year. The recovery of CIT revenues was curtailed in the following years as companies used their assessed losses to reduce their taxable liabilities. During the year under review, CIT revenue benefited from a more stable economy. The sluggish recovery of CIT during the past five years is the main reason for the slow improvement of the CIT-to-GDP ratio (Table 12).

Table 12: CIT revenue including interest for 2009/10 to 2014/15

Year	Actual	% Year-on-year change	% of tax revenue	% of GDP
	R million	%	%	%
2009/10	136 978	-18.1%	22.9%	5.4%
2010/11	134 635	-1.7%	20.0%	4.8%
2011/12	153 272	13.8%	20.6%	5.0%
2012/13	160 896	5.0%	19.8%	4.8%
2013/14	179 520	11.6%	19.9%	5.0%
2014/15	186 622	4.0%	18.9%	4.9%

Sector contributions to CIT revenue have changed significantly since the global financial crisis. The contribution of the mining sector dropped sharply following the decline in iron ore prices in 2014/15 and subsequent weak global demand for commodities. Falling contributions from the mining sector (down 16.4%) and other manufacturing sectors (down 3.3%) impeded CIT growth during the 2014/15 financial year.

Revenue from the financial services, currently the biggest contributor to CIT, grew by R7.4 billion (16.2%). A breakdown of CIT revenue by sector is provided in Table 13.

Table 13: CIT revenue by sector for 2012/13 to 2014/15

Sector *	2012/13	2013/14	Growth	2014/15	Growth
	R million	R million	%	R million	%
Agriculture	2 584	3 118	20.7%	3 339	7.1%
Mining	14 754	21 524	45.9%	17 996	-16.4%
Telecommunications	10 388	9 941	-4.3%	10 333	3.9%
Financial services	43 793	45 858	4.7%	53 287	16.2%
<i>Banks</i>	16 688	18 127	8.6%	21 694	19.7%
<i>Insurance</i>	15 914	16 187	1.7%	18 399	13.7%
<i>Other financial services</i>	11 192	11 544	3.1%	13 194	14.3%
Manufacturing	40 008	44 956	12.4%	42 940	-4.5%
<i>Petroleum</i>	8 352	9 313	11.5%	8 458	-9.2%
<i>Other manufacturing</i>	31 656	35 643	12.6%	34 483	-3.3%
Wholesale and retail trade	18 205	18 753	3.0%	20 329	8.4%
Business services	14 639	15 707	7.3%	16 687	6.2%
Medical and health	4 071	4 617	13.4%	5 057	9.5%
Transport	2 989	3 588	20.1%	3 848	7.3%
Construction	3 631	4 460	22.8%	5 129	15.0%
Catering and accommodation	1 517	1 984	30.8%	2 333	17.6%
Recreation and cultural	3 259	3 828	17.5%	4 101	7.1%
Other	1 058	1 186	12.1%	1 241	4.6%
Total	160 896	179 520	11.6%	186 622	4.0%

Note: * SARS-defined sector.

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Legislative changes to replace STC with DT came into effect on 1 April 2012. DT is a tax imposed on shareholders at a rate of 15% on receipt of dividends. STC was imposed on companies at a rate of 10% on the declaration of dividends. Many businesses anticipated the effects of these legislative changes by declaring dividends early to enjoy the benefit of paying STC at the reduced rate on dividends declared before 1 April 2012. The combined STC and DT collections increased by 22.8% to R21.2 billion in the 2014/15 financial year as companies decided to return profits to shareholders rather than re-invest them. The STC and DT collections are shown in Table 14.

Table 14: STC and DT revenue for 2009/10 to 2014/15

Year	Actual	% Year-on-year change	% of tax revenue	% of GDP
	R million	%	%	%
2009/10	15 468	-22.7%	2.6%	0.5%
2010/11	17 178	11.1%	2.5%	0.6%
2011/12	21 965	27.9%	3.0%	0.7%
2012/13	19 739	-10.1%	2.4%	0.5%
STC	9 814	-55.3%	1.2%	0.3%
DT	9 925		1.2%	0.3%
2013/14	17 309	-12.3%	1.8%	0.5%
STC	911	-90.7%	0.1%	0.0%
DT	16 398	65.2%	1.8%	0.4%
2014/15	21 247	22.8%	2.2%	0.6%
STC	547	-39.9%	0.1%	0.0%
DT	20 700	26.2%	2.1%	0.5%

Despite the curb in consumer spending, caused by high consumer debt, modest job creation and low growth in disposable income, Domestic VAT collections increased by 8.9% to R286.9 billion during 2014/15. The sectors that showed significant growth were financial services, R11.7 billion (10.7%); manufacturing, R4.3 billion (10.2%); and the wholesale and retail trade, R3.8 billion (9.7%). Growth in real consumption expenditure by households slipped to 1.4% in 2014 from 2.9% the previous year.

Table 15: Domestic VAT for 2009/10 to 2014/15

Year	Actual	% Year-on-year change	% of tax revenue	% of GDP
	R million	%	%	%
2009/10	195 050	4.2%	32.6%	7.6%
2010/11	205 029	5.1%	30.4%	7.3%
2011/12	220 215	7.4%	29.7%	7.1%
2012/13	242 416	10.1%	29.8%	7.3%
2013/14	263 461	8.7%	29.3%	7.3%
2014/15	286 889	8.9%	29.1%	7.5%

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VAT refunds in 2014/15 increased 3.4% from the previous year to R162.1 billion. Growth was low mainly due to reduced refunds in the electricity, gas and water as well as the mining and quarrying sectors which contracted by R1.3 billion (27.2%) and R1.0 billion (2.8%) respectively. Growth in VAT refunds from the other major sectors was modest. Refunds from the wholesale and retail trade grew by R0.3 billion (1.3%) compared with R3.8 billion (16.9%) in the previous year. Manufacturing refunds increased R1.1 billion (3.6%) compared with R4.2 billion (15.9%) in the previous year and while contributions from the financial services sector rose R2.1 billion (6.5%) compared with R3.3 billion (11.1%) in the 2013/14 financial year. These sectors were hit by a variety of negative economic factors. They included infrastructural constraints, labour tensions, falling commodity prices, rising operational costs and the fragile global recovery. Real gross fixed capital formation decreased by 0.4% in 2014 after an increase of 7.6% in 2013. Exports grew only 2.6% in 2014 compared with 4.6% in 2013. VAT refund trends are shown in Table 16.

Table 16: VAT refunds for 2009/10 to 2014/15

Year	Actual	% Year-on-year change	% of tax revenue	% of GDP
	R million	%	%	%
2009/10	-117 428	-5.9%	-19.6%	-4.6%
2010/11	-103 646	-11.7%	-15.4%	-3.7%
2011/12	-131 008	26.4%	-17.6%	-4.3%
2012/13	-138 820	6.0%	-17.1%	-4.2%
2013/14	-156 879	13.0%	-17.4%	-4.3%
2014/15	-162 138	3.4%	-16.4%	-4.2%

1.3.2 Current compliance levels

1.3.2.1 Registration compliance

SARS continues to broaden the tax base and expand its taxpayer and trader register. The number of individuals on the SARS taxpayer and trader register increased from around 13.7 million in 2011/12 to 18.2 million in the year under review. The taxpayer and trader register grew 8.1% during the 2014/15 financial year (Table 17). SARS has increased registration compliance by introducing bulk registration at places of employment and launching an online facility that enables employers to register staff when submitting their monthly PAYE returns.

Table 17: Register data for 2011/12 to 2014/15

Registered taxpayers	2011/12	2012/13	2013/14	2014/15	% Growth
Income tax	16 039 801	17 926 869	19 787 304	21 452 507	8.4%
<i>Individuals</i>	<i>13 703 717</i>	<i>15 418 920</i>	<i>16 779 711</i>	<i>18 185 538</i>	<i>8.4%</i>
<i>Trusts</i>	<i>301 365</i>	<i>312 066</i>	<i>322 188</i>	<i>331 584</i>	<i>2.9%</i>
<i>Companies</i>	<i>2 034 719</i>	<i>2 195 883</i>	<i>2 685 405</i>	<i>2 935 385</i>	<i>9.3%</i>
Value-added Tax (VAT)	652 349	650 540	662 194	679 274	2.6%
Pay-as-You-Earn (PAYE)	384 883	391 254	407 066	429 691	5.6%
Customs	471 811	506 206	519 044	535 061	3.1%
<i>Importers</i>	<i>247 595</i>	<i>265 497</i>	<i>272 544</i>	<i>280 953</i>	<i>3.1%</i>
<i>Exporters</i>	<i>224 216</i>	<i>240 709</i>	<i>246 500</i>	<i>254 108</i>	<i>3.1%</i>
Total register	17 548 844	19 474 869	21 375 608	23 096 533	8.1%

1.3.2.2 Filing compliance

PIT filing compliance

During the 2014/15 filing season, 466 279 less taxpayers submitted returns than the previous tax year. The eFiling service remains the most popular channel for submitting returns.

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The 2014 filing season was a success with more than 5.3 million returns submitted to SARS. Nearly 4.3 million returns were submitted for the 2014/15 tax year excluding returns for previous tax years. More than 99% of these returns were submitted electronically (compared with less than 3% in 2006) using the eFiling internet service or through Service Manager at a SARS branch office. Compliance among PIT taxpayers continues to improve as a result of SARS' bulk registration and employer registration initiatives. Filing compliance among individuals registered for PIT rose to 94.5% during the 2014/15 financial year compared with a target of 91.6%. This calculation is based on the number of registered taxpayers, who are eligible to file.

Table 18: PIT filing compliance

Financial Year	Returns Required	Returns on Time	Returns on Time (%)
2010/11	4 084 151	3 296 768	80.7%
2011/12	4 473 992	3 727 122	83.2%
2012/13	4 896 969	4 213 996	86.1%
2013/14	4 894 081	4 479 348	91.5%
2014/15	4 499 261	4 251 306	94.5%

CIT filing compliance

SARS is reviewing its method of measuring CIT filing compliance and is assessing a variety of metrics and associated baselines. This will enable SARS to report the filing compliance for all of its major tax products.

VAT filing compliance

SARS modernised its VAT systems during the 2011/12 financial year to make it easier for taxpayers to submit their returns and to improve the accuracy of its VAT register. However, despite an initial improvement, filing compliance among VAT vendors remains low. It has declined since 2012/13 and dropped 0.9% during the year under review.

Table 19: VAT filing compliance

Financial Year	Returns Required	Returns on Time	Returns on Time %
2009/10	4 269 064	2 455 759	57.5%
2010/11	3 974 346	2 352 527	59.2%
2011/12	4 007 835	2 224 331	55.5%
2012/13	4 008 631	2 309 163	57.6%
2013/14	4 088 905	2 326 440	56.9%
2014/15	4 203 988	2 352 899	56.0%

PAYE filing compliance

Filing compliance among employers has, similar to VAT filing compliance, declined since 2012/13. It dropped 1.7% during the year under review.

Table 20: PAYE filing compliance

Financial Year	Returns Required	Returns on Time	Returns on time (%)
2009/10	4 456 321	2 802 978	62.9%
2010/11	4 331 013	2 732 445	63.1%
2011/12	4 419 076	2 900 618	65.6%
2012/13	4 545 446	3 006 488	66.1%
2013/14	4 727 615	3 087 646	65.3%
2014/15	4 944 282	3 145 393	63.6%

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1.3.2.3 Declaration compliance

Taxpayers and traders are obliged, in terms of the legislation administered by SARS, to be tax compliant. They must be properly registered with SARS and also file returns and pay taxes and levies accurately and on time. SARS monitors and seeks to improve levels of compliance among taxpayer and traders. Its use of an automated risk-profiling process is a highly effective method of detecting non-compliance.

SARS constantly enhances the effectiveness of its risk profiling by improving its automated risk engines and increasing the volume and quality of the third party data it uses for verifying information submitted by taxpayers and traders. It applies risk profiling across all tax types and every tax entity. The automated risk engines applied sophisticated sets of rules to determine whether an intervention is necessary and gauge what kind of review is required. Most of the cases highlighted by the risk engines are forwarded for desktop compliance verification. High risk cases identified by the risk engine, which indicate substantial non-compliance, are routed for in-depth audits or enforcement investigations.

The Compliance division of SARS is responsible for most verification interventions. The Audit division and Large Business Centre (LBC) conduct in-depth audits.

Audit coverage

The audit coverage target for 2014/15 was 11% of the total number of PIT, CIT, VAT/Excise and PAYE taxpayers. SARS conducted 1.9 million audit cases and surpassed its target. The capacity limitations constrained the number of audits that SARS could perform during the year under review.

The bulk of the audit coverage comprised verification interventions on 1.4 million PIT cases. Enhanced third party information, related to medical aid, retirement annuity and interest declarations ensured higher levels of scrutiny.

In-depth audit

SARS conducts in-depth audits on high-risk, complex and high-yield cases across all tax types. During the year under review SARS achieved audit coverage of 0.09% of the tax register. This was ahead of its 0.07% target. SARS limits the number of in-depth audits it conducts to enable it to dedicate sufficient time and resources to address these complex cases.

Enforcement investigation

During 2014/15, 195 criminal investigations were completed by SARS and handed over to the NPA. The NPA successfully prosecuted 214 cases of contravening SARS legislation during the year under review.

At year end, 164 enforcement investigations were in progress. They comprised 54 cases of illicit economic activity, where an enterprise was set up for criminal gain, and 106 instances of legitimate companies involved in illegal activity and four debt projects. A total of 49 enforcement investigations were completed during the 2014/15 financial year. The Tactical Interventions unit conducted 17 533 disruption and detection interventions. These interventions targeted organised smuggling networks and resulted in 2 606 detentions, 2 726 seizures of illicit goods and 27 referrals of arrest.

1.3.2.4 Payment compliance

PIT payment compliance

The payment compliance of individuals and trust taxpayers, required to settle their income tax assessment debt on time, declined 2% in 2014/15. Payment compliance has decreased during the past three years (Table 21).

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Table 21: PIT payment compliance

Financial Year	Payments due	Payments on Time	Payments on time (%)
2009/10	1 185 367	476 599	40.2%
2010/11	1 046 979	458 571	43.8%
2011/12	1 107 979	473 768	42.8%
2012/13	1 161 258	523 502	45.1%
2013/14	1 413 486	586 120	41.5%
2014/15	1 437 887	567 609	39.5%

CIT payment compliance

SARS is reviewing its method of measuring CIT payment compliance and is assessing a variety of metrics and associated baselines. This will enable SARS to report the payment compliance of all of its major tax products.

VAT payment compliance

The VAT payment compliance of vendors declined 2.8% during the year under review (Table 22). Most of this drop in compliance was caused by a 2% increase in late VAT payments during 2014/15. This indicates that these vendors did settle their accounts, but were unable to do so on time. About 7% of VAT payments due to SARS were outstanding at the end of 2014/15. This is a slight increase on the previous year and SARS is closely monitoring this trend.

Table 22: VAT payment compliance

Financial Year	Payments due	Payments on Time	Payments on time (%)
2009/10	1 924 445	1 569 243	81.5%
2010/11	1 874 064	1 599 970	85.4%
2011/12	1 841 371	1 569 066	85.2%
2012/13	1 861 451	1 622 049	87.1%
2013/14	1 855 799	1 578 388	85.1%
2014/15	1 884 242	1 549 736	82.3%

PAYE payment compliance

The payment compliance of employers required to settle their PAYE debt on time has decreased by 2.5% during 2014/15. This is similar to the decline in VAT payment compliance. Late PAYE payments increased 3.4%. This indicates that most employers still adhere to their payment obligations albeit later than required. Outstanding PAYE payments continue to decline and were 4.8% of payments due at year-end.

Table 23: PAYE payment compliance

Financial Year	Payments due	Payments on Time	Payments on time (%)
2009/10	2 555 438	2 152 980	84.3%
2010/11	2 507 363	2 106 152	84.0%
2011/12	2 615 038	2 292 424	87.7%
2012/13	2 649 947	2 365 761	89.3%
2013/14	2 694 766	2 277 954	84.5%
2014/15	2 722 606	2 232 864	82.0%

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1.3.3 Reduce the level of debt

To reduce the level of debt due by taxpayers and traders, SARS has developed a quality assurance system to manage debt write-offs and impairments. The new quality assurance system is intended to provide users with integrated case management workflows that systematically write-off and impair debt. An initial deployment covering the Income Tax system and SAP (Customs, Excise, and Transfer Duty) was successfully implemented for write-offs. This solution is being extended to cater for impairments for accounts on SAP as well as specific case management processes, such as business rescue.

Key challenges faced by SARS in its efforts to curb taxpayer debt include large assessment cases tied up for lengthy periods in legal processes; cases delayed for a long time in objections and appeals; business rescues; administrative penalties and corruption. The 18.6% growth in administrative penalty debt is a sign of continued deliberate non-compliance by many taxpayers. Although the penalty system is working for some non-compliant taxpayers it may need to be modified to address areas where it is not achieving the intended effect.

Overdue debt as a percentage of revenue

The debt book at year-end increased 8.6% (R7.1 billion) to R89.7 billion. This increase is below the 9.6% rise in revenue collections.

Debt was again well managed despite difficult conditions in the 2014/15 financial year. Some large tax assessments in excess of R50 million, raised in the year, were unresolved by year-end and added R20.4 billion to the R89.7 billion debt balance.

Debt-as-a-percentage-of-revenue continues to improve and decreased from 9.18% to 9.1% during the 2014/15 financial year. SARS' long-term target for this ratio is 6%. This is the level achieved by many other revenue agencies around the world.

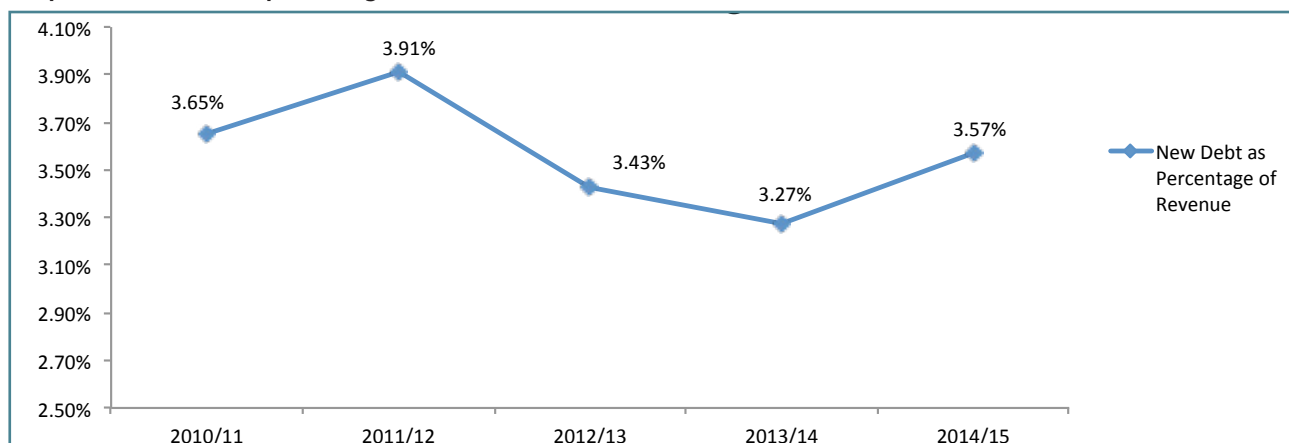
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Table 24: Overdue debt as a percentage of revenue

Financial Year	Total Revenue	Debt (Excluding Admin Penalties, Estate duty, Small business Amnesty levy, Donations tax and Transfer Duty)	Debt (Including Admin penalties, Estate duty, Small business Amnesty levy, Donations tax and Transfer duty)	Debt (Excluding Admin penalties, Estate duty, Small business Amnesty levy, Donations tax and Transfer duty) as a % of Tax revenue	Debt (Including Admin penalties, Estate duty, Small business Amnesty levy, Donations tax and Transfer duty) as a % of Tax revenue
		R million	R million	%	%
1998/99	184 786	32 680	-	17.7%	
1999/00	201 226	32 530	-	16.2%	
2000/01	220 119	29 400	-	13.4%	
2001/02	252 295	39 200	-	15.5%	
2002/03	281 939	53 700	-	19.1%	
2003/04	302 443	58 041	-	19.2%	
2004/05	354 979	66 740	-	18.8%	
2005/06	417 196	65 595	-	15.7%	
2006/07	495 549	63 608	-	12.8%	
2007/08	572 815	62 853	-	11.0%	
2008/09	625 100	61 577	-	9.9%	
2009/10	598 705	79 477	-	13.3%	
2010/11	674 183	86 092	87 534	12.8%	13.0%
2011/12	742 650	85 535	88 608	11.5%	11.9%
2012/13	813 826	78 149	82 250	9.6%	10.1%
2013/14	900 015	77 138	82 636	8.6%	9.2%
2014/15	986 295	83 607	89 722	8.5%	9.1%

New debt on the books amounted to R35.1 billion and was 3.57% of revenue collected. This is above the previous year's 3.27% and shows the effect of the large unresolved assessments raised in the year.

Graph 2: New debt as percentage of revenue



Cash collected by the Operations debt collectors in the 2014/15 financial year totalled R12.9 billion. The recruitment of 350 temporary staff in the final months of the financial year was very successful and yielded an additional R1.5 billion. Combined

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cash collections of R14.4 billion were 32.8% up on the previous year's R10.8 billion. Operations cost-to-income ratio was 2.93%. This was ahead of the 3.34% target and an improvement on the previous year's 3.58%. Operations targeted a 6.7% productivity improvement in debt collections in the year under review. It achieved a 17.9% improvement.

Annualised cash collections per Full Time Employee (FTE) reached R14.55 million. This is 21.8% better than last year and 7.7% above target.

Staff at SARS branches and Contact Centre also performed well. Branches brought in cash of R1.29 billion (up 53% on last year) and the Contact Centre collected R1.98 billion (up 14%).

About R2.2 billion was recovered in collections initiated by SMSs sent to taxpayers. SARS sent 1 429 737 of these SMSs during 2014/15.

SARS achieved notable reductions in debt across most tax types. PAYE debt decreased R702 million (-7.9%), Customs debt fell R515 million (-2.1%), Donations Tax debt declined R241 million (-93%), Estate Duty debt dropped R50 million (-19.5%), Dividends Tax debt decreased R29 million (-1.2%), Small Business Amnesty debt was reduced by R8 million (-12.1%), Diesel debt fell R6 million (-3.7%) and Excise debt declined R2 million (-0.5%).

The net growth in debt for Income Tax (R7.3 billion) and STC (R751 million) resulted mainly from the large assessments raised during the financial year. Continued non-compliance by taxpayers contributed to the increase in Administrative Penalty debt (R914 million). Skills Development Levy (SDL) debt increased R128 million and UIF contributions debt climbed R22 million during the year.

Debt under appeal increased R4.3 billion (53.4%). This increase was mainly due to taxpayers disputing the large assessments.

Write-offs during the year under review amounted to R18.7 billion; up R3.3 billion (21.7%) from 31 March 2014. The value of write-offs at 31 March 2014 has been restated from R14.96 billion to R15.3 billion as a result of the correction of compromised data.

The Tax Administration Act (TAA) was amended in January 2015 to enable SARS to correctly account for debts that are uneconomical to pursue by temporarily writing-off debt under dispute.

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Table 25: Overdue taxpayer debt

TAXES: Unaudited overdue taxpayer debt (receivables) as at 31 March 2015		
	2014/15	2013/14
Segmentation	R	R
Established debt		
Active	51 419 468 765	48 304 852 835
Address unknown	1 805 588 102	916 086 505
Estate	5 544 476 490	6 343 294 006
Total established debt	58 769 533 357	55 564 233 346
Uncertain debt		
Objections	2 841 402 956	2 771 166 208
Appeals	12 267 076 484	7 998 418 957
Debt under dispute	15 108 479 440	10 769 585 165
Debt older than 4 years	13 309 855 992	13 230 703 222
Taxpayers no longer operational	2 533 822 757	3 071 703 513
Total uncertain debt	30 952 158 189	27 071 991 900
Total overdue taxpayer debt	89 721 691 546	82 636 225 246
Comprising		
Capital	57 171 579 234	55 066 520 315
Penalty and additional tax	14 572 267 117	12 147 652 361
Interest	17 977 845 195	15 422 052 570
Total overdue taxpayer debt	89 721 691 546	82 636 225 246
Administered tax analysis		
Income tax	41 085 012 357	33 756 015 314
<i>Company</i>	24 149 677 006	17 242 006 392
<i>Individuals and trusts</i>	16 935 335 351	16 514 008 922
PAYE	8 148 961 941	8 850 878 809
VAT	23 141 484 136	23 648 358 357
STC	6 065 881 027	5 314 434 615
SDL	1 184 043 477	1 055 582 418
UIF	1 753 862 809	1 732 247 090
Diesel	165 663 552	172 027 770
Customs	1 435 991 520	1 950 923 908
Excise	374 744 257	376 633 219
Administrative penalties	5 830 673 641	4 916 571 154
Estate duty	208 666 524	259 102 828
Small business amnesty levy	54 598 489	62 121 735
Dividends tax	251 814 065	280 508 117
Donations tax	18 149 168	258 675 329
Transfer duty	2 144 583	2 144 583
Total overdue taxpayer debt	89 721 691 546	82 636 225 246

SARS continues to have taxpayer cases where both a debit and a credit exist within common tax types but for different tax periods. Both the debt and credit book could be reduced by R4.3 billion if credits due to taxpayers were off-set against debt. The VAT and PAYE systems do not currently accommodate this offsetting process and treat each period as a separate account. Income Tax credits and debts, however, are offset in the Income Tax system which operates a single account for each taxpayer. If VAT and PAYE credits were offset against debt owed by the same taxpayer, the debt-as-a-percentage-of-revenue ratio for 2014/15 would have been cut from 9.1% to 8.7%.

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Table 26: Debt as a percentage of revenue after strategic assessments and credit book off-set

	2014/15		2013/14	
		Debt as Percentage of Revenue		Debt as Percentage of Revenue
	R million	%	R million	%
Total taxpayer debt at 31 March	89 722	9.1%	82 636	9.2%
Less credit book offset	-4 319		-4 323	
Total taxpayer debt after credit offsets	85 403	8.7%	78 313	7.8%

If the full credit book were to be set off to provide a net debt position, the result would be a net debt owed by taxpayers to SARS of R44 billion. Much work remains on account maintenance on older entries on accounts. Payment reform, Single Registration and the new Tax Compliance Status system will all help improve account accuracy (both debit and credit balances) and consequentially reduce the debt book balance. To achieve these objectives, debt data will need to be moved from legacy systems to the new VAT and PAYE systems that use SAP applications. All accounts on the SAP applications apply the rolling balance principle.

Subsequent to year end, the debt management strategy of SARS is being reviewed under a formalised enterprise-wide project managed by the Programme Office. This enterprise-wide focus on debt has been initiated to reduce the current high levels of debt.

Credit book

At 31 March 2015 the credit book amounted to R45.7 billion. This was an increase of R5.7 billion (14.4%) from R39.96 billion the previous year.

The credit book, details of which are shown below, includes credits which can be set off against the debt book.

There remains much work to be done to clean up the credit book. It should be noted that there are entries in the credit book which are not liabilities to taxpayers.

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Table 27: Unaudited taxpayer credits

TAXES: Unaudited taxpayer credits (payables) as at 31 March 2015		
	2014/15	2013/14
	R	R
Income tax	-14 779 362 067	-11 698 148 188
Unallocated payments	-10 403 967	-43 851
Returns not received	466 461 779	-
Income tax	-14 323 304 255	-11 698 192 039
PAYE	-937 580 519	-1 177 747 607
Unallocated payments	-2 946 631 850	-4 051 175 957
Returns not received	172 197 364	248 172 150
PAYE	-3 712 015 005	-4 980 751 414
VAT	-25 367 847 531	-21 031 138 829
Unallocated payments	-1 557 191 262	-3 138 489 741
Returns not received	2 771 320 645	2 989 261 860
VAT	-24 153 718 148	-21 180 366 710
UIF	-151 925 320	-201 297 956
Returns not received	51 043 814	67 026 374
UIF	-100 881 506	-134 271 582
SDL	-119 549 712	-167 095 677
Returns not received	40 475 368	52 830 345
SDL	-79 074 344	-114 265 332
Diesel	-1 655 051 130	-1 501 658 199
Returns not received	63 255 514	35 029 561
Diesel	-1 591 795 616	-1 466 628 638
STC	-142 365 172	-166 656 353
Unallocated payments	-53 864 014	-720 510
Returns not received	43 825 375	-
STC	-152 403 811	-167 376 863
Estate duty	-2 068 787 271	-1 907 513 478
Returns not received	2 068 787 271	1 907 513 478
Estate duty	-	-
Dividends tax	-2 326 300 957	-265 863 847
Unallocated payments	-3 901 298	-
Returns not received	824 402 942	56 346 874
Dividends tax	-1 505 799 313	-209 516 973
Administrative penalties	-88 193 451	-6 942 125
Unallocated payments	-497 792	-23 235
Administrative penalties	-88 691 243	-6 965 360
Small Business amnesty levy	-5 068 006	-6 143 931
Total taxpayer credits	-45 712 751 247	-39 964 478 842

Automated collection solution

SARS has introduced an automated revenue collection solution to replace the manual processes required to create cases for outstanding returns and overdue debt. It will initially address late VAT and PAYE filings. An important feature of the new system is its ability to automatically generate SMSs or emails to alert taxpayers of their late returns or outstanding debt. SMSs are most often used to notify taxpayers of outstanding returns or debt. Emails are only sent when a valid contact number is not available.

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If a taxpayer does not respond to the SMS or email within a pre-set time, the revenue collection system issues a further notification and creates a case to be followed-up by a SARS employee. The time limit can be adjusted to suit the requirements of the case selection process. This avoids case backlogs and congestion.

The introduction of the new revenue collection system supports SARS' "Go Green" initiative by reducing the need to post letters to taxpayers.

Staff training

In order to increase productivity and competence of staff members, for purposes of driving debt strategies and increasing collection skills, SARS in the 2014/15 financial year, implemented a training plan. This training framework was guided by the skills gap analysis, Personal Development Plans of employees and regional inputs. A total of 2 027 staff members participated in the training drive. The intervention resulted in the overall performance of new inflow contribution to revenue collected rising to 8% which is 5% above the set target.

Use of third party data

SARS previously implemented a third party data platform that enables legally required submitters to electronically submit supporting documents sourced from these third parties. In order to assist auditors with their review of taxpayers, a new function was implemented in July 2014 to provide the ability to view the third party data applicable to the taxpayer they are reviewing. Auditors can now call up and view medical aid, insurance, interest, retirement funding and other certificates as submitted by medical schemes, insurance companies and financial institutions to view the original submission and compare to the claims made on taxpayer returns.

In September 2014 this function was further enhanced to enable third party data to be used in the debt collection process and collectors can now view the bank accounts of taxpayers to assess funds available to third party appointments (AA88) as well as by the disputes process to review any deductions and allowances under dispute.

1.3.4 Targeted compliance interventions in high-risk areas under the SARS compliance programme

Large businesses and transfer pricing

SARS continues to shape the large corporate compliance landscape through a number of compliance interventions including identification and managing of transfer pricing risks prevalent within the large taxpayer groups the majority of which are multinationals (MNE). BEPS remains high on the SARS compliance agenda and continues to be a challenge with most practices prevalent within MNEs showing an increased risk appetite for adopting aggressive tax avoidance structures. Most MNEs embark on tax planning strategies that seek to exploit gaps and mismatches in tax rules, to reduce profits for tax purposes, or to shift profits to lower tax jurisdictions even though such locations had little or no real economic activity in order to reduce overall corporate tax payable. MNEs shift profits through various vehicles including transfer pricing practices particularly excessive interest deductions, hybrid instruments and treaty abuse. During the year under review seven audits were completed successfully and raised R1.2 billion in additional audit assessments and banked R995 million in cash.

SARS recognises the need to build capability in this regard in order to effectively mitigate the effects of base erosion and profit shifting thus securing maximum revenue collections to meet current and future targets. On that note SARS will continue to actively participate in the OECD and United Nations (UN) working party groups engagements for successful delivery on the BEPS 15 action plans. Work on these action plans is gaining more momentum on most work streams to meet the end of September 2015 deadline.

HNWI and their associated trusts

SARS is creating a comprehensive database of High Net Worth Individuals (HNWI) to help it improve taxpayer compliance. It has identified 4 417 of these individuals by comparing and matching third party information such as property, trust, motor vehicle and financial records.

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In an effort to tackle declaration non-compliance by HNWI, SARS completed 149 audits on these individuals. It achieved a 92% success rate and the collection of R41.5 million in revenue. In addition, debt of R7.7 million was recovered from these individuals.

SARS also conducted 22 audits on trusts associated with HNWI. During the year under review it completed 17 of these audits. A total of R4.9 million in revenue was collected from 16 cases, with a success rate of 94%.

Four criminal cases involving wealthy South Africans were referred to the NPA for prosecution. The total revenue for these cases amounted to R46.8 million.

SARS is looking to improve its access to information about international transactions conducted by HNWI. It is working with members of the OECD to assess the viability of automatically exchanging information between revenue authorities.

SARS has also modernised its Trusts system to improve risk identification. The integration of the SARS risk engine into the Trusts system enables SARS to conduct extensive compliance checks and integrated audits.

SARS continues to encourage taxpayers to voluntarily disclose non-compliance. It also endeavors to make sure taxpayers are aware of the consequences of failing to meet their tax obligations.

Small businesses

The small business sector has the potential to make a big contribution to economic growth and employment in South Africa. SARS acknowledges this potential and strives to ensure that its policies, procedures and systems do not inhibit small businesses but instead encourage them to grow and further contribute to the economy. To bolster the participation of small businesses in the economy, Government plans to set aside 30% of appropriate State procurement categories for Small Medium and Micro Enterprises (SMME) and co-operatives as well as businesses in townships and rural areas.

Compliance by small businesses has been varied since SARS launched its Compliance Programme in 2012. VAT on-time filing compliance improved from 72.06% in 2011/12 to 79.0% in 2014/15. The PIT on-time filing compliance of self-employed individuals improved slightly from 66% in 2011/12 to 68.4% in 2014/15.

The on-time VAT payment compliance by small businesses declined from 85.5% in 2011/12 to 82.1% in 2014/15 while PIT on-time payment compliance for self-employed increased from 53.6% to 58.2% in the same period.

To reduce the cost of compliance, and thereby make it easier for small businesses to be compliant, SARS conducted a large number of outreach activities. These initiatives address issues that inhibit compliance and encourage small and micro businesses to register as taxpayers.

A total of 823 compliance audit cases were completed on small businesses with a success rate of 79%. This resulted in revenue collections of R30.1 million.

SARS has begun exchanging information with CIPC to improve the registration compliance of small businesses. The first phase of an electronic exchange between SARS and CIPC has been completed.

Tax practitioners and trade intermediaries

The implementation of guidelines to improve the regulation and monitoring of tax practitioners, as set out in the amendment of the Tax Administration Act, has significantly reduced the risk posed to SARS by tax practitioners. More than 18 300 tax practitioners have re-registered with SARS.

Eleven Recognised Controlling Bodies (RCB) for tax practitioners have activated their profiles on the eFiling service to enable them to submit information about the compliance of their members.

SARS conducted 48 compliance audits on tax practitioners, with a success rate of 98%, which resulted in assessments of

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R20.2 million. Twenty-eight cases, with a prejudice of R136.3 million, were handed over to the NPA for possible prosecution. A total of 3 259 outstanding returns were collected from these cases.

Construction Industry

SARS continues to be concerned about the low level of compliance in the construction industry. Its on-time filing of VAT returns has declined from 42.10% in 2011/12 to 40.59% in 2014/15. Over the same period, the level of non-filing increased from 41.16% to 46.53%. PAYE on-time filing compliance dropped from 56.27% in 2011/12 to 52.56% in 2014/15 while non-filing levels increased from 25.00% to 33.58%.

Payment compliance has also decreased. On-time VAT payments fell from 78.63% in 2011/12 to 74.27% in 2014/15 and on-time PAYE payments slipped from 83.0% to 75.4%.

SARS completed 771 audits of construction firms during the year under review and achieved a 91% success rate. An amount of R34.6 million in revenue has been collected.

Furthermore, SARS recovered 411 outstanding tax returns and R3.1 million in debt from individuals and companies in the construction industry. Forty three cases were referred for further investigation and nine cases, with a prejudice of R18.5 million were handed over to the NPA for possible prosecution.

SARS will continue to strive to improve compliance in the construction industry. It will especially focus on companies that receive Government tenders.

In an effort to tighten internal controls around the issuing of Tax Clearance Certificates (TCC), SARS is rolling out its electronic Tax Compliance Status (TCS) system. It has completed the first two phases of the roll-out.

Currently, only Government departments that wish to become early adopters of the new system can use the TCS service to check the compliance status of third parties. Potential suppliers to these Government departments can forward a one-time identification code to the department that will enable it to view their compliance status on line.

1.3.5 Strengthening risk management through enhanced systems

Trusts

SARS implemented its modernised trusts system in October 2014. The new system is expected to help improve compliance among wealthy individuals. It will enable SARS to conduct many more compliance checks and integrated audits. The risk assessment of Income Tax declarations made by trusts has been incorporated into SARS' enterprise risk engine. It no longer relies on the original risk assessment rules in the core tax system. SARS expects the migration of the risk assessment, compliance and audit processes for trusts onto the modernised enterprise platform, to yield operational and compliance improvements similar to those achieved for PIT, CIT and VAT. It also anticipates considerable enhancements to its risk management.

The modernisation of the Trusts system also resulted in the introduction of an online return form. The electronic form incorporates Adobe technology and is highly flexible and easy to complete. The return can be submitted to SARS on any of its electronic service channels. It complies with the Tax Administration Act (TAAct) and other legal requirements and is linked to SARS' Single Registration solution to ensure its "legal entity" details are up to date.

SARS has replaced its manual audits of trusts with an automated workflow case management system. This enables SARS to track verifications and checks, as well as related working papers and templates, throughout the audit process.

PIT

PIT changes that were effected in the year under review were legal changes and enhancements, the introduction of limited functionality for tax preparers and eFiling inbox functionality. These changes included amendments to PIT systems to accommodate the rollover of excess contributions and deductions as governed by Section 10C of the Income Tax Act; changes

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to the ITA34 assessment notice to facilitate new medical rebates and medical scheme contributions; rebate in respect of foreign taxes on income from a source in South Africa; rates, rebates and exemption updates for individuals; exemption of non-deductible element of compulsory annuities (s10C); and medical scheme contribution tax credits (s6A and s6B).

PAYE and VAT

SARS is streamlining its tax systems and expanding the facilities it offers taxpayers on its online platforms. To support this initiative, SARS required a new billing platform, to manage the processing of the returns submitted on line, as well as a risk engine to enhance its audit activities. The first phase of the project which involves migrating the processing of PAYE returns, was put in testing and is scheduled to be completed in the coming year.

CIT

Updates to the Company Income Tax return (ITR14) for the 2014 year of assessment, prompted by recent legislative changes, were implemented in December 2014. They include provision on the return for the identification of Real Estate Investment Trust (REIT) companies and the disclosure of dividends received by the REIT in the Income Statement. A new section has been added to the return that requires companies to disclose any foreign tax credits that may have been refunded or discharged by a foreign country.

Furthermore, the section of the return that requires companies to disclose foreign tax credits claimable has been updated to verify that the company has adhered to the requirements of the Income Tax Act. Provision has been made for disclosure of the energy efficiency savings deduction.

The local and foreign capital gains schedules on the return have been changed to make provision for the disclosure of capital losses in respect of connected persons. Further provision has been made for the separate disclosure of the limitation of interest deduction, in respect of reorganisation and acquisition transactions.

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1.4 Outcome 3: Increased ease and fairness of doing business with SARS

1.4.1 Improved complaints management process

SARS has developed an integrated complaints management system to improve SARS' response to complaints from taxpayers and traders. The system, developed during the year under review, will provide a single integrated facility to monitor, assess and resolve client complaints. The new Complaints Management Office (CMO) will be able to use the system to track and review complaints cases and related profiles, authorisation and correspondence. The Office of the Tax Ombud will also have partitioned profile access to the new system for query resolution and complaint referral and escalation to SARS.

1.4.2 Single registration system

SARS continued to enhance its single registration capability to increase the ease and fairness of doing business with SARS. The first phase of the single registration system was successfully released into production in May 2014. The system provides SARS staff, taxpayers, traders and vendors with a single comprehensive display of every taxpayer's relationship with SARS that includes all tax types and customs products. It aims to fully improve compliance, enable debt equalisation and enhance security.

The implementation of the single registration system was one of the largest and most complex projects in the SARS modernisation programme. It involved more than 280 interfaces, 1 800 touch points and 20 million customer records. To ensure effective risk management, SARS is implementing the single registration system in several phases. During the first phase, the underlying technology of the system was implemented and only a few taxpayer records merged. Staff at SARS branches are now engaging with taxpayers so that further records can be merged.

SARS is working with the DHA and CIPC to validate its taxpayer database. During September 2014, a real-time Message Queue (MQ) interface was established between CIPC and SARS to facilitate the transfer of electronic information between the two agencies. CIPC now transmits details of new company registrations and changes to registrations to SARS using the electronic interface.

In November 2014 SARS implemented several major enhancements to the single registration system. It introduced to the eFiling service an online merge tool that enables taxpayers to consolidate details of their tax products without visiting a SARS branch. The introduction of this facility will not only reduce the traffic in SARS branches but also enhance the service it provides clients. SARS further enhanced the single registration system by introducing a facility that allows taxpayers to capture up to 500 trading names and then select the name they wish to appear on their TCC certificate.

1.4.3 Improved Tax Clearance Certificates (TCC) process and system

The TCC system has been enhanced to mirror the operating rules of the new TCS system and to reduce "overrides". Enhancements included incorporating Administrative Penalties and Dividends Tax into the outstanding Income Tax displayed by the system and aligning the tolerance on overall debt used to determine whether a TCC can be issued. About 1.2 million TCC were processed on the new automated system in the 2014/15 financial year. Around 82% of TCC applications are now automatically approved or declined by the system. Before the TCC system was enhanced all applications were processed manually.

A phased approach is being employed to roll out the solution and only Government departments who are equipped and trained and who wish to become early adopters of the new PIN based TCS will be able to use the new system. Learnings from the first pilot are being collected and will be used to enhance the system's usability prior to continuing with the phased rollout. Once other Government departments have been equipped and trained to use the new online process, they will be converted to the new system. SARS is currently working with National Treasury to amend State procurement laws and rules to support the new TCS process and to set the dates for Government departments to convert to the new system.

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1.4.4 Supporting the Employment Tax Incentive (ETI)

To accommodate Government's new ETI, SARS revised the forms and functionality of its PAYE system. In April 2014 new EMP201 forms and EMP501 reconciliations were released onto the e@syFile and eFiling services, as well as the Service Manager platform in branches, in preparation for the employer filing season.

In May 2014, a declaration field was added to the EMP201 form, on all submission channels, that requires taxpayers to declare they have met their tax obligations. If they are found to be non-compliant, the form will restrict the deduction of the ETI.

A further enhancement to the PAYE system, to accommodate the ETI was implemented in August 2014. It included updates to the EMP501 and IRP5 forms to provide fields for six-monthly reconciliations. The ETI enhancements were implemented together with the PAYE 2014 mid-year release.

In December 2014, an interim refund process for the ETI, that required payment validity and taxpayer compliance to be checked manually, was drafted. This manual "Plan B" was required because a proposed automated version was deemed unnecessary because the new PAYE system, to run on the ATP and SAP platforms, would incorporate a fully integrated refund facility. Unfortunately, the implementation of the new PAYE was put on hold and this required the manual "Plan B" to be adopted. Initial refunds for the ETI were checked and authorised manually.

1.4.5 Tax free savings account

In 2014, National Treasury announced the introduction of tax free savings accounts from March 2015. SARS has worked closely with financial institutions, particularly large banks and insurance companies, to accommodate these new savings accounts. It issued an external Business Requirement Specification (BRS) to help financial institutions modify their systems so they could correctly submit the information required by SARS. This information must be forwarded to SARS, together with IT3(s) submissions, every six months.

SARS has accommodated the requirements of tax free savings accounts within its third party IT3 data receiving process. The further IT3 submission (IT3(s) category) is required to obtain the legally required information about taxpayer contributions, transfers and withdrawals. Financial institutions are unlikely to have to change their systems much to accommodate SARS' requirements for the new savings accounts. SARS has merely added a few new fields to the IT3 submission process.

1.4.6 Expanding SARS' footprint

Our branch operations continues to strive to deliver exceptional service to taxpayers. During the 2014/15 financial year, it serviced more than eight million taxpayers from 52 branches and a large number of outreach engagements. Engagement teams promoted SARS' tax compliance strategy through tax campaigns and education drives. During the year under review they interacted with 756 907 current and potential taxpayers. This was 4.4% more than the previous year.

SARS extended its footprint by acquiring six additional Mobile Tax Units (MTU), opening two new branches (Orlando East and Mitchell's Plain) and relocating a further two branches (Boksburg and Mthatha).

1.4.7 Creating fiscal citizenship among all South Africans

SARS is cognisant of the challenges facing our economy and that makes South Africans and all businesses operating in South Africa aware of their moral obligation to contribute to the South African fiscus. SARS in collaboration with the Department of Basic Education put focus in the 2014/15 financial year on extending education initiatives to schools and tertiary curriculums, educating future taxpayers on their responsibility to contribute to the fiscus, as well as the development of our country. The Department of Basic Education formally endorsed the SARS schools programme to infuse tax education in the education curricular. Prior to that, SARS signed agreements with Provincial Education to host tax workshops to grade 10, 11 and 12 learners at selected schools throughout the country. Tax education has been matched to the life skills curriculum. Linked to this is the approach by SARS to involve both teachers and learners on tax education and tax morality issues. SARS engaged 217 schools and involved more than 80 000 learners in workshops. They were awarded with attendance certificates. Furthermore,

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SARS engaged almost 5 000 educators at selected schools on tax matters and tax morality. SARS also engaged students at 92 institutions of higher learning including Further Education and Training institutions (FET). These are students who do not necessarily take tax as a course at university. They are taught about good citizenship and the value of their contributions. In addition to this, SARS continued with outreach and education campaigns at airports, shopping centres, malls and other public meeting places. These initiatives resulted in a total of 756 907 successful engagements with existing and potential taxpayers. Between April 2014 and March 2015, 3 041 workshops and seminars were conducted with 202 283 individuals attending. Presentations were on the following tax products: Income Tax Basic and Income Tax Intermediate, Pay-As-You-Earn, Provisional Tax, Small Business, Turnover Tax and VAT Basic and VAT Intermediate. The website for the SARS schools programme has been developed and the first phase of the website will be launched in October 2015.

Furthermore, SARS began conducting feasibility studies for the introduction of two additional tax practitioner centres to this tax segment.

1.4.8 Modernisation of the estate and deregistration processes

This modernisation initiative is aimed at automating processes for the deregistration of taxpayers and the assessment of estates to incorporate direct data interfaces with third parties, such as DHA, CIPC and the Master of the High Court. The project was placed on hold in favour of implementing major legal changes that were needed such as the new customs legislation, legal changes to the tax system and also revenue and compliance enhancing initiatives.

1.4.9 Improving taxpayer and trader service channels

SARS continued to improve its service channels to taxpayers and traders in both its contact center operations and branch operations. Our contact centre resolved 97% of service request calls on first time contact. The service channel collected R11.3 billion, this was a joint effort by the Contact Centre and Branch Operations. During this year SARS serviced more than 8 million taxpayers across our 52 branches and outreach engagements with exceptional service and making taxpayers aware of their tax obligations. This resulted in an 11.2% increase in taxpayers serviced from the previous year with 5.6 million taxpayers being attended to within 30 minutes, a 24% increase from the previous financial year. This result can be attributed to SARS continued focus on increasing internal efficiencies.

Small business desks

Aligned to the SARS differentiated service offering strategy, the Small Business Unit was established. A total of 138 small business desks were established across 50 SARS branch offices dedicated to support the fulfilment of tax obligations by this segment. Since its establishment in August 2014, these desks have served over 197 000 taxpayers.

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1.5 Outcome 4: Increased cost effectiveness, internal efficiency and institutional respectability

1.5.1 Cost of revenue collection

SARS' cost-to-tax-revenue ratio remains close to the international benchmark used by revenue authorities around the world. The ratio was kept slightly below the 1% international benchmark at 0.97% during the 2014/15 financial year. Growth in operating cost was contained by greater efficiency, tighter controls and better rates from service providers. During the past six years the ratio has ranged around the 1% mark. It moved from a high of 1.17% in the 2009/10 financial year to a low of 0.97% in the 2014/15 financial year (Table 28).

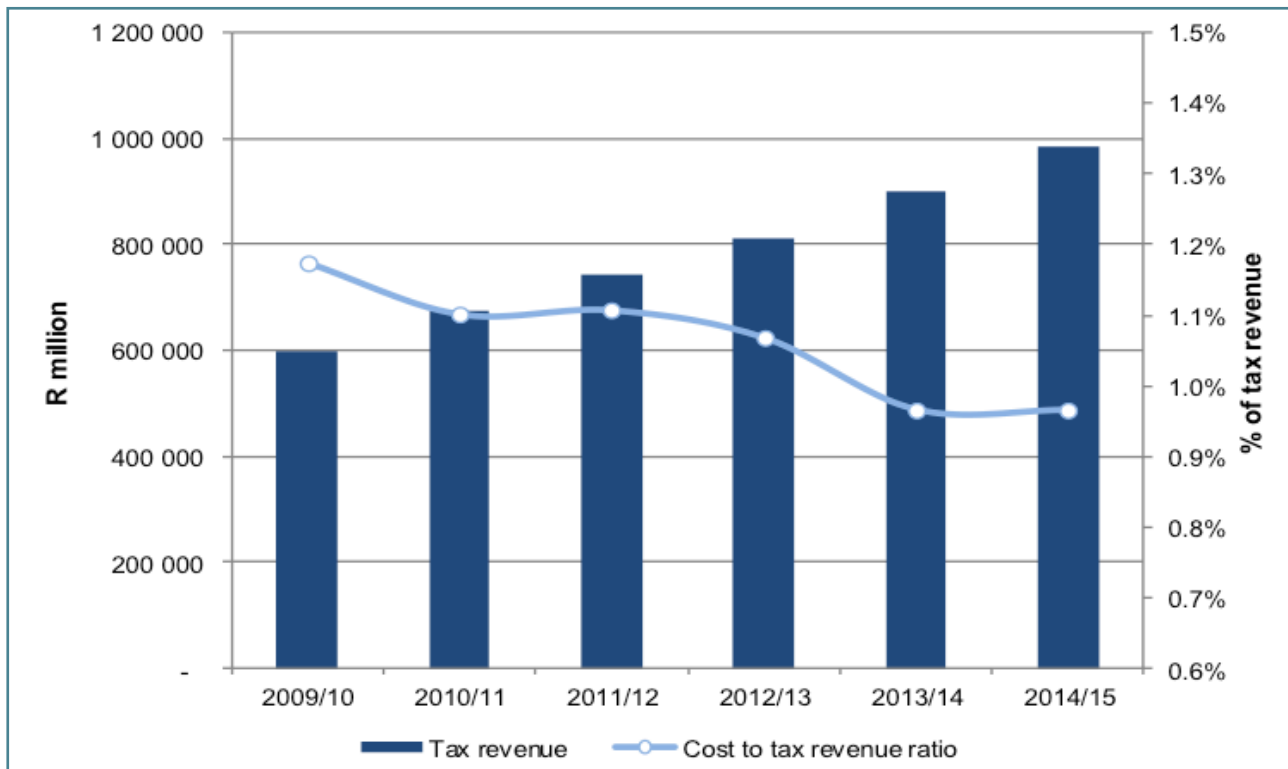
Table 28: Cost of revenue collection for 2009/10 to 2014/15

Year	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15
	R million	R million	R million	R million	R million	R million
Tax revenue	598 705	674 183	742 650	813 826	900 015	986 295
Operating cost *	7 032	7 426	8 221	8 696	8 702	9 528
	%	%	%	%	%	%
Cost to tax revenue ratio	1.17%	1.10%	1.11%	1.07%	0.97%	0.97%

Note: * Controlling entity.

This consistent performance shows that SARS has contained costs while increasing the amount of revenue it has collected (Graph 3). The SARS cost-to-tax-revenue ratio does not take into account collections of non-tax revenue on behalf of other institutions. Such revenue includes RAF levies and UIF contributions as well as MPRR collections.

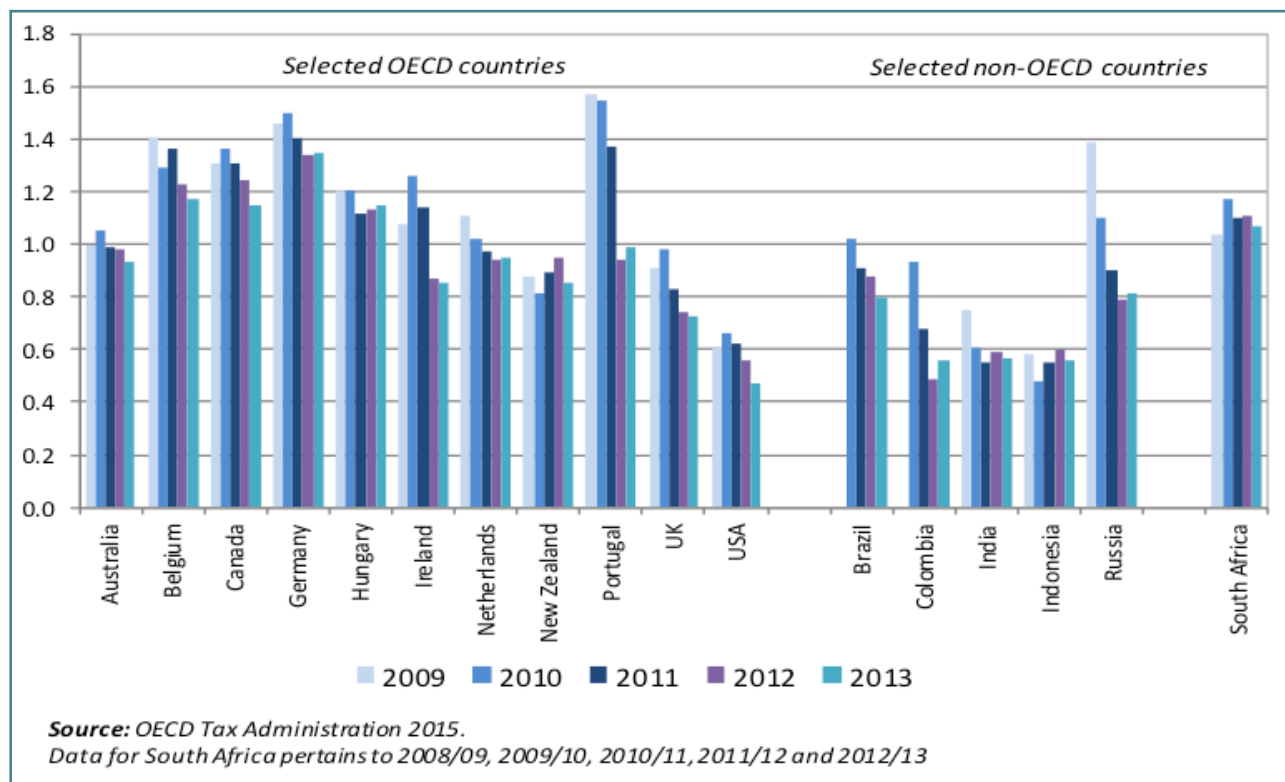
Graph 3: SARS' cost of revenue collection for 2009/10 to 2014/15



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The 2015 edition of Tax Administration, published by the OECD, reports that the cost-to-tax-revenue ratio for most countries ranges around the international benchmark of 1%. The United States of America (USA) achieved a low of about 0.5% and Germany a high of 1.4%. Brazil and Russia were also around the 1% international benchmark. If administered revenue, instead of tax revenue, is used to calculate South Africa's cost of revenue, the 2014/15 ratio drops from 0.97% to 0.91%. Graph 4 shows a comparison of selected countries' ratios from 2009 to 2013.

Graph 4: Comparison of cost collection ratios for 2009 to 2013



1.5.2 Cost saving measures to keep expenses within National Treasury guidelines

SARS' budget is set and approved in accordance with Government's annual Estimates of National Expenditure (ENE). The budget is then allocated by the SARS Executive Committee to the organisation's divisions and business units. This process is guided by the objectives and mandate of the organisation and adheres to SARS' internal budget guidelines as well as various National Treasury directives. It also complies with the Public Finance Management Act (PFMA). SARS' spending is monitored frequently to ensure that "business as usual" and project expenditure remains within the budget. SARS' Executive Committee regularly monitors both financial and operational indicators to ensure spending is in line with the budget. Detailed reports are compiled each month to ensure the Executive Committee and senior managers are aware of the financial and operational performance of the organisation and can identify and mitigate major risks.

1.5.3 Supporting a whole of Government approach to achieve greater efficiencies

To further increase efficiencies, SARS is optimising its value chain, the activities that create value for its clients, by integrating its operations more closely with those of other State agencies. It is working with custodians of taxpayer and trader information such as the departments of Home Affairs (DHA), Labour (DoL), and Trade and Industry (DTI) as well as CIPC and the Government Pensions Administration Agency (GPAA). SARS is also co-operating with the NPA and the Department of Justice (DoJ) to further its compliance activities and working with the South African National Defence Force (SANDF) to strengthen security at national borders.

This collaboration aims to save taxpayers' money by leveraging Government's investments in SARS' modernisation programme for the benefit of other State organisations. It complies with legislation that prohibits the conflict of interest or the contravention of good governance.

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During the 2014/15 financial year SARS collaborated with DHA to roll out the movement control system that tracks the amount of time taxpayers spend in and out of the country. SARS also worked with the SANDF, and other members of the BCOCC and the Inter-Agency Clearing Forum, to improve security at national borders. It continued to collaborate with National Treasury's Financial Intelligence Centre (FIC) to improve the integrity of the State procurement system.

Public sector engagement

SARS' Stakeholder Management initiative is intended to build, enhance and leverage the organisation's relationships with key public sector partners. During the year under review SARS continued to focus on strengthening its relationships with State agencies that are part of its value chain. It concentrated on working with public sector partners that could help improve its taxpayer and trader information and strengthen its compliance activities. Information sourced from these sources included data about the healthcare profession, property ownership and rentals.

As part of its Stakeholder Management initiative SARS also shared expertise and experience with its partners in the public sector. The SARS Academy drafted a training programme during the 2014/15 financial year for employees of other State departments. The programme addresses a variety of tax issues, particularly those related to VAT, as well as SARS' processes and policies.

SARS participates in several Government forums, such as Government clusters, the BMA technical working committee and the special economic zone joint steering committee, that enables it to align its activities with national policy.

Private sector engagement

During the 2014/15 financial year, SARS implemented the new regulations that govern the conduct of tax practitioners. Recent legislation required the SARS Commissioner to designate specific RCB to oversee such practitioners. Eleven RCB have begun working with SARS to ensure their members comply with the new regulations. Co-operation between the RCB and SARS has been good. Discussions, intended to improve the professionalism of tax practitioners, have been positive and will continue in the coming year. In June 2014, RCB hosted South Africa's inaugural tax indaba, in Sandton.

1.5.4 Working with other tax jurisdictions and authorities

International taxation remains high on SARS' agenda. It is working with several international organisations to establish more equitable tax standards and eliminate discrepancies that enable multinational corporations to shift profits before they can be taxed. During the year under review SARS chaired the African Tax Administration Forum (ATAF) and the Global Forum on Transparency and Exchange of Information for Tax Purposes and co-chaired the Domestic Resource Mobilisation work stream of the Group of Twenty (G20) Development Working Group. It was a member of the Forum on Tax Administration and an associate member of the Project on Base Erosion and Profit Shifting established by the G20 and the OECD.

SARS recognises ATAF as the most appropriate regional organisation to build efficient and effective tax capabilities in Africa. It supports ATAF's work programme which includes research, the exchange of information, consumption taxes and cross-border taxation. In 2014/15 the SA-ATAF Host Country and the SARS-ATAF Hosting Arrangements agreements were concluded.

During the year under review, South Africa, together with more than 60 other members of the Global Forum on Transparency and Exchange of Information for Tax Purposes signed the Multilateral Competent Authority Agreement (MCAA) which enables the automatic exchange of non-resident financial accounts. This will begin in 2017. In 2014, the Global Forum also launched a three-year Africa Initiative to foster effective exchange of tax information across the continent. The initiative will focus initially on raising awareness among African revenue authorities of the need to exchange tax information. During 2016 and 2017 it will promote the use of tools needed to build effective Exchange of Information (EOI) systems.

The two-year Base Erosion and Profit Shifting project, launched by the G20 and OECD in 2013, aims to enhance the international tax system to counter base erosion and profit shifting by multinational enterprises. South Africa, which is not a member of the OECD, participated in the project as an associate member. Among the recommendations the project agreed on were revised standards for transfer pricing documentation and a template for country-by-country reporting of income, earnings, and taxes paid. It also accepted standardised measures of economic activity that enable revenue administrations to conduct transfer pricing risk assessments and examinations.

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To develop and strengthen relations with other revenue administrations, SARS embarked on several bilateral missions during the 2014/15 financial year. They included meetings with revenue administrations in Zimbabwe, Mozambique and Swaziland. The missions discussed matters of mutual concern, such as tax base erosion, as well as a variety of administrative and technical issues. SARS also hosted visits from other African revenue administrations to encourage the building of capability and expertise throughout the continent.

Together with National Treasury, SARS negotiated an Inter-Governmental Agreement (IGA) with the USA. The agreement falls within the framework of the existing double taxation treaty between the two countries.

Exchange of information

SARS implemented several measures in 2014/15 to enable it to administer FATCA in accordance with the Inter-Governmental Agreement between the USA and South Africa. The Tax law allows the automatic exchange of taxpayer information between the US and South Africa revenue authorities.

During the year under review SARS enrolled with the International Data Exchange Service (IDES) and obtained Global Intermediary Identification Number (GIIN). It began to develop three important business solutions to accommodate FATCA. They will enable SARS to receive incoming data files from financial institutions within and outside South Africa that are submitting information in accordance with FATCA. SARS will also be able to forward this information to the Internal Revenue Service (IRS) in the US. In preparation for the implementation of FATCA, SARS participated in the test transmission of data between IDES and IRS during March 2015.

1.5.5 Migrating to the Generally Recognised Accounting Practice

SARS continued to replace its legacy accounting systems and processes with the new SAP consolidated account management solution. Implementation is being phased in on a tax-by-tax basis. This solution was developed in accordance with the Revenue Management framework and is aligned with the Tax Administration provisions and Generally Recognised Accounting Practice (GRAP). By the end of the financial year, SARS had successfully implemented Customs, Excise, and Transfer Duty on the SAP platform and is in progress with implementing the newly introduced tax type, Withholding Tax on Interest.

The remaining taxes that require to be migrated to SAP by March 2018 include PAYE, VAT, and the smaller non-core taxes such as Donations Tax, Estate Duty, and Mineral Royalties.

Significant work has been completed thus far in developing the PAYE and VAT accounting solutions. Effort is now being focused on preparing legacy data for upload into the new account structure and setting up the environment and processes, such as new return filing, dispute, and debt management processes, to enable the account to operate effectively. This is an extensive and lengthy exercise involving among other things, data clean-up, legacy program extensions and fixes, and taxpayer communication.

1.5.6 Implement eCentral to increase self-service internally and automate high cost support services

The eCentral project, after a careful review of SARS business needs and the available and possible processes and business systems required to support it, was removed in favour of a more suitable project.

1.5.7 Improve governance in the selection and execution of cases to improve transparency about SARS' decision making processes

SARS has developed and implemented the framework on case selection and execution in the 2013/14 financial year. Policies and procedures were developed and published on how cases are selected and executed. The implementation of the framework brought into effect the separation of case selection and execution in SARS. There are organisational structures or units that have been setup to bring into effect the case separation process in various divisions within SARS.

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1.5.8 Refining the SARS operational model to improve the efficiencies and effectiveness of business practices

SARS has embarked on a comprehensive review of its operational model, modernisation programme and organisational culture. These reviews will assist in ensuring that SARS remains relevant in the wake of the changing environment facing the organisation as a result of the substantial progress and achievements made resulting from SARS' modernisation programme. This will help us concretise and map our path for the next few years so that we can build on SARS' already strong foundation and enable us to optimise our operations.

1.5.9 Improving Information Technology

SARS has invested a lot of resources to improve its Information Technology (IT) systems in order to support SARS' activities throughout South Africa. The weighted systems availability for the year under review was 99.87%.

SARS bolstered its IT electricity back-up facilities and on-line security resources to further safeguard SARS' business continuity. It installed back-up electricity generators at a number of its key sites and plans to install back-up water systems at selected sites.

To combat the escalating threat of cybercrime, the security monitoring and management of SARS networks, servers and devices have been strengthened. More than 182 000 viruses on servers and work stations were blocked and removed during the year under review. A further 195 000 network intrusions were repelled and more than 1 300 phishing sites, which illegally use the SARS brand and image, were shut down. During the 2014/15 financial year, more than 70.2 million emails were routed across the SARS network. Around 6.7 million were spam, had to be blocked and removed, and more than 114 000 contained viruses that were nullified.

IT Operations stepped up SARS' defences against cybercrime and online fraud, in the 2014/15 financial year, by creating a cyber-intelligence group. The group will monitor SARS' IT security infrastructure, investigate threats and incidents and conduct security audits.

Security improvements and biometrics

The highlight of the 2014/15 financial year was USA's IRS endorsement of the high level of security SARS has entrenched in its ICT infrastructure, systems and processes. The US tax authority audited SARS' security environment and concluded an agreement that resulted in South Africa complying with USA FATCA.

The eDNA biometric security pilot was extended to the VAT refunds and single registration business processes and utilised by DHA employees in the live capture national SmartID card modernisation. An integrated access smartcard – combining physical and logical access – has been successfully piloted at the SARS Walker Creek office. The Customs EDI channel was modernised onto next-generation IBM infrastructure and trader security-profiles migrated. The quality of SARS applications was enhanced with the integration of risk-based security processes into the systems development life cycle. A number of public-facing websites were assessed including the eFiling website and MobiApp, www.sars.gov.za, www.taxcom.org.za, www.borders.sars.gov.za, tools.sars.gov.za and Intenda.

SARS threat management capability was improved with the implementation of the IBM Qradar security event management platform for more than 50 IT security operations processes. The system is also utilised in the monitoring of high-risk incidents by the recently established multi-disciplinary fraud management team. Enterprise infrastructure upgrades were completed for the Microsoft Active Directory and the Symantec Endpoint Protection anti-virus solutions. The IBM Guardium database activity management was extended to the IBM Tivoli Identity Management and Tivoli Access Management (TIM/TAM) and Kopano Payment Engine (KPE) database in fulfilment of the Auditor-General's findings.

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1.6 Capital investment

Growth and expansion

Two new branches were opened by SARS during the year under review; one in Soweto (Gauteng) and another in Mitchells Plain (Western Cape). It now operates 52 branches around the country. SARS' footprint expansion project is due to open a further four branches: at Newcastle, Lephhalale, Queenstown and Springbok, in the coming year.

SARS commissioned a new facility in the 2014/15 financial year to house the Detector Dog Unit at the Lebombo border post. Two similar facilities were relocated to more suitable premises at Ermelo and Pretoria. A Customs cargo scanner site was commissioned in Durban and a new State warehouse was opened in Musina. Four additional State warehouses, in the North West, Free State, Gauteng and Western Cape provinces, are planned for the 2015/16 financial year. SARS is upgrading warehousing infrastructure at nine sites around the country. In the coming year SARS will commission an additional scanner site in Cape Town. The mobile scanner currently installed in Cape Town will be moved to the Beitbridge border post.

New premises to accommodate the Office of the Tax Ombud in Pretoria have been refurbished.

Compliance upgrades and relocations

During the year under review, two branch offices, one in Mthatha and another in Boksburg, were relocated to better premises. The Restricted Taxpayer Unit (RTU) was relocated to a new site in Pretoria and the first phase of the upgrade of the Government premises that house the Port Elizabeth branch office was completed. Further property improvements are planned for the coming year. They include the next phase of the improvements to the Port Elizabeth branch office building as well as renovations to Government properties such as the Bloemfontein New Central Government Building, Pretoria Revenue Building, Beaufort West Revenue Building, the Receiver's Building in Standerton and Customs House in Durban.

Upgrades to improve the use of office space were conducted at Megawatt Park in Johannesburg, the Randburg branch office and at Albany House in Durban. Further improvements are planned for the 2015/16 financial year at the Sanlam Building (P166) and Lower Long branch office in Cape Town as well as at Waverley Park Building in East London.

Infrastructure investment

Architectural designs and preliminary concepts have been concluded for major upgrades at Durban Customs House and at the Alberton Campus. These upgrades will increase substantially the office capacity of these buildings.

SARS is examining the possibility of establishing an integrated head office complex. This would reduce its current spending on rentals. It is also in discussions with the Uppington Municipality about the possibility of creating a SARS-owned regional service centre in the town.

Business continuity

To alleviate the impact of intermittent electricity cuts, SARS has installed generators at 14 of its sites. It is also researching alternative sources of energy that could be included in its "Go Green" initiative. In the coming year SARS intends installing back-up water systems at its sites that frequently experience disruptions to their water supplies.

Technology and automation

SARS installed an incident management system during the 2014/15 financial year that will enhance service monitoring at its corporate real estate division. It also reviewed new facilities management and building management systems that could improve the measurement of asset performance.

Fixed asset register

SARS' fixed asset register has predominantly remained unchanged for the 2014/15 financial year under review. Disposals to the value of R3 709 723 Net Book Value (NBV) relate to the sale of property, plant and equipment, donations to schools to the

PERFORMANCE AND ORGANISATIONAL HIGHLIGHTS

value of R5 974 092 were made while losses to the value of R248 561 NBV were incurred due to theft of mainly IT and audio visual equipment.

SARS is continuously working towards improving the accuracy and completeness of information in its fixed asset register. Towards the end of the 2014/15 financial year, the organisation has deployed a new asset tool called "My Assets" to enable all employees to actively manage the assets that they are responsible for and in line with policy, physical asset verifications will be performed bi-annually.

Table 29: List of Infrastructure projects

Infrastructure Projects	2014/15			2013/14		
	Budget	Actual Expenditure	Over/Under Expenditure	Budget	Actual Expenditure	Over/Under Expenditure
	R'000	R'000	R'000	R'000	R'000	R'000
Branch Footprint Expansion	42 961	41 541	1 420	52 309	17 807	34 502
Footprint Expansion - Mthatha	15 843	15 843	-	-	4 089	-4 089
Footprint Expansion - Umhlanga	-	-	-	-	4 899	-4 899
Footprint Expansion - Mitchell's Plein	15 304	14 664	640	11 980	49	11 931
Footprint Expansion - Soweto 1	4 980	4 980	-	12 673	4 113	8 560
Footprint Expansion - Soweto 2	-	-	-	12 673	-	12 673
Footprint Expansion - Boksburg	3 834	3 834	-	14 983	4 657	10 326
Security - Branch Footprint	3 000	2 220	780	-	-	-
Compliance Upgrades	107 101	38 411	68 690	83 884	50 079	33 805
B O Infrastructure Quick Wins	1 572	1 091	481	7 350	5 195	2 155
Security - Upgrades of Sites	2 355	273	2 082	20 623	12 240	8 383
Security - Block A Security Upgrade	1 000	765	235	-	-	-
Upgrade of State Warehouses	58 700	1 005	57 695	-	-	-
Facilities Building Performance Compliance	43 474	35 277	8 197	55 911	32 644	23 267
Customs Scanners	83 128	53 310	29 562	47 925	7 910	40 015
Customs - Cargo Scanners (DBN/CPT)	45 250	26 424	18 826	38 925	7 910	31 015
Customs - Beitbridge Mobile Scanner Relocation	665	409	-	9 000	-	9 000
Container Cargo Scanner - Durban Port	27 148	17 548	9 600	-	-	-
Cargo Scanner Cape Town (Facilities)	10 065	8 929	1 136	-	-	-



Part Two
Performance
information

02

PERFORMANCE INFORMATION

2.1 Measuring SARS' performance

SARS aligns its performance management to the Government's approach to performance planning, monitoring and evaluation. It focuses on measuring and assessing outcomes and their impact. SARS also researches and assesses approaches to performance measurement and reporting adopted by leading revenue administrations across the world.

SARS continues to report its performance by focusing on the four strategic outcomes that address not only its mandate but also its commitment to the South African Government and the citizens of the country. These four outcomes are improved customs compliance, improved tax compliance, improved ease and fairness of doing business with SARS, and increased cost-effectiveness, internal efficiency and institutional respectability.

SARS has made good progress in finding measures of performance that are well defined and meet all the required standards of reliability, verifiability, cost-efficiency and relevancy. In addition to those measures currently being tracked, it has identified new output measures for which SARS is establishing systems of data collection to ensure that the necessary quality, verification and validation of information are realised.

After SARS is satisfied that it can use a measure reliably and consistently it incorporates it into its performance management system. Measures currently tracked, and therefore reported on, are shown in the Annual Performance Plan and Strategic Plan.

For the year under review SARS performed well against the predetermined targets set out in Table 30.

PERFORMANCE INFORMATION

2.2 Schedule of Performance Information

Table 30: Schedule of Performance Information 2014/15

SARS							
Predetermined Objectives: Schedule of Performance Information for 2014/15							
NO.	STRATEGIC OUTCOME	STRATEGIC MEASURE			ACTUAL ACHIEVEMENT 2014/15	VARIANCE ON TARGET	COMMENTS
		MEASURES	BASELINE	2014/15 TARGET			
1	Increased Customs compliance	Customs revenue collected (R billion)	R175.8 billion	As per agreed target with Minister of Finance R175.8 billion - (Revised estimate for 2014/15)	R178 billion	2.2	The Customs revenue target was exceeded by R2.2 billion. Import VAT and Customs duties collected were both above the set target.
2	Increased Customs compliance	% of trade that have been audited with a view to obtaining Preferred Trader status	25.04	26.00	26.42	0.42	Importers submitted declarations consisting of 25 406 714 lines. Of this total, 6 712 848 lines were submitted by potential preferred traders.
3	Increased Customs compliance	% Of cargo declarations targeted	14.50	11.00	13.39	-2.39	The main reasons for the higher than expected alert ratio is the following: 1. An increased focus on clothing and textiles with 9 additional rules on yarns and textiles added to the reference prices and 4 tariff headings added to textiles regarding polyester fibres including 7 additional tariff items to tyres for passenger tyres, buses and lorries with a load index not exceeding 121 has been the main reason for the increased risk alerts. 2. The adjusted rate of exchange is resulting in an increase in the number of alerts - the reference prices are adjusted periodically according to fluctuations in the rate of exchange. This has resulted in more consignments being targeted.

PERFORMANCE INFORMATION

NO.	STRATEGIC OUTCOME	STRATEGIC MEASURE			ACTUAL ACHIEVEMENT 2014/15	VARIANCE ON TARGET	COMMENTS
		MEASURES	BASELINE	2014/15 TARGET			
4	Increased Customs compliance	% Increase in electronic manifest submissions	25.58	1.00	-1.88	-2.88	The number of electronic manifests submitted YTD were 1 628 821 compared to 1 660 010 submitted in the previous period. The decrease is mainly due to the decrease in electronic manifests from air and sea. Furthermore, as a moratorium was placed on all modernisation projects, the modernisation initiative could not be rolled out and impacted negatively on manifest uptake.
5	Increased Customs compliance	Interfront Governance - Unqualified audit report	Clean audit report	Unqualified audit report	Unqualified audit report	0	The Auditor-General audit report for Interfront is an unqualified report.
6	Increased Tax compliance	Total revenue (excluding Customs revenue) collected (R billion)	R724.2 billion	As per agreed target with Minister of Finance R803.2 billion - (Revised estimate for 2014/15)	R808.3 billion	5.1	The total revenue (excluding Customs revenue) target was exceeded by R5.1 billion mainly due to higher PIT collections.

PERFORMANCE INFORMATION

NO.	STRATEGIC OUTCOME	STRATEGIC MEASURE			ACTUAL ACHIEVEMENT 2014/15	VARIANCE ON TARGET	COMMENTS
		MEASURES	BASELINE	2014/15 TARGET			
7	Increased Tax compliance	Debt book as a % of tax revenue	9.18	9.00	9.10	-0.1	The reason the target was not met was due to a R7 billion net increase in the debt book since 31 March 2014. The increase has been attributed to large assessments and audit assessments being raised against taxpayers. The Large Business Centre (LBC) debt book increased with R6.1 billion and audit debt with R3.7 billion. The LBC is actively pursuing the resolution of disputes and collection of these assessments, whilst a dedicated collection team within audit are pursuing the audit debt. In the new financial year, additional capacity will be made available to these areas.
8	Increased Tax compliance	% PIT filing compliance	91.53	91.60	94.49	2.89	SARS received 4.25 million 2014 PIT returns out of the expected 4.5 million by the end of the 2014 filing season.
9	Increased Tax compliance	% Audit coverage of registered taxpayers (PIT, CIT, VAT/Excise and PAYE)	10.57	11.00	12.11	1.11	SARS conducted 1.9 million audits and surpassed its target.
10	Increased Tax compliance	% in-depth audit coverage of registered taxpayers (PIT, CIT, VAT/Excise and PAYE)	0.26	0.07	0.09	0.02	The over performance was contributed to mainly by Excise. This was due to them having more resources available to assist with audits and inspections. The modernisation of systems in the previous year freed up resources which were mainly conducting administrative functions.

PERFORMANCE INFORMATION

NO.	STRATEGIC OUTCOME	STRATEGIC MEASURE			ACTUAL ACHIEVEMENT 2014/15	VARIANCE ON TARGET	COMMENTS
		MEASURES	BASELINE	2014/15 TARGET			
11	Increased ease and fairness of doing business with SARS	% Uptake in electronic filing, declaration and payment submissions for all tax products	96.22	98.00	98.29	0.29	Taxpayers are moving towards electronic submissions and payments. SARS received 39.7 million electronic returns and payments out of the total 40.5 million submissions for PIT, CIT, VAT, PAYE and Customs. This culminates in an uptake of 98.29%.
12	Increased ease and fairness of doing business with SARS	% Uptake in electronic customs bills/declarations (EDI)	99.97	99.98	99.99	0.01	SARS processed 6 346 008 customs bills/declarations electronically through EDI compared to the total of 6 346 574 processed, resulting in 99.99%, which is a slight increase from the previous year.
13	Increased ease and fairness of doing business with SARS	Average processing turnaround time for PIT returns (working days)	0.16 days	30 minutes (0.06 days)	0.05 days (26 minutes)	0.01 days (4 minutes)	The processing time for all assessed 2014 PIT returns submitted in the 2014 filing season were done within an average of 26 minutes, however, 95.7% of returns were assessed within 3 seconds.
14	Increased ease and fairness of doing business with SARS	Average processing turnaround time for CIT returns (working days)	0.47	Less than 1.0	0.63	0.37	The over achievement is due to the maturity in the assessment system and improvement on the service standard where in the past assessment was done as a batch and now it is near real time.
15	Increased ease and fairness of doing business with SARS	Average processing turnaround time for VAT refunds (working days)	31.70	21.00	32.85	-11.85	The under performance is due to the outlying cases, which affect this measure disproportionately. The achievement improves when claims below R100 and suspected fraud cases are omitted. VAT refund fraud is regarded as a strategic risk that SARS needs to manage effectively and in the process enhance the risk engine mechanism to ensure that legitimate refunds are processed and increase audit coverage for effective detection and detention.

PERFORMANCE INFORMATION

NO.	STRATEGIC OUTCOME	STRATEGIC MEASURE			ACTUAL ACHIEVEMENT 2014/15	VARIANCE ON TARGET	COMMENTS
		MEASURES	BASELINE	2014/15 TARGET			
16	Increased ease and fairness of doing business with SARS	% of VAT refunds processed within 14 days	69.6	71.00	69.83	-1.17	The under performance is due to the outlying cases, which affect this measure disproportionately. The achievement improves when claims below R100 and suspected fraud cases are omitted. VAT refund fraud is regarded as a strategic risk that SARS needs to manage effectively and in the process enhance the risk engine mechanism to ensure that legitimate refunds are processed and increase audit coverage for effective detection and detention.
17	Increased cost effectiveness, internal efficiency and institutional respectability	Employee Engagement (%)	64.09	64.25	66.42	2.17	The employee engagement index continues to improve and results were above target.
18	Increased cost effectiveness, internal efficiency and institutional respectability	Leadership Effectiveness Index (%)	85.27	87.50	86.53	-0.97	The overall LEI indicates an annual improvement although it is below the set target.
19	Increased cost effectiveness, internal efficiency and institutional respectability	Employment Equity: Demographics (%)	71.26	71.50	72.62	1.12	SARS' black workforce now represents 72.62% of the organisation's headcount.
20	Increased cost effectiveness, internal efficiency and institutional respectability	Employment Equity: Gender on management level(%)	40.63	47.00	48.52	1.52	Females comprised 48.52% of SARS' management.

PERFORMANCE INFORMATION

NO.	STRATEGIC OUTCOME	STRATEGIC MEASURE			ACTUAL ACHIEVEMENT 2014/15	VARIANCE ON TARGET	COMMENTS
		MEASURES	BASELINE	2014/15 TARGET			
21	Increased cost effectiveness, internal efficiency and institutional respectability	Employment Equity: Disability (%)	1.99	2.02	1.95	-0.07	The decline is due to the disability register clean-up with the removal of unqualified disability specifications.
22	Increased cost effectiveness, internal efficiency and institutional respectability	Treasury allocation to revenue percentage	0.97	Between 1.0 and 1.2	0.97	0.03	SARS has contained costs while increasing the amount of revenue it has collected.
23	Increased cost effectiveness, internal efficiency and institutional respectability	Unqualified report by Auditor-General	Clean audit report	Unqualified report	Clean audit report	0	The Auditor-General audit report for SARS Own Accounts is a clean report.

The page features a large, abstract graphic on the left side. It consists of a thick, dark teal curved line that starts from the bottom left and extends towards the right. Overlaid on this is a series of many thin, light teal lines that flow from the top left towards the right, creating a sense of movement and depth. In the bottom left corner, the number '03' is displayed in a large, light teal, sans-serif font.

Part Three
**Governance, legal and
risk management**

03

GOVERNANCE, LEGAL AND RISK MANAGEMENT

3.1 Portfolio Committees

Table 31: Portfolio Committee

Portfolio committee	Number of meetings held	Key issues raised
SCOF (Standing Committee on Finance)	4	02 July 2014 and 23 July 2014 - Strategic Plan 2014/15 to 2018/19 and Annual Performance Plan for 2014/15; 14 Oct 2014 - 2013/14 Annual Report; 17 Mar 2015 - 2015/16 to 2019/20 Strategic Plan and 2015 Annual Performance Plan

SARS appeared before the Standing Committee on Finance (SCOF) on several occasions during the year under review. On 2 July 2014 SARS presented its Strategic Plan 2014/15 to 2018/19 and Annual Performance Plan for 2014/15. A follow-up meeting, requested by the committee, took place on 23 July 2014. During this meeting SARS responded to questions raised by the committee.

On 14 October 2014, SARS presented its 2013/14 Annual Report to SCOF. It responded to several questions raised by the committee. They included queries about illicit trade, the One-Stop Border Post with Mozambique, tax base erosion, profit shifting and the education of citizens about tax. SARS also agreed to provide the committee with written information about the implementation and benefits of the Customs Processing System as well as details about several human resource issues.

SARS presented its 2015/16 to 2019/20 Strategic Plan and 2015/16 Annual Performance Plan to the Standing Committee on Finance on 24 March 2015. Matters raised by the committee during the presentation included the progress of the reviews of SARS' operations, modernisation and information communication and technology strategies.

GOVERNANCE, LEGAL AND RISK MANAGEMENT

3.2 Committees

Table 32: Committees

Committee	No. of meetings held	No. of members	Name of members
SARS Advisory Committee	Nil (only constituted in March 2015. Meet April 2015, after year end)	7	Judge Frank Kroon , Chairperson; Adv Selby Mbenenge SC , vice-chairperson; Adv Rudolf Mastenbroek ; Mr Bonga Mokoena ; Ms Meta Maponya ; Mr Jonas Makwakwa (SARS Executive) Mr Matsobane Matlwa (SARS Executive and CFO)
Executive Committee	30+	8	Refer to Table 33
Audit Committee	3	4 members until July 2014 3 members from July 2014 See full report of the audit committee on page 89 of the Annual Report	Mr Bongani Nqwababa Chairperson; Ms Berenice Lue-Marais Acting Chairperson until July 2014; Mr Vuyo Kahla ; Mr Sathie Gounden
Human Resource Committee	1 joint meeting with the SARS Audit Committee	6	Mr Mike Olivier Chairperson (resigned August 2014); Ms Berenice Lue-Marais ; Ms Maggie Mojapelo ; Prof Steven Bluen ; Mr Kenny Govender ; Mr Moeketsi Shai

3.2.1 SARS Advisory Committee

In March 2015, the Minister of Finance established the SARS Advisory Committee, under section 11 of the SARS Act, for a one year term. The committee has been given the broad mandate of guiding the Commissioner and Minister on strategic decisions regarding SARS' operations, personnel, budget, technology and governance.

The committee is headed by Judge Frank Kroon and comprises Adv Selby Mbenenge SC (vice chairperson), Adv Rudolf Mastenbroek, Mr Bonga Mokoena and Ms Meta Maponya. The two SARS representatives are Acting Chief Operating Officer Mr Jonas Makwakwa and Chief Financial Officer Mr Matsobane Matlwa.

The committee met for the first time on 2 April 2015. Its initial task was to advise the Commissioner about rebuilding public trust in SARS in the aftermath of media reports about the existence of a SARS intelligence unit within SARS.

GOVERNANCE, LEGAL AND RISK MANAGEMENT

3.2.2 The SARS Executive Committee

Table 33: SARS Executive Committee

EXCO Members Name	Title	Date
Tom Moyane	Commissioner	25 September – 31 March 2015
Ivan Pillay	Acting Commissioner	01 April 2014 – 25 September 2014
Ivan Pillay	Deputy Commissioner	25 September 2014 – 31 March 2015 (Suspended: 05 December 2014)
Kosie Louw	Chief Officer: Legal and Policy	01 April 2014 – 31 March 2015
Gene Ravele	Chief Officer: Tax and Customs Enforcement Investigations	01 April 2014 – 31 March 2015
Elizabeth Kumalo	Chief Officer: Human Resources	01 April 2014 – 31 March 2015
Matsobane Matlwa	Chief Financial Officer	19 December 2014 – 31 March 2015
Sunita Manik	Group Executive: Large Business Centre	01 April 2014 – 31 March 2015
Bob Head	Acting Chief Financial Officer	01 April 2014 – 19 December 2014
Bob Head	Special Advisor to the Commissioner	19 December 2014 – 31 March 2015
Peter Richer	Acting Chief Officer: Strategy, Enablement and Communication	01 April 2014 – 09 October 2014 (last EXCO meeting attended)
Makungu Mthebule	Acting Chief Officer: Strategy, Enablement and Communication	08 December 2014 – 31 March 2015
Barry Hore	Chief Operating Officer	01 April 2014 – 31 December 2014
Jonas Makwakwa	Acting Chief Operating Officer	02 December 2014 – 31 March 2015
EXCO Permanent Invitee Name	Title	Date
Brian Kgomo	Group Executive: Internal Audit	01 April 2014 – 31 March 2015
Giorgio Radesich	Group Executive: Governance and Company Secretariat	01 April 2014 – 31 March 2015

SARS is a public-sector entity 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 the regard, adhere to the principles of best governance practice.

In terms of section 49(2) of the PFMA and section 9(1)(d) of the SARS Act, 1997, the Commissioner for SARS is the Accounting Authority of SARS. The Commissioner is accountable to the Minister of Finance who is the Executive Authority. The Commissioner is assisted by an Executive Committee which primarily consists of Chief Officers. EXCO is supported by various sub-committees.

The Commissioner chairs EXCO which shares the responsibility for SARS' performance.

SARS EXCO is committed to principles of transparency, accountability, efficiency and effectiveness, and the practical application of these principles to enable reputable service delivery.

During the period under review SARS had two Accounting Officers. Mr Ivan Pillay was the Acting Commissioner until 23 September 2014 when Mr Tom Moyane was appointed by the President as the Commissioner for SARS.

Whilst SARS was in the wake of allegations about the existence of a SARS intelligence unit within SARS, the Commissioner, informed staff on 11 November 2014 that SARS EXCO had been suspended in its capacity as an advisory body to the Commissioner. The sub-committees of EXCO continued functioning during this period and as an additional governance measure, all decisions were ratified by the Commissioner. SARS EXCO was reconstituted in January 2015 and has met regularly since then.

GOVERNANCE, LEGAL AND RISK MANAGEMENT

A number of steps were initiated to strengthen governance. The immediate areas of focus resulted in:

- The drive for value-for-money in the SARS Modernisation Programme
- Initiating a review to ensure that the operating model is optimally aligned to achieve SARS' mandate
- The establishment of a new procurement committee to strengthen governance as part of the SARS enterprise governance framework to promote uniformity, fairness, responsibility and accountability in SARS' supply chain management systems and processes that satisfies the constitutional requirements of transparency and accountability
- Initiating a review of the Delegation of Authority Framework of SARS

3.2.3 The SARS Audit Committee

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 Bongani Nqwababa, and three additional external (non-executive) members. The Chairperson and all the other members complied with statutory required competency, independence and no conflict of interest requirements. Ms Berenice Lue-Marais resigned from the SARS Audit Committee in July 2014 to take up membership of the SARS Human Resources (HR) Committee. She was the Acting Chairperson until July 2014.

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

The Audit Committee Report comprising, amongst others, details of membership and meetings conducted is included in Part five.

3.2.4 The Human Resources Committee

The current members of the Human Resources Committee were appointed on 25 April 2014 and met once during the period under review. The SARS Advisory Committee and the Audit Committee will continue to supplement the oversight over the management of people provided by the Human Resources Committee.

3.2.5 Other committees

EXCO is supported by a number of Sub-Committees, chaired by Chief Officers mandated to oversee and ensure good governance in people management, risk management and the management of discretionary processes affecting the rights of taxpayers and traders.

GOVERNANCE, LEGAL AND RISK MANAGEMENT

3.3 SARS enterprise risk management

3.3.1 Risk management

SARS continues to implement an effective enterprise risk management framework that addresses risks at the strategic, operational and transactional levels. This enterprise risk management framework lays out the principles, that make explicit some of the organisational behaviours expected to improve risk management throughout the organisation and is premised on a centralised risk management oversight with strong delegation of authority to business units.

The SARS EXCO, Enterprise Risk Management Committee and Compliance Risk Committee are internal enterprise level oversight structures set up to assist the Commissioner to effectively and efficiently manage all risks to which the organisation is exposed. Organisation-wide key risk issues are elevated to the level of these committees for resolution and guidance on their mitigation. These committees also serve to oversee the overall implementation of risk management throughout the organisation. The SARS EXCO continued to play this role during the year under review. The SARS Enterprise Risk Management Committee and Compliance Risk Committee did not meet as intended during the year under review.

The SARS Audit Committee and SARS Human Resources Committee provide overall risk oversight for the organisation and advise the Commissioner on specific risk issues confronting the organisation. These committees provide an independent perspective on the organisation's key risk areas (including financial, people and governance). The Audit Committee continued to play its role during the year under review.

The risk management process is given effect and formalised through the existing institutional arrangements including strategic and business planning processes, decision making processes, day to day internal control and management arrangements, and through the organisation's administrative systems and activities. Key decisions are implemented once the associated risks are understood and mitigation measures are developed and implemented. SARS maintains a strategic risk register and this is included in its Strategic Plan and Annual Performance Plan documents.

3.4 Internal Audit

The Internal Audit division helps SARS maintain effective controls throughout the organisation. It evaluates these controls to determine their adequacy, effectiveness and efficiency and, where necessary, recommends improvements.

Internal Audit obtained approval from the SARS Audit committee to change the annual audit cycle to run from October to September instead of from April to March. This better aligns the annual internal audit with the requirements of the SARS Annual Performance Plan (APP) that is approved by the Accounting Authority during April and May.

To help SARS attain its strategic objectives, Internal Audit tracks the organisation's progress in attaining these goals and reports on its performance. The division also audits SARS' performance information and reports on the effectiveness of the performance information system's internal controls.

In addition to its strategic audits, Internal Audit also addresses several other aspects of SARS' operations. They include tax compliance, service delivery and efficiency, security of information, modernisation, fraud, data integrity, governance, border control and trade facilitation and human resources.

National Treasury requires public entities to conduct internal audits in accordance with the standards set by the Institute of Internal Auditors. SARS' internal audit conforms to these standards. It will commission an external review in 2016 to ensure that it continues to adhere to the institute's standards. Internal Audit's quality assurance and technical support team monitors audit performance within SARS Internal Audit and advises the division how to enhance the quality of its work.

The Internal Audit charter was amended to take into account the extension of Internal Audit's mandate to include the Office of the Tax Ombud and the Interfront State Own Entity (SOE).

GOVERNANCE, LEGAL AND RISK MANAGEMENT

3.5 Legal services

3.5.1 Legislative research, drafting and implementation

SARS conducts extensive legal research to support the drafting and amendment of Acts of Parliament, tax proposals and international tax and customs agreements. National Treasury is responsible for drafting and amending South Africa's tax laws, while SARS is responsible for drafting and amending administrative and customs laws.

Implementing the new Customs Acts

The provisions of the new Customs Acts will be introduced incrementally. The implementation of the Acts will result in Customs making greater use of third party data and will increase the exchange of electronic information with other government agencies and customs authorities.

SARS has set up a steering committee to oversee the implementation of the new Customs Acts. The committee has appointed programme teams; defined rules and external reviews; analysed the effect of the Acts on the supply chain; assessed the impact of the legislation on the Excise Act and the VAT Act; established policies and procedures; set out development approaches; and drafted training material.

Amendment Acts

Although SARS is not responsible for drafting money bills, it helps formulate and draft amendments to primary tax legislation and prepares secondary legislation in the form of regulations and notices. It meets frequently with the Department of Trade and Industry, the Department of Labour, and the Department of Mineral Resources as well as tax practitioner organisations to help improve tax legislation.

Table 34 lists the legislation drafted in the 2014/15 financial year.

Table 34: Legislation drafted in 2014/15

Legislation	Date of promulgation
Taxation Laws Amendment Act, 2014 (Act No. 43 of 2014)	20/01/2015
Rates and Monetary Amounts and Amendment of Revenue Laws Act, 2014 (Act No. 42 of 2014)	20/01/2015
Tax Administration Laws Amendment Act, 2014 (Act. 44 of 2014)	20/01/2015

GOVERNANCE, LEGAL AND RISK MANAGEMENT

International tax and customs agreements

To improve South Africa's network of international treaties and encourage co-operation between tax administrations, SARS negotiated the following 17 international tax agreements during the 2014/15 financial year (Table 35).

Table 35: International tax agreements

Bilateral negotiations(3)	Customs MAA(1)	Tax Info Exchange(3)	DTA/Protocol(4)	Other(6)
<ul style="list-style-type: none"> Luxembourg / South Africa Protocol amending the Double Taxation Convention Georgia / South Africa Customs Mutual Administrative Agreement Tanzania / South Africa Customs Mutual Administrative Agreement 	<ul style="list-style-type: none"> Uruguay / South Africa Customs Mutual Administrative Agreement 	<ul style="list-style-type: none"> Saint Kitts and Nevis / South Africa Tax Information Exchange Agreement Grenada / South Africa Tax Information Exchange Agreement Andorra / South Africa Tax Information Exchange Agreement 	<ul style="list-style-type: none"> Austria / South Africa Protocol amending the Convention Netherlands / South Africa Additional Protocol amending the Double Taxation Convention Zimbabwe / South Africa Double Taxation Agreement Singapore South Africa Double Taxation Agreement 	<ul style="list-style-type: none"> Jamaica / South Africa Memorandum of Understanding on Costs Multilateral Memorandum of Understanding OECD / Council of Europe Competent Authority Agreement on Automatic Exchange of Information African Tax Administration Forum (ATAF) and South Africa Revenue Service (SARS) Memorandum of Understanding United States of America Foreign Account Tax Compliance Act (FATCA) Memorandum of Understanding Mozambique / South Africa Memorandum of Cooperation on Capacity Building Saint Kitts and Nevis / South Africa Memorandum of Understanding on Costs

An Inter-Governmental Agreement with the US

Together with National Treasury, SARS negotiated an IGA with the United States Treasury. The agreement falls within the framework of the existing double taxation treaty between the two countries. It reduces the burden on South African financial institutions doing business in the USA and allows the automatic exchange of information between the US and South African governments. Such information includes details of financial institutions, account holders, account balances and the income of individuals. The agreement enables SARS to support the requirements of the US FATCA. Many other countries are looking to conclude IGAs with the USA. Such agreements are likely to create new opportunities for SARS to exchange information with other international revenue authorities.

An OSBP between South Africa and Mozambique

The creation of an OSBP between South Africa and Mozambique moved closer during the 2014/15 financial year. SARS ensured that the bilateral legal framework necessary for the OSBP could be adopted by facilitating the exchange of diplomatic notes between the foreign ministries of the two countries. SARS helped finalise the legal framework, which comprises a main agreement and three annexes, between 2007 and 2013. It ensured its ratification by the South African Parliament during 2013.

GOVERNANCE, LEGAL AND RISK MANAGEMENT

The bilateral legal framework will come into effect in South Africa once it has been gazetted. This will only occur once an implementation plan has been concluded and agreed upon by the two governments.

During the 2014/15 financial year, SARS joined an inter-departmental technical committee established to appoint a consultant to help develop a national OSBP draft policy. The committee, headed by National Treasury, also acted as the steering committee for policy development. The consultant was appointed in November 2014 and is expected to complete the proposal for a national OSBP policy during the 2015/16 financial year.

During 2014/15 SARS finalised a draft model agreement which is expected to form the basis for future negotiations with neighbouring states about the creation of OSBPs. In November 2014, the Inter-Agency Clearing Forum (IACF) asked SARS to forward the model to the BCOCC for circulation to its members for comment.

3.5.2 Interpretation of laws administered by SARS

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

- Issuing interpretation notes and brochures on new and contentious areas of legislation to help determine national policy
- Updating interpretative tax policy documents, particularly those that address the Tax Administration Act, to ensure they are current and accurate
- Issuing binding private and class rulings on future transactions
- Issuing non-binding rulings on PIT, CIT and pension fund issues
- Issuing binding VAT rulings

Some of the most important documents published in the 2014/15 financial year are listed in Table 36.

Table 36: Key documents published in the 2014/15 financial year

Document	Purpose of document
Interpretation note on Input VAT on motor cars	This interpretation note provides clarity on the general principle that VAT incurred on the acquisition of a motor car is not permissible as an input tax deduction, as well as related matters.
Draft updated interpretation note on headquarter companies	This draft interpretation note provides clarity on the interpretation and application of the concept "headquarter company" and the specific anti-avoidance rules that are designed to prevent the misuse or abuse of these headquarter company provisions.
Draft updated interpretation note on place of effective management (companies)	This draft interpretation note provides guidance on the interpretation and application of the term "place of effective management" in determining the tax residence of a company.
Draft updated comprehensive guide to capital gains tax	This draft guide assists users to gain a more in-depth understanding of CGT.
Comprehensive guide to Dividends Tax	This guide intends to assist users to gain a more in-depth understanding of Dividends Tax.

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3.5.3 Dispute resolution

Disputes between SARS and taxpayers are addressed through litigation, the Alternative Dispute Resolution process, or a combination of both mechanisms. Revenue and customs cases addressed through litigation during the 2014/15 financial year are shown in Table 37.

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

Revenue Appeal cases		Customs Appeal cases	
Tax Court	Quantity	Magistrate Court	Quantity
Won	7	Won	0
Lost	4	Lost	0
Total cases	11	Total cases	0
High court		High court	
Won	4	Won	6
Lost	4	Lost	2
Total cases	8	Total cases	8
Supreme court of appeal cases		Supreme court of appeal cases	
Won	0	Won	1
Lost	2	Lost	0
Total cases	2	Total cases	1
Constitutional court cases		Constitutional court cases	
Won	1	Won	0
Lost	0	Lost	0
Total cases	1	Total cases	0

During the year under review, 510 dispute cases were addressed at SARS' head office through the Alternative Dispute Resolution process and 117 cases were handled by the Tax Board.

3.5.4 Product oversight

Product oversight services provided by SARS include:

- Assisting National Treasury to design legislation by taking into account the operational ability of SARS
- Supporting the implementation of tax legislation by aligning SARS' policies, procedures and practices with new laws

The SARS product oversight unit identifies aspects of new or proposed tax laws that need to be changed to accommodate SARS operational constraints. It also identifies SARS operations that could be modified to better accommodate new tax laws or policies. During the 2014/15 financial year, it completed 67 alignment reports.

3.5.5 Legal services at SARS regional offices

Legal Services operates at several SARS regional offices. Its services address tax and customs legislation as well as disputes and other matters. Customs assistance provided during the 2014/15 financial year included drafting legal opinions and warrants. Its tax services included issuing opinions, providing support and guidance on governance committees and managing escalations at the SARS Service Monitoring Office (SSMO).

3.5.6 Corporate legal services

Corporate legal services provided pro-active and reactive legal advice and related support services to SARS on a broad range of corporate law issues, including the impact of non-tax legislation on SARS' operations and administration.

The unit provided a supportive legal role to various departments in SARS on matters relevant to SARS' business; ensuring corporate compliance with legislation, applicable regulatory provisions and governance requirements as well as mitigating the risks faced by SARS in its commercial dealings.

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3.5.7 Voluntary disclosure unit

The Voluntary Disclosure Programme (VDP) yielded revenue of R2.7 billion during the 2014/15 financial year. The temporary VDP, launched in the 2010/11 financial year, and the subsequent permanent VDP, introduced in the following year, have yielded combined revenue of more than R8.3 billion.

3.6 Fraud and corruption

Developing an end-to-end process for SARS records management

SARS established the records management team in April 2014 to oversee its records management compliance, risk and governance. The team implemented several measures to improve compliance in the 2014/15 financial year. They include:

- Destroying paper files through approved governance procedures that include co-operating with the National Archives of South Africa. A total of 12 destruction certificates were issued for 2014/15
- Improving efficiencies by automating processes and reducing the use of paper. It conducted two efficiency inspections at Durban Customs operations during the perfect ports project, ensuring that the automated document management processes comply to the electronic records management standards
- Introducing governance frameworks for records processes through the publication of the SARS records management policy
- Developing a new file referencing system for business critical records. The system will be presented to the National Archivist for approval

Analysing security risk to reduce revenue loss

SARS, during the 2014/15 financial year, completed a thematic analysis of profile hijacking. It formed a multi-divisional working group to assess the risks associated with this practice. The group also recommended changes to the eFiling service and create a "watch list" of tax preparers and tax practitioners that are repeatedly involved in fraud. It escalated an assessment of Customs services at OR Tambo International Airport to SARS management.

The working group also recommended changes to SARS policy that would prohibit taxpayers who are below the tax threshold from registering for the eFiling service. Seven reports on tax and four on customs were escalated by the working group.

Verifications, stoppers and recoveries, initiated by the working group as a result of the detection of tax fraud, prevented the loss of substantial revenue.

SARS highlighted tax and customs fraud and corruption risks at its mid-year review of integrity indicators and risks in November 2014 and its year-end assessment in March 2015.

Personnel risk reports, compiled using information gathered from staff screening, vetting and the assessment of conflicts of interest were escalated to SARS' Integrity Committee.

Personnel suitability checks

SARS appointed 699 permanent and contract staff during the 2014/15 financial year. All of these employees were screened before their appointment. Eleven candidates were not approved for employment because they posed a risk to the organisation. They had criminal records for theft, fraud or the possession of drugs.

As well as conducting pre-employment screening, SARS also completed 776 integrity investigations as well as 300 vetting and 476 integrity assurance processes. This was well over its target of 604 vetting and integrity assurance processes during the 2014/15 financial year and significantly mitigated SARS' exposure to risk.

SARS requires its employees to declare their private financial interests every year. During the 2014/15 financial year, 99% of employees complied with this requirement. More than 1 460 verifications of declared interests were conducted by SARS.

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Compliance to SARS security policies

In keeping with its commitment to maintain the highest levels of integrity, ethical responsibility and internal compliance, SARS has created a compliance unit to better combat fraud and corruption. The new unit will ensure that SARS complies with the security policies it has implemented to deter fraud and corruption.

The unit conducts compliance audits of SARS' divisions and employees and also provides management with compliance audit assurance. In addition, it helps enhance SARS' internal controls by assessing the impact of changes to laws, regulations and business activities on the organisation.

Develop a risk mitigation action plan for the reduction of risks at customs sites for the reduction of revenue loss

SARS, together with the BCOCC and National Border Management Co-ordinating Committee (NBMCC), conducted security risk assessments at 10 of South Africa's ports of entry. It also trained port co-ordinators to use the BarnOwl risk management software.

SARS submitted a consolidated risk report to the new BMA and presented its findings to the agency's risk management task team. It will continue to help the BMA to mitigate risk at the ports of entry and has drafted an anti-corruption strategy for the agency. It may also help the BMA conduct awareness campaigns to deter fraud and corruption.

Contribute to strengthen Government's anti-corruption capability

Government's Anti-Corruption Working Group (ACWG), chaired by SARS, held a two-day workshop in September 2014 to discuss the draft Public Sector Anti-corruption Strategy. The ACWG submitted the draft strategy to members of the Justice Crime-Prevention and Security (JCPS) cluster in October 2014 for comment.

The Airport Company of South Africa (ACSA) approached SARS, together with National Treasury, in June 2014 for help to review the company's tender evaluation facilities. ACSA needed to improve the security and confidentiality of its tender process. SARS and National Treasury worked with ACSA to review and refine this process and improved tender facilities were presented to the company in August 2014.

Provide assurance on cybercrime prevention

SARS strengthened its protection against cybercrime during the 2014/15 financial year. It implemented a strategic second line of defence that included:

- Continuous assessment of systems that can be accessed by the public as well as wireless technologies used by SARS
- Implementing cybersecurity services for complex and high-priority events
- Analysing the cybercrime threat to SARS' clients and identifying methods to improve their knowledge and understanding of such risks
- Creating a cybersecurity intelligence group to improve security; investigate threats and incidents; and combat fraud and corruption

During 2014/15 SARS allocated a budget for the implementation of a user-activity monitoring system that would improve the organisation's cybersecurity. The scope of this initiative has been defined and its business requirements drafted. Procurement of the system will begin in 2015/16.

Innovation in support of operations

Automated Number Plate Recognition (ANPR) systems have been installed at five important border posts to combat illegal trade and corruption. These systems use optical character recognition technology to read vehicle license plates.

Delivery of an end-to-end governance system

SARS is preparing a Physical Security manual for use throughout the organisation. The structure and framework of the manual

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has been defined and 15 Standard Operating Procedures (SOP) identified for development and review. These SOP include processes for managing ID cards, tracking assets and assessing risk as well as control room procedures. The manual will be finalised and implemented during the 2015/16 financial year.

Achievement of minimum standard for physical security

Minimum Physical Security Standards (MPSS) were developed, in conjunction with Physical Security Management, during 2014/15. Current compliance to the new standards is around 50%. SARS anticipates that during the 2015/16 financial year this compliance rate will improve by a further 5%. This will be achieved by initiating a variety of focused interventions throughout the organisation.

Optimising technical security systems

Several ICT security projects were completed during the 2014/15 financial year. However, the procurement of equipment and services needed for some of these projects were delayed due to the tender expiring at the end of February 2015.

Reporting fraud and corruption

SARS has a fraud and anti-corruption hotline (0800002870) that taxpayers and employees can call to report suspected non-compliance. It also supports a link on its website that enables users to complete on line a Report of Suspected Non-compliance (RSN). The report may be submitted anonymously. The SARS whistle-blower policy is aligned to the Protected Disclosures Act and ensures that employees who report non-compliance are protected from recriminations.

RSNs submitted to SARS are evaluated by an independent team that assesses these reports and where necessary forwards them to the relevant SARS units for investigation.

All cases are assessed to determine whether the claims they contain are correct.

Cases related to the breach of SARS internal policy and procedures are addressed by the organisations' disciplinary process.

Cases involving criminal conduct are reported to the South African Police Service (SAPS). SARS assists the SAPS investigating these cases.

Wherever possible SARS seeks to recover losses it might have incurred as a result of breaches of its policy and procedures.

Table 38: Case statistics

No. of cases reported	364	
No. of cases finalised	472	Including rolled over
No. of cases referred for prosecution	77	
No. of prosecutions finalised	71	Including Nolle prosequi

Table 39: Sanctions

Resignations	21
Verbal warning	3
Written warning	7
Final written warning	14
Final written warning and suspension without pay	5
Dismissals	29

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Table 40: Criminal cases

No. of cases referred to SAPS	77
No. of cases finalised	19
No. of cases accepted by NPA	74
No. of cases finalised	17
Found guilty	16
Found not guilty	1
Nolle prosequi	2

3.7 Minimising conflict of interest

SARS minimises conflict of interest among its employees by ensuring that all of its staff comply with the organisation's ethics policy. This policy stipulates that employees have to declare their private financial interests and must also obtain permission from SARS if they wish to conduct work outside the organisation. SARS checks the owners and directors of its suppliers to ensure that none of its staff benefit from its procurement contracts. SARS employees are prohibited from conducting business with the organisation and, in terms of local government regulations; they may not conduct business with municipalities.

The SARS ethics policy stipulates that employees must maintain neutral relationships with the organisation's service providers. Procurement officials who find themselves compromised must disclose this situation to SARS through the channels established by the organisation for this purpose.

Procurement officials are forbidden from providing inside information to service providers attempting to secure work from SARS.

If SARS detects that an employee has a possible conflict of interest it will request the employee to explain the circumstances of this potential conflict. Employees deemed by SARS to be in conflict of interest are withdrawn from the activities in which they are compromised and may be required to resign. Employees can appeal such decisions and may request to appear before the SARS Ethics Committee.

3.8 Code of conduct

SARS finished drafting its new values and code of conduct during the year under review. The new values and code of conduct were drawn up after extensive consultation with employees throughout the organisation and are intended to strengthen SARS' integrity and reputation. The new values are expressed in the acronym "FAIR":

- Fairness
- Accountability
- Integrity
- Respect

3.9 Health, safety and environment

Health and safety compliance

The increased focus on Health and Safety within the organisation is attributable to the various induction initiatives and the awareness campaign that occurred during the period under review. The following are on-going activities to enhance occupational health and safety compliance at SARS:

- Regular risk assessments and peer reviews in Facilities Maintenance Operations
- Mitigation, resolution and treatment of identified hazards and risks
- Continuous capacity development through regular training activities for key occupational health and safety practitioners including first aiders, fire marshals, evacuation officers and safety representatives
- Induction of all SARS employees on occupational health and safety matters
- Enhanced the process of appointing and training section 16.2 delegates
- Formal investigation of incidents and accidents within the SARS environment

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SARS concluded the review of occupational health and safety policies and standard operating procedures.

Risk assessments

The National health and safety division has a responsibility to monitor the compliance practices at all SARS locations and frequently visit sites to conduct risk and compliance assessment and to provide technical assistance to management/health and safety representatives. Risk Assessments/audits were conducted at 35% of SARS locations during the period under review and future activities are aimed at improving the assessment coverage to at least 75% per annum.

The formal risk assessments conducted at various offices emphasised the following regulations:

- General administrative regulations
- General safety regulations
- Electrical regulations
- Facilities regulations
- Lift, escalator and passenger conveyor regulations
- Pressure equipment regulations
- Employment equity in terms of physically challenged people

Emergency management planning

As a preventative maintenance measure, the responsible officers undertake regular documented checks at selected sites. This includes monthly checks on general maintenance and the functionality of fire extinguishers. Furthermore, evacuation drills are conducted at all SARS sites at least twice a year. The respective managers determine the timing for these drills. The majority of SARS offices are fitted with an alarm and loudspeaker systems to be used in the event of an evacuation. All offices are equipped with first aid boxes and the emergency numbers of the ambulance service, the police, the fire station as well as the names of first aiders are displayed at specified places. Evacuation route plans are also visible at key points at all offices and staff members are encouraged through evacuation drills to know where their assembly point is.

Accessibility for disabled persons

In terms of the accessibility for the physically challenged persons, a manual for disabled and barrier free environment is used as reference to ensure that the following aspects are continuously reviewed and monitored:

- Dedicated parking facilities for physically challenged persons
- Standardised signage indicating dedicated parking to entrances
- Ramps to facilitate access for wheelchair clients
- Lifts with the required facilities (voice prompts with brail embossed where possible)
- Ablution facilities with all the relevant necessities
- Evacuation-chairs for multi-story buildings to ensure physically challenged persons are safely transported in the unlikely event of an emergency

The target group is composed of five major categories:

- Wheelchair users
- People with limited walking abilities
- The sightless
- The partially sighted
- The hearing impaired

3.10 Social responsibility

Corporate Social Responsibility (CSR)

SARS entered into partnership with the Independent Regulatory Body for Auditors to develop auditing standards and best practices. The partnership will focus initially on standards and practices for the audits of Public Benefit Organisations (PBO). This is expected to improve auditors' understanding of PBO and also encourage greater compliance.

SARS addresses its CSR through a set of guidelines it has developed and implemented. The CSR guidelines encourage the organisation's staff to support SARS' outreach programmes. SARS staff are increasingly giving their time and skills to support community development initiatives. An online auction site has been launched by SARS to help staff raise funds for CSR initiatives. Items submitted to SARS by employees in compliance with the organisation's "no gift" policy are auctioned to staff and the proceeds donated to community projects.

The page features a teal gradient background that transitions from a darker shade at the bottom to a lighter shade at the top. On the left side, there is a complex graphic composed of numerous thin, overlapping teal lines that flow and curve across the page, creating a sense of movement and depth. In the upper right quadrant, the text 'Part Four' and 'Human Resources' is displayed in a clean, sans-serif font. At the bottom left, the large number '04' is prominently featured in a light teal color, matching the overall theme.

Part Four
Human Resources

04

HUMAN RESOURCES

4.1 Oversight and management

SARS strives to create a work environment that supports employee growth and development. It aims to provide employees with the skills and tools they require to perform their jobs and meet the needs of the organisation. During the year under review, SARS implemented several new processes to enhance its management of human resources. They included processes for talent management, succession planning and staff development.

SARS also revised its remuneration and reward framework and reviewed its recruitment policies. In addition it introduced new technical skills and competencies into the training provided by the SARS Academy.

The SARS performance management process, apart from mirroring the organisational direction, is used increasingly by the organisation to track, manage and improve employee performance. It continues to guide staff remuneration, incentives, and development.

A workforce planning framework has been created to help SARS executives manage their staff headcount, move employees and hire recruits. The external pipeline development process was enhanced with the introduction of a graduate development programme that trained more than 400 young employees who recently joined the organisation. The SARS Academy launched a development programme for first-line managers.

The arrival of the new SARS Commissioner during the year under review improved the stability of the organisation's leadership team. This was reflected in the SARS Organisational Health Index (OHI) that surpassed its targets. Employee engagement, leadership effectiveness and employment equity assessments were all ahead of the previous year's performance.

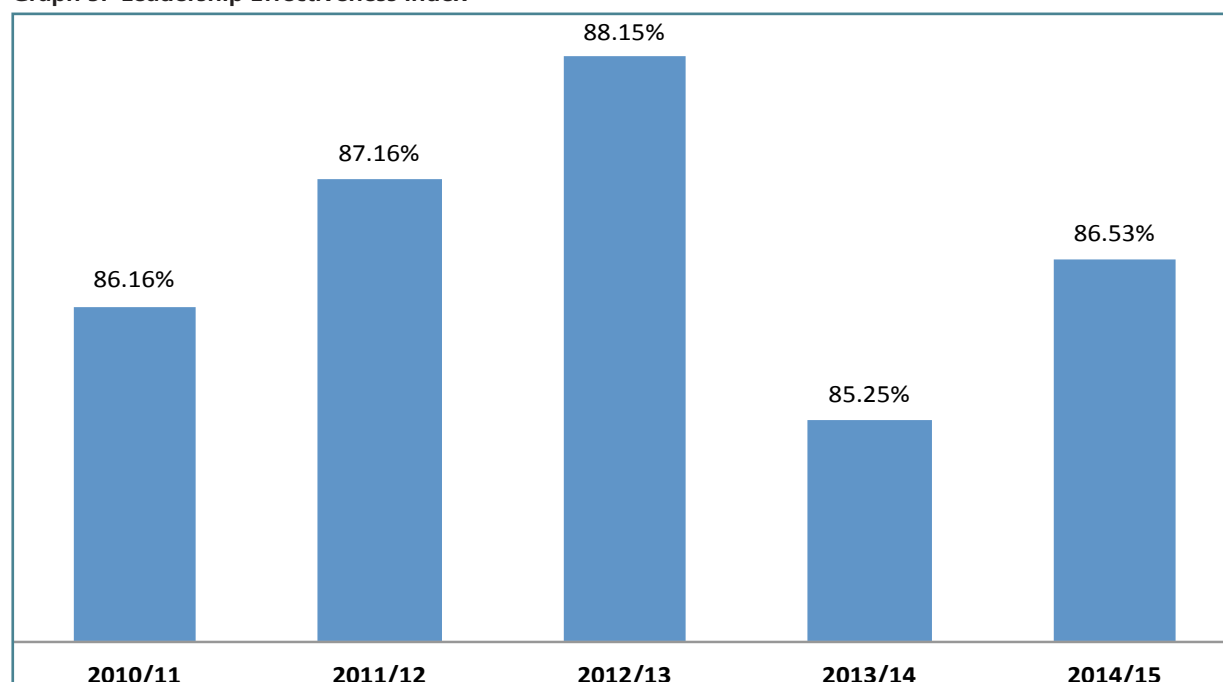
4.1.1 Integrated operating model and value-based leadership

The 2014/15 Leadership effectiveness survey was conducted among SARS' top and senior managers (Grades 10 to 7) and included business and technical specialists. The results of the survey indicate a slight improvement in leadership effectiveness. At 86.53% the Leadership Effectiveness Index (LEI) is similar to the previous year.

The LEI achievements for the past four years are illustrated in Graph 5.

It should be noted that for the last two years SARS included all the grade 7 staff in the survey. Despite the initial drop, the overall results are deemed to be exceptionally good.

Graph 5: Leadership Effectiveness Index



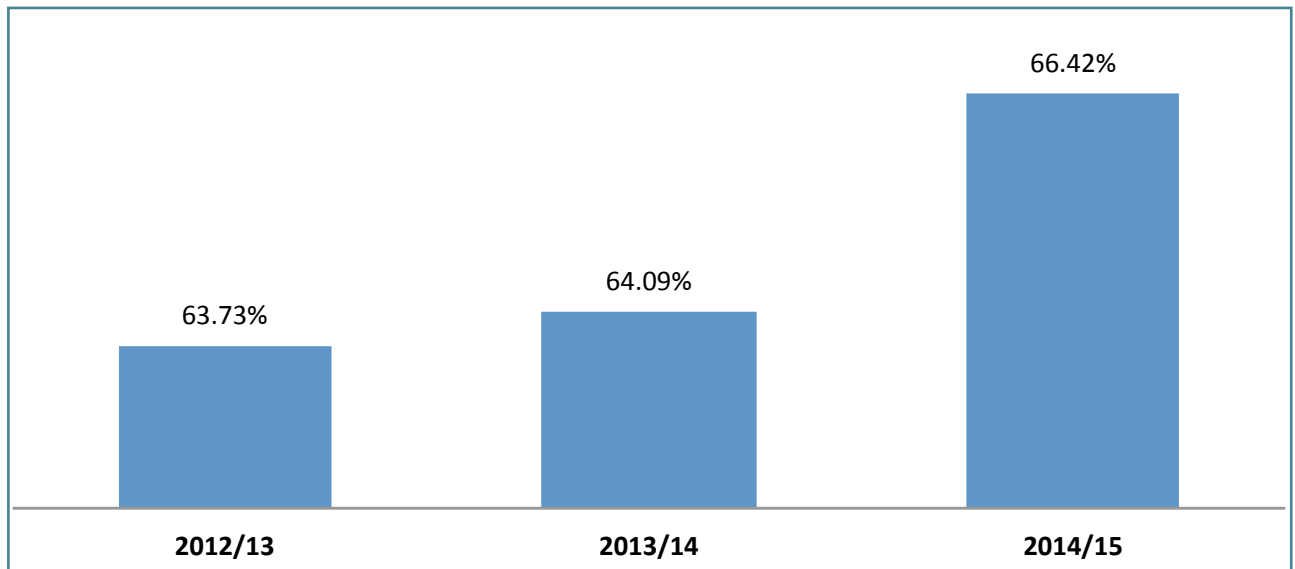
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4.1.2 Improving organisational culture and employee engagement

The annual employee engagement survey was conducted during the year under review and attracted the participation of 61% of employees.

The Employee Engagement Index (EEI), at 66.42%, continues to improve (Graph 6).

Graph 6: Employee Engagement Index



4.2 Training and development

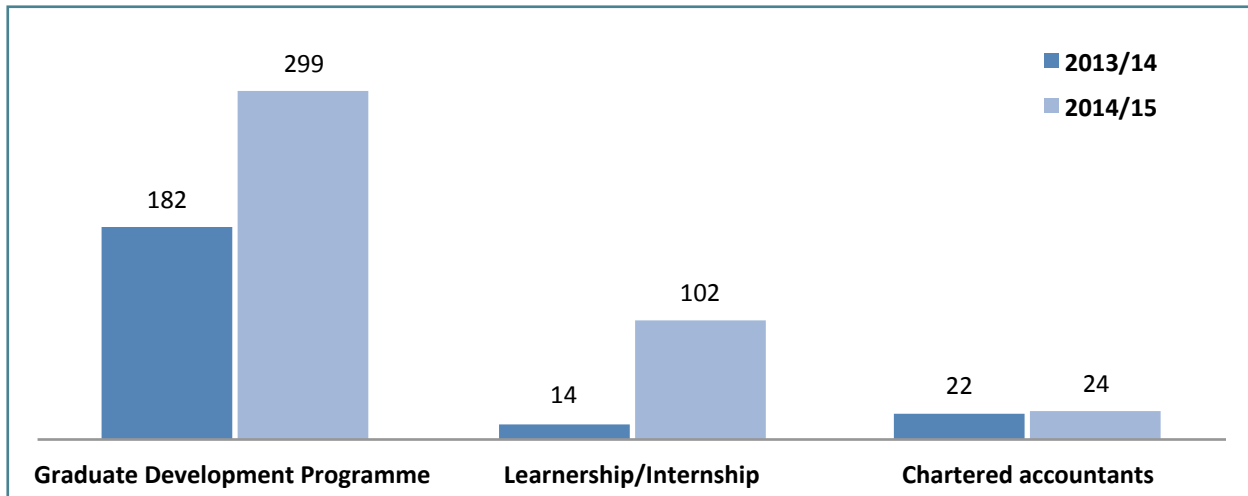
SARS continues to develop its staff to ensure the organisation has the skills and expertise it needs to meet the changing demands of its operations. This improves the effectiveness of its revenue collection and enhances the service it provides to its clients. During the 2014/15 financial year, SARS trained 11 355 employees. It provided an average of 2.43 days of training per trained employee.

Skills pipeline and youth employment

SARS refined and expanded its skills pipeline development approach during the 2014/15 financial year and appointed 425 trainees on one or two-year contracts. Most of the trainees are enrolled in the SARS graduate development programme (Graph 7).

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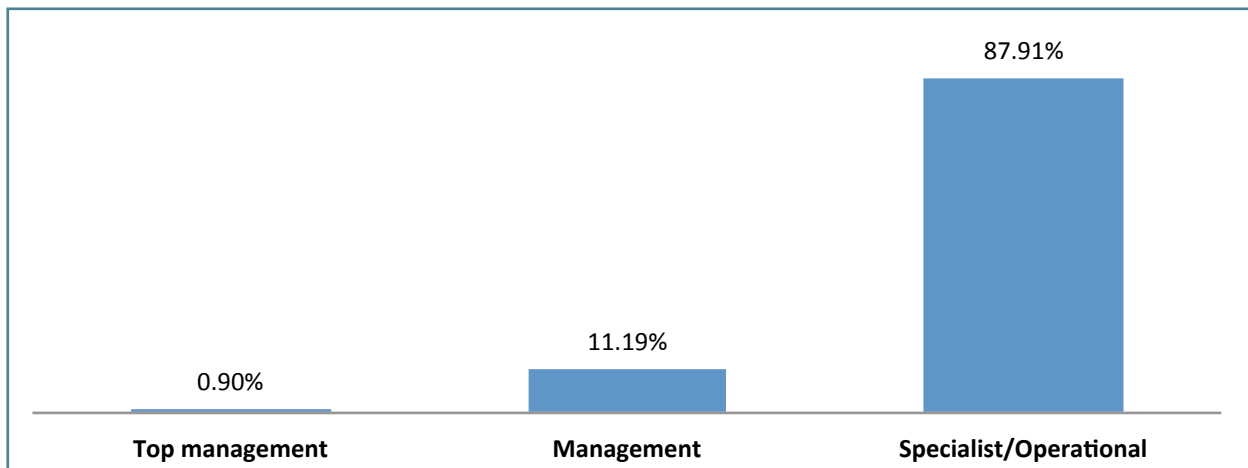
Graph 7: Learners in pipeline development programmes



4.3 Workforce profile

SARS' employee headcount at the end of March 2015 was 13 978. This excludes temporary employees. Most of SARS' employees, 87.91%, are specialists or operational staff (Graph 8).

Graph 8: Workforce profile



Although the net staff turnover for this financial year indicates a decline of 1.15%, with the total staff attrition of 861 employees, SARS managed to maintain the headcount with the on boarding of 699 new employees. These appointments are twice as many as the previous year due to the appointment of 425 young graduate trainees. Table 41 provides a summary of the net staff turnover for the 2014/15 financial year.

Table 41: Net staff turnover

Net Staff Turnover 2014/15				
Growth	Attritions	Recruitment Rate	Attrition Rate	Net Staff Turnover %
699	861	4.97%	6.12%	-1.15%

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Table 42: Reasons for staff exits

2014/15 YTD	
Death	42
Resignation	646
Retirement	127
Termination ER (including contract termination and ill health)	46
Total	861

Table 43 shows the number of permanent and temporary staff, at the end of each financial year, for the past five years.

Table 43: Comparative staff numbers

	2010/11	2011/12	2012/13	2013/14	2014/15
Permanent Employees (Incl. Trainees)	14 967	14 944	14 701	14 137	13 978
Temporary Employees	329	332	79	20	436
Employees Total (Incl. Temps)	15 296	15 276	14 780	14 157	14 414

Table 44: Trainee representation

Trainee Representation			
Programme	Description	2013/14	2014/15
Graduate development programme	A graduate programme provides a combination of learning and workplace experience and is aimed at people with a tertiary qualification.	182	299
Learnership	A learnership is a work-based learning programme that combines a structured learning component with practical work experience. It results in a nationally recognised qualification directly related to an occupation registered on the National Qualification Framework (NQF).	14	0
Internships	An internship is a work-based learning programme that combines structured learning with practical work experience. It is aimed at people who have a matric certificate and also higher certificates in finance, accounting, auditing, or customer service.	0	102
Chartered Accountants	The Chartered Accountant (CA) programme is a structured learning programme aimed at graduates that intend attaining the professional qualification necessary to become chartered accountant.	22	24

4.3.1 Employment equity and workplace diversity

SARS continues to prioritise employment equity and strives to achieve annual equity targets for race, gender and disability among its managers and other staff. Table 45 shows the employment equity profile of each level of the workforce.

SARS has attained many of the equity employment targets up to the end of 2014/15 and indicate good progress on what was submitted to the Department of Labour as part of the Director General's review for the two year period 2014/15 to 2015/16. However some of the areas are still lagging behind:

- African females at the top two occupational levels
- African males at the senior management, professionally qualified and skilled levels
- Coloured females at senior management and semi-skilled levels
- Coloured males at top management, professionally qualified and skilled levels
- People with disabilities at senior management, professional and skilled levels

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Many of these targets appear to be conservative. When they were set, SARS senior executives believed the headcount of the organisation would decline and most vacancies would be filled by employees already working at the organisation. The targets for white males, Indians and white females, for example, appear to have been over represented because they were set according to the representation of these categories at that time. Higher than expected losses in these categories resulted in SARS falling short of its targets for these groups during the 2014/15 financial year.

Table 45: Workforce profile relating to employment equity

Workforce Profile with regards to Employment Equity											
Occupational Levels	Designated*							Non Designated*			Total
	Male			Female				White Male	Foreigner Nationals		
	A	C	I	A	C	I	W		M	F	
Top Management	12	3	4	3	2	1	2	10	1		38
Senior Management	370	78	133	254	50	92	288	364	14	9	1 652
Professionals	565	110	98	563	138	108	451	284	11	6	2 334
Skilled and Junior	1 959	320	157	3 066	623	261	1 594	405	12	15	8 412
Semi-Skilled	266	56	9	582	125	24	316	38	2		1 418
Unskilled	41	8		60	10		1	4			124
Grand Total	3 213	575	401	4 528	948	486	2 652	1 105	40	30	13 978
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										

With the re-segmentation of jobs the occupational levels that will be reported on from 2015/16 (1 April 2015) are as follows (Table 46).

Table 46: Re-segmentation of jobs

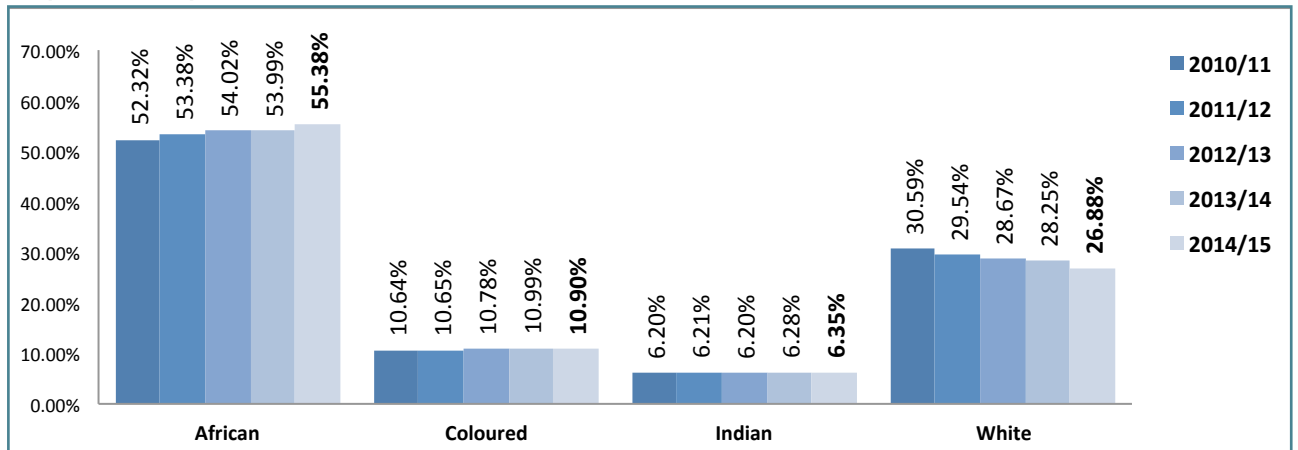
Occupational Levels	Explanation
Top management	Grade: 9B - 10 represents SARS Commissioner, Chief Officers
Senior management	Grade: 8A - 9A represents managerial positions with the following job titles: Group Executive, Executive, Senior Manager, Senior Specialist
Professionally qualified and experienced specialists and middle management	Grade: 6 - 7 represents Operational Manager, Operational Specialists, Manager, Specialist
Skilled technical and academically qualified (Incl. graduates on development programmes)	Grade: 4 - 5 represents Functional Specialist and Team Member
Semi-skilled and discretionary decision making	Grade: 2 - 3 represents Administrator and Support Staff
Unskilled	Grade: 1 represents Administrator and Support Staff

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4.3.2 Workforce racial profile

The racial profile of the SARS workforce is shown below (Graph 9).

Graph 9: Racial profile

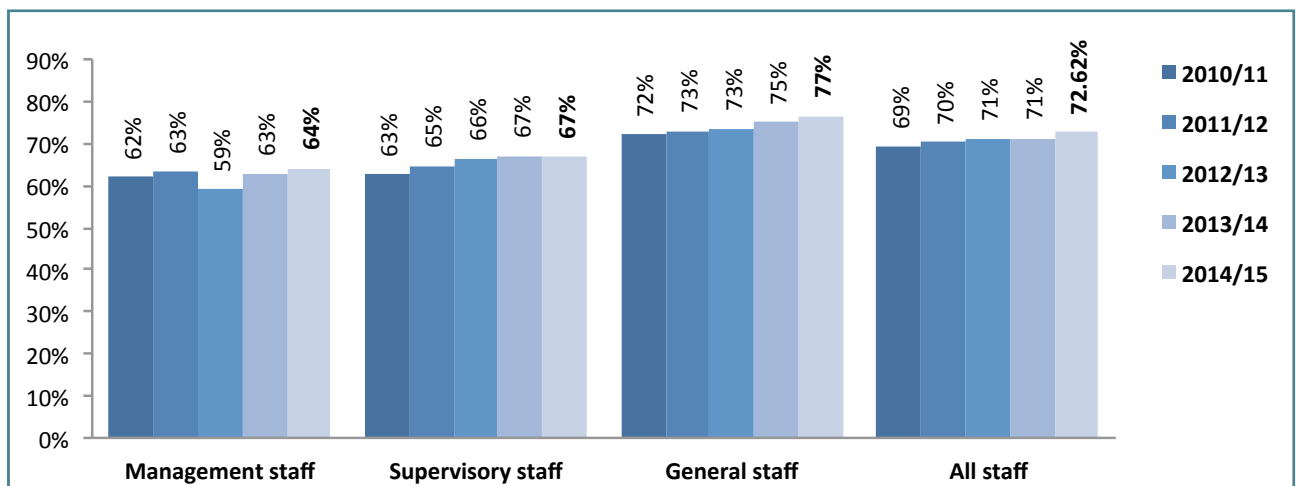


4.3.3 Black and female workforce profile

Black workforce profile

SARS' black workforce profile has increased during the past few years and climbed to 72.62% of the organisation's headcount during the year under review (Graph 10).

Graph 10: Black workforce profile

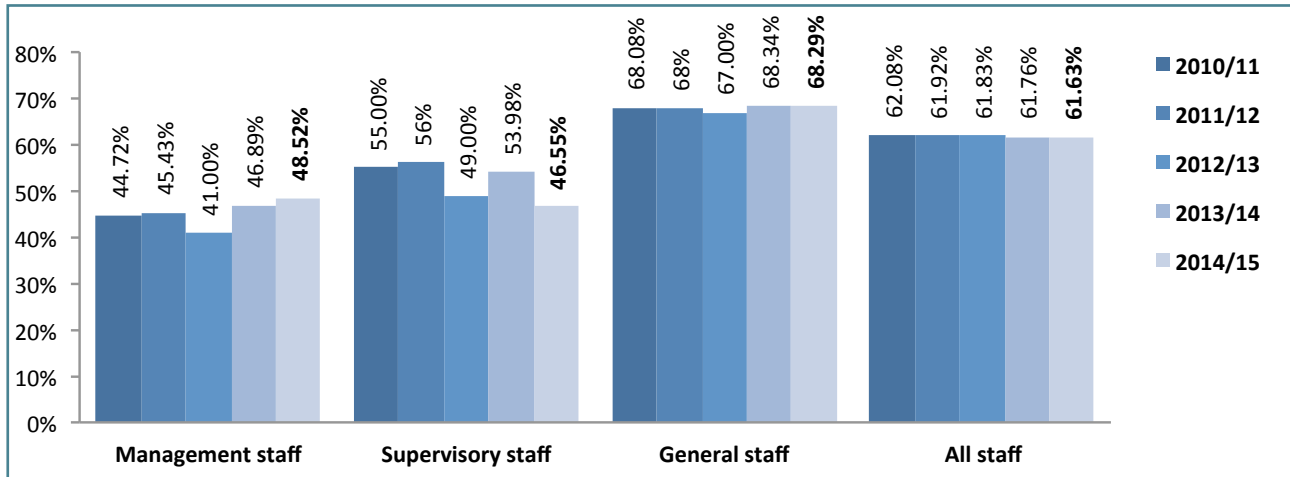


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Female workforce profile

Female representation in SARS remained stable at 61.63% of the organisation’s workforce. Females comprised 48.52% of SARS’ managers (Graph 11).

Graph 11: Female workforce profile

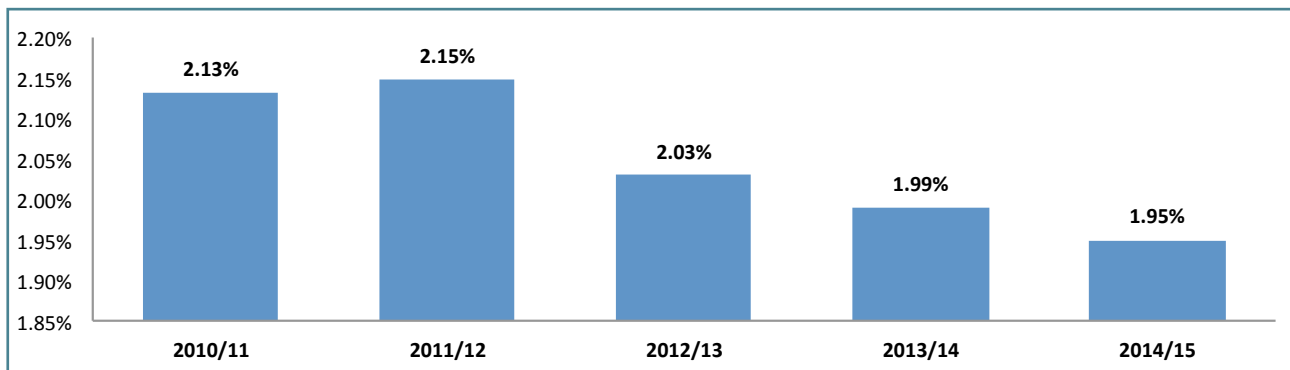


4.3.4 Persons with disability workforce profile

The number of employees in SARS with disabilities decreased slightly during the year under review and comprised 1.95% of the organisation’s headcount. This is a similar proportion to the previous year (Graph 12). The reclassification and redefinition of disability categories by the Department of Labour, has also led to a further decrease of the SARS disability ratios which need to be addressed in the employment equity plans for 2015/16.

During the year under review, 31 people with disabilities left SARS. About 52% of these retired and 39% resigned. As part of its development programme, SARS hired 11 trainees with disabilities.

Graph 12: Disability profile



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4.4 Oversight statistics

Table 47: Average cost to company per employee at employment for this financial year

Level	Personnel Expenditure (R'000)	% of personnel exp. to total personnel cost (R'000)	No. of employees	Average personnel cost per employee (R'000)
Top Management	84 327	1.54%	38	2 219
Senior Management	1 510 588	27.53%	1 652	914
Professional qualified	1 229 491	22.41%	2 334	527
Skilled	2 362 410	43.05%	8 412	281
Semi-skilled	280 445	5.11%	1 418	198
Unskilled	19 985	0.36%	124	161
Total	5 487 245		13 978	393

Table 48: Performance rewards

Programme/activity/objective	Performance rewards (R'000)	Personnel Expenditure (R'000)	% of performance rewards to total personnel cost (R'000)
Top Management	15 149	84 327	0.28%
Senior Management	136 279	1 510 588	2.48%
Professional qualified	63 723	1 229 491	1.16%
Skilled	129 676	280 445	2.36%
Semi-skilled	24 391	2 362 410	0.44%
Unskilled	1 049	19 985	0.02%
Total	370 269	5 487 245	6.75%

Table 49: Employment and vacancies

Salary Band	2013/14		2014/15		% of vacancies
	No. of Employees	Approved Posts	No. of Employees	Vacancies	
Top Management	38	43	38	5	11.6%
Senior Management	1 611	1 800	1 652	110	6.2%
Professional qualified	2 083	2 500	2 334	140	5.7%
Skilled	8 083	8 700	8 412	290	3.3%
Semi-skilled	2 176	1 550	1 418	38	2.6%
Unskilled	146	220	124	-	0.0%
Total	14 137	14 812	13 978	583	4.0%

Note: Vacancies 2014/15 only indicated the rounded-up figures to funded figures / vacancies change according to capacity and capability demands.

All vacancies in SARS are advertised within the organisation to give employees the opportunity to apply for these jobs. This encourages employees to advance their careers within SARS.

HUMAN RESOURCES

Table 50: Employment changes

Salary Band	Employment at beginning of period	Appointments: External	Terminations: Staff exits	Employment at end of the period
Top Management	38	2	5	38
Senior Management	1 611	67	84	1 652
Professional qualified	2 083	82	124	2 334
Skilled	8 083	386	501	8 412
Semi-skilled	2 176	161	127	1 418
Unskilled	146	1	20	124
Total	14 137	699	861	13 978

Note: These excluded Internal staff appointments.

Table 51: Appointments for the period in the organisation

Salary Band	Staff Exits	Internal Appointments	External Appointments	% Internal Appointments
Top Management	5	3	2	60.00%
Senior Management	84	82	67	55.03%
Professional qualified	124	352	82	81.11%
Skilled	501	1 111	386	74.22%
Semi-skilled	127	115	161	41.67%
Unskilled	20	-	1	0.00%
Total	861	1 663	699	70.41%

Table 52: Headcount growth from 1 April 2014 to 31 March 2015

Salary Band	Employment at beginning of period	Employment at end of the period	Headcount Growth	Headcount Trend
Top Management	38	38	0	0.00%
Senior Management	1 611	1 652	41	2.48%
Professional qualified	2 083	2 334	251	10.75%
Skilled	8 083	8 412	329	3.91%
Semi-skilled	2 176	1 418	-758	-53.46%
Unskilled	146	124	-22	-17.74%
Total	14 137	13 978	-159	-1.15%

The page features a large, abstract graphic on the left side. It consists of a thick, dark teal curved line that starts from the left edge and curves downwards towards the right. Overlaid on this is a series of many thin, light teal lines that flow from the top left towards the right, creating a sense of movement and depth. The background is a light blue gradient that transitions from white at the top to a darker blue at the bottom. In the top right corner, the text 'Part Five Financials' is written in a dark teal, sans-serif font. At the bottom left, the number '05' is displayed in a large, light blue, sans-serif font.

Part Five
Financials

05

5.1 Report of the Audit Committee



Introduction

The Interfront Audit Committee is combined with the SARS Audit Committee. This allows for independent oversight.

Report of the Audit Committee

We are pleased to present our report for the financial year ended 31 March 2015 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 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 three external members for most of the period under review (listed hereunder) and held three meetings for the financial year. Ms Berenice Lue-Marais resigned from the SARS Audit Committee in July 2014 to take up membership of the SARS HR Committee. She was the Acting Chairperson until July 2014.

Audit Committee attendance

Audit Committee Members	Meeting Dates		
	25 Jul 2014	17 Oct 2014	05 Dec 2014
Mr Bongani Nqwababa (Chairperson Audit Committee): Executive Director and Group Chief Financial Officer Sasol Limited; B. Acc Hons (University of Zimbabwe), CA (ZIM), MBA in Finance (Universities of Manchester and Wales), Bangor	√	√	√
Mr Vuyo Kahla: Executive Vice President: Advisory and Assurance and Company Secretary Sasol Limited; Bachelor of Arts (Rhodes University), LLB (Rhodes University)	√	√	√
Sathie Gounden: B. Compt. - Unisa Diploma in Accounting - University of Durban- Westville Chartered Accountant (S.A.) Registered Auditor Certificate in Forensic Accounting & Fraud Examination - University of Pretoria Fellow of the Institute of Chartered Secretaries (CIS) Executive Leadership Development Institute Programme – Harvard Business School	√	√	√

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
- 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
31 July 2015

5.2 Own accounts

Content

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The following supplementary information does not form part of the financial statements and is unaudited:	
Tax Computation - Controlled Entity	155
Donations in Kind - Controlling Entity	156

The financial statements set out on pages 98 to 154, which have been prepared on the going concern basis, were approved and signed by:



Commissioner for SARS
29 July 2015

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

Report on the consolidated and separate financial statements

Introduction

1. I have audited the consolidated and separate financial statements of SARS Own Accounts and its subsidiary set out on pages 98 to 154, which comprise of the consolidated and separate statement of financial position as at 31 March 2015, the consolidated and separate statement of financial performance, statement of changes in net assets and cash flow statement and the statement of comparison of budget information with actual information for the year then ended, as well as the notes, comprising a summary of significant accounting policies and other explanatory information.

Accounting Authority's responsibility for the consolidated and separate financial statements

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

Auditor-General's responsibility

3. My responsibility is to express an opinion on these consolidated and separate financial statements based on my audit. I conducted my audit in accordance with International Standards on Auditing. Those standards require that I comply with ethical requirements, and plan and perform the audit to obtain reasonable assurance about whether the consolidated and separate financial statements are free from material misstatement.
4. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated and separate financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated and separate financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated and separate financial statements.
5. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

6. In my opinion, the consolidated and separate financial statements present fairly, in all material respects, the financial position of SARS Own Accounts and its subsidiary as at 31 March 2015 and their financial performance and cash flows for the year then ended, in accordance with SA standard of GRAP and the requirements of the PFMA.

Report on other legal and regulatory requirements

7. In accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA) and the general notice issued in terms thereof, I have a responsibility to report findings on the reported performance information against predetermined objectives for selected objectives presented in the annual performance report, non-compliance with legislation and internal control. The objective of my tests was to identify reportable findings as described under each subheading but not to gather evidence to express assurance on these matters. Accordingly, I do not express an opinion or conclusion on these matters.

SOUTH AFRICAN REVENUE SERVICE

REPORT OF THE AUDITOR-GENERAL: OWN ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2015

Predetermined objectives

8. I performed procedures to obtain evidence about the usefulness and reliability of the reported performance information for the following selected objectives presented in the annual performance report of the public entity for the year ended 31 March 2015:
 - Objective 2: Increased Tax compliance on pages 57 to 58
 - Objective 3: Increased ease and fairness of doing business with SARS on pages 59 to 60
9. I evaluated the reported performance information against the overall criteria of usefulness and reliability.
10. I evaluated the usefulness of the reported performance information to determine whether it was presented in accordance with the National Treasury's annual reporting principles and whether the reported performance was consistent with the planned objectives. I further performed tests to determine whether indicators and targets were well defined, verifiable, specific, measurable, time bound and relevant, as required by the National Treasury's Framework for managing programme performance information.
11. I assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.
12. I did not identify any material findings on the usefulness and reliability of the reported performance information for the following objectives:
 - Increased Tax compliance
 - Increased ease and fairness of doing business with SARS

Additional matter

13. Although I identified no material findings on the usefulness and reliability of the reported performance information for the selected objectives, I draw attention to the following matter.

Achievement of planned targets

14. Refer to the annual performance report on page 56 to 61 for information on the achievement of the planned targets for the year.

Compliance with legislation

15. I performed procedures to obtain evidence that the public entity had complied with applicable legislation regarding financial matters, financial management and other related matters. I did not identify any instances of material non-compliance with specific matters in key legislation, as set out in the general notice issued in terms of the PAA.

Internal control

16. I considered internal control relevant to my audit of the financial statements, Schedule of Performance Information (SoPI) and compliance with legislation. I didn't identify any significant deficiencies in internal control.

Other reports

Investigations

Sikhakhane Report

17. An independent external panel performed an investigation at the request of the public entity. The investigation was initiated based on allegations of impropriety against a SARS Group Executive: Projects, Evidence Management and Technical Support. The investigation concluded on 5 November 2014 and resulted in various management actions taken.

Auditor General

Pretoria

31 July 2015



SOUTH AFRICAN REVENUE SERVICE

REPORT BY THE SARS ACCOUNTING AUTHORITY: OWN ACCOUNTS

FOR THE YEAR ENDED 31 MARCH 2015

Report by the SARS Accounting Authority for the year ended 31 March 2015

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 2015. 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.

1. Executive members

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

The EXCO members that served during the 2015 Financial Year were:

Tom Moyane	Commissioner and EXCO Chairperson
Ivan Pillay	Deputy Commissioner, Acting Commissioner and EXCO Chairperson
Barry Hore	Chief Operating Officer
Jonas Makwakwa	Acting Chief Operating Officer
Kosie Louw	Chief Officer: Legal and Policy
Matsobane Matlwa	Chief Officer: Finance
Pete Richer	Acting Chief Officer: Strategy, Enablement and Communication
Makungu Mthebule	Acting Chief Officer: Strategy, Enablement and Communication
Gene Ravele	Chief Officer: Tax and Customs Enforcement Investigations
Elizabeth Kumalo	Chief Officer: Human Resources
Giorgio Radesich	Group Executive: Governance and Company Secretariat
Sunita Manik	Group Executive: Large Business Centre
Brian Kgomo	Group Executive: Internal Audit
Bob Head	Special Advisor: Commissioner and Acting Chief Financial Officer

Executive Committee appointments and resignations

Commissioner Tom Moyane was appointed in September 2014; Mr Matsobane Matlwa, Mrs Makungu Mthebule and Mr Jonas Makwakwa were appointed in December 2014; Mr Barry Hore resigned in December 2014.

Organisational structure

The organisational structure of SARS will be reviewed as part of the operating model review that has commenced in the financial year under review and that will continue in the new financial year.

2. 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 tax and customs legislation
- Provide a customs service that will maximise revenue collection, protect our borders and facilitate trade.

SOUTH AFRICAN REVENUE SERVICE

REPORT BY THE SARS ACCOUNTING AUTHORITY: OWN ACCOUNTS
FOR THE YEAR ENDED 31 MARCH 2015

3. Review of operations and results (amounts disclosed in R'000)

Own accounts

The Revenue for the year was made up as follows:

	% change	2015	2014 * Restated
Operating revenue	-0.98%	9 449 625	9 542 872
- Transfers from National Treasury	-0.99%	9 440 321	9 534 393
- Rendering of Services	9.73%	9 304	8 479
Other Income	9.60%	517 992	472 602
- Interest received	59.65%	212 508	133 105
- Other income	-10.02%	305 484	339 497
	0.478%	9 967 617	10 015 474

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.

As an employer, SARS is expected to submit the Mandatory Grant (MG) application (which covers the workplace skills plan and annual training report) to comply with the skills development legislation. The approval of the MG is a requirement for the organisation to participate in the Discretionary Grants. In addition to the commissions earned, SARS also received a grant claim from the Finance and Accounting Services Sector Education and Training Authority (FASSET) for the investment made in developing internal employees and unemployed (prospective employees). FASSET provide skills development levy payers an opportunity to apply for a discretionary grant equivalent to 49.5% of the total levies paid, SARS applied for a discretionary grant and managed to received R3 731 319 from FASSET.

The surplus for the year was as follows:

	2015	2014
Balance accumulated surplus at 1 April as previously reported	3 971 887	2 766 124
Prior year adjustments	25 216	(17 127)
Restated balance 1 April	3 997 103	2 748 997
Net surplus/(deficit) for the year	381 336	1 222 890
Balance accumulated surplus at 31 March	4 378 439	3 971 887

Administered revenue (amounts disclosed in R'000)

The net revenue for the year was R977 859 515 (2014: R898 101 333). Administered Revenue does not retain funds as taxes collected are transferred to the National Revenue Fund on a daily basis.

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

SOUTH AFRICAN REVENUE SERVICE

REPORT BY THE SARS ACCOUNTING AUTHORITY: OWN ACCOUNTS

FOR THE YEAR ENDED 31 MARCH 2015

	% change	2015	2014
Total revenue	9.36%	1 029 597 171	941 475 717
SA Customs Union Agreement	19.28%	51 737 656	43 374 384
Net revenue	8.88%	977 859 515	898 101 333

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

4. 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.

5. Review of the financial position

Reserves and accumulated surplus:

Reserves and surpluses consist of the asset revaluation reserve and accumulated surpluses.

Assets

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

6. Surrender of surplus funds (amounts disclosed in R'000)

SARS did not surrender surplus funds during the financial year under review to National Treasury and did not provide for an obligation to surrender surplus funds from the 2015 financial year.

7. Public/private partnerships

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

8. Events subsequent to the balance sheet date (amounts disclosed in R'000)

There are currently no events subsequent to the balance sheet date that requires disclosure.

9. Addresses

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

Addresses for other SARS offices are available from SARS.



Tom Moyane
Commissioner
South African Revenue Service
24 July 2015

SOUTH AFRICAN REVENUE SERVICE OWN ACCOUNTS

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2015

STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2015

	Note(s)	Economic entity		Controlling entity	
		2015	2014	2015	2014
		R '000	Restated* R '000	R '000	Restated* R '000
Assets					
Current Assets					
Trade and other receivables	4	72 505	64 235	69 967	61 965
Current tax receivable - controlled entity	10	4 823	3 583	-	-
Prepayments	25	100 860	50 744	99 752	49 777
Cash and cash equivalents	5	3 423 512	2 925 324	3 415 120	2 901 681
		3 601 700	3 043 886	3 584 839	3 013 423
Non-Current Assets					
Property, plant and equipment	6	1 567 539	1 526 763	1 563 271	1 523 209
Intangible assets	7	950 471	1 086 966	1 149 649	1 226 025
Investment in controlled entity	8	-	-	-	-
Loan to controlled entity	9	-	-	81 017	74 699
Deferred tax - controlled entity	23	-	1 147	-	-
		2 518 010	2 614 876	2 793 937	2 823 933
Total Assets		6 119 710	5 658 762	6 378 776	5 837 356
Liabilities					
Current Liabilities					
Finance lease obligation	11	9 315	11 577	9 253	11 523
Trade and other payables	12	604 205	606 053	633 865	608 729
Deferred income	13	160	110	160	110
Provisions	14	537 672	380 509	533 756	377 137
VAT payable		609	414	-	-
		1 151 961	998 663	1 177 034	997 499
Non-Current Liabilities					
Finance lease obligation	11	12 360	11 885	12 326	11 789
Operating lease liability		207 081	232 932	207 029	232 717
Deferred income	13	233	-	233	-
Deferred tax - controlled entity	23	2 740	-	-	-
Employee benefits	26&27	176 745	293 694	176 745	293 694
		399 159	538 511	396 333	538 200
Total Liabilities		1 551 120	1 537 174	1 573 367	1 535 699
Net Assets		4 568 590	4 121 588	4 805 409	4 301 657
Net Assets					
Asset revaluation reserve	15	190 151	124 482	190 151	124 482
Accumulated surplus		4 378 439	3 997 106	4 615 258	4 177 175
Net Assets		4 568 590	4 121 588	4 805 409	4 301 657

* See Note 2 & 36

SOUTH AFRICAN REVENUE SERVICE OWN ACCOUNTS

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2015

STATEMENT OF FINANCIAL PERFORMANCE

	Note(s)	Economic entity		Controlling entity	
		2015	2014	2015	2014
		R '000	Restated* R '000	R '000	Restated* R '000
Revenue					
Rendering of services	16	9 304	8 479	-	-
Other income	17	305 484	339 497	305 716	339 822
Interest received		212 508	133 105	219 629	139 762
Transfer from government entity	16	9 440 321	9 534 393	9 440 321	9 534 393
Total revenue		9 967 617	10 015 474	9 965 666	10 013 977
Expenditure					
Employee cost		(6 520 946)	(5 890 571)	(6 467 533)	(5 841 936)
Depreciation and amortisation		(638 665)	(569 746)	(629 697)	(562 976)
Impairment loss	18	(4 471)	(16 363)	(5 991)	(5 938)
Finance costs	19	(6 712)	(6 567)	(6 696)	(6 556)
Operating leases	30	(434 826)	(430 869)	(433 177)	(429 384)
Other expenses		(20 892)	(32 100)	(20 580)	(32 360)
Administrative expenses		(1 013 884)	(973 992)	(1 010 969)	(970 791)
Professional and special services		(942 157)	(843 988)	(953 126)	(851 910)
Total expenditure		(9 582 553)	(8 764 196)	(9 527 769)	(8 701 851)
Operating surplus		385 064	1 251 278	437 897	1 312 126
Gain on disposal of assets		159	415	187	415
Surplus before taxation		385 223	1 251 693	438 084	1 312 541
Taxation	20	(3 888)	(3 582)	-	-
Surplus for the year		381 335	1 248 111	438 084	1 312 541

* See Note 2 & 36

SOUTH AFRICAN REVENUE SERVICE OWN ACCOUNTS

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2015

STATEMENT OF CHANGES IN NET ASSETS

	Asset revaluation reserve R '000	Accumulated surplus R '000	Total net assets R '000
Economic entity			
Balance at 01 April 2013	92 618	2 748 997	2 841 615
Changes in net assets			
Surplus for the year	-	1 248 109	1 248 109
Surplus in revaluation of land and buildings	33 133	-	33 133
Depreciation on revalued portion of assets	(1 269)	-	(1 269)
Total changes	31 864	1 248 109	1 279 973
Opening balance as previously reported	124 482	3 971 887	4 096 369
Adjustments			
Prior year adjustments	-	25 216	25 216
Balance at 01 April 2014 as restated	124 482	3 997 103	4 121 585
Changes in net assets			
Surplus for the year	-	381 336	381 336
Surplus in revaluation of land and buildings	68 957	-	68 957
Depreciation on revalued portion of assets	(3 288)	-	(3 288)
Total changes	65 669	381 336	447 005
Balance at 31 March 2015	190 151	4 378 439	4 568 590

Note(s)

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SOUTH AFRICAN REVENUE SERVICE OWN ACCOUNTS

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2015

STATEMENT OF CHANGES IN NET ASSETS

	Asset Revaluation reserve R '000	Accumulated surplus R '000	Total net assets R '000
Controlling entity			
Balance at 01 April 2013	92 618	2 864 634	2 957 252
Changes in net assets			
Surplus in revaluation of land and buildings	33 133	-	33 133
Depreciation on revalued portion of assets	(1 269)	-	(1 269)
Surplus for the year	-	1 312 541	1 312 541
Total changes	31 864	1 312 541	1 344 405
Opening balance as previously reported	124 482	4 151 958	4 276 440
Adjustments			
Prior year adjustments	-	25 216	25 216
Balance at 01 April 2014 as restated	124 482	4 177 174	4 301 656
Changes in net assets			
Surplus in revaluation of land and buildings	68 957	-	68 957
Depreciation on revalued portion of assets	(3 288)	-	(3 288)
Surplus for the year	-	438 084	438 084
Total changes	65 669	438 084	503 753
Balance at 31 March 2015	190 151	4 615 258	4 805 409

Note(s)

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SOUTH AFRICAN REVENUE SERVICE OWN ACCOUNTS

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2015

CASH FLOW STATEMENT

	Note(s)	Economic entity		Controlling entity	
		2015	2014	2015	2014
		R '000	Restated* R '000	R '000	Restated* R '000
Cash flows from operating activities					
Receipts					
Rendering of services		15 381	21 226	-	-
Transfer from government entity		9 440 321	9 534 393	9 440 321	9 534 393
Interest received		199 433	126 176	198 598	125 102
Other income		306 029	312 448	306 262	312 773
		9 961 164	9 994 243	9 945 181	9 972 268
Payments					
Employee costs		(6 475 775)	(5 910 634)	(6 422 748)	(5 862 649)
Suppliers		(2 497 040)	(2 292 349)	(2 469 656)	(2 290 146)
VAT paid		195	535	-	-
Tax paid	10	(1 241)	(4 990)	-	-
		(8 973 861)	(8 207 438)	(8 892 404)	(8 152 795)
Net cash flows from operating activities	21	987 303	1 786 805	1 052 777	1 819 473
Cash flows from investing activities					
Acquisition of property, plant and equipment	6	(263 010)	(273 630)	(260 943)	(271 821)
Proceeds from sale of property, plant and equipment	6&7	3 906	4 131	3 897	4 131
Acquisition of intangible assets	7	(221 511)	(327 755)	(273 863)	(380 438)
Repayment of loan by controlled entity		-	-	-	10 000
Net cash flows from investing activities		(480 615)	(597 254)	(530 909)	(638 128)
Cash flows from financing activities					
Finance lease and interest payments		(8 500)	(11 932)	(8 429)	(12 039)
Net (decrease)/increase in cash and cash equivalents		498 188	1 177 619	513 439	1 169 306
Cash and cash equivalents at the beginning of the year		2 925 324	1 747 705	2 901 681	1 732 375
Cash and cash equivalents at the end of the year	5	3 423 512	2 925 324	3 415 120	2 901 681

* See Note 2 & 36

SOUTH AFRICAN REVENUE SERVICE OWN ACCOUNTS

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2015

STATEMENTS OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

	Approved budget	Actual amounts on comparable basis	Difference between final budget and actual
	R '000	R '000	R '000
Controlling Entity			
Statement of Financial Position			
Assets			
Current Assets			
Trade and other receivables	65 554	69 967	4 413
Prepayments	62 441	99 752	37 311
Cash and cash equivalents	2 716 901	3 415 120	698 219
	2 844 896	3 584 839	739 943
Non-Current Assets			
Property, plant and equipment	1 755 598	1 563 271	(192 327)
Intangible assets	1 368 914	1 149 649	(219 265)
Loan to controlled entity	72 387	81 017	8 630
	3 196 899	2 793 937	(402 962)
Total Assets	6 041 795	6 378 776	336 981
Liabilities			
Current Liabilities			
Finance lease obligation	12 789	9 253	(3 536)
Trade and other payables	638 729	633 865	(4 864)
Deferred income	110	160	50
Provisions	347 137	533 756	186 619
	998 765	1 177 034	178 269
Non-Current Liabilities			
Finance lease obligation	8 211	12 326	4 115
Operating lease liability	237 717	207 029	(30 688)
Deferred income	-	233	233
Employee benefits	300 330	176 745	(123 585)
	546 258	396 333	(149 925)
Total Liabilities	1 545 023	1 573 367	28 344
Net Assets	4 496 772	4 805 409	308 637
Net Assets			
Asset revaluation reserve	136 930	190 151	53 221
Accumulated surplus	4 359 842	4 615 258	255 416
Total Net Assets	4 496 772	4 805 409	308 637

SOUTH AFRICAN REVENUE SERVICE OWN ACCOUNTS

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2015

STATEMENTS OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

	Approved budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
	R '000	R '000	R '000	

Controlling entity

Statement of Financial Performance

Revenue

Transfer from government entity	9 440 321	9 440 321	-	
Other income	317 137	305 716	(11 421)	Note 1
Interest received	120 000	219 629	99 629	Note 2
Total revenue	9 877 458	9 965 666	88 208	

Expenditure

Employee cost	(6 509 803)	(6 467 533)	42 270	Note 3
Depreciation and amortisation	(588 781)	(629 697)	(40 916)	
Impairment loss	(83)	(5 991)	(5 908)	Note 4
Finance costs	(2)	(6 696)	(6 694)	
Operating leases	(433 010)	(433 177)	(167)	
Other expenses	(20 167)	(20 580)	(413)	
Administrative expenses	(1 129 099)	(1 010 969)	118 130	Note 5
Professional and special services	(988 630)	(953 126)	35 504	Note 5
Total expenditure	(9 669 575)	(9 527 769)	141 806	
Operating surplus	207 883	437 897	230 014	
Gain on disposal of assets	-	187	187	
Surplus before taxation	207 883	438 084	230 201	

SOUTH AFRICAN REVENUE SERVICE OWN ACCOUNTS

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2015

STATEMENTS OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

RECONCILIATION

Timing difference

The variance is due to lower than anticipated income on skills development levy training grant and equipment leases to the Department of Home Affairs.	Note 1
The unforeseen delay in the obtainment of the approval for the retention of surplus funds from National Treasury, lead to less than anticipated spend on project roll out which subsequently resulted in the accumulation of interest.	Note 2
Although there was a recruitment of 700 employees in total, including 373 graduate trainees, aligned to the SARS strategy on human capital there was a net attrition of 161 in the current year.	Note 3
The impairment loss is based on the provision for the Interfront loan which amounted to R2 million; in addition the impairment policy states that assets that have not been verified for a period of two years are impaired at the year end, while budgets are based on prior year actual impairments.	Note 4
Savings in administration, professional and special services are due to cost efficiencies, tighter controls and negotiations of better rates with service providers.	Note 5

SOUTH AFRICAN REVENUE SERVICE OWN ACCOUNTS

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2015

STATEMENTS OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

	Approved budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
	R '000	R '000	R '000	
Cash Flow Statement				
Cash flows from operating activities				
Receipts				
Transfer from government entity	9 440 321	9 440 321	-	
Interest received	120 000	198 598	78 598	Note 1
Other income	317 137	306 262	(10 875)	Note 2
	9 877 458	9 945 181	67 723	
Payments				
Employee costs	(6 357 398)	(6 422 748)	(65 350)	Note 3
Suppliers	(2 671 727)	(2 469 656)	202 071	Note 4
Finance costs	(82)	-	82	
	(9 029 207)	(8 892 404)	136 803	
Net cash flows from operating activities	848 251	1 052 777	204 526	
Cash flows from investing activities				
Acquisition of property, plant and equipment	(624 654)	(260 943)	363 711	Note 5
Proceeds from sale of property, plant and equipment	-	3 897	3 897	
Acquisition of intangible assets	(356 790)	(273 863)	82 927	Note 5
Net cash flows from investing activities	(981 444)	(530 909)	450 535	
Cash flows from financing activities				
Finance lease and interest payment	(51 587)	(8 429)	43 158	
Net cash flows from financing activities	(51 587)	(8 429)	43 158	
Net increase/(decrease) in cash and cash equivalents	(184 780)	513 439	698 219	
Cash and cash equivalents at the beginning of the year	2 901 681	2 901 681	-	
Cash and cash equivalents at the end of the year	2 716 901	3 415 120	698 219	

SOUTH AFRICAN REVENUE SERVICE OWN ACCOUNTS

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2015

STATEMENTS OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

RECONCILIATION

Timing difference

The unforeseen delay in the obtainment of the approval for the retention of surplus funds from National Treasury, lead to less than anticipated spend on project roll out which subsequently resulted in the accumulation of interest.	Note 1
The variance is due to lower than anticipated income on skills development levy training grant and equipment leases to the Department of Home Affairs.	Note 2
Although there was a recruitment of 700 employees in total, including 373 graduate trainees, aligned to the SARS strategy on human capital there was a net attrition of 161 in the current year.	Note 3
Savings in payments are due to cost efficiencies, tighter controls and negotiation of better rates with service providers.	Note 4
Savings in acquisition of assets was due to the current Information Technology review by Gartner. This resulted in the delay or non-execution of certain projects.	Note 5

1. Presentation of Financial Statements

The reporting activity of SARS has been divided into Administered Revenue and Own Accounts. The National Revenue Fund is the relevant entity for Administered Revenue. Therefore SARS is not responsible for preparing separate Annual Financial Statements for Administered Revenue. SARS is applying Directive 6 and for purposes of preparing the financial statements of the legal entity, SARS will not account for the receivables or payables relating to the agent-principal relationship until the expiry of the transitional provision in Directive 6 issued by the ASB or the issuance of a Standard by the ASB on Accounting by Principals and Agents.

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

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

A summary of the significant accounting policies, which have been consistently applied in the preparation of these financial statements, are disclosed below.

These accounting policies are consistent with the previous period.

1.1 Consolidation

Basis of consolidation

The economic entity's annual financial statements include those of the controlling entity and its controlled entity.

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

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

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

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

1.2 Significant judgments and sources of estimation uncertainty

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

Loans and receivables

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

SOUTH AFRICAN REVENUE SERVICE OWN ACCOUNTS

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2015

ACCOUNTING POLICIES

1.2 Significant judgements and sources of estimation uncertainty (continued)

Fair value estimation

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

Impairment testing

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

The economic entity reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. The event is defined as the inability to verify an asset for a period of two years upon which the carrying value is impaired to zero. If the asset remains unverified, it will be written-off on the subsequent reporting date.

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

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

Provisions

Provisions were raised and management was prudent in determining estimates based on the information available. Additional disclosure of these estimates of provisions are included in note 14 - Provisions.

Taxation - controlled entity

This policy is not applicable to the controlling entity as it is exempt from the payment of income tax in terms of section 10(1)(cA) of the Income Tax Act of 1962. In respect of the controlled entity judgement is required in determining the provision for income taxes due to the complexity of legislation. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The controlled entity recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

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

1.2 Significant judgements and sources of estimation uncertainty (continued)

Allowance for doubtful debt

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

Useful lives and residual value of assets

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

1.3 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods and services or 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.

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

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

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

Standby equipment which is expected to be used for more than one period is included in property, plant and equipment. In addition, standby equipment which can only be used in connection with an item of property, plant and equipment is accounted for as property, plant and equipment.

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

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

SOUTH AFRICAN REVENUE SERVICE OWN ACCOUNTS

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2015

ACCOUNTING POLICIES

1.3 Property, plant and equipment (continued)

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

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

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

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

Property, plant and equipment is depreciated on the straight line basis over the expected useful lives of the asset.

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

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

All changes for useful lives were accounted for as changes in accounting estimates.

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 estimates.

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, either individually or together with a related contract, identifiable assets or liability; or
- arises from contractual rights or other legal rights, regardless of whether those rights are transferable or separable from the economic entity or from other rights and obligations.

An intangible asset is recognised when:

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

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

Intangible assets are initially recognised at cost. The cost of intangible assets acquired at no nominal cost is measured at its fair value at date of acquisition.

Cost on research (or initial project research phase) is recognised as an expense when it is incurred.

An intangible asset arising from development (or on the initial project development phase) 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 accumulated amortisation and impairment losses.

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

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

Item	Useful life
Intellectual property and other rights	10 years
IT software (previously named computer software)	3-5 years
Software under development	No useful life as assets are not available and ready for use

Intangible assets are derecognised:

- on disposal; or
- when no future economic benefits or service potential is 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.

SOUTH AFRICAN REVENUE SERVICE OWN ACCOUNTS

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2015

ACCOUNTING POLICIES

1.5 Investment in controlled entity

Economic entity's annual financial statements

The economic entity's annual financial statements include those of the controlling and its controlled entity.

Controlling entity's annual financial statements

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

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

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

1.6 Financial instruments

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

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

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

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

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

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

A financial asset is:

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

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

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

1.6 Financial instruments (continued)

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

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

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

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

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

Classification

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

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

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

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

Initial recognition

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

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

Initial measurement of financial assets and financial liabilities

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

SOUTH AFRICAN REVENUE SERVICE OWN ACCOUNTS

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2015

ACCOUNTING POLICIES

1.6 Financial instruments (continued)

Subsequent measurement of financial assets and financial liabilities

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

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

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

Fair value measurement considerations

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

Gains and losses

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

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

Impairment and non-collectibility of financial assets

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

Financial assets measured at amortised cost

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

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

1.6 Financial instruments (continued)

Derecognition

Financial assets

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

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received is recognised in surplus or deficit using trade date accounting (transaction date).

Financial liabilities

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

Presentation

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

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

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

1.7 Tax - controlled entity

Current tax assets and liabilities

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

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

Deferred tax assets and liabilities

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

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

SOUTH AFRICAN REVENUE SERVICE OWN ACCOUNTS

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2015

ACCOUNTING POLICIES

1.7 Tax - controlled entity (continued)

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

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

Tax expense

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

1.8 Leases

Finance leases

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

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease.

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate on the remaining balance of the liability.

Operating leases

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

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

1.9 Impairment of cash-generating assets

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

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

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

A cash-generating unit is the smallest identifiable group of assets held with the primary objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

1.9 Impairment of cash-generating assets (continued)

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

Depreciation and amortisation is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

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

Identification

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

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

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

Recognition and measurement

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

Cash-generating units

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

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

SOUTH AFRICAN REVENUE SERVICE OWN ACCOUNTS

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2015

ACCOUNTING POLICIES

1.9 Impairment of cash-generating assets (continued)

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

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

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

- its fair value less costs to sell (if determinable);
- its value in use (if determinable); and
- zero.

Reversal of impairment loss

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

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

A reversal of an impairment loss for a cash-generating asset is recognised immediately in surplus or deficit. Any reversal of an impairment loss of a revalued cash-generating asset is treated as a revaluation increase. After a reversal of an impairment loss is recognised, the depreciation or amortisation charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

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

1.10 Share capital - controlled entity

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

Ordinary shares as well as the loan received from the controlling entity is classified in the controlled entity's equity. The shareholder loan is subordinated to the interest of the other creditors.

1.11 Employee benefits

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

Other long-term employee benefits are employee benefits (other than post-employment benefits and termination benefits) that are not due to be settled within twelve months after the end of the period in which the employees render the related service.

1.11 Employee benefits (continued)

Short-term employee benefits

Short-term employee benefits are employee benefits that are due to be settled within twelve months after the end of the period in which the employees render the related service.

Short-term employee benefits include items such as:

- salaries and other contributions;
- short-term compensated absences where the compensation for the absences is due to be settled within twelve months after the end of the reporting period in which the employees render the related employee service; and
- bonus and performance related payments payable within twelve months after the end of the reporting period in which the employees render the related service.

When an employee has rendered service to the entity during a reporting period, the entity recognises the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:

- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the entity recognises that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another accounting standard requires or permits the inclusion of the benefits in the cost of an asset.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs. The entity measures the expected cost of accumulating compensated absences as the additional amount that the entity expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

The entity recognises the expected cost of bonus, incentive and performance related payments when the entity has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made. A present obligation exists when the entity has no realistic alternative but to make the payments.

Post-employment benefits: Defined contribution plans

Defined contribution plans are post-employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

When an employee has rendered service to the entity during a reporting period, the entity recognises the contribution payable to a defined contribution plan in exchange for that service as a liability (accrued expense).

1.12 Provisions and contingencies

Provisions are recognised when:

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

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

SOUTH AFRICAN REVENUE SERVICE OWN ACCOUNTS

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2015

ACCOUNTING POLICIES

1.12 Provisions and contingencies (continued)

Where the time value of money effect is material, the amount of a provision is the present value of the expenditure expected to settle the obligation.

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation.

A provision is used only for expenditure for which the provision was originally recognised. Provisions are not recognised for future operating deficits.

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

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

The economic entity recognises a provision for financial guarantees and loan commitments when it is probable that an outflow of resources embodying economic benefits and service potential will be required to settle the obligation and a reliable estimate of the obligation can be made.

Determining whether an outflow of resources is probable in relation to financial guarantees requires judgement. Indications that an outflow of resources may be probable are:

- financial difficulty of the debtor; and
- a decline in prevailing economic circumstances (e.g. high interest rates, inflation and unemployment) that impact on the ability of entities to repay their obligations.

1.13 Commitments

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

Disclosures are required in respect of unrecognised contractual commitments.

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

- Contracts should be non-cancellable or only cancellable at significant cost (for example, contracts for computer or building maintenance services); and
- Contracts should relate to something other than the routine, steady, state business of the entity – therefore salary commitments relating to employment contracts or social security benefit commitments are excluded.

1.14 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.

1.14 Revenue from exchange transactions (continued)

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

Measurement

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

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the criteria per GRAP 9 are met.

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

1.15 Revenue from non-exchange transactions

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

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

In a non-exchange transaction, an entity either receives value from another entity without directly giving approximately equal value in exchange, or gives value to another entity without directly receiving approximately equal value in exchange.

Recognition

An inflow of resources from a non-exchange transaction recognised as an asset is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

Measurement

Revenue from a non-exchange transaction is measured as the increase in net assets recognised by the entity.

When, as a result of a non-exchange transaction, the entity recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability is recognised as revenue.

Gifts and donations, including goods in-kind

Donations, including goods in-kind, are recognised as assets and revenue when it is probable that the future economic benefits or service potential will flow to the entity and the fair value of the assets can be measured reliably.

SOUTH AFRICAN REVENUE SERVICE OWN ACCOUNTS

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2015

ACCOUNTING POLICIES

1.16 Government grants

SARS' main source of income is an annual grant from Parliament to execute its mandate in terms of the SARS Act (No.34 of 1997).

1.17 Investment income

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

1.18 Translation of foreign currencies

Foreign currency transactions

A foreign currency transaction is recorded on initial recognition in Rand, by applying to the foreign currency amount the spot exchange rate between the functional currency and the foreign currency at the date of the transaction.

At each reporting date foreign currency monetary items are translated using the closing rate.

Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition during the period or in previous financial statements are recognised in surplus or deficit in the period in which they arise.

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

1.19 Comparative figures

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

1.20 Research and development expenditure

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

An asset arising from development is recognised when:

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

1.21 Budget information

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

General purpose financial reporting by controlling entity shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

The approved budget is prepared on an accrual basis and presented by economic classification linked to performance outcome objectives.

1.21 Budget information (continued)

The approved budget covers the fiscal period from 2014/04/01 to 2015/03/31.

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

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

The Statement of comparative and actual information has been included in the financial statements as the recommended disclosure when the financial statements and the budget are on the same basis of accounting as determined by National Treasury.

Comparative information is not required.

1.22 Related parties

The controlling entity operates in an economic sector currently dominated by entities directly or indirectly owned by the South African Government. As a consequence of the constitutional independence of the three spheres of government in South Africa, only entities within the national sphere of government are considered to be related parties.

Only transactions with related parties not at arm's length or not in the ordinary course of business are disclosed.

Management, members of the executive committee, are those persons responsible for planning, directing and controlling the activities of the controlling entity, including those charged with the governance of the controlling entity in accordance with legislation, in instances where they are required to perform such functions.

Close family members of a person considered to be a member of management are those family members who may be expected to influence, or be influenced by each other in their dealings with the controlling entity.

SOUTH AFRICAN REVENUE SERVICE OWN ACCOUNTS

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2015

NOTES TO THE FINANCIAL STATEMENTS

	Economic entity		Controlling entity	
	2015	2014	2015	2014
	R '000	R '000	R '000	R '000

2. Changes in accounting policy

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

3. New standards and interpretations

3.1 Standards and interpretations approved, 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 2015 or later periods:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• GRAP 20: Related parties	No effective date issued	The adoption of this standard will impact the disclosure of executive remuneration as per note 34.
• GRAP 6 (as revised 2010): Consolidated and Separate Financial Statements	01 April 2015	The adoption of this standard is not expected to impact the results of the entity
• GRAP108: Statutory Receivables	No effective date issued	The adoption of this standard is not expected to impact the results of the entity.

4. Trade and other receivables

Interest receivables	31 014	17 939	31 014	17 939
Government departments	28 773	34 842	28 773	34 842
Refundable deposits	4 481	4 568	4 466	4 553
Staff accounts receivables	3 036	2 511	3 036	2 511
Trade debtors	2 622	2 456	-	-
Sundry receivables	2 141	1 578	2 240	1 779
Advanced Tax Ruling (ATR) debtors	438	341	438	341
	72 505	64 235	69 967	61 965

Fair value of trade and other receivables

Trade and other receivables	72 505	64 235	69 967	61 965
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Trade and other receivables are carried at original invoice amounts, which approximates fair value, less provision made for impairment of these receivables.

SOUTH AFRICAN REVENUE SERVICE OWN ACCOUNTS
 FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2015
 NOTES TO THE FINANCIAL STATEMENTS

	Economic entity		Controlling entity	
	2015	2014	2015	2014
	R '000	R '000	R '000	R '000

4. Trade and other receivables (continued)

Trade and other receivables past due but not impaired

At 31 March 2015, R5 108 563 (2014: R6 924 011) were past due but not impaired. The ageing of amounts past due but not impaired is as follows:

1 month past due	2 272	3 777	974	3 772
2 months past due	249	2 441	249	6
3 months and more past due	2 587	706	1 263	345

Included in the one month past due balance for the controlling entity is an amount of R nil (2014: R3 592 761) relating to National Treasury for security staff seconded.

Trade and other receivables impaired

As of 31 March 2015, trade and other receivables of R5 766 197 (2014: R822 649) were impaired and provided for.

The ageing of these loans is as follows:

Over 3 months	5 767	823	5 767	823
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Reconciliation of provision for impairment of trade and other receivables

Opening balance	823	837	823	837
Provision for impairment	5 151	196	5 151	196
Amounts written off as uncollectible	(207)	(210)	(207)	(210)
Closing balance	5 767	823	5 767	823

5. Cash and cash equivalents

Cash and cash equivalents consist of:

Bank balances	1 023 087	1 924 893	1 014 702	1 901 256
Cash on hand	425	431	418	425
Investments	2 400 000	1 000 000	2 400 000	1 000 000
	3 423 512	2 925 324	3 415 120	2 901 681

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.

SOUTH AFRICAN REVENUE SERVICE OWN ACCOUNTS

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2015

NOTES TO THE FINANCIAL STATEMENTS

6. Property, plant and equipment

Figures in Rand thousand

Economic entity	2015			2014		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	159 368	-	159 368	143 959	-	143 959
Buildings	695 984	(46 694)	649 290	641 996	(31 239)	610 757
Plant and equipment	48 366	(18 868)	29 498	19 089	(16 766)	2 323
Furniture, fittings and office equipment	381 849	(274 077)	107 772	394 288	(270 295)	123 993
Land and water vehicles	189 184	(87 767)	101 417	164 964	(77 575)	87 389
IT equipment	995 718	(754 864)	240 854	975 655	(677 630)	298 025
Leasehold improvements	599 904	(434 527)	165 377	508 260	(376 158)	132 102
Generators	66 650	(27 803)	38 847	66 194	(22 050)	44 144
Security equipment	159 470	(105 464)	54 006	138 723	(83 649)	55 074
Assets under construction	21 110	-	21 110	28 997	-	28 997
Total	3 317 603	(1 750 064)	1 567 539	3 082 125	(1 555 362)	1 526 763

Controlling entity	2015			2014		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	159 368	-	159 368	143 959	-	143 959
Buildings	695 984	(46 694)	649 290	641 996	(31 239)	610 757
Plant and equipment	48 366	(18 868)	29 498	19 089	(16 766)	2 323
Furniture, fittings and office equipment	380 770	(273 569)	107 201	393 373	(269 860)	123 513
Land and water vehicles	189 184	(87 767)	101 417	164 964	(77 575)	87 389
IT equipment	985 848	(747 958)	237 890	967 472	(671 635)	295 837
Leasehold improvements	595 341	(430 661)	164 680	503 697	(372 425)	131 272
Generators	66 447	(27 628)	38 819	65 991	(21 891)	44 100
Security equipment	159 450	(105 452)	53 998	138 703	(83 641)	55 062
Assets under construction	21 110	-	21 110	28 997	-	28 997
Total	3 301 868	(1 738 597)	1 563 271	3 068 241	(1 545 032)	1 523 209

SOUTH AFRICAN REVENUE SERVICE OWN ACCOUNTS

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2015

NOTES TO THE FINANCIAL STATEMENTS

6. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - Economic entity - 2015

Figures in Rand thousand										
	Opening balance	Additions	Disposals	Transfers	Revaluations	Compensation for replacement assets	Depreciation	Impairment loss	Impairment reversal	Carrying value
Land	143 959	-	-	-	15 409	-	-	-	-	159 368
Buildings	610 757	1 395	-	365	50 261	-	(12 752)	(736)	-	649 290
Plant and equipment	2 323	3 848	-	25 506	-	-	(2 151)	(79)	51	29 498
Furniture, fittings and office equipment	123 993	23 386	(177)	39	-	53	(38 925)	(1 575)	978	107 772
Land and water vehicles	87 389	34 266	(1 138)	-	-	-	(18 923)	(229)	52	101 417
IT equipment	298 025	70 730	(2 429)	864	-	920	(125 825)	(1 837)	405	240 853
Leasehold improvements	132 102	85 218	-	988	-	-	(52 808)	(123)	-	165 377
Generators	44 145	804	-	-	-	-	(5 838)	(264)	-	38 847
Security equipment	55 073	5 931	(3)	19 143	-	-	(25 046)	(1 109)	17	54 006
Assets under construction	28 997	37 432	-	(45 319)	-	-	-	-	-	21 110
	1 526 763	263 010	(3 747)	1 586	65 670	973	(282 268)	(5 952)	1 503	1 567 538

Net transfers between property, plant and equipment and intangible assets as per note 7 contra each other.

SOUTH AFRICAN REVENUE SERVICE OWN ACCOUNTS

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2015

NOTES TO THE FINANCIAL STATEMENTS

6. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - Economic entity – 2014

Figures in Rand thousand											
	Opening balance	Additions	Disposals	Transfers	Revaluations	Compensation for replacement assets	Depreciation	Impairment loss	Impairment reversal	Carrying value	
Land	137 589	-	-	-	6 370	-	-	-	-	143 959	
Buildings	589 716	-	-	(3 594)	25 494	-	(859)	-	-	610 757	
Plant and equipment	4 646	-	-	-	-	-	(2 255)	(68)	-	2 323	
Furniture, fittings and office equipment	135 441	30 713	(136)	2 545	-	26	(40 370)	(4 250)	24	123 993	
Land and water vehicles	90 143	14 466	(922)	-	-	-	(15 942)	(356)	-	87 389	
IT equipment	274 441	154 545	(2 147)	7 155	-	9 715	(137 456)	(8 286)	58	298 025	
Leasehold improvements	136 559	30 734	-	25 446	-	-	(59 310)	(1 327)	-	132 102	
Generators	42 810	9 410	(220)	249	-	-	(6 419)	(1 685)	-	44 145	
Security equipment	65 505	392	(250)	14 438	-	-	(24 584)	(429)	1	55 073	
Assets under construction	42 104	33 370	-	(46 477)	-	-	-	-	-	28 997	
	1 518 954	273 630	(3 675)	(238)	31 864	9 741	(287 195)	(16 401)	83	1 526 763	

Net transfers between property, plant and equipment and intangible assets as per note 7 contra each other.

SOUTH AFRICAN REVENUE SERVICE OWN ACCOUNTS

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2015

NOTES TO THE FINANCIAL STATEMENTS

6. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - Controlling entity – 2015

Figures in Rand thousand												
	Opening balance	Additions	Disposals	Transfers	Revaluations	Compensation for replacement assets	Write back of shared asset	Depreciation	Impairment loss	Impairment reversal	Carrying value	
Land	143 959	-	-	-	15 409	-	-	-	-	-	159 368	
Buildings	610 757	1 395	-	365	50 261	-	-	(12 752)	(736)	-	649 290	
Plant and equipment	2 323	3 848	-	25 506	-	-	-	(2 151)	(79)	51	29 498	
Furniture, fittings and office equipment	123 513	23 112	(140)	39	-	53	-	(38 779)	(1 575)	978	107 201	
Land and water vehicles	87 389	34 266	(1 138)	-	-	-	-	(18 923)	(229)	52	101 417	
IT equipment	295 837	68 937	(2 429)	865	-	920	105	(124 913)	(1 837)	405	237 890	
Leasehold improvements	131 272	85 218	-	988	-	-	-	(52 675)	(123)	-	164 680	
Generators	44 100	805	-	-	-	-	-	(5 822)	(264)	-	38 819	
Security equipment	55 062	5 930	(3)	19 143	-	-	-	(25 042)	(1 109)	17	53 998	
Assets under construction	28 997	37 432	-	(45 319)	-	-	-	-	-	-	21 110	
	1 523 209	260 943	(3 710)	1 587	65 670	973	105	(281 057)	(5 952)	1 503	1 563 271	

Net transfers between property, plant and equipment and intangible assets as per note 7 contra each other.

SOUTH AFRICAN REVENUE SERVICE OWN ACCOUNTS

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2015

NOTES TO THE FINANCIAL STATEMENTS

6. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - Controlling entity - 2014

Figures in Rand thousand										
	Opening balance	Additions	Disposals	Transfers	Revaluations	Compensation for replacement assets	Depreciation	Impairment loss	Impairment reversal	Carrying value
Land	137 589	-	-	-	6 370	-	-	-	-	143 959
Buildings	589 716	-	-	(3 594)	25 494	-	(859)	-	-	610 757
Plant and equipment	4 646	-	-	-	-	-	(2 255)	(68)	-	2 323
Furniture, fittings and office equipment	135 056	30 441	(136)	2 545	-	26	(40 202)	(4 241)	24	123 513
Land and water vehicles	90 143	14 466	(922)	-	-	-	(15 942)	(356)	-	87 389
IT equipment	273 019	153 043	(2 147)	7 155	-	9 715	(136 726)	(8 280)	58	295 837
Leasehold improvements	134 779	30 700	-	25 448	-	-	(58 328)	(1 327)	-	131 272
Generators	42 723	9 411	(220)	249	-	-	(6 378)	(1 685)	-	44 100
Security equipment	65 492	390	(250)	14 438	-	-	(24 580)	(429)	1	55 062
Assets under construction	42 104	33 370	-	(46 477)	-	-	-	-	-	28 997
	1 515 267	271 821	(3 675)	(236)	31 864	9 741	(285 270)	(16 386)	83	1 523 209

Net transfers between property, plant and equipment and intangible assets as per note 7 contra each other.

SOUTH AFRICAN REVENUE SERVICE OWN ACCOUNTS

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2015

NOTES TO THE FINANCIAL STATEMENTS

Note(s)	Economic entity		Controlling entity	
	2015	2014	2015	2014
	R '000	R '000	R '000	R '000

6. Property, plant and equipment (continued)

Assets subject to finance lease (Net carrying amount)

Furniture, fittings and office equipment	20 228	23 141	20 151	23 014
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Revaluations of land and buildings

The effective date of the revaluations was 31 March 2015. Revaluations were performed by independent valuer, Mr WJ Hewitt [NDPV, C.I.E.A, F.I.V(SA), MRICS], of Mills Fitchet (TVL) cc. Mills Fitchet (TVL) cc. is not connected to the economic entity.

The valuation of Lehae le SARS (299 Bronkhorst Street, Nieuw Muckleneuk, 0180) and the Fouriesburg and Ficksburg houses were performed using the direct comparable method to determine the market value of land or properties as this method employs the direct comparison of comparable properties, recently sold.

The valuation of Alberton South Campus (New Redruth Extension 6, McKinnon Crescent, Alberton, 1449) was performed using the direct comparable method and the net annual market income method to determine the market value of an income producing property such as shopping centres, offices and industrial or commercial properties where the building has an earning potential.

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

Buildings	528 925	540 707	528 925	540 707
Land	105 570	105 570	105 570	105 570
	634 495	646 277	634 495	646 277

Property, plant and equipment fully depreciated and still in use (Gross carrying amount)

Property, plant and equipment	685 851	510 183	679 795	590 774
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SOUTH AFRICAN REVENUE SERVICE OWN ACCOUNTS

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2015

NOTES TO THE FINANCIAL STATEMENTS

7. Intangible assets

Figures in Rand thousand

Economic entity	2015			2014		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Intellectual property and other rights	73 583	(11 928)	61 655	73 583	(4 569)	69 014
IT software	2 455 589	(1 575 454)	880 135	2 217 485	(1 226 530)	990 955
Software under development	8 681	-	8 681	26 997	-	26 997
Total	2 537 853	(1 587 382)	950 471	2 318 065	(1 231 099)	1 086 966

Controlling entity	2015			2014		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
IT software	2 573 241	(1 574 499)	998 742	2 215 598	(1 225 973)	989 625
Software under development	150 907	-	150 907	236 400	-	236 400
Total	2 724 148	(1 574 499)	1 149 649	2 451 998	(1 225 973)	1 226 025

7. Intangible assets (continued)

Reconciliation of intangible assets - Economic entity – 2015

Figures in Rand thousand							
	Opening balance	Additions	Transfers	Amortisation	Impairment loss	Carrying value	
Intellectual property and other rights	69 013	-	-	(7 358)	-	61 655	
IT software	990 955	22 944	215 296	(349 039)	(22)	880 134	
Software under development	26 997	198 567	(216 883)	-	-	8 681	
	1 086 965	221 511	(1 587)	(356 397)	(22)	950 470	

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

Reconciliation of intangible assets - Economic entity - 2014

	Opening balance	Additions	Disposals	Transfers	Negotiated discount	Amortisation	Impairment loss	Carrying value
Intellectual property and other rights	73 583	-	-	-	-	(4 569)	-	69 014
IT software	696 014	35 775	(41)	511 408	25 825	(277 982)	(44)	990 955
Software under development	246 189	291 980	-	(511 172)	-	-	-	26 997
	1 015 786	327 755	(41)	236	25 825	(282 551)	(44)	1 086 966

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

SOUTH AFRICAN REVENUE SERVICE OWN ACCOUNTS

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7. Intangible assets (continued)

Reconciliation of intangible assets - Controlling entity - 2015

Figures in Rand thousand									
	Opening balance	Additions	Transfers	Write back on shared assets	Amortisation	Impairment loss	Carrying value		
IT software	989 625	22 684	335 085	11	(348 640)	(22)	998 743		
Software under development	236 400	251 179	(336 672)	-	-	-	150 907		
	1 226 025	273 863	(1 587)	11	(348 640)	(22)	1 149 650		

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

Reconciliation of intangible assets - Controlling entity – 2014

	Opening balance	Additions	Disposals	Transfers	Negotiated discount	Amortisation	Impairment loss	Carrying value
IT software	695 429	34 754	(41)	511 408	25 825	(277 706)	(44)	989 625
Software under development	401 888	345 684	-	(511 172)	-	-	-	236 400
	1 097 317	380 438	(41)	236	25 825	(277 706)	(44)	1 226 025

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

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	Economic entity		Controlling entity	
	2015	2014	2015	2014
	R '000	R '000	R '000	R '000

8. Investment in controlled entity

Name of company	Held by	% holding 2015	% holding 2014	Carrying amount 2015	Carrying amount 2014
International Frontier Technologies SOC Ltd	South African Revenue Service	100 %	100 %	-	-

The carrying amount of the controlled entity is shown net of impairment loss. The controlled entity has a share capital of R1 (One Rand).

9. Loan to the controlled entity

Controlled entity

Interfront	-	-	92 595	92 712
Provision for impairment of loan to controlled entity	-	-	(11 578)	(18 013)
	-	-	81 017	74 699

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

The loan is recognised at amortised cost which is calculated by assessing the level of impairment necessary weighing the different probabilities of repayment (40%) or conversion into equity (60%) appropriately. A weighted average effective interest rate as at 31 March 2015 was calculated as 9.81% resulting in the implied interest income to be recognised in the Statement of Financial Performance.

The loan has been subordinated in favour of other creditors of Interfront.

Fair value of the loan to the controlled entity

Loan to controlled entity	-	-	103 066	102 594
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An average effective discount rate of 8.6% was used to determine the fair value through discounting the estimated repayments. The discount rate was determined with reference to the financial position and financial performance of Interfront, and was computed using statistical models based on risk factors and the probability of default.

SOUTH AFRICAN REVENUE SERVICE OWN ACCOUNTS

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	2015	2014	2015	2014
	R '000	R '000	R '000	R '000

9. Loan to the controlled entity (continued)

Impairment of the loan to the controlled entity

As at 31 March 2015, the loan to Interfront of R92 595 410 (2014: R92 711 836) was impaired by R11 577 716 (2014: R18 012 899).

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

Over 6 months	-	-	92 595	92 712
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Reconciliation of the provision for impairment of the loan to the controlled entity

Opening balance	-	-	18 013	36 153
Provision for impairment (refer note 18)	-	-	1 521	(10 409)
Impairment provision/(reversal)	-	-	1 521	(32 032)
Change in estimated future cash flows	-	-	-	21 623
Interest income	-	-	(7 956)	(7 731)
	-	-	11 578	18 013

The net movement in the provision for impairment of the loan to the controlled entity has been included in operating expenses in the statement of financial performance (note 18).

10. Tax paid - controlled entity

Balance at beginning of the year	3 582	2 300	-	-
Current tax for the year recognised in surplus or deficit	-	(3 708)	-	-
Balance at end of the year	(4 823)	(3 582)	-	-
	(1 241)	(4 990)	-	-

Tax credits arise from estimations made for the 2nd provisional payment.

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	Economic entity		Controlling entity	
	2015	2014	2015	2014
	R '000	R '000	R '000	R '000

11. Finance lease obligation

Office equipment				
Minimum lease payments due				
- within one year	13 908	17 605	13 838	17 535
- in second to fifth year inclusive	18 531	17 837	18 496	17 732
	32 439	35 442	32 334	35 267
less: future finance charges	(10 764)	(11 980)	(10 755)	(11 955)
Present value of minimum lease payments	21 675	23 462	21 579	23 312
Non-current liabilities	12 360	11 885	12 326	11 789
Current liabilities	9 315	11 577	9 253	11 523
	21 675	23 462	21 579	23 312

Office equipment

Photocopiers and fax machines under lease were capitalised and the corresponding finance lease liability raised in accordance with GRAP 13. The leases are payable in monthly instalments of 60 months.

12. Trade and other payables

Trade accounts payable and accruals	365 588	378 677	398 924	384 036
Accruals for salary related expenses	237 032	226 151	234 012	223 468
Other payables	1 514	1 175	858	1 175
Donations for distribution	71	50	71	50
	604 205	606 053	633 865	608 729

13. Deferred income

Unspent conditional grants and receipts comprises of:

Tenant allowances	330	67	330	67
Tower rentals	63	43	63	43
	393	110	393	110
Current liabilities	160	110	160	110
Non-current liabilities	233	-	233	-
	393	110	393	110

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

Tower rentals are charged annually in advance for the installation and operation of electronic communication equipment.

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14. Provisions

Reconciliation of provisions - Economic entity – 2015

Figures in Rand thousand					
	Opening Balance	Accumulation	Utilised during the year	Adjustment during the year	Closing balance
Performance bonuses	379 372	535 916	(373 419)	(5 953)	535 916
Salary related provisions	1 137	1 756	-	(1 137)	1 756
	380 509	537 672	(373 419)	(7 090)	537 672

Reconciliation of provisions - Economic entity – 2014

	Opening Balance	Accumulation	Utilised during the year	Adjustment during the year	Closing balance
Performance bonuses	400 320	379 372	(263 615)	(136 705)	379 372
Salary related provisions	-	1 137	-	-	1 137
	400 320	380 509	(263 615)	(136 705)	380 509

Reconciliation of provisions - Controlling entity – 2015

	Opening Balance	Accumulation	Utilised during the year	Adjustment during the year	Closing balance
Performance bonuses	376 000	532 000	(370 095)	(5 905)	532 000
Salary related provisions	1 137	1 756	-	(1 137)	1 756
	377 137	533 756	(370 095)	(7 042)	533 756

Reconciliation of provisions - Controlling entity – 2014

	Opening Balance	Accumulation	Utilised during the year	Adjustment during the year	Closing balance
Performance bonuses	399 000	376 000	(263 001)	(135 999)	376 000
Salary related provisions	-	1 137	-	-	1 137
	399 000	377 137	(263 001)	(135 999)	377 137

Performance bonuses

Performance bonuses represent the obligation for annual performance bonuses payable to employees in terms of performance agreements. The final quantum of the performance bonus payable is uncertain.

SOUTH AFRICAN REVENUE SERVICE OWN ACCOUNTS
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	Economic entity		Controlling entity	
	2015	2014	2015	2014
	R '000	R '000	R '000	R '000

14. Provisions (continued)

Salary related provisions (previously called other sundry provisions)

A provision arises from claims by employees in SARS' service to repay salary recoveries made after 1994. These employees formed part of employees from the former Public Service Department in TBVC States that awarded irregular salary increases and job titles. The intention was that these job titles and adjusted salaries would be retained with the rationalisation of government departments into national departments after 1994. The Browde, White and Heath Commission was appointed to investigate the irregularities and the recommendation was to reinstate former job titles and recover salary overpayments. A subsequent Public Protector's report with regards to deductions for the same reason issued to another organ of state recommending the refund of deductions be made as that entity does not form part of the Public Service Administration.

SARS was part of the Public Service Administration until 1 October 1997 with the promulgation of the South African Revenue Service Act No 34 of 1997. SARS started with the recovery of these salary overpayments in 1999, but was not part of the Public Service Administration at that time.

2014: Other sundry provisions represented a provision for possible leave payments and interest due on re-instatement of pensionable service. The timing and final quantum of other sundry provisions payable was uncertain.

15. Asset revaluation reserve

Opening balance	124 482	92 618	124 482	92 618
Current year revaluation	68 957	33 133	68 957	33 133
Depreciation on the revalued portion of assets	(3 288)	(1 269)	(3 288)	(1 269)
	190 151	124 482	190 151	124 482

16. Revenue

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

Rendering of services	9 304	8 479	-	-
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The amount included in revenue arising from non-exchange transactions is as follows:

Transfer from government entity	9 440 321	9 534 393	9 440 321	9 534 393
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SOUTH AFRICAN REVENUE SERVICE OWN ACCOUNTS

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2015

NOTES TO THE FINANCIAL STATEMENTS

	Economic entity		Controlling entity	
	2015	2014	2015	2014
	R '000	R '000	R '000	R '000

17. Other Income

Commission received	285 692	272 888	285 692	272 888
SDL training grant	3 760	12 825	3 760	12 825
Sundry receipts	14 910	18 215	15 142	18 540
Compensation for replacement assets	973	9 741	973	9 741
Negotiated discount	149	25 828	149	25 828
	305 484	339 497	305 716	339 822

18. Impairment of assets

Impairments

Property, plant and equipment	4 471	16 363	4 471	16 347
Loan to controlled entity (Refer note 9)	-	-	1 521	(10 409)
	4 471	16 363	5 992	5 938

The economic entity reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. The event is defined as the inability to verify an asset for a period of two years upon which the carrying value is impaired to zero. If the asset remains unverified, it will be written-off on the subsequent reporting date.

Impairment of land and buildings represent adjustments in terms of valuations performed.

The loan to Interfront was measured at amortised cost. This resulted in an impairment in the current financial year.

19. Finance costs

Finance leases	6 712	6 567	6 696	6 556
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20. Taxation - controlled entity

Major components of the tax expense

Current

Local income tax - current period	-	2 649	-	-
Local income tax - recognised in current tax for prior periods	-	1 060	-	-
	-	3 709	-	-

Deferred

Originating and reversing temporary differences	3 888	(127)	-	-
	3 888	3 582	-	-

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	Economic entity		Controlling entity	
	2015	2014	2015	2014
	R '000	R '000	R '000	R '000

20. Taxation - controlled entity (continued)

Reconciliation of the tax expense

Reconciliation between applicable tax rate and average effective tax rate.

Applicable tax rate	28%	28%	-%	-%
Accounting profit subject to tax	6 188	10 994	-	-
Tax at 28%	1 733	3 078	-	-
Originating temporary difference	(3 888)	127	-	-
Assessed tax loss	1 499	-	-	-
Permanent differences	656	(556)	-	-
Under provision of tax in the previous year	-	1 060	-	-
	-	3 709	-	-

No provision was made for 2015 tax as the controlled entity had no taxable income. The estimated tax loss available for set off against future taxable income is R5 353 454 (2014: R nil).

The controlling entity is exempt from the payment of income tax in terms of section 10(1)(cA) of the Income Tax Act of 1962.

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NOTES TO THE FINANCIAL STATEMENTS

	Economic entity		Controlling entity	
	2015	2014	2015	2014
	R '000	R '000	R '000	R '000

21. Cash generated from operations

Surplus	381 335	1 248 111	438 084	1 312 541
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Adjustments for:					
Depreciation and amortisation		638 665	569 746	629 697	562 976
Gain on disposal of assets	Note 6	(159)	(415)	(187)	(415)
Compensation for replacement assets	Note 17	(973)	(9 741)	(973)	(9 741)
Negotiated discount		-	(25 825)	-	(25 825)
Finance costs		6 712	6 567	6 696	6 556
Impairment loss	Note 18	4 471	16 363	5 991	5 938
Movement in operating lease liabilities		(25 851)	(12 911)	(25 688)	(12 765)
Movement in employee benefits		(116 949)	(7 545)	(116 949)	(7 545)
Movement in provisions		157 163	(19 811)	156 619	(21 863)
Movement in tax receivable		(1 240)	(1 283)	-	-
Annual charge for deferred tax		3 888	(127)	-	-
Interest income intercompany loan		-	-	(7 955)	(7 731)

Changes in working capital:					
Trade and other receivables		(8 270)	2 302	(8 002)	3 072
Prepayments		(50 116)	34 007	(49 975)	34 974
Trade and other payables		(1 851)	(12 672)	25 136	(20 203)
VAT		195	535	-	-
Deferred income		283	(496)	283	(496)
		987 303	1 786 805	1 052 777	1 819 473

22. Financial assets by category

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

Trade and other receivables at amortised cost	72 505	64 235	69 967	61 965
Cash and cash equivalents at fair value	3 423 512	2 925 324	3 415 120	2 901 681
Loan to controlled entity at amortised cost	-	-	81 017	74 699
	3 496 017	2 989 559	3 566 104	3 038 345

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	Economic entity		Controlling entity	
	2015	2014	2015	2014
	R '000	R '000	R '000	R '000

23. Deferred tax - controlled entity

Deferred tax (liability)/asset

Deferred tax (liability)/asset	(2 740)	1 147	-	-
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Reconciliation of deferred tax asset \ (liability)				
At beginning of year	1 147	1 021	-	-
Temporary difference on intellectual property	(3 363)	-	-	-
Originating/(reversing) temporary difference on property, plant and equipment	(311)	(184)	-	-
Reversing temporary difference on finance lease	(12)	(16)	-	-
Reversing temporary difference on operating lease	(46)	(41)	-	-
Reversing temporary difference on prepayments	(310)	(272)	-	-
Originating/(reversing) movement in provision and accruals	155	639	-	-
	(2 740)	1 147	-	-

24. Employee benefit obligations

Defined contribution retirement fund

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

The total entity contribution to such schemes	409 963	376 752	407 262	374 308
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25. Prepayments

Prepaid expenses	78 920	31 354	77 812	30 387
Leave taken in advance	21 940	19 390	21 940	19 390
	100 860	50 744	99 752	49 777

26. Employee benefits - leave accumulated prior to 1999

Leave pay represents the entitlements of amounts due to personnel for leave accumulated prior to 1999.

Opening balance	75 192	77 609	75 192	77 609
Benefits paid	(77 466)	(3 930)	(77 466)	(3 930)
Actuarial gain/(loss)	7 804	(9 856)	7 804	(9 856)
Interest cost	5 912	11 369	5 912	11 369
	11 442	75 192	11 442	75 192

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	Economic entity		Controlling entity	
	2015	2014	2015	2014
	R '000	R '000	R '000	R '000

26. Employee benefits - leave accumulated prior to 1999 (continued)

An additional encashment of leave (R71 332 367) was approved to reduce the leave liability. Employees with leave accumulated prior to 1999 had a once-off opportunity to encash all available leave.

The valuation has been performed on a member by member basis using the projected unit credit method as specified by the Statement on Employee Benefits (GRAP 25). This valuation method determines the obligation that has accrued at the date of valuation, allowing for salary escalations, the probability of benefits being paid and the time value for money.

The valuation resulted in a decrease of actuarial value due to the provision accounted for at discounted value but the payment for the additional leave encashment was at full face value net of salary benefit withdrawals and salary increases. The salary inflation rate is set at a rate of 1% below the discount rate (Zero Coupon Bond Rate). Interest cost is the increase during the period in the present value of the leave obligation which arises because the leave benefits are one period closer to settlement.

27. Employee benefits - accumulated annual leave

Accumulated annual leave is the portion of 5 working days per annum that may be accumulated up to a maximum of 20 working days.

Opening balance	218 502	223 630	218 502	223 630
Benefits paid	(97 472)	-	(97 472)	-
Actuarial gain	26 236	-	26 236	-
Interest cost	18 037	-	18 037	-
Utilised and accumulated	-	17 828	-	17 828
Present value adjustment	-	(22 956)	-	(22 956)
	165 303	218 502	165 303	218 502

An additional encashment of leave (R85 720 052) was approved to reduce the leave liability. Employees with accumulated annual leave had the option to encash between one and ten days provided that they keep a compulsory minimum of ten working days as a balance.

The valuation has been performed on a member by member basis using the projected unit credit method as specified by the Statement on Employee Benefits (GRAP 25). This valuation method determines the obligation that has accrued at the date of valuation, allowing for salary escalations, the probability of benefits being paid and the time value for money.

The valuation resulted in a decrease of actuarial value due to the provision accounted for at discounted value but the payment for the additional leave encashment was at full face value net of salary benefit withdrawals and salary increases. The salary inflation rate is set at a rate of 1% below the discount rate (Zero Coupon Bond Rate). Interest cost is the increase during the period in the present value of the leave obligation which arises because the leave benefits are one period closer to settlement.

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	Economic entity		Controlling entity	
	2015	2014	2015	2014
	R '000	R '000	R '000	R '000

28. Financial liabilities by category

Finance lease obligation at amortised cost	21 675	23 462	21 579	23 312
Trade and other payables at amortised cost	604 205	606 053	633 865	608 729
Employee benefits at fair value (refer notes 26 and 27)	176 745	293 694	176 745	293 694
	802 625	923 209	832 189	925 735

29. Auditors' remuneration

Current year fees	16 284	27 282	15 811	26 592
Prior year fees	13 554	16 314	13 554	16 314
	29 838	43 596	29 365	42 906

30. Operating leases

Building and related rentals on straight-line basis	434 826	430 869	433 177	429 384
Building and related rentals	461 058	444 000	458 865	442 149

Clauses pertaining to renewal or purchasing options are evaluated on a case by case basis. The escalation rates vary between 0% and 9% per annum.

31. Commitments

Authorised capital expenditure

Already contracted for but not provided for

• Intangible assets	43 465	89 672	43 465	89 560
• Property, plant and equipment	32 684	104 750	32 684	103 951
	76 149	194 422	76 149	193 511

Authorised but not yet contracted for

• Intangible assets	9 412	25 000	9 412	25 000
• Property, plant and equipment	13 316	64 534	13 316	64 534
	22 728	89 534	22 728	89 534

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	Economic entity		Controlling entity	
	2015	2014	2015	2014
	R '000	R '000	R '000	R '000

31. Commitments (continued)

Total capital commitments

Already contracted for but not provided for	76 149	194 422	76 149	193 511
Not yet contracted for	22 728	89 534	22 728	89 534
	98 877	283 956	98 877	283 045

32. Contingencies

Contingent liabilities

Intangible assets contingent liability

Work performed by implementation partners for the SARS modernisation programme is subject to validation.

Contingent assets

A possible asset of R1 881 000 arises as the lease contract for the Khanyisa building includes a clause pertaining to tenant installation cost to be received by SARS once refurbishments are completed as per agreement between the parties involved.

33. Related parties

Relationships	
Interfront	Refer to note 8
Close family member of the executive committee member	Ms. BJ Hore Ms. ME Hargreaves

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

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

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

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	Controlling entity	
	2015	2014
	R '000	R '000

33. Related parties (continued)

Related party balances - controlling entity		
Loan accounts - owing by related parties		
Interfront	81 017	74 699
Amounts included in trade receivables regarding related parties		
Department of Home Affairs (DHA)	44	643
Interfront	99	206
Amounts included in trade and other payables		
Interfront	34 741	6 691
Related party transactions - controlling entity		
Rendering of services to related parties		
Department of Home Affairs (DHA)	26 502	105 958
Rendering of services by related parties		
Interfront	66 450	73 649

The controlling entity continues to assist the Department of Home Affairs (DHA) in maintaining and rolling out its electronic movement control system as well as assisting DHA in the implementation and maintenance of its new smart ID card and live passport capture platform ("Who Am I Online" project).

Compensation to close family members of key management		
Ms. BJ Hore (GE: Enterprise Business Enablement)	2 463	2 169
Ms. ME Hargreaves (Executive: Programme Management)	2 476	2 404
	4 939	4 573

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34. Executive committee member's remuneration

Figures in Rand thousand					
2015					
	Salary	Bonus	Allowances including leave payments	Contributions medical and pension	Total
Commissioner for SARS (6 months)	1 582	-	140	215	1 937
Commissioner for SARS (Acting) (6 months)	1 071	576	135	13	1 795
Deputy Commissioner for SARS (6 months)	1 163	-	781	13	1 957
Chief Officer: Operations (Acting) (4 months)	660	-	236	8	904
Chief Officer: Operations (9 months)	2 414	760	895	3	4 072
Chief Officer: Legal and Policy	2 445	712	280	28	3 465
Chief Officer: Tax and Customs Enforcement Investigations	2 200	560	646	26	3 432
Chief Officer: Finance (3 months)	717	-	61	77	855
Chief Officer: Finance (Acting) (9 months)	2 254	518	165	26	2 963
Chief Officer: Strategy, Enablement and Communication (Acting) (4 months)	517	-	71	7	595
Chief Officer: Strategy, Enablement and Communication (Acting) (6 months)	949	546	115	135	1 745
Chief Officer: Human Resources	2 422	-	189	248	2 859
Group Executive: Governance and Company Secretariat	1 527	375	290	19	2 211
Group Executive: LBC	2 291	561	690	26	3 568
Group Executive: Internal Audit	1 286	285	212	170	1 953
Special Advisor: Commissioner (3 months)	915	-	87	9	1 011
	24 413	4 893	4 993	1 023	35 322

Mr Ivan Pillay and Mr Peter Richer resigned on 7 May 2015. Mr Gene Ravele resigned on 21 May 2015.

34. Executive committee member's remuneration (continued)

Figures in Rand thousand					
2014					
	Salary	Bonus	Allowances including leave payments	Contributions medical and pension payments	Total
Commissioner for SARS (4 months)	1 823	-	538	12	2 373
Commissioner for SARS (Acting) (8 months)	1 371	-	173	17	1 561
Deputy Commissioner for SARS (4 months)	686	439	87	8	1 220
Chief Officer: Operations	2 994	615	271	34	3 914
Chief Officer: Legal and policy	2 144	473	2 073	197	4 887
Chief Officer: Tax and Customs Enforcement Investigations	2 028	400	301	24	2 753
Chief Officer: Finance (9 months)	1 889	525	208	22	2 644
Chief Officer: Finance (Acting) (3 months)	736	-	54	8	798
Chief Officer: Human Resources (Acting) (10 months)	1 121	323	178	144	1 766
Chief Officer: Human Resources (2 months)	308	-	24	33	365
Group Executive: LBC	2 119	400	394	25	2 938
Special Advisor: Commissioner (9 months)	2 209	450	161	25	2 845
Chief Officer: Strategy, Enablement and Communication (Acting) (9 months)	1 359	400	150	183	2 092
	20 787	4 025	4 612	732	30 156

35. Change in estimate

Property, plant and equipment

In the current period estimated useful lives of the asset classes below were revised. The revision had the following impact on depreciation charges for the current period:

Controlling entity	Prior estimate	Current estimate	Decrease in depreciation charge
Plant and equipment	7 years	10 years	705 268
Furniture, fittings and office equipment	3-6 years	5-10 years	1 739 487
Computer equipment	3 years	5 years	8 088 133

Controlled entity	Prior estimate	Current estimate	Decrease in depreciation charge
Furniture, fittings and office equipment	3-6 years	5-10 years	870 768

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FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2015

NOTES TO THE FINANCIAL STATEMENTS

36. Prior period adjustments

The corrections of errors pertaining to 2014 resulted in adjustments as follows:

Figures in Rand thousand				
Statement of Financial Position	Economic Entity		Controlling Entity	
	2014	2013	2014	2013
Prepayments	(4 617)	-	(4 617)	-
Intangible assets	29 833	-	29 833	-
Accumulated surplus	(25 216)	-	(25 216)	-
Statement of Financial Performance				
Other income	(25 825)	-	(25 825)	-
Amortisation	622	-	622	-
Professional and special services	(13)	-	(13)	-
Effect of reclassification	-	-	-	-
Administrative expenses	(60 217)	-	(60 217)	-
Professional and special services	60 217	-	60 217	-

In 2014, the controlling entity entered into an agreement with IBM for software (R37 333 389) and support at a discounted value based on conditions as per the agreement. The software was accounted for at the discounted value (R11 508 353) and not fair value. Discount negotiated R25 825 036. Classification between capital and operating expenditure was also rectified.

In the same year, the controlling entity incorrectly classified communication related expenditure as administrative expenses.

37. Risk management

Capital risk management - controlled entity

The entity's objectives when managing capital are to ensure the entity's ability to continue as a going concern.

The capital structure of the entity consists of debt, which includes the borrowings (excluding derivative financial liabilities) disclosed in notes 11, 12, and 31, cash and cash equivalents disclosed in note 5, and equity as disclosed in the statement of financial position.

The entity monitors capital on the basis of the debt: equity ratio.

The entity's strategy is to work towards a debt: equity ratio of less than 1 to 1. Currently the controlled entity is geared mainly with a shareholder's loan. To mitigate the risk associated with this type of financing the loan is interest free, has no fixed term of repayment and is subordinated to other creditors.

There have been no changes to what the entity manages as capital, the strategy for capital maintenance or externally imposed capital requirements from the previous year.

Financial risk management

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

37. Risk management (continued)

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in raising funds to meet commitments associated with financial instruments.

The economic entity's risk to liquidity is a shortfall in funds available to cover commitments. The economic entity manages liquidity risk through an ongoing review of all commitments and maintaining sufficient cash and cash equivalents.

The controlling entity's chief source of income is an annual grant from National Treasury for funding of its operational and capital requirements. This grant is allocated in accordance with the provisions governing the Medium Term Expenditure Framework (MTEF). The economic entity follows an extensive planning and governance process to determine its operational and capital requirements.

The table below analyses the economic entity's financial liabilities and net-settled derivative financial liabilities into relevant maturity groupings based on the remaining period calculated from the first of the statement of financial position to the contractual maturity date.

Economic entity				
At 31 March 2015	1 year	2 - 5 years	Beyond 5 years	Total
Finance lease obligations	13 900	18 530	-	32 430
Trade and other payables	604 205	-	-	604 205
Employee benefits	-	-	176 745	176 745
Operating lease liability	394 967	897 836	141 518	1 434 321
At 31 March 2014	1 year	2 - 5 years	Beyond 5 years	Total
Finance lease obligations	17 605	17 837	-	35 442
Trade and other payables	606 053	-	-	606 053
Employee benefits	-	-	293 694	293 694
Operating lease liability	392 716	850 116	183 245	1 426 077
Controlling entity				
At 31 March 2015	1 year	2 - 5 years	Beyond 5 years	Total
Finance lease obligations	13 838	18 496	-	32 334
Trade and other payables	633 865	-	-	633 865
Employee benefits	-	-	176 745	176 745
Operating lease liability	393 133	895 856	135 017	1 424 006
At 31 March 2014	1 year	2 - 5 years	Beyond 5 years	Total
Finance lease obligations	17 535	17 732	-	35 267
Trade and other payables	608 729	-	-	608 729
Employee benefits	-	-	293 694	293 694
Operating lease liability	391 278	850 116	183 245	1 424 639

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FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2015

NOTES TO THE FINANCIAL STATEMENTS

37. Risk management (continued)

It is worth noting that the table above includes employee benefits at fair value for:

- Leave accumulated prior to 1999. At the reporting date the fair value of this liability is estimated to be R11 441 886 (2014: R75 192 283) in comparison to a nominal value of R12 710 154 (2014: R86 724 686).
- Accumulated annual leave. At the reporting date the fair value of this liability is estimated to be R165 303 126 (2014: R218 502 052) in comparison to a nominal value of R177 671 713 (2014: R 241 458 422).

Over and above the amounts disclosed in the table, the controlling entity also has housing guarantees that are recovered from the employee's salary and/or pension when the guarantees are claimed. The full liquidity risk associated with these guarantees as at 31 March 2015 was R1 196 987 (2014: R1 221 232).

Interest rate risk

Exposure to interest rate risk on financial assets and liabilities is monitored on a continuous and proactive basis.

The economic entity's exposure to interest rate risk is limited. Interest rates implicit to the finance leases are not varied over the term of the lease contracts.

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The economic entity is exposed to credit-related losses in the event of non-performance by counter-parties to financial instruments.

The economic entity only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Staff debts are recovered directly from the employee's salary and/or pension in terms of the applicable policies and procedures.

Management has evaluated the probability of non-repayment of the loan by the subsidiary and has determined that in the case of default the loan could be restructured or converted into equity.

Foreign exchange risk

Currency risk is the risk that the value of a financial instrument will fluctuate because of changes in foreign exchange rates. The controlled entity provides services to one international customer and is exposed to foreign exchange risk arising from currency exposures, primarily with respect to the EURO. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations.

The controlled entity does not currently hedge foreign exchange fluctuations.

38. Going concern

The financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

39. Fraudulent activities

The last appearance pertaining to the 2010 fraud case where a staff member colluded with outside suppliers to the value of R11.5 million was in the North Gauteng High Court on Monday 23 March 2015. The matter was postponed for plea and trial to 05 October 2015 – 11 December 2015. The two main accused had requested the National Director of Public Prosecutions (NDPP) to reconsider instituting prosecution and made representations to that effect. On 16 April 2015 it was communicated that the NDPP has decided that the trial must proceed as per the original indictment and Proceeds of Crime Act (POCA) authorisation.

Management is committed to the process and continues to investigate and report all fraudulent activities identified. In the interest of improved disclosure various fraudulent activities to the value of R170 179 were investigated and recovery thereof implemented and/or necessary action taken after conclusion of the disciplinary process.

SOUTH AFRICAN REVENUE SERVICE OWN ACCOUNTS

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2015

ANNEXURE 1 - TAX COMPUTATION CONTROLLED ENTITY

The supplementary information presented does not form part of the financial statements and is unaudited

ANNEXURE 1

Tax Computation - Controlled Entity

	R
Net income per income statement	6 188 034
Add back	
Leave accrual	1 693 835
Bonus provision	3 915 815
Depreciation on PPE excluding non deductible leasehold improvements	1 475 442
Depreciation on non-deductable leasehold improvements	133 429
Amortised temporary difference portion	5 147 700
Amortised permanent difference portion	2 210 563
Interest on finance lease	15 978
Operating lease: straight-lining	1 576 904
	16 169 666
Less	
Leave accrual for the previous year	(1 685 260)
Bonus provision for the year	(3 372 221)
Finance lease payments	(61 810)
Operating lease payments	(1 739 702)
Wear and tear allowance	(2 585 342)
Wear and tear temporary differences	(17 159 000)
Prepayments	(1 107 819)
	(27 711 154)
Tax loss carried forward	(5 353 454)
Tax thereon @ 28%	-
Tax liability	
Amount owing/(prepaid) at the beginning of year	(3 582 235)
Amount refunded/(paid) in respect of prior year	1 292 095
	(2 290 140)
Tax owing for the current year	
Normal tax	
1st provisional payment	(2 032 056)
2nd provisional payment	(500 691)
	(2 532 747)
Amount prepaid at the end of year	(4 822 887)

SOUTH AFRICAN REVENUE SERVICE OWN ACCOUNTS

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2015

ANNEXURE 2 - DONATIONS IN KIND (CONTROLLING ENTITY)

	Economic entity		Controlling entity	
	2015	2014	2015	2014
	R '000	R '000	R '000	R '000

The supplementary information presented does not form part of the financial statements and is unaudited

ANNEXURE 2

Donations in kind - Controlling Entity

Particulars of each donation or bequest accepted by SARS must be disclosed in accordance with section 24 (2) (b) of the South African Revenue Service Act (Act No. 34 of 1997).

1)	World Customs Organisation (WCO)	78	290	78	290
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Travel, accommodation and subsistence to attend and participate in various WCO events (projects, capacity building support, workshops and training).

2)	Southern African Development Community (SADC)	22	117	22	117
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Attendance of SADC Customs Training Rules and seminar to Develop Guidelines for the coordination of excise Taxes in the SADC region.

3)	International Monetary Fund (IMF)	-	102	-	102
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Travel, accommodation and subsistence to attend a seminar on exchange of information for Customs and Tax Officials hosted by the Africa Regional Technical.

4)	United Nations	30	95	30	95
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Travel, accommodation and subsistence to attend the Committee of Experts meeting on international cooperation in Tax matters and travel and accommodation to attend the Technical Meeting on the UN course on practical issues in Transfer pricing for Developing countries.

5)	International School of Transparency (IST)	93	-	93	-
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Transport, travel, accommodation and subsistence for attending the Open Governance Leadership Programme.

6)	Southern African Customs Union (SACU)	-	77	-	77
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Travel, accommodation and subsistence to attend the Preferred Trader Expert meetings and the SACU Project Management meeting, the 9th Steering Committee meeting and the launch of the SACU Regional Customs to Business Forum.

7)	International Association of Gambling Regulators (IAGR)	-	72	-	72
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Travel, accommodation and subsistence for attending the International Association of Gambling Regulators (IAGR) and International Association of Gambling Attorneys (IAGA) Conferences and Interactive Gambling Study on Behalf of The National Gambling Board (NGB).

8)	Tripartite	-	50	-	50
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Travel, accommodation and subsistence for attending the 2nd Tripartite Customs Capacity Building Meeting, the Rule of Origin Technical Working Group and the 8th Tripartite Trade Negotiation Forum (TTNF) meeting.

SOUTH AFRICAN REVENUE SERVICE OWN ACCOUNTS

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2015

ANNEXURE 2 - DONATIONS IN KIND (CONTROLLING ENTITY)

	Economic entity		Controlling entity	
	2015	2014	2015	2014
	R '000	R '000	R '000	R '000
9) World Bank	-	50	-	50
Transport, travel, accommodation and subsistence for attending the Joint Technical Assistance mission with the World Bank to the Vietnamese Tax Administration on Risk Management.				
10) African Tax Administration Forum	18	48	18	48
Accommodation, subsistence and travel to do a presentation on behalf of the African Tax Administration Forum (ATAF), attendance of the ATAF Tax Treaties and the African Tax Administration Forum Technical Seminar on Taxpayer Service-Taxpayer Orientation and Communication.				
11) European Union	-	40	-	40
Travel, Accommodations and subsistence to attend the Africa-EU Partnership on Migration, Mobility and Employment Study Visit.				
12) SARS/World Customs Organisation (WCO)	-	35	-	35
Travel, accommodation and subsistence to conduct a Joint SARS/WORLD CUSTOMS ORGANISATION (WCO) classification infrastructure development mission.				
13) International Fiscal Association International	-	34	-	34
Travel, transport, accommodation and subsistence for attending the International Tax Conference.				
14) Turkish Industrialists and Businessmen Association (TUMSIAD)	-	30	-	30
Accommodation, subsistence and travel to attend the International Small Medium Enterprise (SME) Workshop.				
15) Tax Justice Network	-	20	-	20
Travel, accommodation and subsistence to make a presentation at the Tax Justice Network Seminar on Transfer Pricing.				
16) COMESA	-	19	-	19
Travel, accommodation and subsistence to attend the COMESA workshop on the double taxation.				
17) World Intellectual Property Organisation (WIPO)	-	15	-	-
Travel, accommodation and subsistence to attend the WIPO Regional Workshop on building respect for intellectual property.				
18) Kenya Revenue Authority	31	-	31	-

Attendance of the conference on effectively taxing the Telecommunication Industry.

SOUTH AFRICAN REVENUE SERVICE OWN ACCOUNTS

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2015

ANNEXURE 2 - DONATIONS IN KIND (CONTROLLING ENTITY)

	Economic entity		Controlling entity	
	2015	2014	2015	2014
	R '000	R '000	R '000	R '000
19) ZIMRA - Zimbabwe Revenue Authority	-	10	-	10

Attendance of the conference on effectively taxing the Telecommunication Industry.

20) ACBPS - Australian Customs and Border Protection Service	46	-	46	-
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Transport, accommodation and subsistence for attending the Indian Ocean Rim Association for Regional Cooperation (IOR-ARC) Trade Facilitation workshop.

21) Swedish Government	7	-	7	-
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Travel and accommodation to attend the WCO Project GAPIN II workshop for front line customs officers.

ABBREVIATIONS AND ACRONYMS

ACBPS	Australian Customs and Border Protection Service
ACM	Automated Cargo Management
ACSA	Airport Company of South Africa
ACWG	Government Anti-Corruption Working Group
ANPR	Automated Number Plate Recognition
APP	Annual Performance Plan
ASB	Accounting Standards Board
ATAF	African Tax Administration Forum
ATP	Automatic Tax Processing
ATR	Advanced Tax Ruling
AUSTRAC	Australian Transaction Reports and Analysis Centre
BCOCC	Border Control Operations Co-ordinating Committee
BEPS	Base Erosion and Profit Shifting
BLNS	Botswana, Lesotho, Namibia and Swaziland
BMA	Border Management Agency
BRS	Business Requirement Specification
CIPC	Companies and Intellectual Property Commission
CIT	Corporate Income Tax
CMO	Complaints Management Office
CSR	Corporate Social Responsibility
DHA	Department of Home Affairs
DOJ	Department of Justice
DOL	Department of Labour
DT	Dividends Tax
DTI	Department of Trade and Industry
EI	Employee Engagement Index
ENE	Estimates of National Expenditure
EOI	Exchange of Information
ETI	Employment Tax Incentive
EXCO	Executive Committee
FASSET	Finance and Accounting Service Sector Education and Training Authority
FATCA	Foreign Account Tax Compliance Act
FCIPS	Fellow of the Chartered Institute of Procurement & Supply
FET	Further Education and Training
FIC	Financial Intelligence Centre
FTE	Full Time Employee
GDP	Gross Domestic Product
GIIN	Global Intermediary Identification Number
GPAA	Government Pension Administration Agency
GRAP	Generally Recognised Accounting Practice
HNWI	High Net Worth Individuals
HR	Human Resources
IACF	Inter Agency Clearing Forum
IAEA	International Atomic Energy Agency
IAGR	International Association of Gambling Regulators
IBSA	India-Brazil-South Africa

ABBREVIATIONS AND ACRONYMS

ICT	Information Communication Technology
IDES	International Data Exchange Service
IGA	Inter-Governmental Agreement
ILEA	International Law Enforcement Academy
IMF	International Monetary Fund
IOPCF	International Oil Pollution Compensation Fund
IPSAS	International Public Sector Accounting Standards
IRS	Internal Revenue Service
IST	International School of Transparency
IT	Information Technology
ITAC	International Trade Administration Commission
JCPS	Justice, Crime Prevention and Security
KPE	Kopano Payment Engine
LBC	Large Business Centre
LEI	Leadership Effectiveness Index
MAAA	Mutual Administration Assistance Agreement
MCAA	Multilateral Competent Authority Agreement
MNE	Multinationals
MPR	Manifest Processing
MPRR	Mineral and Petroleum Resources Royalty
MPSS	Minimum Physical Security Standards
MQ	Message Queue
MRA	Mutual Recognition Agreement
MRA	Mauritius Revenue Authority
MTA	Malaysian Tax Academy
MTBPS	Medium Term Budget Policy Statement
MTU	Mobile Tax Units
NBMCC	National Border Management Co-ordinating Committee
NBV	Net Book Value
NDPP	National Director of Public Prosecutions
NGB	National Gambling Board
NPA	National Prosecuting Authority
OECD	Organisation for Economic Co-operation and Development
OHI	Organisational Health Index
OPCW	Organisation for the Prohibition of Chemical Weapons
OSBP	One Stop Border Post
PAA	Public Audit Act
PAYE	Pay-As-You-Earn
PBO	Public Benefit Organisations
PFMA	Public Finance Management Act
PIT	Personal Income Tax
POCA	Proceeds of Crime Act
PPS	Passenger Processing System
PT	Preferred Trader
QA	Quality Assurance
RAF	Road Accident Fund

ABBREVIATIONS AND ACRONYMS

RCB	Recognised Controlling Bodies
REIT	Real Estate Investment Trust
RSN	Report of Suspected Non-Compliance
RTU	Restricted Taxpayer Unit
SACU	Southern African Customs Union
SADC	Southern Africa Development Community
SANDF	South African National Defence Force
SAPS	South African Police Service
SARS	South African Revenue Service
SCOF	Standing Committee on Finance
SIDA	Swedish International Development Agency
SDL	Skills Development Levy
SMME	Small Medium and Macro Enterprises
SOE	State Own Entity
SOP	Standard Operating Procedure
SRC	Seychelles Revenue Commission
SRM	Supplier Relationship Management
SSMO	SARS Service Monitoring Office
STC	Secondary Tax on Companies
TAA	Tax Administration Act
TAM	Tivoli Access Management
TBVC	Transkei, Bophuthatswana, Venda and Ciskei States
TCC	Tax Clearance Certificates
TCS	Tax Compliance Status
TIM	Tivoli Identity Management
TMS	Traveller Management System
TTNF	Tripartite Trade Negotiation Forum
TUMSAID	Turkish Industrialist and Businessmen Association
UIF	Unemployment Insurance Fund
UN	United Nations
UNDP	United Nations Development Programme
USA	United States of America
USAID	United States Agency for International Development
VAT	Value-Added Tax
VDP	Voluntary Disclosure Programme
WCO	World Customs Organisation
WCO-ESA	World Customs Organisation – East and Southern Africa
WIPO	World Intellectual Property Organisation

