Annual Report

South African Revenue Service

2015 -2016

RP232/2016
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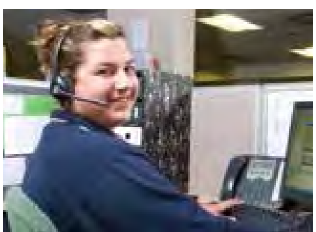
TABLE OF CONTENTS

Part One
General Information

01



MESSAGE FROM THE MINISTER OF FINANCE

The 2015/16 financial year was characterised by difficult economic conditions both here and abroad. These included low growth rates and increasing levels of protectionism on a world scale. This has resulted in low levels of trade in and amongst countries. The IMF is expecting 2016 global growth to match 2015 growth rates of 3.1 per cent. The National Treasury is projecting 0.6 per cent growth rates for the South African economy in 2016. The South African Reserve Bank (SARB) is projecting a growth rate of zero per cent in 2016. These adverse economic conditions have direct implications to our capacity to raise and collect the much-needed revenue to the fiscus for, amongst other things, the upliftment of the socio-economic conditions of South Africans.

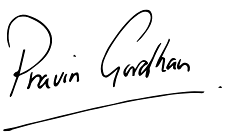
The South African Revenue Service (SARS) has a critical role to help overcome the challenges of low growth that is not inclusive, pervasive poverty and unemployment. South Africa's strong institutional framework, of which SARS is an integral part, is much respected.

But this cannot be taken for granted. The public and various stakeholders are today fast losing trust in government and the private sector elite. Leaders of institutions need to be extraordinarily careful not to compromise the good standing and integrity of institutions in the pursuit of mistaken aims. As our Tax Ombud, Judge Bernard Ngoepe said *"One of the problems we will have will be that taxpayers will say 'I will not pay if my money is not going to be used properly. I will not pay if my money is going to be corrupted. I will not pay if my money is going to be used to finance institutions, which are going to abuse their power for political gains."*

I urge all SARS officials to continue to focus on ways to improve the efficiencies of their operations to help secure the required revenue and also to continue to improve the ease of doing business in this country. In doing so, SARS can contribute to raise the levels of competitiveness of the South African economy. Equally important is the necessity for this institution to demonstrate the highest level of integrity, ethical leadership and visible fairness in order to sustain public confidence in what it does.

It is my firm expectation that all entities reporting to the Ministry of Finance will always demonstrate unquestionable integrity, financial and operational transparency, and accountability to the taxpaying public for its conduct and must make every effort to expose and fight corruption and the mismanagement of public funds.

Our democracy and our taxpaying citizens deserve no less.



Pravin J Gordhan
Minister of Finance

COMMISSIONER'S OVERVIEW

As we reflect back on what has been a challenging year for SARS and the country, I am proud to say that we concluded the 2015/16 fiscal year on a high. Despite the challenging global and local economic environment SARS collected R1 069 983 million, R283 million more than the Revised Estimate. This was indeed a momentous and historical landmark for both SARS and the Republic. This revenue performance was accentuated by an extraordinary drive by SARS to secure additional revenue of approximately R100 billion and this compensated for the revenue collection shortfall caused by a slowing economy. The Individual Taxpayer Filing Season continues to be a major highlight of the fiscal year and was yet again a significant success. A total of 5.94 million returns were submitted during 2015, and 4.2 million returns were from individual taxpayers for the 2015 tax year. More than 92% of taxpayers filed their returns before the end of the filing season deadline and more than 95% of filed returns were assessed within three seconds and 99% were assessed within 24 hours. Approximately 1.8 million refunds amounting to R15 billion were paid out and more than 95% of refunds were paid out within 72 hours.

The performance of our Branch Offices and Contact Centres surpassed previous levels of interactions with taxpayers and their efforts made a significant contribution to our compliance campaigns during the 2015/16 year. SARS branches serviced more than 7.2 million taxpayers and the SARS Contact Centres continued to offer high quality service and handled over 5.2 million taxpayer conversations. Collectively it's important to point out that the service channel, comprising these two divisions initiated over 2.1 million revenue collection interactions and banking R2.5 billion. In this regard I am proud to report that the SARS Contact Centre team was awarded first place for "Best Innovative Contact Centre" at the 2015 Contact Centre Management Group (CCMG) awards held in August 2015.

We continue to improve the efficiency of our service and accessibility to taxpayers and citizens. Our Mobile Tax Units (MTU) enable SARS to make its services and processes more available to citizens and taxpayers throughout the country and closer to where they live. During the 2015/16 financial year SARS serviced 218 167 taxpayers through a fleet of 15 MTUs.

SARS completed the implementation of the new online Tax Clearance Certificate (TCC) process. The introduction of this solution enables taxpayers to manage their tax affairs more effectively as they have online access to the TCC system at any time to check their tax status and remedy any non-compliance. The solution also assists SARS to improve the efficiency of its administration of tax clearance requests (average of 800 000 a year), raise service and compliance levels and deter fraud. In addition, the new SARS TCC system is linked to the National Treasury Central Suppliers Database (CSD) and the CSD system is able to automatically check the current tax status of vendors registering on the CSD and of any vendor conducting or intending to conduct business with Government.

The establishment of the new SARS Complaints Management Office (CMO) during the 2015/16 financial year demonstrates our commitment to improving SARS' handling of taxpayer complaints and will help us resolve service and process inadequacies highlighted by taxpayers. This office addresses all complaints regarding SARS and engages with the Tax Ombud, the Public Protector, the President's office and members of the public to ensure effective monitoring and resolution of complaints.

As part of our wider mandate we provide a customs and excise service that facilitates legitimate trade and protects the South African economy and society from illicit trade activities. To this end, we continued to provide support to neighbouring countries to improve border protection for the common interests of the region. We rolled out customs X-ray scanners at selected high risk ports and established additional detector dog units (35 additional dogs) at three ports of entry and these have enabled SARS to achieve significant successes in the ongoing fight against prohibited goods and substances. We continued to participate in the World Customs Organisation's (WCO's) programmes such as the Customs Enforcement Networks (CEN) and Regional Intelligence Liaison Offices (RILOs) which share information on smuggling patterns and seizures.

SARS continues to provide assistance to the South African government to increase effectiveness of treaties and agreements with other countries, tax jurisdictions and international organisations. In 2015/16 financial institutions began to submit information to SARS as part of the Foreign Account Tax Compliance Act (FATCA) agreement that exists with the United States of America. SARS and the Internal Revenue Service (IRS) also commenced their reciprocal exchange of information. SARS participated in the Organisation for Economic Co-operation and Development's (OECD's) Base Erosion and Profit Shifting (BEPS) initiatives to secure South Africa's tax base.

During 2015/16, SARS began the implementation of a revised Operating Model and supporting structures to improve governance, organisational efficiency and more importantly taxpayer experience. This can only strengthen our efforts to increase compliance, increase ease and fairness of doing business with SARS and increase SARS internal effectiveness.

We acknowledge that our people are the key ingredient in our success and that the performance of this important fiscal institution would not have been possible without the commitment, resourcefulness and dedication of the 14 000 plus SARS employees around the country. We continue to strive to provide the best possible environment for our people to thrive and be at their best to carry out the SARS mandate effectively and efficiently, provide excellent service to taxpayers and to meet their career goals. In this regard, SARS continues to be viewed by the public, professionals and students as one of the best places to work for in South Africa. In a recent survey by Universum, SARS was placed ninth amongst the "Top 10 best places to work in SA".

I would like to express my appreciation to the former Minister of Finance, Mr Nhlanhla Nene, and to Minister Pravin Gordhan, for their leadership and their invaluable support throughout the year. The support and strong working relationship between SARS and the National Treasury is also crucial – long may this continue!

Finally, I would like to thank the millions of compliant taxpayers; you are our reason for existence.

Tom Moyane
SARS Commissioner

STATEMENT OF RESPONSIBILITY AND CONFIRMATION OF ACCURACY OF THE ANNUAL REPORT

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

All information and amounts disclosed in the annual report is consistent with the annual financial statements audited by the Auditor-General. The annual report is complete, accurate and free from any omissions. The annual report has been prepared in accordance with the annual report guidelines issued by the National Treasury.

The annual financial statements included in this annual report were prepared in accordance with the applicable accounting standards. The accounting authority is responsible for the preparation of the annual financial statements and for the judgements made in the preparation of the financial statements.

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 resource information and the annual financial statements.

The annual report fairly reflects the operations, the performance information, the human resource information and financial affairs of SARS for the financial year ended 31 March 2016.

Tom Moyane
SARS Commissioner
30 August 2016

ABOUT THIS REPORT

In accordance with Government's performance monitoring methodology, SARS has aligned this report with its Strategic Plan 2015/16 to 2019/20 as well as its Annual Performance Plan for 2015/16.

Progress is measured against SARS's strategic outcomes for the period under review:

- Increased Customs compliance
- Increased Tax compliance
- Increased ease and fairness of doing business
- Increased cost effectiveness, internal efficiencies and institutional respectability

As part of SARS' commitment to align with the King Report for Corporate Governance it continues on its journey to inculcate the principles of **Integrated Thinking** and **Integrated Reporting**, to promote a more cohesive approach to reporting, that considers a broad range of reporting dimensions and communicates all relevant factors that materially affect the ability of SARS to create value over time.

The report comprises five distinct parts:

1 General Information

Part One provides an overview of SARS as an organisation and its highlights for the year

Performance Information 2

Part Two reports SARS' performance against the predetermined objectives set in the Annual Performance Plan of 2015/16

3 Governance, Legal and Risk Management

Part Three describes SARS' governance and corporate structures as well as governing bodies

Human Resource Management 4

Part Four covers SARS' Human Resource Management discipline and workforce profile

5 Financial Information

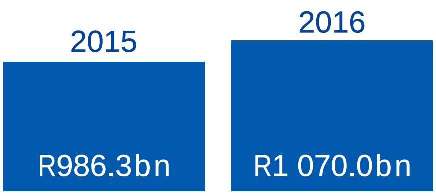
Part Five contains SARS' Annual Financial Statements for the reporting period as well as the reports of the Auditor-General and Audit Committee

Collections exceeded R1 trillion

Collected

R1 070.0bn

8.5% growth



Cost to revenue collection

0.96%

lowest level in 6 years

Debt as a % of Revenue collected

9.0%

Clean Audit Report from Auditor-General

Tax to GDP ratio

26.2%

highest level in 6 years

During PIT Filing Season SARS received 5.94m returns

99.96% filed electronically

> 95% returns assessed in **3** seconds

78% had a positive experience

> 90% compliance for **3** years

66.43% increase in outstanding returns submissions

95% refunds paid in **72** hours

Voted best detector dog capability in Southern Africa

Contact Centre scooped the CCMG award for the best technology innovation – internal solution

OUR MANDATE

"To collect all revenues due, ensure optimal compliance with tax and customs legislation and provide a customs and excise service that will facilitate legitimate trade as well as protect our economy and society"

OUR MISSION

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

OUR VALUES

Integrity

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

Fairness

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

Respect

The ability to be considerate towards others

Honesty

Being upright, truthful, sincere and free from deceit or fraud

Accountability

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

Transparency

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

Trust

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

OUR PEOPLE

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

Service achievements

97.5%
electronic tax submissions
(from 8% in 2006)

100%
electronic declarations
(from 33% in 2006)

98%
electronic tax payments
(from 13% in 2006)

CIT assessments done in
0.3 days
(from 68 days in 2006)

98%
electronic customs payments
(from 77% in 2006)

55%
VAT refunds paid in
48 hours
(from 3% in 2006)

95%
PIT refunds paid in
72 hours

95%
PIT assessments done in
3 seconds
(from 180 days in 2006)

73%
inspections done in less than 2.8 hours

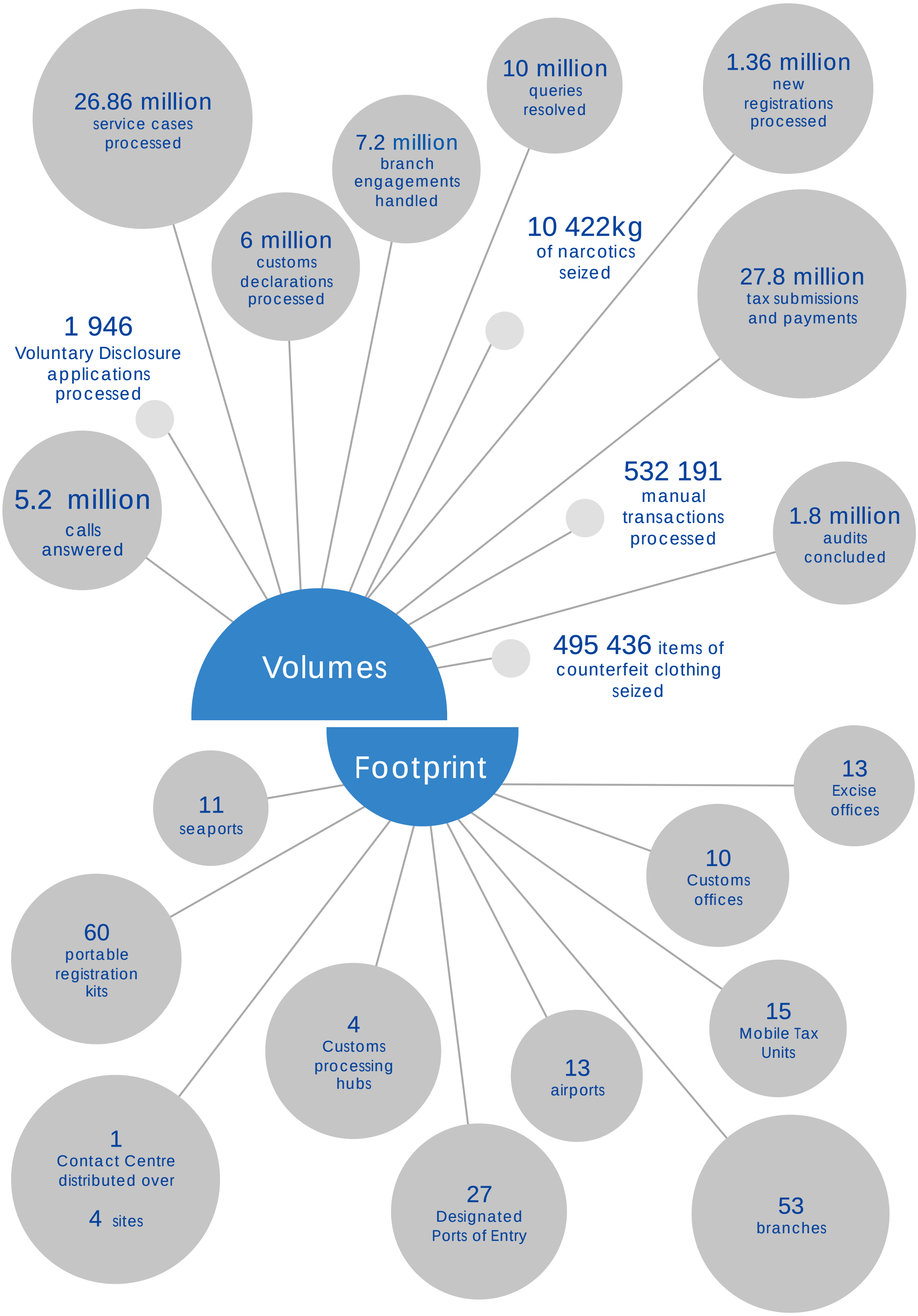
90%
queries resolved in
7 minutes

97%
first call resolution of queries

89%
import transactions processed in
22 minutes
(from 2 hours in 2006)

94%
exports transactions processed in
17 minutes
(from 1.5 hours in 2006)

Volumes processed through the SARS footprint



Components that inform our Business Model

Our strategic focus directs internal capabilities to leverage our opportunities and strengths whilst mitigating risks

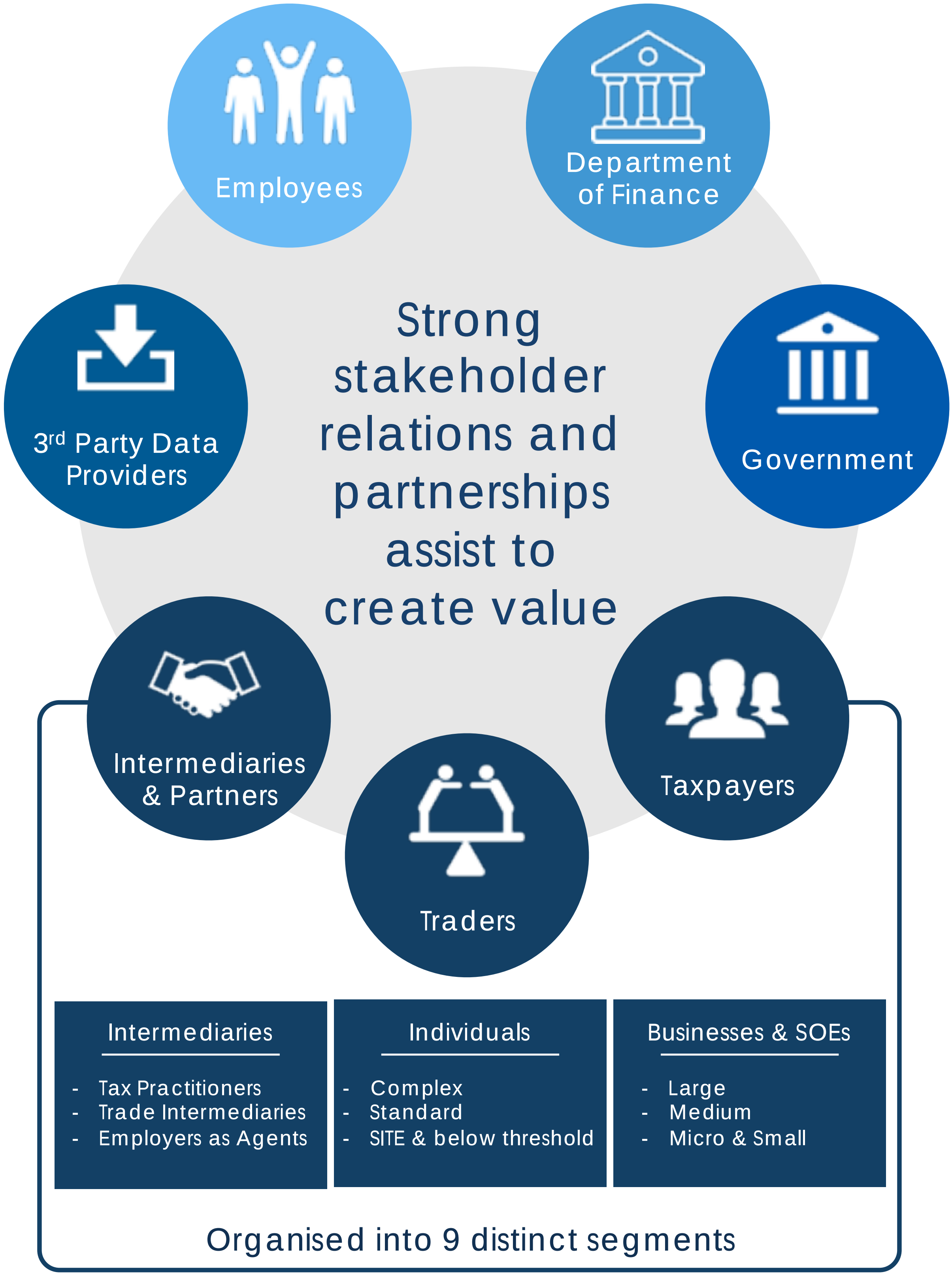
Legislative, Policy, Principles and Standards framework

Enables wealth creation in South Africa whilst contributing to the National Development Plan

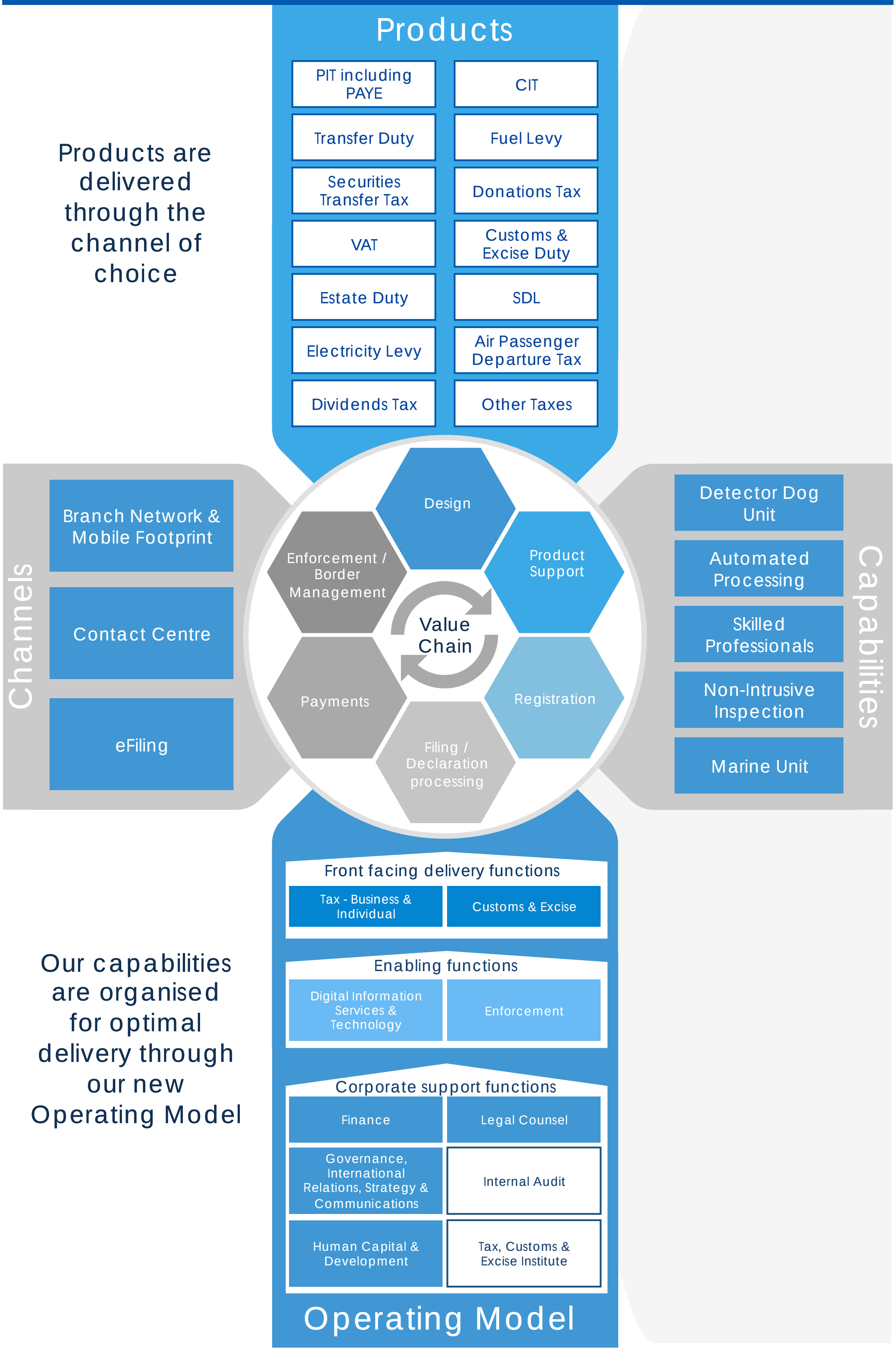
Strong stakeholder relationships and partnerships assist to create value

Internal capabilities are organised to deliver products and services through a variety of channels

Key Stakeholders



Our Integrated Business Model



Legislative and Policy Framework, Principles and Standards

Our mandate is derived from the SARS Act

Policy Makers

- Dept. of Trade & Industry
- National Treasury

Standards

- WCO
- OECD

Principles of a good TAX SYSTEM

- Efficiency
- Equity
- Simplicity
- Transparency & certainty
- Tax Buoyancy

WCO Framework of Standards

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

SARS administers various ACTS

- Tax Administration Act, 2011
- Income Tax Act, 1962
- Customs and Excise Act, 1964
- Value-Added Tax Act, 1991
- Estate Duty Act, 1955
- Transfer Duty Act, 1949
- Unemployment Insurance Contributions Act, 2002
- Skills Development Levies Act, 1999
- Mineral and Petroleum Resources Royalty Act, 2008
- Securities Transfer Tax Act, 2007
- Diamond Export Levy (Administration) Act, 2007
- Merchant Shipping (International Oil Pollution Compensation Fund) Administration Act, 2013
- Employment Tax Incentive Act, 2013
- Merchant Shipping Administration & Contribution Acts, 2013

OECD

- Designed Common Reporting Standard (CRS) for countries and tax authorities globally
- SARS as an early adopter committed to Automatic Exchange of Information (AEOI)

GOVERNANCE & OVERSIGHT

- Standing Committee on Finance
- SARS Advisory Committee
- Executive Committee
- Audit Committee
- Human Resource Committee

SARS had to balance the three levers to execute its mandate

Service

- Award winning Contact Centre
- 78% positive feedback on our service during Filing Season
- 91% positive feedback on eFiling
- Ranks in the top 10% globally (World Bank – Ease of Doing Business Report)

Education

- 73% score achieved on Attitude to Tax Compliance Survey
- 92% Compliance on PIT
- Extensive coverage
  - Newspapers
  - Billboards
  - TV & Radio Ads
  - Outreach Campaigns
  - Mobile Channels
  - Focus groups and stakeholder forums

Enforcement

- AEOI introduces new leverage
  - SMMEs, HNWI and BEPS
- Compliance low in certain areas:

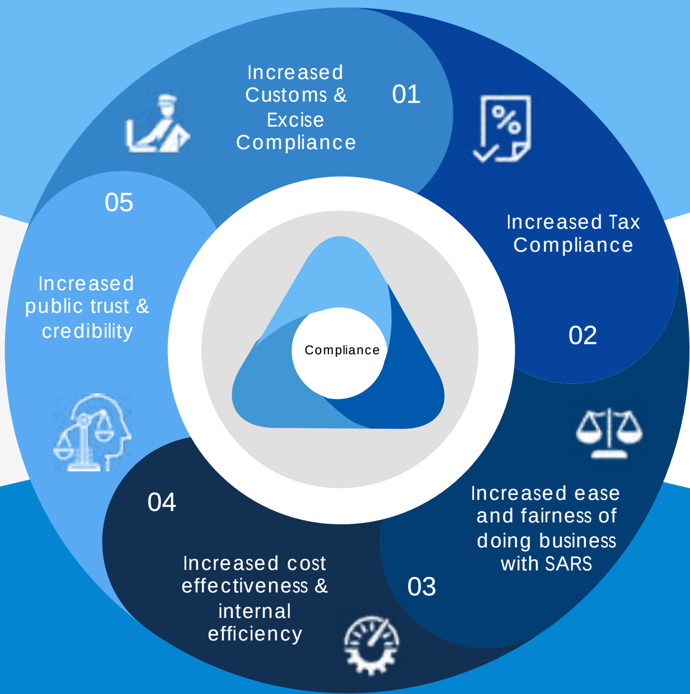
	Filing	Payment
PIT	92.16%	42.28%
CIT	39.59%	66.64%
VAT	54.62%	82.85%
PAYE	62.41%	84.16%

Looking forward: Positioning our Strategic Framework in context of opportunities and risks

Opportunities

- Broader tax base to pursue and tax gap to close
- New channels to augment SARS' physical footprint to reach
- Unlocking full potential and development of our staff
- Elevated focus on capacity management will enable optimised resource allocation
- Enable data analytics capability to introduce improved business insight
- Leverage benefits from introducing 3rd party data sources
- New channels of innovative, targeted and improved taxpayer education
- Innovation, automation and digital channel uptake
- Continued participation in global initiatives, forums and events

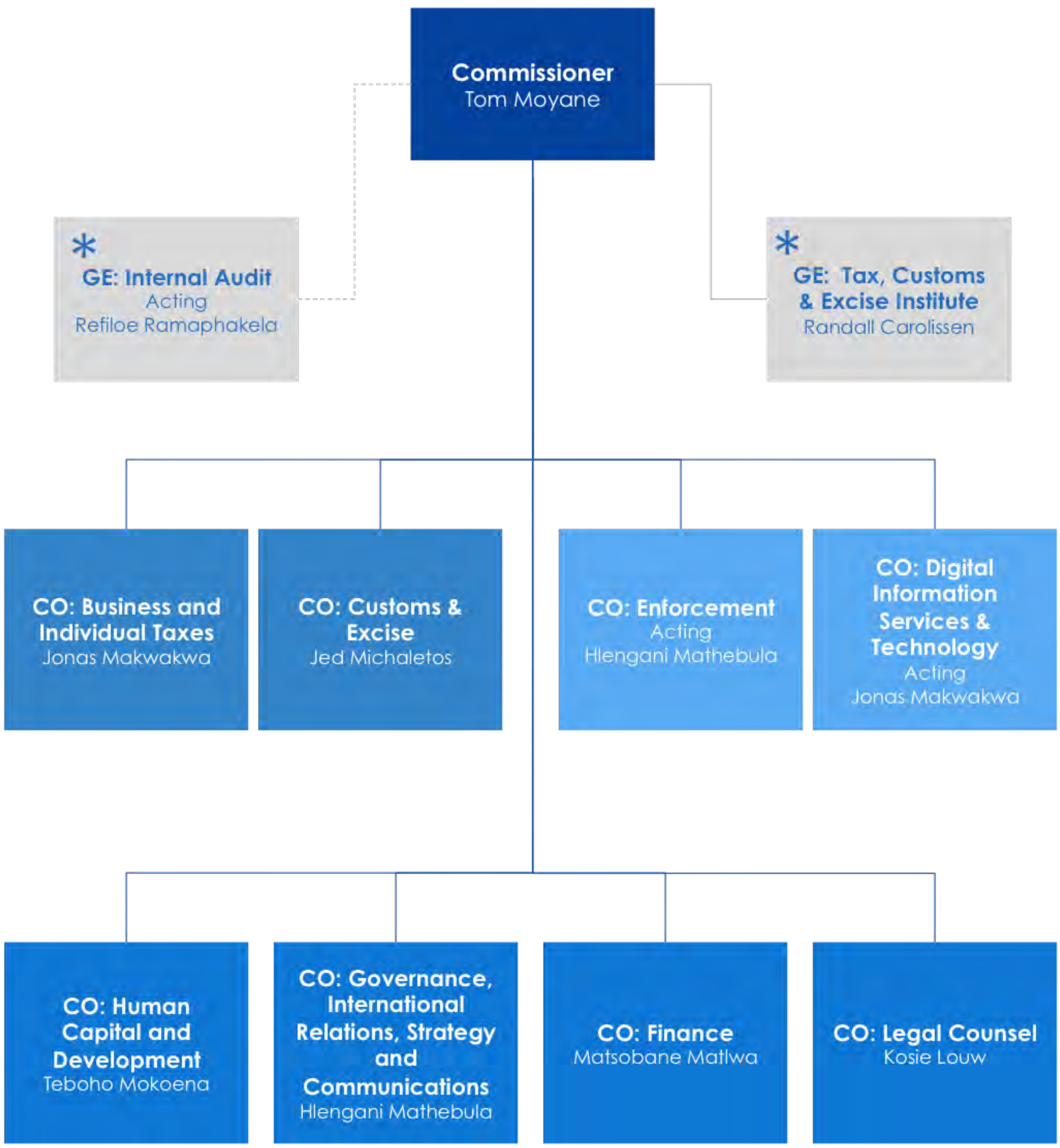
Strategic Focus



Risks

- Revenue collection pressure
- Threat of illicit economy and illicit financial flows
- Complex schemes used by large businesses to evade and avoid tax
- Low compliance of High Net-Worth Individuals (HNWIs)
- Value-added Tax (VAT) Refund fraud
- Significant Debt Book
- Succession Risk
- Commercial fraud on Imports
- Threat of Global terrorism
- Implementation of the Customs Control Act and Customs Duty Act
- Transitioning to the new operating model
- Excise Duty risk
- IT Security threats including cyber crime
- Unfavourable public perception of poor state delivery and corruption

SARS ORGANOGRAM



*Non EXCO members

SARS EXECUTIVE COMMITTEE

TOM MOYANE
Commissioner for SARS

Mr Moyane's qualifications include a BSc Economics from the Eduardo Mondlane University in Mozambique.

He also has the following qualifications: Certificate in Intermediate Micro-Economics from the London School of Economics (UK); Certificate in Managing Markets from Henley Management College (RSA); Certificate in Strategic Management from Henley Management College (RSA); Programme for Management Development (PMD) from University of Cape Town (RSA); Mastering Finance Programme from Gordon Institute of Business School (RSA) and a scholarship to study French, awarded by the then Crown Prince Philippe of Belgium (now King of Belgium). As a development economist, he served until recently as the advisor on turnaround and security strategies at the State Information Technology Agency (SITA). He is a former National Commissioner for the Department of Correctional Services and has also served as Chief Executive Officer for the Government Printing Works.

Previously he was the Managing Director of Engen Petroleum Mozambique as well as Regional Co-ordinator of the Spatial Development Initiatives and Chief Director for Enterprise and Industry Development Division at the Department of Trade and Industry. During his period in exile he worked for government departments in Mozambique and Guinea Bissau.

JONAS MAKWAKWA
Chief Officer: Business and Individual Taxes

Jonas' qualifications include a B Com Accounting degree and a diploma in Business Management. He also completed the Global Executive Development Programme with GIBS where he studied in Singapore and Malaysia.

He joined SARS in 1995 and started his career as an auditor. During this time he played a major role in the transformation and advancement of young black people. After his role as regional auditor responsible for Gauteng, he became the general manager for Enforcement. Jonas was responsible for benchmarking and aligning both the Audit and Enforcement divisions with international standards and he introduced training programmes for auditors.
Jonas is now the Chief Officer for Business and Individual Taxes. Jonas represents SARS and South Africa at international forums like the OECD, CIAT, WCO, Global tax forum and ATAF. He also represents management in all engagements with organised labour.

MATSOBANE MATLWA
Chief Financial Officer

Matsobane is a qualified Chartered Accountant, holds an MBA from Alabama University in the United States, a Masters of Commerce (Taxation) from the University of North West and has completed Management programmes from the University of Cape Town.

He has held various strategic roles in both the public and private sectors. Prior to starting his own business he served as CEO of the South African Institute of Chartered Accountants (SAICA), worked in SARS occupying various senior managerial positions including Group Executive for the Large Business Centre, General Manager at ABSA Finance and was an Audit Partner at Ernst & Young.

He has served on the boards of several companies including Clientele Limited, Spechpharm Holdings, JD Group and Sasol Inzalo Limited.

KOSIE LOUW

Chief Officer: Legal Counsel

Kosie's qualifications include a Bachelor of Commerce and a B. Proc degree from UNISA.

He joined the then Inland Revenue Department in 1970 and since then has been involved in various areas in SARS including Income Tax assessment at the Branch Office, Administration of Estate Duty, Stamp Duty, Transfer Duty and the Income Tax Acts, Mining Tax, Law Administration and Legal Drafting.

Currently he is the Chief Officer: Legal and Policy overseeing Research and Policy development, Interpretation and Rulings, Dispute Resolution, Product Oversight, Regional Legal Delivery Services and the Corporate Legal Division in SARS. Kosie's responsibilities include ensuring the uniform application of tax laws, overseeing the efficient resolution of tax and customs disputes, assisting in the development of the annual national tax proposals of the Ministry of Finance and the drafting of tax legislation. He briefs the Parliamentary Committee on draft tax legislation, manages Corporate legal matters, chairs various SARS internal committees and is a member of the SARS Executive Committee. In addition, he was appointed as the Chair of the Global Forum on Transparency and Exchange of Information for Tax Purposes for the period January 2013 to December 2014 and was re-elected for a further two year period in October 2014. He is also an Ex Officio member of the Tax Review Committee of South Africa appointed by the Minister of Finance on 17 July 2013.

TEBOHO MOKOENA

Chief Officer: Human Capital and Development

Teboho obtained the following qualifications: B Iuris degree at the Faculty of Law at the University of Johannesburg, Certificate in Organisational Development, Diploma in Human Resources Management, Management Advancement Programme, Leadership Development Programme and a Post Graduate Diploma in Executive Leadership.

He started his career at SARS in 1996 as a Salary Administrator. He went on to grow within the ranks in the organisation. He has occupied, among others, the following positions within SARS: Organisational Development Practitioner, Regional Organisational Development Manager: Free State and North-West Region, Human Resources Manager: Siyakha Project, Regional Human Resources Manager: KwaZulu, Natal and Eastern Cape, Senior Human Resources Manager: Gauteng and Senior Manager: Enforcement Division.

Teboho has also worked at the South African Airways. During his tenure at the national carrier, he was engaged in the following roles: Executive Human Resources Manager: Commercial, Executive Human Resources Manager: Sourcing, Workforce Planning and Human Resources Business Partner and Executive Human Resources Manager: Republic of South African Airport Operations and Global Operations.

It was also whilst employed at SAA that Teboho had the opportunity to branch into the operations sphere when he was given the opportunity to manage SAA airport operations as an Airport Manager at East London and King Shaka International Airports respectively.

Before re-joining SARS, he was the Chief Deputy Commissioner (Deputy Director-General): Human Resources Management at the Department of Correctional Services.

HLENGANI MATHEBULA

Chief Officer: Governance, International Relations, Strategy and Communications

Hlengani's qualifications include a Master of Management from Wits Business School, BTh (Hons) and BA degrees from the University of the North, and Senior Executive Programme and Management Development programmes from Harvard Business School and Stellenbosch University respectively.

He joined SARS as the Chief Officer: Governance, International Relations, Strategy and Communications in January 2016. He is also Acting Chief Officer: Enforcement.

Prior to joining SARS, Hlengani was the Group Head of Strategy and Communications at the South African Reserve Bank. He was a member of the Financial Stability Committee (FSC), Governor's Executive Committee (GEC) and attended the Monetary Policy Committee in his capacity as head of strategy and communication. He has extensive experience in financial services, banking and fast-moving consumer goods.

He was the Managing Executive of Absa Private Bank and CEO of First National Bank Personal Banking, and previously worked for AM International, Nestlé and Nedbank. Hlengani is also a Chairperson of the Black Business Executive Circle, non-executive director of BMW South Africa Group, and Chairperson of the Eskom Pension and Provident Fund.

JED MICHALETOS

Chief Officer: Customs and Excise

Jed has a B Comm Financial Accounting degree from the University of Witwatersrand.

Jed is a seasoned professional with extensive experience and expertise in the field of Customs. He has served Deloitte in a number of senior-level capacities including Manager, Senior Manager, Associate Director and most recently as Partner/Director.

At Deloitte, Jed led the Customs and Global Trade team in South Africa which is part of the Taxation Services Department at the company. He was responsible for all customs and global trade services in Africa. In addition, he was the representative on the global executive for the Customs and Global Trade service line at Deloitte as well as on the Tax South Africa Business Unit Leader (BUL) group. Jed also led the Global Revenue Reform and Government Revenue Solutions initiative for Deloitte in Africa, which is a collaboration of a number of teams at Deloitte to provide services to Revenue Authorities in Africa.

Part Two
Performance Information

02

SITUATIONAL ANALYSIS

Global economic environment

In 2015, global economic activity remained subdued. Global growth eased to 3.1% in 2015 from 3.4% in 2014. The slowdown in emerging markets was reflective of lower commodity prices, tighter financing conditions, structural imbalances, and rebalancing in China. In Sub-Saharan Africa, GDP growth also moderated from 5.0% in 2014 to 3.5% in 2015.

Domestic economic environment

Economic pressures negatively impacted South Africa's growth outlook during the 2015/16 forecasting period. Growth was revised down consecutively from 2.0% in February 2015, to 1.5% in October 2015 and further down to 0.9% in February 2016. This resulted in an overall downward revision in the Revenue estimate from R1 081.3 billion in February 2015 to R1 069.7 billion in February 2016. Notable economic events during this reporting period are highlighted below:

- During 2015, overall SA GDP growth eased to 1.3% from 1.6% in 2014. The deterioration in economic activity had a negative impact on revenue growth, which slowed to 8.5% in 2015/16 from 9.6% in 2014/15. The services sectors remained robust during 2015 while the primary sectors did not grow. The agricultural sector recorded a contraction during 2015, mainly as a result of the prevailing drought conditions. The mining sector (in particular platinum group metals) experienced a recovery as labour tensions subsided. However, iron ore and coal production remain low as a result of global oversupply and weak demand conditions. Growth in the manufacturing sector continued to slow especially the steel and other basic metals sub-sectors, despite a more stable electricity supply
- In the 2015/16 financial year, the rand exchange rate depreciated considerably by 24.5%, contributing significantly to the deterioration in the inflation forecast
- The Monetary Policy Committee (MPC) opted to hike rates by 50 and 25 basis points in January and March 2016 respectively as underlying economic and financial conditions became even more challenging
- Rating agencies downgraded South Africa's credit rating to BBB minus, the lowest investment grade category (just above "junk" status) in December 2015
- Weak employment growth, high consumer indebtedness and stagnation in the demand for durable goods impacted on household spending and resulted in slower growth of consumption-based taxes

Policy development

South Africa's fiscal policy is, in the main, captured in the Budget Review, which sets out the fiscal framework. The 2015 Budget Review spells out the tax proposals, most of which were implemented in 2015/16 and partially set the context for revenue collected during the year.

The 2015 tax proposals reflect government's commitment to narrow the budget deficit, stabilise debt and maintain sustainable public finances. The aim is to further ensue that the tax system remains fair, efficient, equitable and progressive. The 2015 Budget tax proposals were expected to add R8.3 billion to revenue in 2015/16, including the following proposed changes, as presented in Chapter 4 of the 2015 Budget Review:

- Increasing marginal personal income tax rates by one percentage point for all taxpayers earning more than R181 900 (*lowest bracket remains unchanged*), and adjusting tax brackets and rebates to account for fiscal drag
- Raising the general fuel levy by 30.5 c/litre and the Road Accident Fund (RAF) levy on fuel by 50 c/litre (a total increase of 80.5 c/litre)
- Taking further steps to combat base erosion and profit shifting
- Providing for a more generous turnover tax regime for small businesses
- Increasing excise duties on alcohol and tobacco products
- Reviewing the diesel refund scheme
- Strengthening the energy-efficiency savings incentive
- Raising the electricity levy
- Changing transfer duty rates and brackets

REVENUE PERFORMANCE

Collections exceeded R1 trillion

Collected

R1 070.0bn

8.5% growth

Tax to GDP ratio

26.2%

highest level in 6 years

PIT R389.3bn

10% increase

36.4% contribution

VAT R281.1bn

7.6% increase

26.3% contribution

CIT R193.4bn

3.6% increase

18.1% contribution

Cost to revenue collection

0.96%

lowest in 6 years

Debt as a % of revenue collected

9.0%

Overall revenue performance in 2015/16

The 2015/16 total tax revenue estimate (Printed Estimate), based on a 2.0% Gross Domestic Product (GDP) growth outlook, was set at R1 081.3 billion in the February 2015 Budget. The estimate was then revised to R1 069.7 billion based on deteriorating economic conditions in February 2016 (Revised Estimate). Despite challenging economic conditions, SARS collected R1 070.0 billion, which is an 8.5% growth in total tax revenue from 2014/15 and R283 million above the Revised Estimate.

The ratio of revenue growth to economic growth (buoyancy) in excess of 1.40 attained, is well above the long term average of 1.0. Furthermore a Tax-to-GDP ratio of 26.2% was achieved in a very low economic growth environment; this tax extraction rate is normally achieved during economic boom times. This revenue performance was made possible by special revenue initiatives, which included optimal use of resources, increased integration between business units to promote cross-functionality and reduced duplication. This provided significant efficiencies which in turn realised additional revenue to the fiscus. The successful outcome of the 2015/16 revenue drive lifted the anticipated Tax-to-GDP ratio of 25.7%, in the 2015 Budget, to 26.2%.

Table 1: Budget estimates for 2014/15 and 2015/16

Estimate description	Date announced	2014/15 Estimate	Date announced	2015/16 Estimate
		R million		R million
Printed Estimate	26 February 2014	993 650	25 February 2015	1 081 275
Medium Term Budget Policy Statement (MTBPS) Estimate	22 October 2014	983 610	21 October 2015	1 073 700
Revised Estimate	**25 February 2015**	**979 000**	**24 February 2016**	**1 069 700**

Revenue estimates for the next three years, the medium term, are set or adjusted on three occasions during the financial year. For 2015/16, estimates were announced in the February 2015 Budget (generally referred to as the Printed Estimate), in October 2015 in the Medium Term Budget Policy Statement (MTBPS) and in the February 2016 Budget (the Revised Estimate). Presented in Table 2 are the Printed Estimate, the MTBPS Estimate and the Revised Estimate for the 2014/15 and 2015/16 financial years. Revenue estimates are predicted by using various statistical models. They take into account prevailing and forecasted economic conditions and provide detailed analysis of the likely performance of the different tax types.

Table 2: Tax revenue performance by tax type for 2015/16

Tax type	Printed estimate Feb 2015	Revised estimate Feb 2016	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)	394 719	393 124	389 280	-5 439	-3 844
Company Income Tax (CIT)	203 688	191 661	193 385	-10 302	1 724
Secondary Tax on Companies (STC) / Dividends Tax (DT)	22 484	23 650	23 934	1 450	284
Value-added Tax (VAT)	283 794	278 060	281 111	-2 682	3 051
Domestic VAT	*313 961*	*297 010*	*297 422*	*-16 539*	*413*
Import VAT	*139 996*	*152 118*	*150 745*	*10 749*	*-1 374*
VAT refunds	*-170 164*	*-171 068*	*-167 056*	*3 108*	*4 012*
Fuel levy	55 666	56 700	55 607	-59	-1 093
Customs duties	41 660	46 000	46 250	4 590	250
Specific excise duties	34 483	35 100	35 077	593	-23
Taxes on property	13 692	14 762	15 044	1 352	282
Skills development levy	14 690	15 800	15 220	530	-580
Other taxes and duties	16 400	14 843	15 074	-1 327	230
Total tax revenue	**1 081 275**	**1 069 700**	**1 069 983**	**-11 292**	**283**
Customs revenue *	182 595	198 535	197 612	15 017	-924
Tax revenue (excluding customs revenue)	898 680	871 165	872 371	-26 310	1 206
Total tax revenue	**1 081 275**	**1 069 700**	**1 069 983**	**-11 292**	**283**

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

Personal Income Tax (PIT), which accounts for more than 36.4% of total revenue, grew by 10.0% in 2015/16 as income growth for skilled workers continued to outpace inflation. Corporate Income Tax (CIT) performed better than expected with the remainder of the taxes close to the Revised Estimate. CIT growth moderated significantly due to the poor performance of the mining and manufacturing sectors, which were negatively affected by poor global demand and commodity prices, lower oil prices, electricity shortages as well as rising operational costs. The financial sector remained the largest contributor to CIT revenue.

The split between Customs Revenue and Tax Revenue, recorded at the bottom of Table 2, shows Customs Revenue came in slightly below the Revised Estimate by R0.9 billion offset by higher than estimated collections in Tax Revenue of R1.2 billion surplus. Weak import growth negatively affected import Value-Added Tax (VAT) and revenue from Customs duties. While small businesses have always contributed more to domestic VAT growth than large businesses, it is the first time that large business' domestic VAT has contracted since 2012/13 when the large and small business collections were initially tracked and compared.

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 2015/16

Tax type	Printed estimate Feb 2015	Revised estimate Feb 2016	Actual result	Increase / decrease on Printed estimate	Increase / decrease on Revised estimate
	R million	R million	R million	R million	R million
Tax revenue	1 081 275	1 069 700	1 069 983	-11 292	283
Non-tax revenue	19 038	55 841	55 055	36 017	-786
Mineral and Petroleum Resource Royalties	*6 221*	*3 460*	*3 708*	*-2 513*	*247*
Mining leases and ownership	*-*	*-*	*35*	*35*	*35*
*Other non-tax revenue and extraordinary receipts**	*12 817*	*52 380*	*51 312*	*38 495*	*-1 069*
Less: SACU payments	-51 022	-51 022	-51 022	-	-
Total budget revenue	**1 049 291**	**1 074 519**	**1 074 016**	**24 725**	**-503**

*Note: * This figure, received from 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.

Breakdown of tax revenue collections and contribution to tax revenue from 2010/11 to 2015/16

PIT, CIT and VAT remain the largest sources of tax revenue and comprise about 80% of total tax revenue collections. Table 4 provides a breakdown of the relative contributions of the different taxes. The relative contribution of taxes to the tax revenue portfolio has changed over the past six years. The relative contribution of CIT fell from 20.0% in the 2010/11 financial year to 18.1% in the 2015/16 financial year while PIT increased from 33.8% to 36.4% and VAT declined from 27.2% to 26.3% during this period.

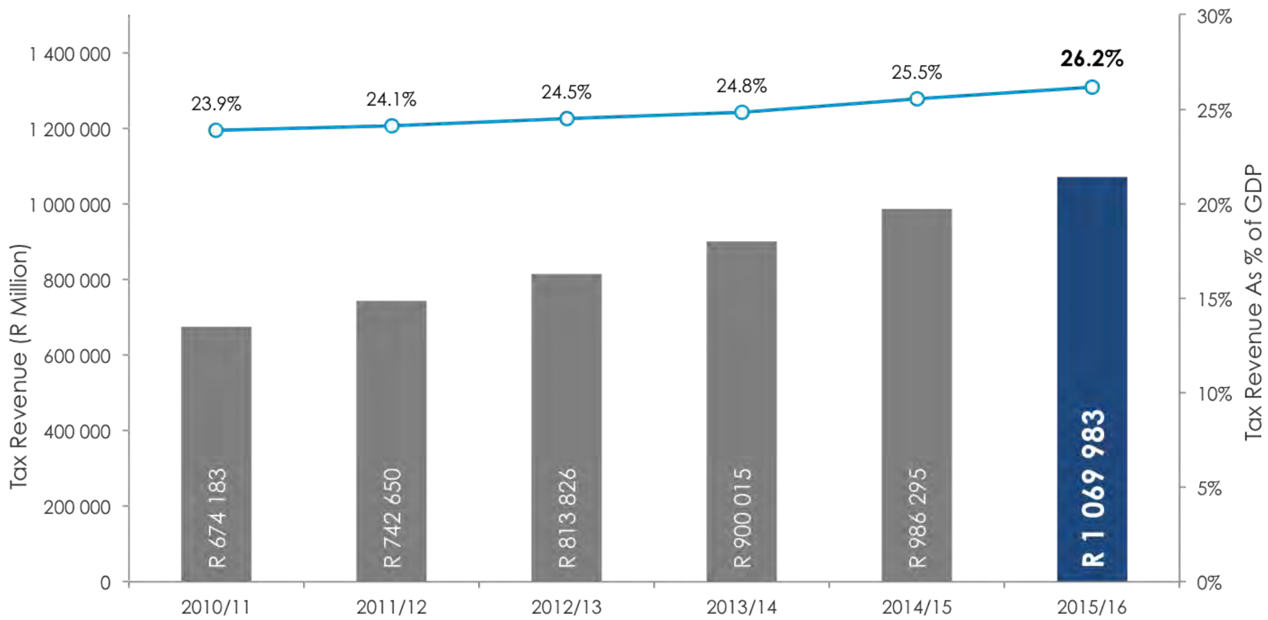
Table 4: Breakdown of revenue collected and contribution of tax revenue from 2010/11 to 2015/16

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
2010/11	228 096	134 635	17 178	183 571	34 418	26 637	49 647	674 183	**2 825 042**
2011/12	251 339	153 272	21 965	191 020	36 602	34 198	54 253	742 650	**3 078 417**
2012/13	276 679	160 896	19 739	215 023	40 410	38 998	62 081	813 826	**3 323 241**
2013/14	310 929	179 520	17 309	237 667	43 685	44 179	66 727	900 015	**3 624 308**
2014/15	353 918	186 622	21 247	261 295	48 467	40 679	74 068	986 295	**3 863 079**
2015/16	**389 280**	**193 385**	**23 934**	**281 111**	**55 607**	**46 250**	**80 414**	**1 069 983**	**4 086 575**
	%	%	%	%	%	%	%	%	%
2010/11	33.8%	20.0%	2.5%	27.2%	5.1%	4.0%	7.4%	100%	**23.9%**
2011/12	33.8%	20.6%	3.0%	25.7%	4.9%	4.6%	7.3%	100%	**24.1%**
2012/13	34.0%	19.8%	2.4%	26.4%	5.0%	4.8%	7.6%	100%	**24.5%**
2013/14	34.5%	19.9%	1.9%	26.4%	4.9%	4.9%	7.4%	100%	**24.8%**
2014/15	35.9%	18.9%	2.2%	26.5%	4.9%	4.1%	7.5%	100%	**25.5%**
2015/16	**36.4%**	**18.1%**	**2.2%**	**26.3%**	**5.2%**	**4.3%**	**7.5%**	**100%**	**26.2%**

*Source: * Q1-2016 GDP, Statistics SA*

Before the global financial crisis, the Tax-to-GDP ratio had climbed above 26% in 2008/09 as a result of the commodity boom and reforms in the financial sector. The Tax-to-GDP ratio has increased steadily since 2010/11 (Figure 1) reaching 26.2% in the year under review. This is the highest Tax-to-GDP ratio in the past six years.

Figure 1: Tax revenue as well as tax revenue as percentage of GDP from 2010/11 to 2015/16



Tax relief and rates

Tax relief implemented during 2011/12 to 2015/16 curtailed taxpayers' direct tax obligations and raised indirect taxes (Table 5). Reforms applied across a variety of tax products resulted in a net tax relief to taxpayers of R6.6 billion between the 2010/11 and 2015/16 financial years. The increase in the marginal tax rate for PIT was offset by the fiscal drag relief and increased monthly medical scheme contribution tax credits.

Table 5: Summary effects of tax proposals from 2010/11 to 2015/16

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
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**
2015/16	**-**	**-150**	**100**	**-50**	**1 835**	**6 490**	**-**	**8 325**	**8 275**
Total	**-40 682**	**-1 760**	**-2 600**	**-45 042**	**12 035**	**22 342**	**4 080**	**38 458**	**-6 584**

Maximum marginal tax rates (Table 6) remained unchanged across most tax types. The exception was Personal Income Tax (PIT) and Secondary Tax on Companies (STC). The marginal tax rate for PIT has increased by 1% to 41% effective for year of assessment ending 29 February 2016. STC 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 from 2010/11 to 2015/16

Period	PIT*	CIT	STC/DT	VAT
	%	%	%	%
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 - 28 Feb 2015	40.0%	28.0%	** 15.0%	14.0%
01 Mar 2015 - 31 Mar 2015	41.0%	28.0%	** 15.0%	14.0%
01 Apr 2015 - 31 Mar 2016	**41.0%**	**28.0%**	**** 15.0%**	**14.0%**

*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

PERFORMANCE ACTIVITIES BY STRATEGIC OUTCOME

Outcome 1: Increased customs compliance

Customs Revenue collected
R197.6bn

Implemented the Preferred Trader Programme

Progress on implementation of Customs Control Act & Customs Duty Act

Commissioned Cape Town Cargo Scanner to strengthen the fight against illegal trade with state-of-the-art technology

Co-operating with other international jurisdictions

- Continued WCO engagements
- SACU agreement on data standard

Adopting a whole-of-government-view approach at Ports of Entry

Voted best detector dog capability in Southern Africa

Strengthen risk management capabilities

Improving management of warehouses

Customs revenue performance

SARS collected R197.6 billion in Customs Revenue during the 2015/16 financial year, R0.9 billion below the Revised Estimate of R198.5 billion. Import VAT and Customs duties accounted for most of the Customs Revenue collections (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 2015/16

Tax type	Printed estimate Feb 2015	Revised estimate Feb 2016	Actual result	Increase / decrease on Printed estimate	Increase / decrease on Revised estimate
	R million	R million	R million	R million	R million
Import VAT	139 996	152 118	150 745	10 749	-1 374
Customs duties	41 660	46 000	46 250	4 590	250
Miscellaneous customs and excise	824	369	565	-259	196
Incandescent light bulb levy	114	48	52	-63	4
Total customs revenue	**182 595**	**198 535**	**197 612**	**15 017**	**-924**

The global financial crisis caused a slump in Import VAT in 2009/10. Since then, imports have recovered strongly and Import VAT collections have increased. Following a modest performance in 2014/15, Import VAT has grown by a steady 10.4% in 2015/16 mainly due to gains from a deteriorating domestic currency and in spite of weakening demand and sluggish domestic economy.

Table 8: Import VAT from 2010/11 to 2015/16

Year	Actual	% Year-on-year change	% of tax revenue	% of GDP
	R million	%	%	%
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%	3.4%
2013/14	131 085	17.6%	14.6%	3.6%
2014/15	136 544	4.2%	13.8%	3.5%
2015/16	**150 745**	**10.4%**	**14.1%**	**3.7%**

Customs duty collections rose by 13.7% in 2015/16 to R46.3 billion (Table 9) from a lower base of R40.7 billion in 2014/15 when a significant portion of duties was reallocated to the Fuel Levy. As with Import VAT, the 13.7% growth in duty collections is a result of gains from the exchange rate weakening and increases in the duty rates of specific commodities. This growth was in spite of the continuing contraction in vehicle imports and the weak growth in both domestic demand and merchandise imports.

Table 9: Customs duties from 2010/11 to 2015/16

Year	Actual	% Year-on-year change	% of tax revenue	% of GDP
	R million	%	%	%
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%
2015/16	**46 250**	**13.7%**	**4.3%**	**1.1%**

Progress on the implementation of the Customs Control Act and Customs Duty Act, 2014

The Customs Control and Customs Duty Acts, 2014 replace the provisions of the Customs and Excise Act, 1964, relating to customs control of all means of transport, goods and persons entering or leaving the country. To support implementation of the Acts, SARS has established the New Customs Acts Programme (NCAP) and this consists of three implementation processes running in parallel i.e. Registration, Licensing, Accreditation (RLA) and Bonds related changes; Reporting of Conveyancing and Goods (RCG) and Declaration Processing.

The NCAP involves the translation of legislation into business requirements and systems design specifications required to inform the changes in the current systems and associated policies and procedures. SARS continues to facilitate consultations with industry representatives and performed a detailed impact analysis to ensure that the new acts are implemented efficiently and effectively.

Furthermore and as part of efforts to implement the provisions of the acts, SARS completed the design, development and testing of the Manifest Processing (MPR) functionality that will form the platform for effecting the necessary changes relating to cargo reporting and goods management in terms of the new Customs Control Act (CAA). This will support SARS' efforts to enhance supply chain security, address non-compliance of cargo reporting, enable effective goods accounting and protect the South African economy from illicit trade. The benefits to industry include increased speed of processing across the borders, elimination of paper-based cargo reporting and more predictable and faster turnaround times.

Implementing the Preferred Trader Programme

The Preferred Trader Programme (PTP) offers importers and exporters a partnership with SARS based on demonstrated voluntary compliance. The overall benefits for customs and excise traders are reduced interventions by SARS and improved facilitation of trade.

SARS continued to develop the PTP during 2015/16, engaging 92 new clients, completing 116 audits and bringing the total number of clients participating in the PTP to 670. Preferred Trader (PT) client volumes (where audits are completed) now represent 29.33% of the total customs volumes and increased by 3% compared to last year. SARS also developed the excise audit and accounting training material aligned to the new excise audit processes and Standard Operating Procedure (SOP). In addition PT excise policies were also drafted in preparation for the introduction of new legislation required to implement PT excise.

At a regional level, SARS continues to lead the development of the SACU-wide Preferred Trader programme, working with the World Customs Organisation (WCO) and SACU secretariat and developed the following SACU regional instruments:

- PT Mutual Recognition Annex, that once ratified, will work in association with SACU Annex E to enable sharing of specific PT information required to support the SACU PT reciprocation
- Internal procedure manual including all the relevant policies and SOPs required by member states for delivery of the PTP
- External manual to guide stakeholders on admissibility, requirements and processes
- Data exchange protocols and procedures required by receiving customs administrations to identify and facilitate PT transactions
- Development of a revised audit and risk capacity building programme to support BLNS countries to meet the PT competencies and standards required for a SACU-wide PT programme

SARS also signed a declaration of intent for capacity building with the General Administration of China Customs (GACC) that includes working together in 2016-2018 to scope a Republic of South Africa (RSA) Authorised Economic Operator (AEO) Programme and develop an AEO mutual recognition agreement between RSA and GACC. This supports SARS' long-term ambition to expand the Preferred Trader Programme into an AEO programme by adding the AEO safety and security provisions and including the supply chain operators in the programme.

Improving management of warehouses

SARS has developed and tested an automated state warehouse solution for the effective tracking, management and accounting of goods in state warehouses to comply with the new Customs Act and state warehouse policy. The solution was successfully implemented as a pilot at the state warehouses at OR Tambo International Airport, Lebombo border post, Beitbridge and Groblersbridge border posts in February 2016.

The state warehouse solution creates a case for each consignment that is deposited and generates a slip with consignment and depositor information, also providing for supporting documents to be scanned and uploaded onto the system. Bar coding and scanning functionality enables goods to be scanned on entering or leaving and an automatic update of stock records and rent calculations. The initiative will continue in the 2016/17 financial year when the new functionality will be implemented at all state warehouse locations and additional functionality will be added to support integrated reporting.

Adopting a whole of government view approach at ports of entry

SARS is continuing to support the adoption of a whole of government view approach at the country's ports of entry to achieve value chain efficiencies. SARS continued to work with the Department of Home Affairs (DHA) regarding the establishment of the Border Management Agency (BMA). SARS seconded 93 staff members to the DHA BMA Project Management Office (PMO) during the 2015/16 financial year in support of the Border Control Operational Co-ordinating Committee (BCOCC). These activities also included developing policies and procedures to align with the draft BMA Bill and developing regulations and supporting provisions to prepare for implementation of the BMA.

SARS successfully established and implemented the Cape Town port of entry control centre pilot where all border agencies are working together including the management of the National Border Management Control Centre.

Strengthening risk management capabilities in Customs and Excise administration

Manifest processing

Subsequent to the implementation of Interfront Customs Business System (iCBS) for customs clearance declarations, a period of stabilisation followed in order to resolve outstanding issues. It was also time to address certain issues that were deferred as a result of the Interfront rollout, such as the progression of Automated Cargo Management (ACM), from its current technology platform to the Interfront platform and a new reference to the MPR system.

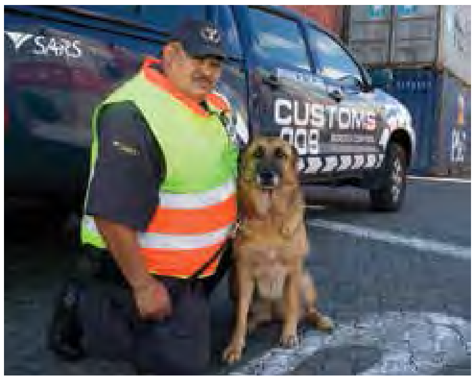
Electronic cargo reporting is a prerequisite for SARS to comply with chapter three of the Customs Control Act, as well as certain other related chapters, for example, the clearance and control of transhipment goods. The planned implementation of MPR, scheduled for 17 June 2016 is aimed to migrate the stand-alone ACM system to the Interfront iCBS platform, thereby also enabling:

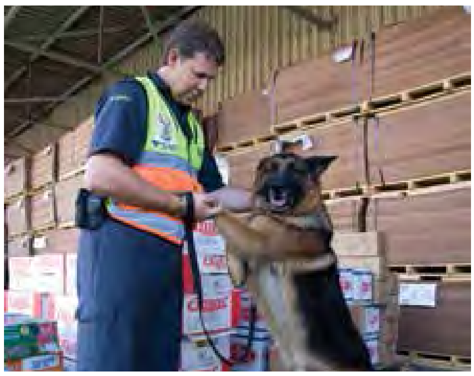
- Matching of clearances to cargo reports for fiscal assurance purposes
- Electronic acquittal of manifests by cargo reporters enabling full paperless reporting
- Generation of reports for operational use
- Implementation of improvements to the processing of trucks through land borders (barcode, electronic gate arrival and departure messaging)
- Improved control over transit goods movements by road

Detector dog unit

The SARS Customs and Excise Detector Dog Unit (DDU) has the capacity to detect explosives, firearms and ammunition, narcotics, endangered species (including rhino horn, ivory, wet and dry abalone, crayfish and lion bones), currency, tobacco products, copper wire, cellphones, and DVD's, hidden in vehicles, vessels, aircraft, containers, cargo, buildings, mail, rail and luggage. SARS continued to strengthen the detector dog unit by deploying 35 detector dogs and handlers at the Lebombo, Nakop and Vioolsdrif border posts.

SARS also provided expert support to neighbouring countries to support efforts towards improved border protection for both South Africa and the region. In this regard SARS deployed 12 detector dogs and handlers for a period of three months to assist our counterparts in Mozambique. SARS also provided expert advice and support regarding the establishment of an operational detector dog unit in Mozambique and Botswana.





Enhancing mail centre operations

SARS implemented projects in association with the South African Post Office to refine and standardise the operational mail centre processes and implement state-of-the-art X-ray baggage scanners at all three international mail centres, located in Johannesburg, Durban and Cape Town. This has resulted in more successful detection of prohibited and restricted items sent through the Post Office services.

Combatting illicit trade activities in the clothing and textile industry

The undervaluation of clothing and textile imports poses a significant threat to the growth of the local clothing and textile industry and SARS continues to deal with this threat. SARS has seen improvements in the declaration of clothing and textile imports since the introduction of reference pricing. The most significant increases in average unit prices have been observed in baby clothing (25.9%), underwear and socks (23.5%) and bed linen (22.8%). The reference database has grown to 137 items and has been designed to inform the Customs risk engine. In 2015/16 SARS:

- Completed 53 audits, with a 91% success rate and collected R667 858 in revenue
- Conducted a total of 365 post clearance audits with a 7.6% success rate and collected R8.9 million
- Conducted 25 seizures of counterfeit clothing involving 495 436 items worth R8.7 million

Quarterly meetings continue to be held between SARS, the clothing and textile industry and the Department of Labour to discuss under invoicing, illegal importations and valuation fraud. SARS also forms part of the textile compliance centre which is funded by the Department of Trade and Industry (DTI).

Deploying additional cargo, container and baggage scanners

SARS continued to roll out Customs X-ray scanners to a number of ports of entry, adding new container scanner functionality in Cape Town harbour in September 2015 and relocating the old Durban mobile scanner to the Beitbridge border post, supported by new infrastructure, systems and processes in February 2016.

Baggage scanners have been deployed at OR Tambo, Cape Town and King Shaka International Airports, Johannesburg, Cape Town and Durban International mail centres and Maseru Bridge, Beitbridge and Kopfontein border posts.

SARS also undertook scoping and design for the phase two extension of the scanner procurement to include additional deployment of rail, mobile and human scanning facilities at ports of entry. This will continue in the 2016/17 financial year.

Combatting illicit cigarette smuggling

The illicit cigarette market remains a critical focus area for revenue authorities across the globe, as it is deemed to be lucrative and complex with relatively menial punitive action. In 2015/16, SARS:

- Introduced more vigilant supervision around warehouses (one of the main leakages in the value chain)
- Conducted a total of eight bond store warehouse audits and achieved a 25% success rate
- Continued to deploy teams at major ports of entry to supervise the packing and unpacking of containers
- Introduced new risk rules to improve the manual tracking of cigarettes in transit through South Africa and therefore ensuring that the declared quantities are accounted for at both the points of entry and exit
- Strengthening controls over the issuing of the diamond stamp and issued letters to 65 entities in this regard

SARS continues to hold regular meetings with the key stakeholders in the tobacco industry including the Tobacco Industry of South Africa (TISA) and Fair Trade Independent Tobacco Association (FITA). Information sharing between the parties on smuggling techniques, methods of concealment, routes and general matters are some of the topics discussed at the tobacco forums SARS attends.

SARS' tobacco integrated audit project completed 55 audits. A total of 793 outstanding returns were collected. Round tripping, incorrect tariff classification, overstating of export prices, under declaration and under valuation of imports and exports remain the main areas of risk for SARS.

A total of 541 contraband seizures and interventions aimed at reducing cross-border smuggling were conducted, resulting in the seizure by SARS of 133.9 million cigarette sticks.

During the reporting period SARS submitted the 2015/16 Annual Report on Prohibited and Restricted narcotics to the Central Drug Agency (CDA), highlighting our ongoing efforts to ensure that illicit goods and narcotics are prevented from entering through our borders. This forms part of our role in the implementation of the National Drug Master Plan (2013-2017).

Co-operating with other international jurisdictions

SARS co-operates and works with other customs jurisdictions, regional and international bodies to share data and intelligence and undertake joint customs projects and programmes. Through these networks and platforms SARS is helping to improve trade facilitation across the region including combatting illicit trade activities.

SARS made progress with its initiatives to create an international "eCustoms" network that will ensure seamless, real-time and paperless flows of information and connectivity between participating customs administrations, supporting trade facilitation and improved risk management. SARS made the following progress in 2015/16:

- Agreement on the data standards, provisions and process for aligning customs export transactions to the incoming import transactions with all SACU countries and with Mozambique and subsequently adoption by all Southern African Development Community (SADC) countries
- South Africa successfully exchanged customs data on a pilot basis with Mozambique and Swaziland. Formal data exchange cannot proceed until appropriate legislation is in place to support exchange of information and with SACU this requires all five countries to ratify Annex E of the SACU Agreement
- SACU countries agreed on data elements to be shared and on the structure of a Unique Consignment Reference (UCR) number to help identify and track export and transit transactions
- SARS also initiated reciprocal customs to customs data exchange and connectivity initiatives with Lesotho and Malawi

SARS hosted the second SACU Regional Trade Forum in Johannesburg on 12 October 2015 where the terms of reference for the Regional Trade Forum between SACU customs administrations and regional trader groups were approved.

SARS continues to be an active member of the WCO by directly supporting and leading many initiatives particularly those that directly support the East and Southern Africa (ESA) region. SARS' involvement in this regard resulted in SARS driving the delivery of phase two of the Mercator programme for capacity development in the ESA region supported by the Department for International Development (DFID) and the Swedish Ministry of Finance. The active support of such programmes has resulted in SARS being co-opted to yet again lead the next phase of the Mercator programme for additional capacity building. In this regard SARS delivered:

- Three regional workshops attended by representatives of the East and Southern Africa region. Regarding trade facilitation awareness, two events on customs modernisation advisors accreditation and train the trainers for ESA for the development of training material
- First women WCO Leadership and Management Development (LMD) programme
- Authorised Economic Operator (AEO) implementation support to Zambia and Angola
- Conducted two technical missions to Malawi on review and assessment of the integrity framework and implementation and a complete assessment of the business process re-engineering implementation

SARS as chair of SACU has driven many agendas and managed to secure directive positions on the following issues: Information Technology (IT) Interconnectivity - Annex E of the Mutual Administrative Assistance, Mutual Recognition Agreement and Risk Management Strategy for the region and other trade facilitation areas. South Africa has deposited its instrument on Annex of the Mutual Administrative Assistance. The region has also adopted a risk management strategy for the whole of SACU.

With SARS having secured the vice-chair for the ESA structures, SARS instituted a process to structurally manage engagements between the WCO, the Regional Office for Capacity Building (ROCB) and development partner support. This includes a mechanism to follow through and implement decisions made at the Governing Council (GC) meetings.

Commissioner Moyane engaged with his counterparts from Mozambique, Swaziland, Zimbabwe, United Kingdom (UK) and the United States of America (USA) Customs and Border Protection and Internal Revenue Service with a view to enhance relations and discuss possible co-operation and mutual areas of interest such as enforcement, investigations and co-operative training. The Commissioner hosted the President of the Mozambique Revenue Authority (MRA), Dr Rosario Fernandes, Ambassador Gaspard, US Embassy in SA and Minister of the GACC, Mr YU Guangzhou. SARS entered into a Memorandum of Co-operation (MoC) with the General Administration of China Customs.

SARS negotiated a second three year term MoC with the Organisation for Economic Co-operation and Development (OECD) for purposes of technical assistance. The first agreement will result in a secondment of a senior SARS official to the OECD for a year. SARS hosted two very successful Commissioner General's discussions on addressing Illicit Financial Flows (IFF) and managed to introduce IFF on the G20 agenda. The two events adopted declarations to deal with the illicit economy, contraband cigarettes, narcotics, the use of non-intrusive inspection methods such as detector dog units, scanners, capacity building on transfer pricing, trade misinvoicing and customs co-operation.

SARS co-ordinated the implementation and report back on the anti-bribery convention: Peer three review recommendations applicable to SARS. SARS succeeded in including reference to the terminology "Illicit Financial Flows" on the draft declarations and outcomes statements for G20 meetings throughout 2015/16.

Over and above active participation in international forums, SARS contributes to the capacity building of other administrations and in this regard SARS:

- Successfully delivered two capacity building events on process and information management and internal audit, attended by 40 participants from 12 countries
- Facilitated 15 study visits to nine countries for the topics: customs modernisation, customs operations, VAT, Human Resources, tariff and valuation, border control and co-ordination, agents licensing, warehousing, risk management, Detector Dog Unit, audit, taxpayer services, strategy, mining sector and enterprise risk management
- Facilitated two attachés from Tanzania for post clearance audit and internal audit development
- Facilitated three technical assistance missions to Malawi, Angola and Botswana regarding business process re-engineering, Authorised Economic Operator and canine enforcement
- Hosted one executive programme on taxation processes in SARS for the African Tax Administration Forum (ATAF)

OUTCOME 2: Increased tax compliance

Tax Revenue collected

R872.4bn

Tax Compliance Status solution to enable the view of tax compliance statuses and facilitate an online verification process

Progress on compliance interventions in High Risk Areas

PIT
R389.3bn
10% increase
36.4% contribution

VAT
R281.1bn
7.6% increase
26.3% contribution

Implemented FATCA to enable global compliance and enforcement to protect the erosion of South Africa's tax base

> 90%
PIT filing compliance for 3 years

1.8 million
Audits conducted
15.12%
Audit coverage

CIT
R193.4bn
3.6% increase
18.1% contribution

Debt as a % of Revenue collected
9%

73% achieved on Attitude to Tax Compliance Survey

Tax revenue performance (excluding customs)

Tax revenue, excluding customs revenue, collected during the 2015/16 financial year amounted to R872.4 billion (Table 10). This was R1.2 billion above the Revised Estimate of R871.2 billion.

Table 10: Tax revenue (excluding customs revenue) performance by tax type for 2015/16

Tax type	Printed estimate Feb 2015	Revised estimate Feb 2016	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)	394 719	393 124	389 280	-5 439	-3 844
Company Income Tax (CIT)	203 688	191 661	193 385	-10 302	1 724
STC/DT	22 484	23 650	23 934	1 450	284
Domestic VAT	313 961	297 010	297 422	-16 539	413
VAT refunds	-170 164	-171 068	-167 056	3 108	4 012
Fuel levy	55 666	56 700	55 607	-59	-1 093
Specific excise duties	34 483	35 100	35 077	593	-23
Taxes on property	13 692	14 762	15 044	1 352	282
Skills development levy	14 690	15 800	15 220	530	-580
Other taxes and duties	15 461	14 426	14 456	-1 005	30
Total tax revenue (excl customs)	**898 680**	**871 165**	**872 371**	**-26 310**	**1 206**

PIT collections grew to R389.3 billion, R3.8 billion below the Revised Estimate of R393.1 billion, and contributed 36.4% 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 fueled by above-inflation wage settlements and once-off PAYE collections from bonus pay-outs.

Table 11 shows the trend of increasing PIT collections from the 2010/11 to 2015/16 financial years.

Table 11: PIT revenue including interest from 2010/11 to 2015/16

Year	Actual	% Year-on-year change	% of tax revenue	% of GDP
	R million	%	%	%
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%
2015/16	**389 280**	**10.0%**	**36.4%**	**9.5%**

Company Income Tax (CIT) revenue, which comprises all provisional and assessed taxes paid by companies (net of refunds), increased by only 3.6% to R193.4 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 only grew marginally reflecting a weaker economic environment on the back of a further decline in oil and commodity prices, weak global demand for commodities which negatively impacted the profitability of companies in the petroleum and mining sectors and further extended to the manufacturing sector. The sluggish recovery of CIT during the past five years is the main reason for the fluctuating CIT-to-GDP ratio (Table 12).

Table 12: CIT revenue including interest from 2010/11 to 2015/16

Year	Actual	% Year-on-year change	% of tax revenue	% of GDP
	R million	%	%	%
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%
2015/16	**193 385**	**3.6%**	**18.1%**	**4.7%**

Sector contributions to CIT revenue have changed significantly since the global financial crisis. The contribution of the mining sector dropped sharply following further decline in iron ore prices in 2015/16 as well as the weak global demand for commodities. The decline in the oil prices also contributed to the downfall of profitability of companies in the petroleum sector. Falling contributions from the mining sector (down 16.0%) and other manufacturing sectors (unchanged 0.8%) detracted CIT growth during the 2015/16 financial year.

A breakdown of CIT revenue by sector is provided in Table 13.

Table 13: CIT revenue by sector from 2013/14 to 2015/16

Sector*	2013/14	2014/15	Growth	*2015/16	Growth
	R million	R million	%	R million	%
Agriculture	3 118	3 339	7.1%	3 963	18.7%
Mining	21 524	17 996	-16.4%	15 114	-16.0%
Telecommunications	9 941	10 333	3.9%	9 607	-7.0%
Financial services	45 858	53 287	16.2%	53 177	-0.2%
Banks	*18 127*	*21 694*	*19.7%*	*20 536*	*-5.3%*
Insurance	*16 187*	*18 399*	*13.7%*	*18 154*	*-1.3%*
Other financial services	*11 544*	*13 194*	*14.3%*	*14 487*	*9.8%*
Manufacturing	44 956	42 941	-4.5%	43 268	0.8%
Petroleum	*9 313*	*8 458*	*-9.2%*	*8 361*	*-1.1%*
Wholesale and retail trade	*18 753*	*20 329*	*8.4%*	*23 536*	*15.8%*
Business services	15 707	16 687	6.2%	20 058	20.2%
Medical and health	4 617	5 057	9.5%	5 652	11.8%
Transport	3 588	3 848	7.2%	4 396	14.2%
Construction	4 460	5 129	15.0%	5 321	3.7%
Catering and accommodation	1 984	2 333	17.6%	2 752	17.9%
Recreation and cultural	3 828	4 101	7.1%	5 118	24.8%
Other	1 186	1 240	4.5%	1 425	14.9%
Total	**179 520**	**186 620**	**4.0%**	**193 385**	**3.6%**

*Note: * SARS-defined sector*

Legislative changes to replace Secondary Tax on Companies (STC) with Dividends Tax (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 12.6% to R23.9 billion in 2015/16.

Table 14: STC and DT revenue from 2010/11 to 2015/16

Year	Actual	% Year-on-year change	% of tax revenue	% of GDP
	R million	%	%	%
2010/11	17 178	11.1%	2.5%	0.6%
2011/12	21 965	27.9%	3.0%	0.7%
2012/13	19 739	-10.1%	2.4%	0.6%
STC	*9 814*	-55.3%	*1.2%*	*0.3%*
DT	*9 925*		*1.2%*	*0.3%*
2013/14	17 309	-12.3%	1.9%	0.5%
STC	*911*	*-90.7%*	*0.1%*	*0.0%*
DT	*16 398*	*65.2%*	*1.8%*	*0.5%*
2014/15	*21 247*	*22.8%*	*2.2%*	*0.6%*
STC	*547*	*-39.9%*	*0.1%*	*0.0%*
DT	*20 700*	*26.2%*	*2.1%*	*0.5%*
2015/16	**23 934**	**12.6%**	**2.2%**	**0.6%**
STC	*428*	*-97.9%*	*0.0%*	*0.0%*
DT	*23 507*	*13.6%*	*2.2%*	*0.6%*

Although the STC/DT has grown in the current year by R2.7 billion (12.6%) when compared to 2014/15, it grew at a slower pace. This is indicative that although corporate profits improved, companies exercised caution due to uncertainty regarding growth prospects in both the global and local economy. The STC and DT collections are shown in Table 14.

Growth in domestic VAT collections slowed significantly in 2015/16 affected by the sluggish domestic demand due to weak growth in real final household consumption expenditure which was 1.6% in 2015 from 1.4% in 2014. The modest growth in household expenditure was as a result of limited job prospects, rising interest rates, inflation, high debt to disposable income levels as well as weak consumer confidence levels. Domestic VAT collections increased by 3.7% to R297.4 billion in 2015/16 compared to a growth of 8.9% in 2014/15. Collections were negatively affected by the contraction in payments of R2.4 billion (5.1%) from the manufacturing sector which was in contrast with its growth of R3.2 billion (7.4%) in 2014/15.

Table 15: Domestic VAT from 2010/11 to 2015/16

Year	Actual	% Year-on-year change	% of tax revenue	% of GDP
	R million	%	%	%
2010/11	205 029	5.1%	30.4%	7.3%
2011/12	220 215	7.4%	29.7%	7.2%
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%	7.4%
2015/16	**297 422**	**3.7%**	**27.8%**	**7.3%**

VAT refunds in 2015/16 increased by 3.0% from 2014/15 to R167.1 billion. Growth in refunds were weak on the back of weak private sector capital investment as a result of low business confidence levels and generally weak demand. Private sector capital investments grew by 0.4% in 2015 from a contraction of 3.4% in 2014. VAT refunds to the financial services sector were lower than the previous year by R1.5 billion (4.2%), this is compared to a growth of R2.8 billion (8.5%) in 2014/15. The other top sectors that received less refunds in the same period were electricity, gas and water R0.8 billion (23.5%); as well as transport, storage and communication sectors R0.6 billion (8.3%). VAT refund trends are shown in Table 16.

Table 16: VAT refunds from 2010/11 to 2015/16

Year	Actual	% Year-on-year change	% of tax revenue	% of GDP
	R million	%	%	%
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%
2015/16	**-167 056**	**3.0%**	**15.6%**	**4.1%**

Current compliance levels

Registration compliance

SARS continues to broaden the tax base and expand its taxpayer and trader register. The number of individuals on the SARS tax register increased from around 15.4 million in 2012/13 to 19.1 million in the year under review. The tax and trader register grew 5.7% during the 2015/16 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 2012/13 to 2015/16

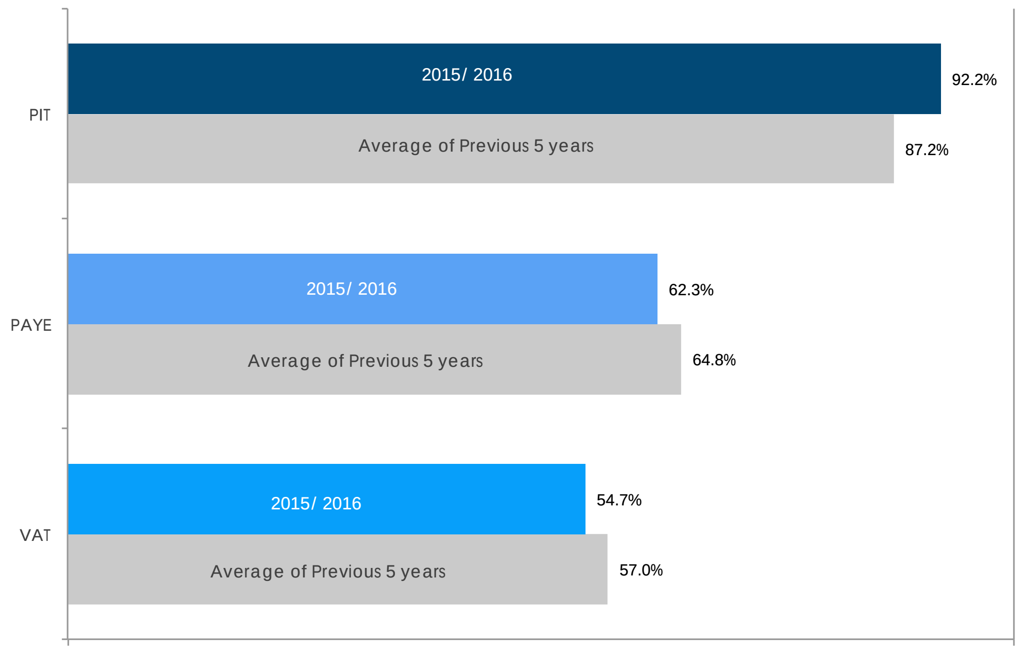
Registered persons	2012/13	2013/14	2014/15	2015/16	% Growth
Income tax	17 926 869	19 787 304	21 452 507	22 693 978	5.8%
Individuals	*15 418 920*	*16 779 711*	*18 185 538*	*19 075 270*	*4.9%*
Trusts	*312 066*	*322 188*	*331 584*	*340 000*	*2.5%*
Companies	*2 195 883*	*2 685 405*	*2 935 385*	*3 278 708*	*11.7%*
Value-Added Tax (VAT)	650 540	662 194	679 274	706 874	4.1%
Pay-As-You-Earn (PAYE)	391 254	407 066	429 691	458 048	6.6%
Customs	506 206	519 044	535 061	552 084	3.2%
Importers	*265 497*	*272 544*	*280 953*	*289 922*	*3.2%*
Exporters	*240 709*	*246 500*	*254 108*	*262 162*	*3.2%*
Total register	**19 474 869**	**21 375 608**	**23 096 533**	**24 410 984**	**5.7%**

Filing Compliance

Filing compliance is measured by comparing the number of returns per tax type received by the respective due dates, with the number of returns required to be submitted by that due date. Except for PIT, filing compliance amongst registered taxpayers has been declining over the past five years. On-time filing compliance for 2015/16 continued to decline for all the major tax types when compared to the previous period (Figure 2).

As part of the new Operating Model, SARS has now prioritised the outstanding returns function by allocating resources to the area. The strategy to increase filing compliance includes cleaning up of the outstanding returns register, implementing a new taxpayer engagement approach, considering a penalty regime and strengthening enforcement capabilities to follow up on outstanding returns.

Figure 2: Filing compliance trends per tax type 2010/11 – 2015/16



PIT filing compliance

SARS has been on a journey over the last 10 years to digitise and improve service levels, educating the public via online material and face to face workshops – thereby making it easy to comply. The focus is now shifting from the service landscape towards risk-based enforcement for those that are still not compliant.

SARS' major engagement with the taxpayers every year is during filing season. PIT filing compliance is defined by this engagement where the number of on-time submissions is measured at closing date in relation to the expected returns. For the third year in a row compliance levels of over 90% were maintained. In response to this positive trend, policy makers have increased the tax return submissions threshold for taxpayers who do not have complicated returns, thereby reducing the burden of tax compliance. While the baseline of this metric has been established at its highest level of 94.49%, targets were set at a realistic level of 92%. This is supported by the trends highlighting the achievements of the past three years as well as the impact of thresholds and decrease in the required returns. The submission of outstanding returns has also grown by 66.4% indicating that our service efforts in making it easy to file returns through channels of choice, pre-populating the returns and relying on employers for the submission of IRP5's, has made this an effortless engagement process. In fact, more than 78% of taxpayers have had a positive engagement with SARS as a result of this.

SARS will focus on the reduction of outstanding returns by cleaning up the various registers whilst implementing a refined approach to taxpayer engagements and segmentation in addition to the on-going improvement of the penalty regime and strengthening of enforcement activities to maintain compliance levels within this product.

CIT filing compliance

The understanding of the dynamics which underpin the submission patterns of this tax product and its segments, especially the small and medium size segment, remains a challenge. SARS has observed a trend in the filing behaviour of most companies to fulfil their legal obligation; however it is done with minimum data from them in support of economic activity. At the same time the clean-up of the register has commenced.

SARS has therefore adopted a developmental strategy to define the required pool of submissions, by limiting the required compliance to only those that are deemed economically active and not the current status it holds on the tax register. As precision and accuracy increase, the definition will be amended over time to include all those that are legally required to submit a return. This practical approach is taken as these compliance levels will inform enforcement activities, designed for maximum impact, but will be enabled with a set capacity and skill set that can interpret the complexity of these submissions.

The current 39.59% measured compliance is a cause for concern for SARS and an indication of the challenges it presents. A segmented approach to the register needs to be in place to accurately measure this behaviour and has been prioritised.

"Economically active" has therefore been defined as an entity that is active on the tax register, liable to file a return and identified as having a return assessment in the last three years or made a payment. Refinement to this definition will continue as it strives towards the designed legal requirement for inclusion.

VAT filing compliance

VAT filing compliance declined by 1.3% during 2015/16 to 54.7% (2014/15: 56.0%) and 9.8% of the returns required during the 2015/16 financial year were filed after the respective due dates.

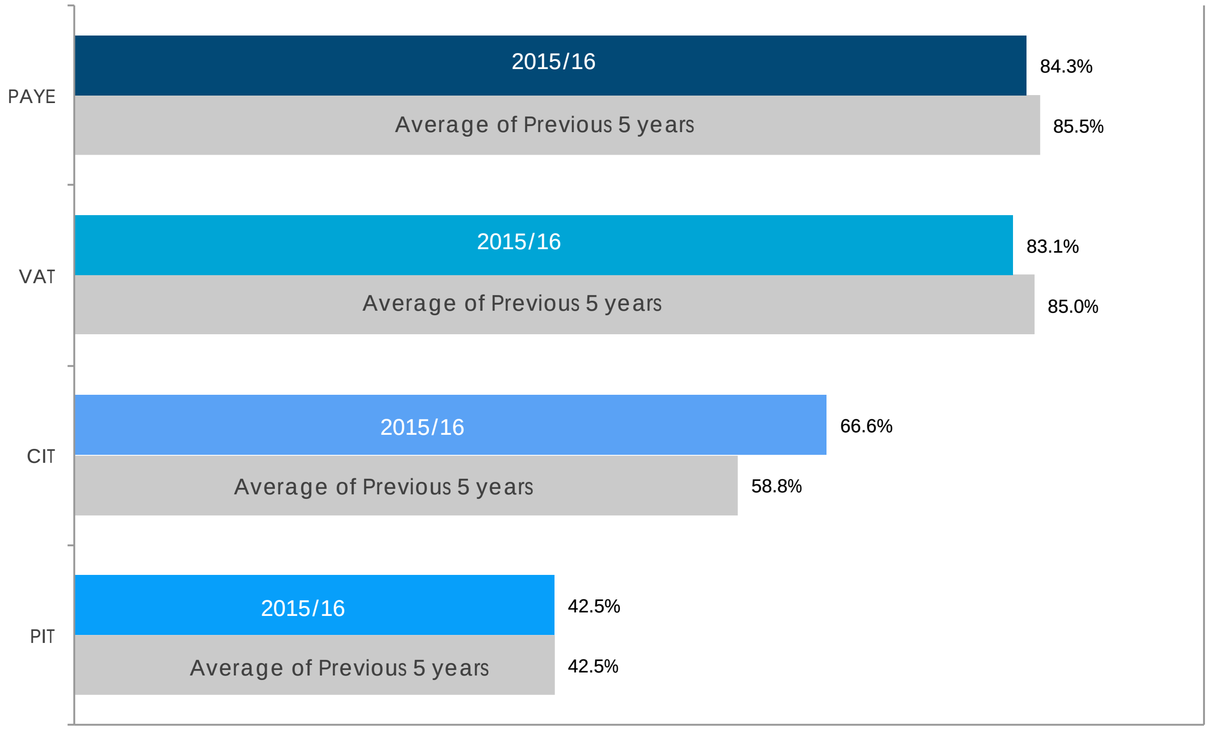
PAYE filing compliance

Filing compliance by registered employers of EMP201 returns declined by 1.3% to 62.3% during 2015/16 (2014/15: 63.6%) and 10.6% of the returns required during 2015/16 were filed after the respective due dates. 26.8% of the PAYE returns required during 2015/16 were not filed by employers.

SARS continues to strengthen its risk-based approach to compliance both through dynamic risk engines and manual profiling of entities. In the year under review SARS has developed and implemented a PAYE risk engine and this should go a long way in mitigating non-compliance within PAYE. The dynamic nature of the risk engines allows SARS to proactively adapt the risk algorithms to identify emerging non-compliant taxpayer behaviour.

Payment Compliance

Figure 3: Payment compliance trends from 2010/11 to 2015/16



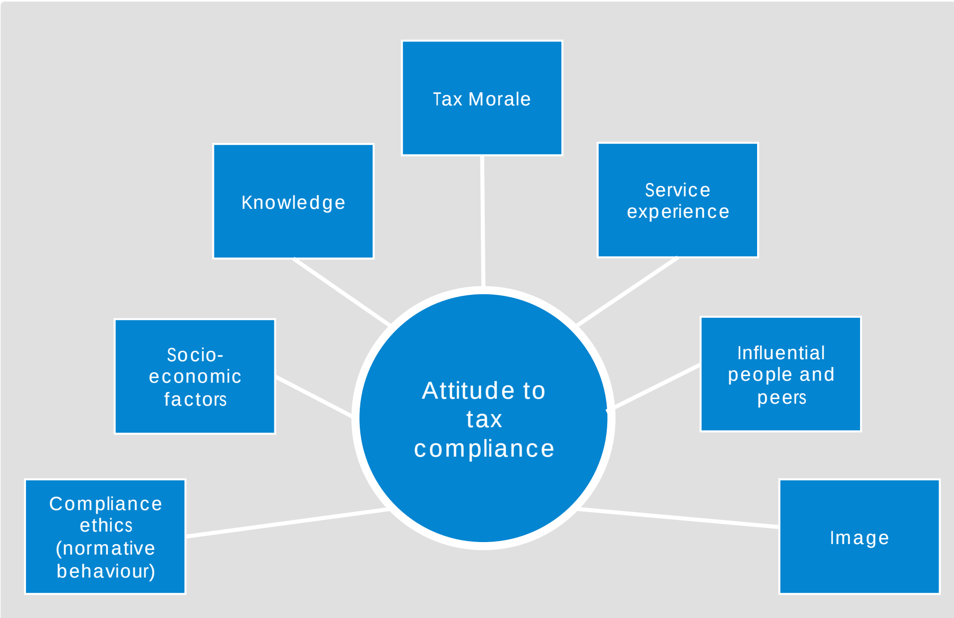
Payment compliance measures the number of payments received on-time, compared to the number of payments due by the respective due dates. All the major taxes showed an improvement in the payment compliance for the 2015/16 financial year. Payment compliance by individual taxpayers and trusts increased by 3% to 42.5% in 2015/16 compared to the previous period and this is after declining during the preceding two financial years.

CIT payment compliance is following a consistent upward trend since 2010/11 and increased by 2.6% to 66.6% during 2015/16 (2014/15: 64.0%). VAT payment compliance was 83.1% during 2015/16 compared to 82.3% during the previous period. 10% of payment obligations not received on-time from VAT vendors were settled later and only 6.9% of VAT payment obligations remained outstanding at the end of the 2015/16 financial year. The on-time payment compliance for PAYE improved to 84.3% during 2015/16 (2014/15: 82.0%) after reduced payment compliance was recorded in the three preceding financial years. 11.5% of the PAYE payment obligations were settled after the required due dates and 4.2% of the obligations remained outstanding at the end of the financial year.

Gauge public opinion on tax compliance

SARS commissioned a study to gauge public opinion on tax compliance while simultaneously looking at the drivers of tax compliance on an annual basis to inform various other key initiatives. The survey yielded an Attitude to Tax Compliance index of 73%. The key drivers of attitudes to tax compliance are depicted in Figure 4.

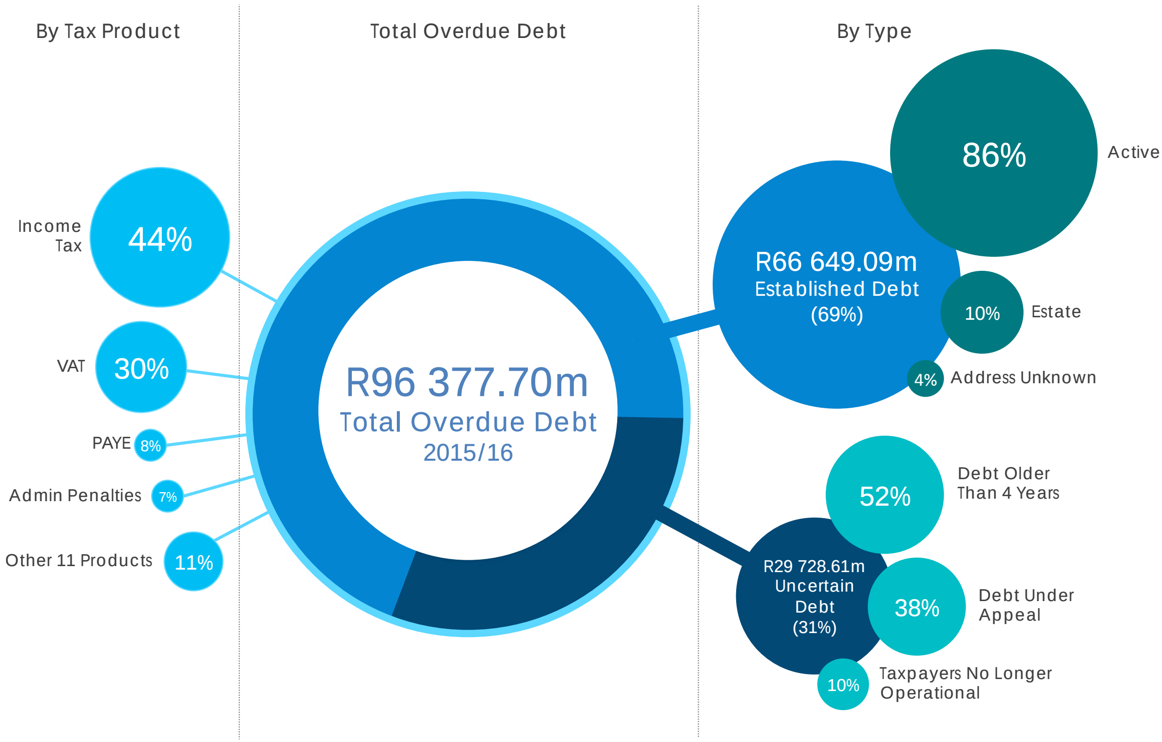
Figure 4: Attitude to Tax Compliance



Managing taxpayer debt

Debt as a percentage of revenue was 9.0% in 2015/16 (2014/15: 9.1%) compared to the target of 8%. When uncollectable debt is excluded from the debt book, the debt as a percentage of revenue was 7.3%. Overall taxpayer debt increased by 7.4% (net inflow of R6.7 billion) to R96.4 billion in 2015/16 (2014/15: R89.7 billion). The net growth in the debt book is attributable to a growth in Income Tax debt (R1.0 billion) and VAT (R5.9 billion) (Table 18).

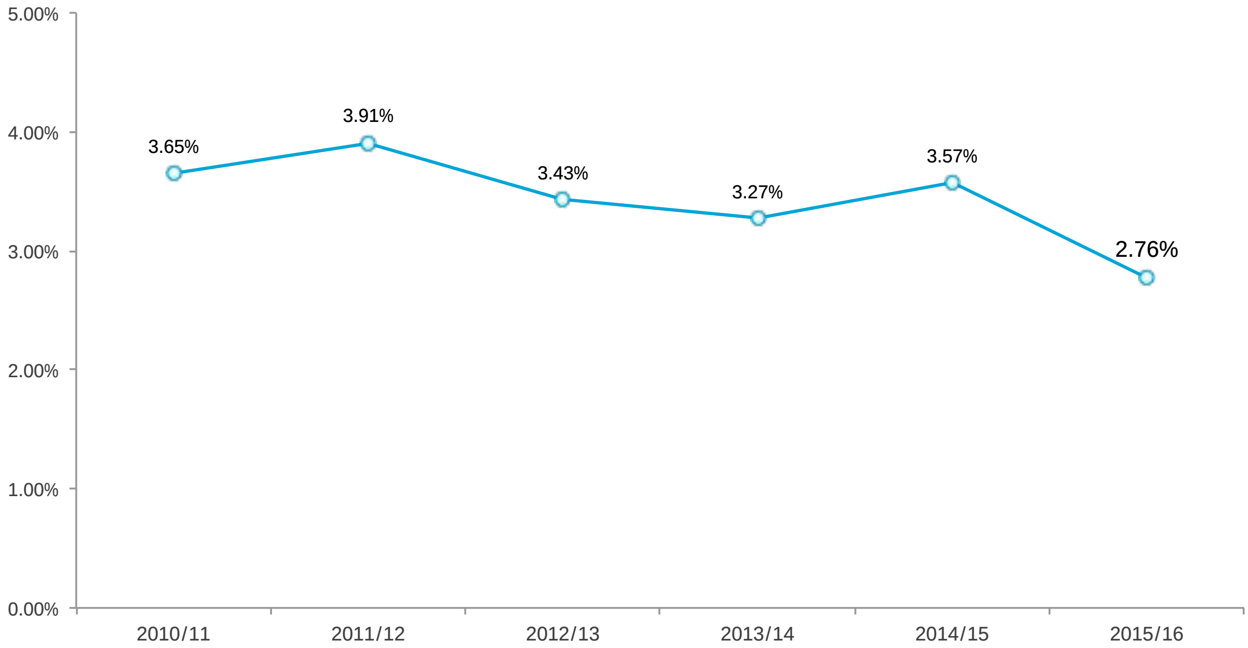
Figure 5: Overdue taxpayer debt breakdown



Administrative non-compliance by taxpayers resulted in an increase of administrative penalties of R1.2 billion. The slowing South African economy also had a negative effect on taxpayer debt and resulted in a higher inflow of debt cases especially with regard to VAT and CIT payments.

Debt under dispute represents 11.7% of the total debt book and decreased by R3.7 billion to R11.3 billion during 2015/16. R7 billion of disputed debt relates to debt owed by large corporates. Debt under dispute is not considered collectable while in dispute. New debt amounted to R29.5 billion (2.76% of revenue collected), which is much lower than the R35.1 billion (3.57% of revenue collected) of new debt coming in during the previous period (Figure 6).

Figure 6: New debt as a percentage of revenue



SARS collected R14.7 billion from overdue debt during 2015/16 (2014/15: R14.4 billion) reflecting an improvement of 2% compared to the previous year. SARS appointed temporary staff members to assist in efforts to collect R5.6 billion in taxpayer debt during 2015/16. SARS sent 1 324 480 SMS reminders to taxpayers and this strategy resulted in the collection of R2.5 billion. Taxpayer debt older than four years (R19.8 billion) proved to be very difficult to collect and R16.4 billion of this remains outstanding at the end of the financial year. Debt under dispute (objections and appeals) and insolvency debt continues to be a challenge for SARS. If SARS excludes uncollectable debt (R18.32 billion consisting of objections R1.8 billion, appeal cases R9.6 billion and estate cases R7 billion) from the debt book, the collectable debt would be R78.0 billion.

Taxpayer debt write-offs have decreased by R7.5 billion (40.1%) to R11.2 billion (2014/15: R18.7 billion). Temporary write-offs account for R9.2 billion or 82.4% of the write-off number. SARS is also implementing a new debt impairment methodology that will help to accurately reflect the realisable value of the debt book in terms of Generally Recognised Accounting Practice (GRAP).

Table 18: Overdue taxpayer debt

Unaudited overdue taxpayer debt (receivables) as at 31 March 2016		
	2015/16	2014/15
Segmentation	**R**	**R**
Established debt		
Active	57 402 978 161	51 419 468 765
Address unknown	2 289 309 537	1 805 588 102
Estate	6 956 807 281	5 544 476 490
Total established debt	**66 649 094 979**	**58 769 533 357**
Uncertain debt		
Objections	1 781 770 403	2 841 402 956
Appeals	9 563 732 811	12 267 076 484
Debt under dispute	11 345 503 214	15 108 479 440
Debt older than 4 years	15 576 664 194	13 309 855 992
Taxpayers no longer operational	2 806 440 431	2 533 822 757
Total uncertain debt	**29 728 607 839**	**30 952 158 189**
Total overdue taxpayer debt	**96 377 702 817**	**89 721 691 546**
Comprising		
Capital	60 353 374 158	57 171 579 234
Penalty and additional tax	16 705 436 860	14 572 267 117
Interest	19 318 891 799	17 977 845 195
Total overdue taxpayer debt	**96 377 702 817**	**89 721 691 546**
Administered tax analysis		
Income Tax	42 100 749 782	41 085 012 357
Company	*24 803 393 926*	*24 149 677 006*
Individuals and Trusts	*17 297 355 855*	*16 935 335 351*
PAYE	8 088 997 368	8 148 961 941
VAT	29 055 096 800	23 141 484 136
STC	4 815 029 876	6 065 881 027
SDL	1 119 932 303	1 184 043 477
UIF	1 638 523 718	1 753 862 809
Diesel	168 716 907	165 663 552
Customs	1 594 502 851	1 435 991 520
Excise	288 406 122	374 744 257
Administrative penalties	7 011 792 663	5 830 673 641
Estate Duty	159 411 329	208 666 524
Small Business amnesty levy	36 100 426	54 598 489
Dividends Tax	280 148 923	251 814 065
Donations Tax	18 149 168	18 149 168
Transfer duty	2 144 583	2 144 583
Total overdue taxpayer debt	**96 377 702 817**	**89 721 691 546**

SARS explored every effort to ensure that it collects outstanding debt to prevent taxpayers that do not pay their taxes from gaining an unfair advantage over those that do and from further eroding the tax base. Some of the strategies that SARS has adopted and will adopt in future include:

- Appointment of a panel of insolvency practitioners to enable SARS (where SARS is a majority creditor) to deal effectively and protect its interests with respect to taxpayer debt cases under liquidation
- Outsourcing debt older than four years to debt collection agencies. The outstanding debt older than four years is estimated to be approximately R15 billion and SARS will outsource R6.6 billion of this as a pilot project during the 2016/17 financial year
- Using analytics to improve insights into taxpayer behaviour and to tailor its strategies and plans accordingly
- Improving the skills and productivity of SARS personnel through better training interventions. 2 027 SARS staff members received debt management training including financial skills training (customised accounting training course) during 2015/16. This intervention resulted in the improvement of performance relating to the new inflow contribution to revenue thus achieving a ratio of 8% (5% above the set target)
- SARS obtained approval to procure a new debt collection system to modernise the current debt collection functions and improve case management, case prioritisation, campaign management and the automation of administrative functions. This is expected to improve debt collections in terms of value and yield per case
- SARS is continuously engaging with banks with regard to third party appointments
- SARS has implemented Debt counters (as a pilot) in offices where debt management and branch offices are not co-located
- Standard procedures are now implemented nationally to effectively pursue personal liability where appropriate
- SARS is continuing its efforts to source third party information from credit bureaus and other third parties to enhance its ability to contact, trace and collect taxpayer debt. SARS is working with the Department of Transport to obtain vehicle licensing information and with the Master of the High Court (MHC) regarding estates information

Table 19: 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, Donations Tax and Transfer Duty) as % of Tax Revenue	Debt (Including Admin Penalties, Estate Duty, Small Business Amnesty, Donations Tax and Transfer Duty) as % of Tax Revenue
	R million	**R million**	**R million**	**%**	**%**
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%
2015/16	**1 069 982**	**89 150**	**96 378**	**8.3%**	**9.0%**

SARS continues to have taxpayer accounts where both a debit and a credit exist within common tax types but for different tax periods. The credit book has increased by R17.2 billion (37.3%) to R62.9 billion in 2015/16 (2014/15: R45.7 billion) (Table 20).

Unallocated credits include credits which can be set off against the debt book. Debit/credit off-setting will improve account accuracy as both debit and credit balances will be in the account and consequentially reduce the outstanding balances. To achieve these objectives SARS is in a process of modernising the taxpayer accounts and will be moving from the legacy systems to the new SAP application.

Table 20: Unaudited taxpayer credits

Unaudited taxpayer credits (payables) as at 31 March 2016		
	2015/16	2014/15
	R	R
Income Tax	-22 168 043 513	-14 779 362 067
Unallocated payments	-10 763 236	-10 403 967
Returns not received	453 132 658	466 461 779
Income Tax	**-21 725 674 090**	**-14 323 304 255**
PAYE	-845 499 172	-937 580 519
Unallocated payments	-2 627 751 498	-2 946 631 850
Returns not received	117 817 899	172 197 364
PAYE	**-3 355 432 772**	**-3 712 015 005**
VAT	-33 783 584 150	-25 367 847 531
Unallocated payments	-773 435 441	-1 557 191 262
Returns not received	964 280 529	2 771 320 645
VAT	**-33 592 739 061**	**-24 153 718 148**
UIF	-129 757 816	-151 925 320
Returns not received	43 448 434	51 043 814
UIF	**-86 309 382**	**-100 881 506**
SDL	-93 303 037	-119 549 712
Returns not received	33 817 235	40 475 368
SDL	**-59 485 802**	**-79 074 344**
Diesel	-2 115 416 440	-1 655 051 130
Returns not received	10 766 507	63 255 514
Diesel	**-2 104 649 932**	**-1 591 795 616**
STC	-113 322 592	-142 365 172
Unallocated payments	-55 452 921	-53 864 014
Returns not received	41 060 773	43 825 375
STC	**-127 714 740**	**-152 403 811**
Estate duty	-2 448 483 527	-2 068 787 271
Returns not received	2 448 483 527	2 068 787 271
Estate duty	**-**	**-**
Dividends Tax	-1 788 980 902	-2 326 300 957
Unallocated payments	-3 901 298	-3 901 298
Returns not received	153 525 605	824 402 942
Dividends Tax	**-1 639 356 596**	**-1 505 799 313**
Customs	-22 884 962	-
Customs	-22 884 962	-
Excise	-3 282 933	-
Excise	-3 282 933	-
Administrative penalties	-146 702 712	-88 193 451
Unallocated payments	-675 926	-497 792
Administrative penalties	**-147 378 638**	**-88 691 243**
Small Business amnesty levy	**-5 946 750**	**-5 068 006**
Total taxpayer credits	**-62 870 855 657**	**-45 712 751 247**

Ensuring correct declarations

Audit coverage

SARS conducted over 1.8 million audits during the 2015/16 financial year representing actual audit coverage of 15.12% of registered taxpayers against an audit coverage target of 11.5% at the beginning of the year. The bulk of the audit cases comprised verification interventions on 1.3 million PIT cases and the focus in this regard was on improving utilisation of third party data. These interventions resulted in total savings and cash collections of R22.6 billion.

In-depth audit coverage

SARS also conducted in-depth audits on high-risk, complex and high-yield cases across all tax types. During 2015/16, SARS achieved audit coverage of 0.104% of the tax register against a target of 0.075%. As a result of these in-depth audits an amount of R10.1 billion has been collected or saved in terms of reduced refunds.

Project-based initiatives i.e. Employment Tax Incentives, Tobacco Integrated Audit and Cash and Carry, aimed at boosting revenue, also made a positive contribution to the achievement of set targets. These initiatives contributed in excess of R176.5 million to revenue collections.

Enforcement investigation and prosecutions

During the 2015/16 financial year, 288 criminal investigations were completed by SARS and handed over to the National Prosecuting Authority (NPA). The NPA successfully prosecuted 99 cases for contraventions of tax legislation during the year under review. SARS completed 608 civil investigations on the licit and illicit economy and focused mainly on the priority areas of the SARS Compliance Programme.

Specialised SARS units conducted 12 025 disruption and detection interventions that targeted organised smuggling networks. These activities resulted in 2 276 detentions and 904 seizures of illicit goods. SARS made 59 arrest referrals to the SAPS. By 31 March 2016, 2 426 civil investigations were in progress. This comprises 614 instances of illicit economic activity involving enterprises that are set up for criminal gain and 1 812 instances of legitimate companies involved in illegal activity. Taxes, penalties and interest assessments to the value of R2.6 billion has been raised as a result of these interventions.

SARS has the responsibility to recover taxes in South Africa on behalf of foreign tax revenue authorities and in this regard SARS was successful in preserving assets in excess of R200 million.

Progress on compliance interventions in high-risk areas identified under the SARS Compliance Programme

Large businesses and transfer pricing

SARS continues to focus on businesses and activities engaged in transfer pricing as one of the high risk areas identified in the compliance programme. During 2015/16, SARS completed eight transfer pricing audits, achieving a 100% success rate and raising R790.6 million in taxes.

To improve SARS' efforts in this regard SARS also participated in many international platforms including: United Nations (UN) workshop on practical issues in transfer pricing for developing countries (Panama City, USA); OECD Working Party 6 (WP6); UN primer workshop on transfer pricing for developing countries (Lusaka, Zambia); ATAF summit (Kenya) and the UN transfer pricing manual update (Santiago).

SARS also continues to foster partnerships with other tax administrators to share skills and resources (through secondment programmes where possible). SARS is part of the India, Brazil and South Africa initiative that ensures collaboration, discussion and sharing of taxation issues facing developing countries and is also a member of the ATAF working group on Base Erosion and Profit Shifting (BEPS). SARS participated in a mining study with the World Bank to create an audit guide specific to the mining industry to assist auditors with identifying and auditing transfer pricing in the mining sector. SARS is part of the United Nations sub-committee on transfer pricing that is currently updating the UN practical manual on transfer pricing for developing countries.

High Net Worth Individuals (HNWI) and their associated trusts

SARS was able to expand the HNWI database from 4 417 to 5 951 individuals in 2015/16. SARS is utilising an enhanced methodology to identify HNWIs based on their declarations and by matching various third party data sources. The filing compliance of HNWIs declined between 2011/12 and 2013/14 with on-time filing decreasing from 82% to 72% whilst late filing increased from 8.9% to 13.3% in the same period. With respect to payment, compliance has consistently improved with on-time payment compliance increasing from 64% in 2011/12 to 75.4% in 2015/16. The main risk areas identified include under-declaration of income and failure to declare income or gains on sale of property or other assets. In 2015/16, SARS:

- Completed 81 audits of HNWIs and achieved an overall success rate of 75.3% which raised additional revenue of R224.5 million
- Completed 138 audits on trusts associated with HNWIs and achieved an overall success rate of 51% and raised additional revenue of R8.2 million
- Recovered R76.8 million debt from HNWIs and referred one trust case for criminal investigation

SARS has made improvements to the trust register by developing an audit trail of distributions made to trust beneficiaries and creating links to third party information systems. SARS also implemented a newly designed and enhanced trust tax return with additional information fields included. All fields in the trust return are now mandatory and not just the beneficiary information. All persons contributing to and/or benefitting from a trust must disclose personal particulars. The modernised trust system enables substantial compliance checks and integrated audits to be conducted.

Small businesses

Compliance by small businesses is showing mixed results since the launch of the Compliance programme with VAT on-time filing compliance showing improvements from 71.6% in 2011/12 to 79.7% in 2015/16. The on-time filing compliance of self-employed individuals slightly decreased from 66% in 2011/12 to 59.2% in 2015/16, while the on-time filing compliance for CIT declined from 44% to 38.7% between 2012/13 and 2013/14. The payment compliance of self-employed individuals increased from 54.9% in 2013/14 to 62.7% in 2015/16. Small business CIT on-time payment compliance improved from 53.4% in 2011/12 to 65.5% in 2015/16 while VAT on-time payments declined from 85.3% to 83% in the same period. In 2015/16, SARS:

- Completed 956 audits on small businesses and achieved an average success rate of 83% and raised additional revenue of R74.8 million
- Referred 62 cases for further investigation to the Enforcement Division

Tax practitioners and Trade intermediaries

The implementation of guidelines to improve the regulation and monitoring of tax practitioners, as set out in the amendment to the Tax Administration Act, has led to noticeable achievements in addressing the risk posed by tax practitioners. The number of tax practitioners who have been re-registered with SARS increased to 18 447 during 2015/16 (2014/15: 18 311). Eleven Recognised Controlling Bodies have activated their profiles on eFiling in order to enable submission of data on the compliance of practitioners. In 2015/16, SARS:

- Raised R306 679 additional taxes and achieved a 75% success rate from 20 audits conducted
- Referred six cases, with a potential value to SARS of R4.5 million, to the National Prosecuting Authority

Construction industry

The level of compliance in the construction industry remains a concern for SARS. The on-time filing of VAT returns has declined from 42.10% in 2011/12 to 39.5% in 2015/16. Over the same period, the level of non-filing increased from 41.16% to 46.6%. PAYE is also showing a decline in on-time filing compliance from 56.27% in 2011/12 to 51.6% in 2015/16 whilst non-filing levels have increased from 25% to 34.2% in the same period. Payment compliance has also decreased with VAT showing a decline in on-time payments from 78.63% in 2011/12 to 74.3% in 2015/16 and PAYE dropping from 83% to 77.5% in the same period. In 2015/16, SARS:

- Completed 985 audits and raised R59.9 million in additional taxes
- Referred 62 cases to the SARS Enforcement Division for further investigations
- Handed over four cases with a prejudice of R8.3 million to the NPA for possible prosecution

Cash and Informal sector economy

In context of the complexity and unique dynamics of the cash and informal sector of the economy, SARS sought to find effective ways to increase the sector's tax compliance. Part of the endeavour included study tours to Ghana and Tanzania in order to learn and understand how they are managing the compliance of the cash and informal sector of their respective economies.

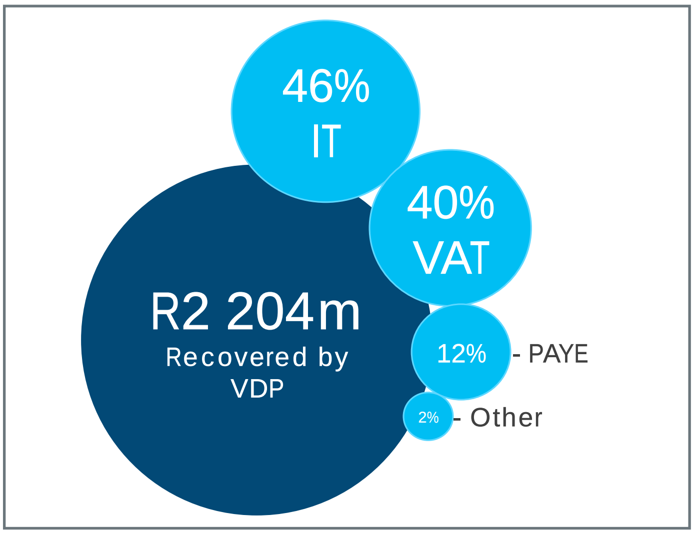
SARS participated in Operation Fiyela and visited more than 1 000 small- and micro businesses with its portable registration kits. A pilot project was also undertaken with respect to hardware stores in Mthatha in the Eastern Cape and several new taxpayers were registered. Opportunities for educating and supporting businesses were identified and embraced. Thirty one outstanding returns were recovered, thirteen audits were finalised with an assessment value of R8 201 664.23, as well as penalties and interest amounting to R4 226 622.29.

SARS will continue to work with the departments of Small Business, Trade and Industry as well as National Treasury to consider improved focus and support for the cash and informal sector of the economy through a holistic approach that includes the legislative and policy framework, processes and technology enablement. SARS also collaborates with the World Bank in context of their Ease of Doing Business report to ensure we stay abreast of global trends to make it easy for businesses to comply with their tax obligations. The primary focus on the cash and informal sector will not be on how much money could be collected but how to promote tax compliance with tax legislation in a manner that is supportive and inclusive for the benefit of all.

Voluntary Disclosure Programme

The SARS Voluntary Disclosure Programme (VDP) is administered under the Tax Administration Act, 2011 with effect from 1 October 2012 and aims to encourage taxpayers to come forward on a voluntary basis to regularise their tax affairs with SARS and avoid the imposition of understatement penalties and other administrative penalties. SARS received 1 937 new applications for the 2015/16 financial year and processed a total of 1 946 applications with agreement values as depicted in Figure 7.

Figure 7: Agreement Value for VDP



Work with other tax jurisdictions and countries on global tax compliance and enforcement to protect the erosion of South Africa's tax base

SARS continues to provide assistance to the South African government to increase effectiveness of treaties and agreements with other countries, tax jurisdictions and international organisations.

Foreign Account Tax Compliance Act (FATCA)

South Africa entered into an Inter-Governmental Agreement (IGA) with the United States of America's Treasury with respect to the USA's FATCA Automatic Exchange of Information (AEOI). The IGA was signed on 9 June 2014 in Pretoria by the Minister of Finance and the US Ambassador to South Africa, ratified by Parliament and gazetted on 13 February 2015 with a date of entry into force of 28 October 2014. Under the IGA, Reporting Financial Institutions (RFI) had to collect financial account information from 1 June 2014 to 28 February 2015 for the first reporting period and thereafter annually for every tax year ending February. Collected information had to be submitted to SARS from 1 June 2015 to 30 June 2015 and to the Internal Revenue Service (IRS) of USA by 30 September 2015.

The architecture of this solution is based on the model for the automatic exchange of information developed by the OECD and G20. Similar exchange of data with the OECD countries will leverage the same design and technology. SARS collected this data using the third party data systems and then exchanged the information with the USA Internal Revenue Service through a process of AEOI under the legal framework provided by the double taxation agreement that exists between South Africa and the USA.

The first phase of AEOI was released on 22 May 2015 to allow South African RFIs to submit files to SARS for consolidation and submission to the IRS. In line with the IGA signed between the governments of South Africa and the USA, data from all RFIs in South Africa that fully complied with the submission notice was sent to the IRS on 30 September 2015. SARS also received the reciprocal file on 1 October 2015.

It is envisaged that the following benefits will be realised with the implementation of the AEOI FATCA:

- Detection of tax evasion and offshore wealth: AEOI can alert SARS to tax evasion that was previously unknown, potentially raising substantial revenue. AEOI may also assist in identifying non-compliance by individuals which could be further scrutinised by SARS
- Deterrence from future non-compliance: AEOI should deter tax evasion and encourage timely compliance by taxpayers, as taxpayers are aware that financial institutions report directly to SARS
- Support domestic synergies: AEOI relies on financial institutions to report information to SARS. It is a growing trend among tax administrations around the world to use third party information reporting to assist with tax compliance. This provides an opportunity for SARS to enhance domestic compliance. SARS will be able to use information received both from domestic and international sources in its tax compliance efforts
- Enhanced reputation: Participating in this tax information exchange endeavour demonstrates a continuing commitment to transparency and to address tax evasion and the flow of illicit funds

OUTCOME 3: Increased ease and fairness of doing business with SARS

Improving the Dispute Resolution Management process

Education & Outreach empowered **217 257** taxpayers

Contact Centre scooped the CCMG Award

During Filing Season SARS received 5.94 million tax returns and > 95% were assessed in 3 seconds

Delivering Taxpayer service and improving our service channels

Progress on implementation of Single Registration process

World Bank's Report on Ease of Doing Business (paying taxes) ranked South Africa In the top **10%**

11 683 cases registered through the implemented Integrated Complaints Management process

Providing advice and guidance relating to the interpretation of Law Administration by SARS

Modernising Estates & Deregistration process

Implementing an integrated complaints management process for taxpayers

SARS wants to improve its response to taxpayer complaints and ensure that we learn from taxpayer experiences and reduce future complaints. In this regard, SARS continues to improve the manner in which taxpayer complaints are received and resolved and has now established a formal, centralised and consolidated view of all complaints lodged irrespective of the channel that was used.

In 2015/16, SARS established a new Complaints Management Office (CMO) incorporating the functions of the previous SARS Service Monitoring Office (SSMO). The CMO addresses all complaints regarding SARS and engages with the Office of the Tax Ombud (OTO), the Public Protector, the President's office and members of the public to ensure effective monitoring and resolution of complaints. It evaluates complaints and ensures they are resolved against specified service level agreements. The complaints management system commenced in September 2015 and until 31 March 2016, 11 683 cases have been registered on the system of which 10 812 had been resolved by the end of the financial year. The CMO will also identify "service failure" trends to enable SARS to continually improve its systems and processes, enhance client service and reduce future complaints.

On average, complaints are resolved within 21 working days and through future trend analysis, divisions may take pre-emptive measures to avoid repeat occurrences. Subsequent to the implementation of the complaints project, work has also been done to deliver on the legislative requirement to ensure that all cases received by the OTO are ring-fenced for OTO consumption only and shared with SARS as deemed necessary. For the 2015/16 financial year SARS has received 966 complaint cases from the OTO of which 740 have been resolved.

Improving the dispute resolution management process

SARS aims to improve the manner in which it handles disputes with taxpayers and wants to provide taxpayers with an accessible and easily understood dispute resolution mechanism in accordance with the Tax Administration Act (TAA). SARS has enhanced its existing solution for resolving Income Tax disputes and will extend this to other tax products.

The resolution of disputes between SARS and taxpayers is addressed through litigation and the Alternative Dispute Resolution process. In 2015/16, SARS:

- Received and dealt with 6 221 dispute cases through the Alternative Dispute Resolution process. 421 dispute cases were dealt with at head office, 5 617 at regional level and 183 cases were dealt with through the Tax Board process
- Dealt with 51 cases through the litigation process and won 39 cases registering an average success rate of 76%

Table 21: Breakdown of revenue and customs dispute resolution cases dealt with through litigation

Revenue Appeal cases	
Tax Court	**Quantity**
Won	10
Lost	4
Total cases	14
High court	
Won	18
Lost	4
Total cases	22
Supreme court of appeal cases	
Won	3
Lost	3
Total cases	6

Customs Appeal cases	
High court	
Won	7
Lost	1
Total cases	8
Supreme court of appeal cases	
Won	1
Lost	0
Total cases	1

Providing advice and guidance relating to the interpretation of laws administered by SARS

SARS continues to provide interpretations and rulings on tax matters to improve clarity and certainty for taxpayers. SARS achieves this by issuing new interpretation notes and brochures on new and contentious areas of the legislation it administers, updating interpretative tax policy documents to ensure that they remain current and accurate, issuing private binding and class rulings on future transactions, issuing binding VAT rulings and non-binding rulings on PIT, CIT and pension fund issues. In 2015/16, SARS issued 262 binding rulings and 869 non-binding rulings.

Delivering taxpayer service and improving our service channels

SARS seeks to make it as easy and straight-forward as possible for taxpayers to meet their tax obligations of registering, filing and payment. The SARS transformation agenda has outlined opportunities to improve the network model by supporting taxpayer segments through a modular concept in line with the one-stop shop design concept. In 2015/16, SARS:

- Serviced 7 218 500 taxpayers. A total of 6 411 495 people, 5.4% more than the 2014/15 financial year, were serviced at 53 branches across the country and 807 005, 6.6% more than the 2014/15 financial year, through engagement initiatives hosted throughout the country

- 15 SARS Mobile Tax Units (MTUs) serviced 218 167 taxpayers
- SARS opened a new branch in Newcastle during October 2015 and serviced 35 373 taxpayers by 31 March 2016
- The SARS Contact Centre and Branch Operations collectively executed over 12.4 million customer conversations. In addition, the business initiated 2.1 million outbound interactions utilising more than 1 240 staff members and resulting in R2.5 billion collected
- First Contact Resolution (FCR) achieved was 96.93% against a 95% target
- Caller abandonment rate of 7% was achieved against a target of 17%
- Post the implementation of the newly developed "Call Back Service", accessing the SARS Contact Centres has become much more convenient as over 240 000 taxpayers accepted SARS' offer to return their calls without them having to wait in queue
- The South African Contact Centre Management Group (CCMG) recognised and awarded the SARS Contact Centre first prize as the "Best Innovative Contact Centre" in South Africa
- Completed the implementation of a new online Tax Clearance Certificate process. The new system and process now provides taxpayers with the ability to apply for and get their Tax Compliance Status (TCS) online. Third parties will also have access to the online facility, utilising a PIN provided by the taxpayer, to check and confirm the tax compliance status of the people or businesses they are doing business with. The introduction of this solution enables taxpayers to manage their tax affairs more effectively as they have online access to the TCC system at any time to check their tax status and remedy any non-compliance. The solution also assists SARS to improve the efficiency of its administration of tax clearance requests (800 000 a year), raise service and compliance levels as well as deter fraud. In addition, the SARS TCC system was linked to the National Treasury Central Suppliers Database (CSD) and the CSD system now automatically checks the current tax status of vendors registering on the CSD as well as any vendor from whom a Government department considers to procure

Education and outreach

SARS is continuing to improve its education and outreach efforts to promote a culture of fiscal citizenship and encourage voluntary compliance amongst taxpayers and citizens.

In 2015/16, SARS:

- Hosted free tax education workshops and seminars to empower 217 257 taxpayers and assist them to gain better knowledge on Income Tax, Pay-As-You-Earn, provisional tax, turnover tax and VAT
- Hosted tax education workshops, in collaboration with the Department of Education, for learners at selected schools throughout the country. The focus of the workshops was on educating future taxpayers about their moral and legal obligation as citizens of South Africa to pay taxes. 94 717 learners and 4 623 educators participated in these workshops
- Engaged 6 611 non-accounting students at selected institutions of higher learning including Further Education and Training (FET) institutions
- Hosted a tax day broadcast, in partnership with eNews channel. During the Individual Tax Filing Season SARS created a platform to communicate tax morality, policy changes and to promote SARS service offerings. This opportunity enabled SARS to reach over three million viewers

- Assisted 85 156 taxpayers through the Thusong Service Centres and at co-location venues with other government entities (i.e. municipalities) throughout the country. Thusong Service Centres are joint government centres established to bring government services to people residing in South Africa
- Established points of service at prime public locations to support taxpayers with their compliance obligations
- Visited 975 employers and assisted 483 797 employees and employers to meet their tax obligations

Progress in the implementation of a Single Registration process

The single registration process is critical for SARS and forms the basis for the delivery of other capabilities such as the tax compliance status system and improved debt and risk management processes. Phase one of the single registration process involved setting up a central database of all taxpayers that provides for the creation of a single profile for taxpayers which includes information about the core tax and customs products they are registered for. The system will also offer taxpayers the ability to register and interact with SARS via the branch office network and eFiling channels in real-time. This initiative will greatly improve the quality of information SARS holds about each taxpayer and will facilitate an improved and tailored service offering. Equalisation will become much easier to administer as the entire taxpayer portfolio view, as well as payment history will be readily accessible to refund systems and the debt collection department. SARS has also started with the automatic merging of tax and customs products for those taxpayers that have not yet merged their products.

Modernising Estates and deregistration processes

SARS continues to modernise its systems and processes to eliminate manual interventions and reduce compliance and administration costs for taxpayers and SARS respectively. In 2015/16, SARS designed new automated processes for estate duty administration and deregistration of taxpayers resulting in direct and automated interfaces with the Department of Home Affairs (DHA), the Companies and Intellectual Property Commission (CIPC) and the Master of the High Court (MHC). These new processes will enhance the accuracy of the SARS register and facilitate the timeous finalisation of estate and deregistration cases and collection of outstanding taxes and help SARS to maintain an up-to-date and accurate taxpayer register. The design of the new deregistration process gives SARS the ability to auto-identify a deregistered case via SARS' CIPC interface and initiate an auto-finalisation of deregistration cases.

OUTCOME 4: Increased cost effectiveness, internal efficiency and institutional respectability

Working with key stakeholders to achieve efficiencies in value chain

Improving Human Resource processes

Cost of Revenue collection

0.96%

Redesigning the Operating Model

Progress on migration of SARS' accounting practices

Capital Investment made

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 0.96% during the 2015/16 financial year. Growth in operating cost was contained through 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 1.10% in the 2010/11 financial year to a low of 0.96% in the 2015/16 financial year (Table 22).

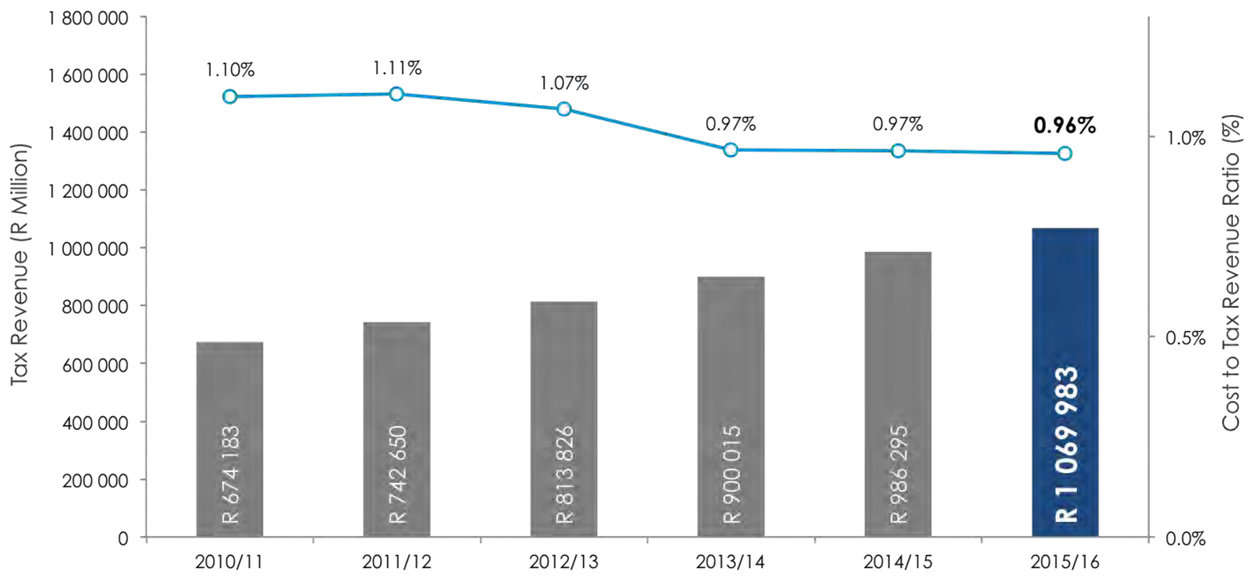
Table 22: Cost of revenue collection from 2010/11 to 2015/16

Year	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16
	R million	**R million**	**R million**	**R million**	**R million**	**R million**
Tax revenue	674 183	742 650	813 826	900 015	986 295	1 069 983
Operating cost *	7 426	8 221	8 696	8 702	**9 523	10 245
	%	%	%	%	%	%
Cost to tax revenue ratio	**1.10%**	**1.11%**	**1.07%**	**0.97%**	**0.97%**	**0.96%**

*Note: * Controlling entity*
***2014/15 Operating cost has been restated*

This consistent performance shows that SARS has contained costs while increasing the amount of revenue it has collected (Figure 8). 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.

Figure 8: SARS' cost of revenue collection from 2010/11 to 2015/16



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%, notwithstanding considerable differences in the range of taxes administered and the cost measurements. The United States of America (USA) achieved a low of about 0.5% and Germany reported 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 2015/16 ratio drops from 0.96% to 0.92%.

Progress on migration of SARS' accounting practices to the Generally Recognised Accounting Practice (GRAP) by 31 March 2018

SARS continues to migrate its accounting practices and systems to Generally Recognised Accounting Practice (GRAP) in order to achieve compliance by 31 March 2018 as required by Directive 6: Transitional Provisions for Revenue collected by SARS. In 2015/16, SARS finalised the migration of the Customs, Excise and Transfer duty products to GRAP. SARS will finalise the migration of certain non-core taxes during 2016/17 and will prepare for further migration of the accounting process and systems for the remaining tax products.

Working with key stakeholders to achieve efficiencies and effectiveness in compliance

SARS continues to work with a broad range of stakeholders to improve compliance and achieve value chain efficiencies and effectiveness throughout all the tax and customs products it administers. SARS is improving relationships with key stakeholders and seeks their participation in the design and administration of the tax and customs laws of the country. In 2015/16, SARS:

- Received applications from seven professional bodies to be acknowledged as Recognised Controlling Bodies (RCB). Only two bodies were recognised (five did not meet the criteria) bringing the number of RCBs to 11
- Met with Recognised Controlling Bodies to set the parameters for future engagements
- Supported the Tax Indaba 2015 jointly hosted by the Recognised Controlling Bodies. (The Tax Indaba is a national platform for tax practitioners to discuss issues relating to tax policy and its implementation)
- Met with the leadership of the RCBs, discussing issues with a national impact or strategic nature at the National Operational Stakeholders Forum
- Collaborated with the Independent Regulatory Board of Auditors (IRBA) to encourage compliance and fiscal citizenship amongst their members and clients. A joint consultative forum between SARS and IRBA led to a new auditing standard relating to Non-Governmental Organisations (NGO) and the Public Benefit Organisations (PBO) sector
- Worked closely with the South African Association of Freight Forwarders (SAAFF) to facilitate the implementation of many

Customs initiatives under the new Customs Control Act (CCA). SARS participates in these events and uses the platform to educate and engage with trade intermediaries. The Commissioner delivered the key note address at the 2015 SAAFF conference

- Met with the Banking Association of South Africa (BASA) to discuss issues that have an adverse effect on revenue and to prevent tax base erosion
- Met with Business Unity South Africa (BUSA) with a view to formalise and institutionalise the relationship to enhance tax compliance in the corporate sector

Improving Human Resource processes

SARS must be able to attract, develop and retain the optimal skills mix for the organisation and for the delivery of the services set out in law. This includes, amongst other things, application of flexibility in remuneration levels for the recruitment of scarce and critical skills, as well as a differentiated regime for recruitment and remuneration depending on the nature of the skill and career path. In 2015/16, SARS:

- Started a project to review job profiles to ensure relevancy and consistency across the organisation. Some of the deliverables of the project include:
    - Re-positioning of the SARS work levelling model and framework and the associated re-alignment of all new and existing roles within SARS
    - Development of a SARS qualification framework which is fully aligned with South African Qualification Authority (SAQA) requirements and the SARS work levelling protocol
    - Design and development of the following new or significantly changed job profiles: Chief Officer (8), Group Executives (28), Executives (75), Senior Managers/Specialists (71) and Managers/Specialists (63)
    - Conversion of all 880 existing jobs on the SARS job catalogue into the new job profile methodology and format
- Implemented a SAP compensation module to replace the current stand-alone process to provide an integrated process for conducting salary market research and administer annual salary increases
- Started the digitisation of employee files including employee file management and administration. The benefits of this process include increased efficiency and security of confidential employee information

Redesigning the Operating Model

SARS began a journey in January 2015 to review its Operating Model and supporting structures to better align with its key strategic objectives. This process resulted in the development of recommendations on how to better align its activities and group the business units to deliver on set objectives. This process culminated in the unveiling and announcement of the new SARS Operating Model and supporting structures at the National Executive forum held on 18 August 2015. The revised Operating Model is aimed at simplifying and balancing structures, elevating priority structures and grouping common functions together to improve governance, organisational efficiency and alignment with strategic priorities.

The project team collaborated with experienced international and independent service providers for the Information Technology optimisation and strategy review and for the Operating Model and structure review. The project was carried out in two phases: phase one was designed to develop a new Operating Model, business architecture and structure and craft a framework on how

SARS will proceed with its modernisation strategy. This phase was completed by 31 March 2015. Phase two was designed to effect the implementation of the new Operating Model. The time frames for the completion of phase two are envisaged to be the end of June 2016 in terms of deliverables supported by the service providers, whilst deliverables to be undertaken internally within SARS are envisaged to be completed by 31 March 2017.

It is imperative that SARS remains steadfast in building on past successes, actively addressing areas which require improvement in order to shape and realise a SARS which is employee-centric, taxpayer-and trader-focused, holds high levels of ethics and integrity, collaborates well with external stakeholders, exudes impeccable levels of governance and embodies a strong focus on its core business of revenue collection and trade facilitation.

Since the announcement of the new Operating Model during August 2015, various engagements with staff at all levels have been undertaken to socialise the new model and supporting structure, the design principles, the diagnostic findings, the rationale for the changes and most importantly the benefits which SARS and South Africa will achieve through the implementation of SARS' new Operating Model.

To enable and effect the Operating Model, a recruitment process was undertaken to begin the transitioning of the organisation. To date, the first 14 business units have been transitioned to the new organisational structure. As we have proceeded with transition, we have achieved a number of notable milestones:

- Commenced transitioning approximately 2 200 employees across these 14 business units
- Crafted and executed a design engagement process to ensure all business leaders can review and validate the new structure before they transition
- Recruited well, confirming the appointment of six Chief Officers, 20 Group Executives, 53 Executives and Senior Managers as at the end of March 2016

The design principles were agreed upfront to ensure a fit for purpose organisational structure:

- Minimise disruption and balance with achieving of the optimal structure
- Balance structures and increase focus on governance
- Simplify processes and focus on high-value opportunities
- Collect all taxes due by focusing on untapped collection potential
- Increase focus on Customs and Excise – better protect borders and facilitate trade
- No downsizing within the structure

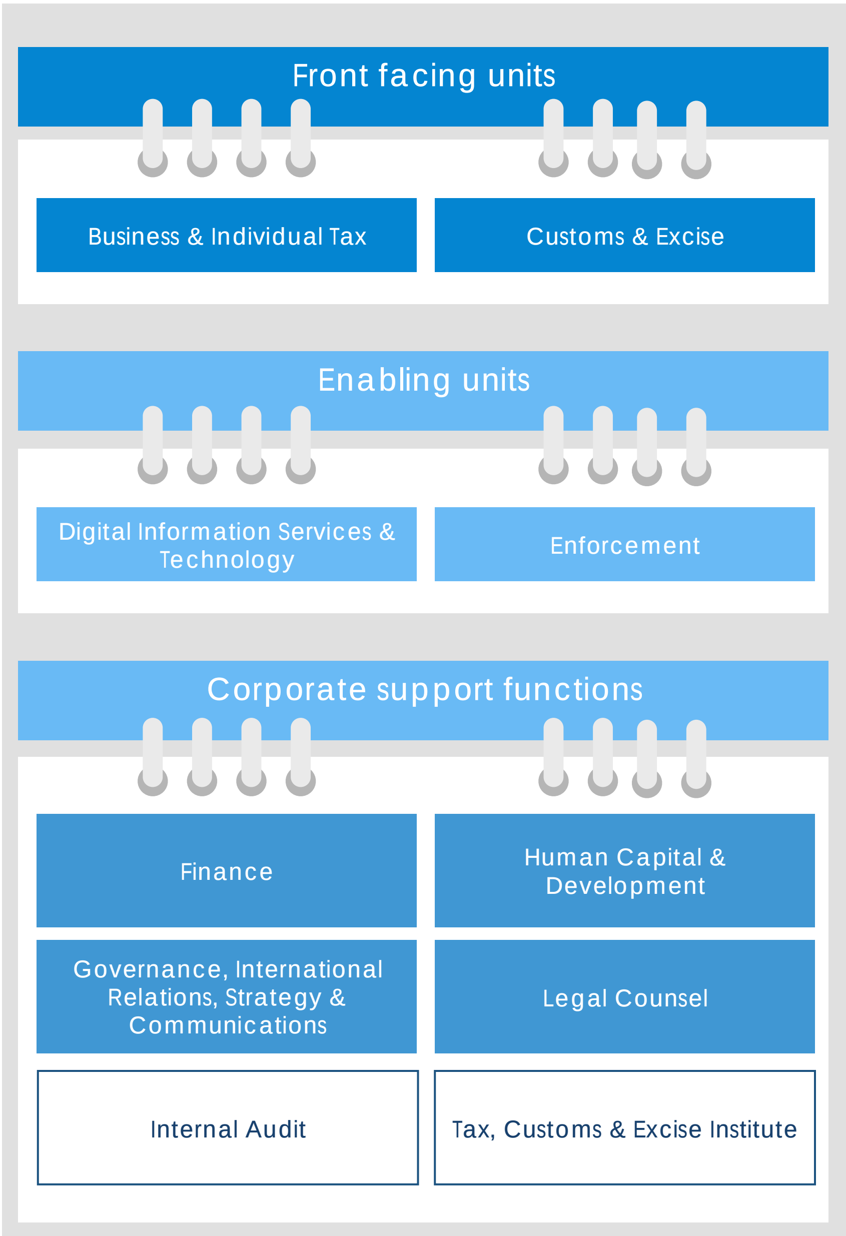
The SARS revised Operating Model is focused on clarity and simplicity. It is entrenched on improving organisational structure; accountability; governance; ways of working and human capabilities.

SARS will continue to seek to retain its staff complement with the implementation of the revised Operating Model. The core mandate of SARS will not change through this process and it is critical that SARS maintains its focus on core operations and delivery of superb service at all times. Roles and duties continue to be performed at a high standard with a concerted focus on the SARS core mandate of revenue collection, trade facilitation, enhanced service to taxpayers and traders as well as the strengthened enforcement of tax compliance. The new leadership in SARS will continue to inculcate a culture of values-based leadership and an enabling environment for staff to exceed all expectations and sustain its reputation as the most respected tax authority in Africa.

The following transition principles of the transformation ensured a fair and transparent process:

- Minimise disruption and balance with achieving of the optimal structure
- Treat all employees fairly throughout the organisational transition process
- Communicate regularly and openly with employees
- Run a fully transparent transition process
- Retain and promote SARS talent through the transition process

The Operating Model is enabled by a structure that groups delivery, enabling, and corporate support functions to align SARS' workforce to achieve its strategic outcomes, as depicted below.



Capital investment

Growth and expansion

In 2015/16, SARS:

- Opened a new branch office in Newcastle. SARS now operates 53 branch offices around the country and planned footprint expansion projects will add four new branches at Lephalale, Queenstown, Springbok and George in 2016/17
- Deployed new scanners for the Durban and Cape Town ports of entry to replace scanners that were relocated to other ports of entry
- Established new Detector Dog units in the Northern Cape at Nakop and Vioolsdrift border posts
- Purchased 20 motorbikes for the Durban Harbour to be used for patrolling
- Deployed nine baggage scanners at various ports of entry and mail centres to respond to the global developments regarding trade, supply chain security and trade facilitation, to improve anti-smuggling capability and border enforcement and to enhance customs revenue collection

Compliance upgrades and relocations

During the year under review the following compliance upgrades were made: Alberton Campus (waste area); Roodepoort, (fifth floor); Lehae le SARS (block D, first and second floor, block A second floor, basement garage and restroom upgrades to all buildings); Brooklyn Bridge; (Linton House, ground floor); Ashleigh Gardens; Customs House and Musina parking area.

The first phase of the upgrade of the Government premises that houses the Port Elizabeth branch office was initiated. Further property improvements are planned for the coming year and these include the next phase of the improvements to the Port Elizabeth branch office building and renovations to the Bloemfontein new central Government building. The Soweto and Waverley Park branches are also in the process of being upgraded.

Business continuity

To alleviate the impact of intermittent electricity cuts, SARS has completed a business proposal to purchase generators for various sites which included an additional eight generators. This added to the current 69 permanent generators countrywide and seven hired generators. Back-up water systems that are critical to many SARS offices at the border areas continue to be installed. Fraud management has been highlighted by SARS management as one of the highest priorities. Enhanced IT information security will curb cybercrime and will ensure the safeguarding of taxpayer information against possible threats.

Fixed asset register

SARS' fixed asset register has decreased by 7% net book value since the 2014/15 financial year. Disposals of R2 637 696 Net Book Value (NBV) relate to the sale of property, plant and equipment.

SARS continues to improve the accuracy and completeness of information in its fixed asset register. In 2014/15, SARS introduced the "My Asset" tool to manage the organisation's assets. An asset condition field has been incorporated into the tool during 2015/16 to improve reporting of all assets.

PREDETERMINED PERFORMANCE OBJECTIVES

SARS seeks to align its performance management and reporting processes with the Government's outcomes-based approach to measuring and assessing performance of government entities. The SARS Strategic Plan provides the basis for the organisation's outcomes-based performance management and planning processes. From the Strategic Plan, SARS develops an Annual Performance Plan, annual budgets and annual performance measures. SARS reports on its performance in the Annual Report and uses this information to track progress towards achieving the long-term goals and outcomes set out in the Strategic Plan.

In developing and setting out performance measures, SARS continues to look for innovative ways to reflect and report performance in a more meaningful way. SARS depends on accurate data, including efficient and effective systems to gather and analyse data. This also reflects the approach to how SARS is transitioning the organisation to the ultimate desired end state of outcomes-based performance, measurement and reporting. SARS continues to focus on the most meaningful set of strategic outcome measures that can be used to measure and report performance.

In Table 23, SARS' performance is set out against the predetermined targets for the strategic performance measures.

Schedule of Performance Information

Table 23: Schedule of Performance Information 2015/16

SARS							
Predetermined Objectives: Schedule of Performance Information for 2015/16							
NO.	STRATEGIC OUTCOME	STRATEGIC MEASURE			ACTUAL ACHIEVEMENT 2015/16	VARIANCE ON TARGET	COMMENTS
		MEASURES	BASELINE	2015/16 TARGET			
1	Increased Customs compliance	Customs revenue collected (R billion)	R178.0 billion	As per agreed target with Minister of Finance R198.5 billion - (Revised estimate for 2015/16)	R197.6 billion	-0.9	The Customs revenue collected for the year resulted in a deficit of R0.92 billion. Import VAT collected was lower than the revised estimate, mainly due to the constrained growth of taxable imports in 3 of the last 4 months.
2	Increased Customs compliance	% of trade that has been audited with a view to obtaining Preferred Trader status	26.42	25	29.34	4.34	For the year, importers submitted declarations consisting of 26 647 826 lines. Of this total, 7 817 228 were submitted by potential preferred traders. Audits are done on clients to determine their potential preferred trader status. For this year, 31 audits were finalised culminating in 271 finalised audits since 2010/11. These additional clients and the trade volume growth, especially of our top clients who are mostly preferred trader clients, contributed to the positive performance of this measure.
3	Increased Customs compliance	% Of cargo declarations targeted	13.39	11	13.14	-2.14	The main reasons for the higher than estimated alert ratio are the following: 1. The adjusted rate of exchange is resulting in an increase in the number of alerts. The rate of exchange was adjusted from R10.80 in April 2015 to R15.50 in March 2016. This has resulted in more consignments being targeted. 2. An increased focus on clothing and textiles resulted in a new tariff heading (6212 10 00 8) added to the risk engine in October 2015. This allows for additional risk rules and alerts.

Schedule of Performance Information (continued)

Table 23: Schedule of Performance Information 2015/16

NO.	STRATEGIC OUTCOME	STRATEGIC MEASURE			ACTUAL ACHIEVEMENT 2015/16	VARIANCE ON TARGET	COMMENTS
		MEASURES	BASELINE	2015/16 TARGET			
4	Increased Customs compliance	% Increase in electronic manifest submissions	-1.88	1.00	-6.10	-7.10	The number of electronic manifests submitted for the year was 1 529 447 compared to 1 628 821 submitted in the previous period. The underperformance is mainly due to the decrease in electronic manifests from air and sea. SARS has no control over trade or manifest volumes as these are influenced by policy and the economic climate. This negative trend potentially reflects a global trend towards larger consignment/transaction sizes. There can be an increase in the volume of cargo moved across the border but a decrease in the number of manifests submitted as carriers of goods and freight forwarders aim for logistical efficiencies.
5	Increased Customs compliance	Interfront Governance - Unqualified audit report	Unqualified Audit Report	Unqualified Audit Report	Clean Audit report	0	The Auditor-General audit report for Interfront is a clean report.
6	Increased Tax compliance	Total revenue (excluding Customs revenue) collected (R billion)	R808.3 billion	As per agreed target with Minister of Finance R871.2 billion - (Revised estimate for 2015/16)	R872.4 billion	1.2	The total revenue (excluding Customs revenue) target was exceeded by R1.2 billion. Mainly driven by lower VAT refunds due to weak private sector capital investment as a result of low business confidence levels and generally weak demand; private sector capital investments grew by 0.4% in 2015 from a contraction of 3.4% in 2014. Furthermore, CIT collections were higher against the revised estimate mainly driven by the wholesale and retail trade as well as the finance sectors.
7	Increased Tax compliance	Debt Book as a % of tax revenue	9.10	8.00	9.01	-1.01	The debt book has increased by R6.656 billion (7.4%) from R89.722 billion to R96.378 billion since the beginning of the financial year. This growth arose mainly from higher inflow of VAT and CIT debt cases. Due to adverse economic conditions it became increasingly difficult to resolve new debt cases.

Schedule of Performance Information (continued)

Table 23: Schedule of Performance Information 2015/16

NO.	STRATEGIC OUTCOME	STRATEGIC MEASURE			ACTUAL ACHIEVEMENT 2015/16	VARIANCE ON TARGET	COMMENTS
		MEASURES	BASELINE	2015/16 TARGET			
8	Increased Tax compliance	% PIT filing compliance	94.49	92.00	92.16	0.16	By the end of the filing season SARS received 4.198 million 2015 PIT returns out of the 4.556 million required. This equates to a 92.16% PIT filing compliance.
9	Increased Tax compliance	% Audit coverage of registered taxpayers (PIT, CIT, VAT/Excise and PAYE)	12.11	11.50	15.12	3.62	During the financial year, SARS conducted over 1.8 million audits. The bulk of the audit coverage comprised verification interventions on 1.3 million PIT cases. Increased focus was directed at improving the quality of third party data and continuous engagement with suppliers where discrepancies were identified.
10	Increased Tax compliance	% In-depth audit coverage of registered taxpayers (PIT, CIT, VAT/Excise & PAYE)	0.09	0.075	0.104	0.029	During the financial year, SARS conducted 12 892 in-depth audits. Improved case selection, dedicating sufficient time and resources to address these complex cases and improved governance contributed to the achievements in this area. Project-based initiatives, aimed at boosting revenue, also made a positive contribution to the result. These initiatives included the following: • Employment Tax Incentive • Tobacco Integrated Audit • Cash and Carry
11	Increased ease and fairness of doing business with SARS	% Uptake in electronic filing, declaration and payment submissions for all tax products	98.29	98.00	98.57	0.57	Taxpayers are moving towards electronic submissions and payments. For the year, SARS received 37.33 million returns and payments for PIT, CIT, VAT, PAYE and Customs. Of this total, 36.80 million were submitted electronically which equates to a 98.57% uptake.

Schedule of Performance Information (continued)

Table 23: Schedule of Performance Information 2015/16

NO.	STRATEGIC OUTCOME	STRATEGIC MEASURE			ACTUAL ACHIEVEMENT 2015/16	VARIANCE ON TARGET	COMMENTS
		MEASURES	BASELINE	2015/16 TARGET			
12	Increased ease and fairness of doing business with SARS	% Uptake in electronic customs bills/declarations (EDI)	99.99	99.99	99.995	0.005	Of the 6 319 566 declarations received, 6 319 247 were submitted electronically. This represents 99.995% of the EDI uptake for the year. This data is representative of all declarations, i.e. imports and exports (international and SACU). The increased drive on Customs modernisation has resulted in almost 100% electronic submission of declarations.
13	Increased ease and fairness of doing business with SARS	Average processing turnaround time for PIT returns (working days)	0.05 days (26 minutes)	30 minutes	134 minutes (0.28 days)	-104 minutes	The end to end processing time for all 2015 PIT returns assessed included the time it took to assess returns routed for audit, manual assessments as well as those waiting for supporting documents. These factors impacted the average turnaround time negatively. When the processing time is measured excluding items routed for audit and manual assessment, 94% of all returns were assessed within 5 seconds.
14	Increased ease and fairness of doing business with SARS	Average processing turnaround time for CIT returns (working days)	0.63	Less than 1.0 day	0.30	0.70	The over achievement is due to the maturity in the assessment system and improvement on the service standard. In the past assessments were 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)	32.85	21.00	33.11	-12.11	The underperformance is due to outlying cases, which affect this measure disproportionately, but remain part of the original metric. These outlying cases include all credits on taxpayer VAT accounts, which result in refunds due to overpayments, system generated and internal journals and not necessarily a VAT refund claimed on a submitted VAT return. When this measure is calculated to exclude refunds from non-return events, the achievement improved significantly to 22.28 days.

Schedule of Performance Information (continued)

Table 23: Schedule of Performance Information 2015/16

NO.	STRATEGIC OUTCOME	STRATEGIC MEASURE			ACTUAL ACHIEVEMENT 2015/16	VARIANCE ON TARGET	COMMENTS
		MEASURES	BASELINE	2015/16 TARGET			
16	Increased ease and fairness of doing business with SARS	% VAT refunds processed within 14 days	69.83	74.00	62.42	-11.58	The underperformance is due to the increase of suspected VAT refund fraud cases. This type of fraud is regarded as a strategic risk that SARS needs to manage effectively and in the process of doing so enhance the risk engine mechanism to ensure that only legitimate refunds are processed.
17	Increased cost effectiveness, internal efficiency and institutional respectability	Employee Engagement (%)	66.42	64.50	67.50	3	The employee engagement index continues to improve as results were above target.
18	Increased cost effectiveness, internal efficiency and institutional respectability	Leadership Effectiveness Index (%)	86.53	87.70	87.38	-0.32	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 (%)	72.62	72.00	74.55	2.55	SARS' black workforce now represents 74.55% of the organisation's headcount.
20	Increased cost effectiveness, internal efficiency and institutional respectability	Employment Equity: Gender on management level (%)	48.52	47.20	48.50	1.30	Females comprised 48.50% of SARS' management.

Schedule of Performance Information (continued)

Table 23: Schedule of Performance Information 2015/16

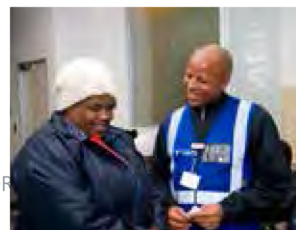
NO.	STRATEGIC OUTCOME	STRATEGIC MEASURE			ACTUAL ACHIEVEMENT 2015/16	VARIANCE ON TARGET	COMMENTS
		MEASURES	BASELINE	2015/16 TARGET			
21	Increased cost effectiveness, internal efficiency and institutional respectability	Employment Equity: Disability (%)	1.95	2.06	1.18	-0.88	The target was not achieved due to attrition and a low recruitment rate.
22	Increased cost effectiveness, internal efficiency and institutional respectability	Treasury allocation to revenue percentage	0.97	Between 1.0 and 1.2	0.96	0.04	SARS has contained costs while increasing the amount of revenue it has collected. Growth in operating costs was contained by greater efficiency, tighter controls and better rates from service providers.
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.

Part Three

Governance, Legal and Risk Management

03



PARLIAMENTARY ARRANGEMENTS

SARS is accountable to the Minister of Finance and is from time to time called to account and present reports to the Parliament of the Republic of South Africa. In 2015/16, SARS attended 24 meetings of the Parliament's Standing Committee on Finance (SCOF) to present on various aspects of SARS' administration as indicated in the table below.

Table 24: Portfolio Committee

Portfolio committee	Number of meetings held	Key issues raised
SCOF (Standing Committee on Finance)	24	**21 April 2015** – Banks Amendment Bill: Input from Banking Association of SA; Discussion on the Bill's constitutionality, SARS' alleged rogue unit and Sikhakhane Commission update **19 May 2015** – Transfer pricing: EFF submission; Tax Treaties: Cyprus, Lesotho, Hong Kong, Qatar, Cameroon, Granada, Zimbabwe, Singapore **20 May 2015** – Base Erosion and Profit Shifting (BEPS) Report: Parliamentary Budget Office briefing **26 May 2015** – Tax proposals and draft rates; Monetary Amounts Bill: National Treasury briefing **3 June 2015** – SARS 2015 programme: progress report; committee report on BRICS New Development Bank agreement **10 June 2015** – Davis Tax Committee: update by Judge Dennis Davis **17 June 2015** – Rates and Monetary Amounts; Amendment of Revenue Laws Bill (B15-2015): hearing and discussion **23 June 2015** – Rates and Monetary Amounts; Amendment of Revenue Laws Bill (B15–2015): voting **4 August 2015** – Taxation Laws Amendment Bill; Tax Administration Law Amendment Bill: information briefing on draft bills **18 August 2015** – Kuwait, Luxembourg, Netherlands, Switzerland Protocols, Andorra and Macao Tax Information Exchange Agreement (TIEA) briefings **19 August 2015** – Taxation Laws Amendment Bill; Taxation Administration Laws Amendment Bill: workshop **25 August 2015** – South African Revenue Service (SARS) quarterly report **26 August 2015** – Retirement Reforms: workshop **11 September 2015** – Base Erosion and Profit Shifting: joint workshop **16 September 2015** – Taxation Laws Amendment Draft Bill; Tax Administration Laws Amendment Draft Bill: public hearings **13 October 2015** – National Treasury and SARS: 2014/15 Annual Reports; Audit outcomes by the Auditor-General **15 October 2015** – Taxation Laws Amendment Bill: Tax Administration Laws Amendment Bill: National Treasury and SARS response to public hearings; Tax and Harmonisation Reform: National Treasury briefing; Twin Peaks Bill: expert briefing **22 October 2015** – Medium Term Budget Policy Statement (MTBPS) 2015: Minister of Finance briefing **4 November 2015** – Taxation Laws Amendment (B29-2015): consideration of options **10 November 2015** – Taxation Laws Amendment Bill (B29-2015); Tax Administration Laws Amendment Bill (B30 - 2015): public hearings and response **11 November 2015** – Tax Administration Laws Amendment Bill (B30-2015): consideration **17 November 2015** – Taxation Laws Amendment Bill (B29-2015): consideration **24 November 2015** – Taxation Laws Amendment Bill (B29-2015): consideration **25 November 2015** – Taxation Laws Amendment Bill (B29-2015): voting

SARS COMMITTEES

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' overall governance is strengthened by the existence of three external committees and an executive committee.

Table 25: Committees

Committee	No. of meetings held	No. of members	Name of members
SARS Advisory Committee	6	7	Judge Frank Kroon, Chairperson Advocate Selby Mbenenge SC, vice-chairperson (resigned: July 2015) Advocate Rudolf Mastenbroek Mr Bonga Mokoena Ms Meta Maponya Mr Jonas Makwakwa (SARS Executive) Mr Matsobane Matlwa (SARS Executive)
Executive Committee	18+	7 as at 31 March 2016	Refer to – Table 26
Audit Committee	3	3 members until July 2015 2 members until March 2016	Mr Bongani Nqwababa (Chairperson until 24 July 2015 – Term ended) Mr Vuyo Kahla Mr Sathie Gounden
Human Resource Committee	0	5	Ms Berenice Lue-Marais Ms Maggie Mojapelo Prof Steven Bluen Mr Kenny Govender Mr Moeketsi Shai

SARS Advisory Committee

The Minister of Finance established the SARS Advisory Committee under section 11 of the SARS Act in March 2015 for a one-year term. The committee was given the broad mandate of guiding the Commissioner and Minister of Finance on strategic decisions regarding SARS' operations, personnel, budget, technology and governance. The committee was tasked to advise the Minister of Finance on the following matters pertaining to SARS:

- Proposed strategic and business plans, goals and measures relating to those plans
- Operational and organisational plans, including modernisation of technology systems, training and reorganisation of business units
- Ensure that the budget supports the revenue and customs authority's strategic and business plans
- Review of current governance structures at SARS

In addition, the committee was tasked to review the allegations made in the media regarding the unlawful establishment of an intelligence unit and advise the Minister of Finance and the Commissioner about the best way to prevent such from occurring again.

In pursuit of its mandate, the SARS Advisory Committee held six meetings in 2015/16 on the following dates: 2 April 2015, 28 April 2015, 2 June 2015, 6 August 2015, 25 November 2015 and 30 March 2016.

The chairperson and one or more members of the committee also (on a number of occasions) had meetings with the Minister/ Deputy Minister and/or the Commissioner in the year under review.

The SARS Advisory Committee considered, inter alia, the following issues which were the subject of various reports, written and oral, which were presented to the committee:

- SARS' strategic IT assessment
- SARS' Operating Model and the related issue of communication, engagement and change management
- So-called SARS intelligence unit
- KPMG report
- Investigative powers of SARS
- Disciplinary proceedings instituted by SARS and subsequent settlements reached
- Border Management Agency Bill
- Internal SARS security
- Withdrawal of certain court proceedings

The SARS Advisory Committee's term ended on 31 March 2016.

The SARS Executive Committee

The Table below contains the details of persons who served on EXCO during the year. The columns "Start date" and "End date" only reflect a value if the respective EXCO member's term in a specific role, started or ended during the reporting period. It further depicts role changes as a result of transitioning to the new Operating Model.

Table 26: SARS Executive Committee

Name	Designation	Start Date	End Date
Thomas Moyane	Commissioner		
Kosie Louw	Chief Officer: Legal Counsel		
Matsobane Matlwa	Chief Financial Officer		
Teboho Mokoena	Chief Officer: Human Capital and Development	1 January 2016	
Jed Michaletos	Chief Officer: Customs and Excise	1 January 2016	
Hlengani Mathebula	Chief Officer: Governance, International Relations, Strategy and Communications	1 January 2016	
	Acting Chief Officer: Enforcement	1 February 2016	
Jonas Makwakwa	Chief Officer: Business and Individual Taxes	1 November 2015	
	Acting Chief Officer: Digital Information Services and Technology	1 February 2016	
	Acting Chief Officer: Operations		31 October 2015
Ivan Pillay	Deputy Commissioner		7 May 2015
Gene Ravele	Chief Officer: Enforcement		21 May 2015
Bob Head	Special Advisor to the Commissioner		30 June 2015
Elizabeth Kumalo	Chief Officer: Human Resources		25 September 2015
Sunita Manik	Group Executive: Large Business Centre		9 November 2015
Makungu Mthebule	Acting Chief Officer: Strategy, Enablement and Communications		9 November 2015
Godfrey Baloyi	Acting Chief Officer: Enforcement	21 May 2015	31 December 2015
Vincent Sibande	Acting Group Executive: Large Business Centre	10 November 2015	31 December 2015
Marius Papenfus	Acting Chief Officer: Strategy and Communications	10 November 2015	31 December 2015

In terms of Sections 49(2) of the PFMA and 9(1)(d) of the SARS Act, 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 (EXCO) which consists of Chief Officers. The EXCO is supported by various sub-committees. The Commissioner chairs the EXCO.

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 2015/16 financial year, SARS embarked on a transformation process and review of its Operating Model and information technology strategy and systems. As a result of the transformation process, the new SARS EXCO was appointed in line with the new Operating Model. The second leadership level was also streamlined and this resulted in the appointment of the group executives to the new portfolios after a rigorous selection process.

To ensure business continuity during the period of change all efforts were made to mitigate the risk of destabilising the organisation. Amongst others, the SARS leadership intensified its engagements with managers and staff across the organisation and an online platform for staff to engage with the Commissioner was implemented.

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

- Establishment of a national steering committee to oversee SARS' revenue collection efforts
- Establishment of a Digital Technology Management Committee, which oversees and approves all decisions regarding SARS' IT systems and projects
- Prioritisation of impactful projects and an overhaul and tightening of the governance of projects
- Enhanced and rigorous management of procurement processes
- Control in respect of expenditure was tightened to give effect to the government's cost containment measures
- In pursuit of SARS' mandate to bolster compliance, a number of anti-corruption initiatives were implemented

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. All the SARS Audit Committee members including the chairperson are external appointees and independent non-executive members. All members complied with statutory required competencies, no conflict of interest and independence requirements.

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 comprises, amongst others, details of membership and meetings conducted and is included in Part Five of this Annual Report.

The Human Resource Committee

The Human Resource Committee did not meet during the period under review due to changes relating to the new Operating Model. It will however continue its advisory role, to the Commissioner and Minister, in the new financial year on matters pertaining to conditions of employment in SARS.

ENTERPRISE RISK MANAGEMENT

SARS has an enterprise risk governance framework that addresses risks at the strategic, operational and transactional levels including individual cases. The SARS enterprise risk management governance 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 provides internal strategic level risk oversight to assist the Commissioner to effectively and efficiently manage all risks to which the organisation is exposed. High-end organisation-wide risks are elevated from divisional and business unit level to EXCO for further resolution and guidance on its mitigation. The SARS Audit Committee and SARS Human Resource 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 a key role in strengthening the SARS enterprise-wide risk management process during the year under review.

Risk at the operational level is decentralised and managed through divisional risk governance structures. The risk management process is given practical 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, as well as 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 continues to maintain a strategic risk register and this is also included in the SARS Strategic Plan and Annual Performance Plan documents. SARS submits detailed updates on key mitigation measures to the National Treasury as part of its external reporting framework.

Table 27: Strategic risk register for 2015/16

Strategic risks facing SARS	
The risks we need to manage	**How we will manage these risks**
Revenue collection pressure The prevailing global and local economic uncertainties place increasing pressure on SARS' ability to collect revenue. Ongoing electricity supply constraints, labour disputes and service delivery protests domestically add to this already challenging economic environment.	• Continue to expand our footprint through physical infrastructure, mobile tax units and mobile registration kits • Increase compliance activities through increased and targeted audit and enforcement activities, as well as enhanced debt management • Increase the use of administrative penalties
Value-Added Tax (VAT) refund fraud The SARS VAT systems and processes continue to be placed under pressure as businesses respond to the slow economic recovery and the impact on their businesses. There is thus an increased chance of tax fraud, especially VAT fraud, whereby businesses will be over-claiming inputs and expenses or under-declaring and/or non-declaring outputs and income to protect their profits. There is also the risk of releasing invalid refunds and the threat of identity fraud.	• Enhance our risk engines to ensure only legitimate refunds are processed and increase audit coverage for effective detection and deterrence • Increase enforcement activities to address fraudulent claims • Improve the registration process, especially for VAT to ensure accurate taxpayer accounts, including bank account details

Strategic risks facing SARS (continued)	
The risks we need to manage	**How we will manage these risks**
The threat of the illicit economy and illicit financial flows The illicit economy, especially illicit cigarettes and tobacco, continues to be a serious threat to South Africa's economic growth, legitimate formal businesses, financial activity and the potential growth of the tax base from which SARS collects revenue.	• Continue to target the entire supply chain of illicit cigarette and tobacco trade, through better control of our warehouses, modernisation of our excise systems to improve risk detection and increase our collaborations with key stakeholders • Engage with other state enforcement agencies: State Security Agency (SSA) and Police to agree on Memorandum of Understanding (MoU) for establishment of dedicated resources for fighting illicit trade • Enhance the Inter-Agency co-operation in fighting tax and other financial crimes • Building capacity by continuing to participate in the International Academy on criminal tax investigations • Increased enforcement and compliance focus on high risk goods such as tobacco and its products as well as clothing and textile products and other high risk commodities should form the cornerstone of control measures. This should include increased inspections and audits of bonded warehouses as well as improved monitoring and accounting of all export acquittals
Unfavourable public perception of poor state delivery and corruption Research and empirical evidence show that taxpayers' attitudes towards compliance and their willingness to comply is influenced by how they perceive taxes to be utilised. Concerns about corruption in the public sector, poor service delivery and the quality of service delivery remain an issue. This has the potential to affect SARS' ability to achieve compliance due to loss of public confidence in government.	• Continue to collaborate with a broad range of key stakeholders and government partners to develop and implement platforms to improve efficiency and effectiveness of operations across the whole of government • Continue with education and outreach programmes to build a culture of fiscal citizenship
Complex schemes used by large businesses to evade and avoid tax SARS has detected an evolution from businesses, especially multinational enterprises, whereby they utilise domestic and international loopholes to evade tax and impermissibly avoid, take advantage of cross-border structuring and transfer pricing manipulations.	• Address the skills gap of auditors dealing with large business taxpayers by ensuring that they are equipped to engage and deal with the complexities of this segment and facilitate quicker resolution of issues • Work with other government agencies to identify cross-border risks • Setting up a specialist unit to proactively deal with BEPS and Transfer pricing
Low compliance of High Net-Worth Individuals (HNWIs) A significant number of HNWIs do not timeously pay the correct amount of taxes due to non-declaration of income sources, overstating expenses and splitting of income through trusts.	• Develop capability to effectively tackle HNWIs in terms of increasing capacity, developing core expertise especially in dealing with trusts and re-defining taxpayers in this segment

Strategic risks facing SARS (continued)	
The risks we need to manage	**How we will manage these risks**
Significant debt book Growth of the debt book is mainly due to less than optimal management of taxpayers' accounts in SARS, taxpayer errors and the impact of the slow economic recovery on taxpayers' ability and willingness to pay tax. While part of the growth is attributable to the slow economic recovery, manual paper-based processes pose challenges to the integrity of taxpayer accounts and thus the accuracy of the debt book.	• Modernise debt systems and ensure accurate capturing of taxpayer accounts on SARS systems • Responsive follow up on our debt book and clean-up of the debt book • Increase capacity and capability for dealing with the debt book
Succession risk Delivery of the SARS strategy is heavily contingent on the continuity and stability of organisational leadership. Addressing the leadership challenge will therefore require a carefully planned transition through the identification of potential successors and ensuring an adequate grooming and handover process. SARS also faces a big challenge of the employment equity imbalance in its leadership, which poses a threat in terms of government's employment equity objectives.	• Implement a representative skills pipeline for critical roles for development of employees • Implement the SARS succession plan
Commercial fraud on imports The incidents of imports under declarations not only create a leakage in potential Customs duties and VAT, but also lead to risk of illicit capital flow, foreign exchange transgressions and occurrence of tax havens. We have noted an increase in the abuse of rules of origin, valuation regime and tariff classification.	• Invest in building a stronger and sophisticated transfer pricing, valuation and rules of origin capability • Participate in the trade and international Customs bodies initiatives with other countries
Threat of global terrorism Terrorist organisations use global trade supply chains as their financing mechanism and South Africa may be seen as the weak link or the springboard of global terrorism through weakened Customs and tax controls.	• SARS' participation in both domestic and global anti-terrorism bodies such as the Financial Action Task Force will assist SARS in the identification, mitigation and sharing information on potential terrorist threats through the trade supply chain networks
Excise duty risk Increased incidents of excise fraud and smuggling of excisable goods such as fuel and cigarettes undermine SARS' efforts to improve compliance and ensure a level field for all taxpayers.	• Development of specific excise risk rules in the SARS risk engines • Creation of specialised excise capacity within Customs regime • Increased targeted audits and inspections at the Excise manufacturing points and at ports of entry

INTERNAL AUDIT

SARS Internal Audit (IA) provides objective and independent assurance on the adequacy and effectiveness of SARS' governance, risk management and control processes. The Group Executive: Internal Audit reports administratively to the Commissioner and functionally to the SARS Audit Committee. Internal Audit is fully supported by the Audit Committee, and has full, unrestricted access to all organisational activities, records, property and personnel. All IA activities are governed by an Internal Audit charter approved by the Audit Committee. The charter is reviewed on an annual basis for relevance and applicability.

Internal Audit conforms to the International Standards for the Professional Practice of Internal Auditing (Standards) as published by the Institute of Internal Auditors.

The Internal Audit function undergoes an external quality assurance assessment every five years as required by King III. Internal Audit has further implemented a methodology which incorporates quality assurance and improvement programmes where internal quality assurance assessments are conducted on an ongoing basis for all audit engagements. Additionally, periodic self-assessments are conducted to assess the function as a whole in terms of quality and areas of improvement. With regard to the external quality assurance assessment, the last assessment was conducted during February 2011, which revealed that the SARS Internal Audit "Generally Conforms" to the International Standards for the Professional Practice of Internal Auditing (Institute of Internal Auditors).

Internal Audit follows a risk-based approach to auditing that is in line with the International Professional Practice Framework (IPPF) as prescribed by the Institute of Internal Auditors (IIA). During the year under review, the annual audit plan and the three year plan which addressed challenges identified by the SARS Executive Committee, was approved by the Audit Committee. The plan addresses management challenges relating to tax compliance; service delivery and efficiency; security of information; modernisation; fraud; data integrity; governance; border control and trade facilitation; and human resources. Internal Audit has taken a conscious decision that the plans will be flexible to adapt to changes in the environment. This has enhanced the value that Internal Audit added to the business as resources were assigned to areas that require the highest level of focus.

Planned audits for the period April 2015 to March 2016 were conducted and completed. Recommendations are being addressed by Management.

LEGAL COUNSEL

Implementing the new Customs Acts

The Customs Control Act (CCA) and Customs Duty Act (CDA) will replace the provisions of the Customs and Excise Act, 1964. These new Acts provide for the imposition of customs duties and control of all means of transport, goods and persons entering or leaving the country. Ongoing development is taking place in respect of systems development to cater for:

- Registration and licensing of importers and exporters and other persons performing customs business
- Reporting of conveyances of goods
- Declaration processing for the clearance and release of goods for home use or other customs procedures

Amendment Acts

SARS conducts extensive 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 taxation laws around tax policy matters, while SARS is responsible for the drafting and amending of administrative and customs laws.

SARS meets frequently with organisations such as the National Treasury, 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 and regulations.

The following legislation was drafted in the 2015/16 year:

Table 28: Legislation drafted in 2015/16

Legislation	Date of promulgation
Rates & Monetary Amounts and Amendment of Revenue Laws Act, 2015 (Act No. 13 of 2015)	17/11/2015
Taxation Laws Amendment Act, 2015 (Act No. 25 of 2015)	08/01/2016
Tax Administration Laws Amendment Act, 2015 (Act. 23 of 2015)	08/01/2016

International Tax and Customs agreements

Activities performed by National Treasury and SARS to improve South Africa's international treaty network and encourage co-operation between tax administrations, resulted in the conclusion of the following ten international tax and customs agreements during the 2015/16 financial year.

Table 29: International tax and customs agreements 2015/16

Customs international agreements	Tax Information Exchange	DTA/Protocol	Other
Customs Mutual Administrative Assistance Agreements between RSA and the following countries : Angola Uruguay Swaziland **Customs Co-operation** Agreement concluded between RSA and the following country concluded at official level: China	**Macao/South Africa** Tax Information Exchange Agreement	**Singapore / South Africa** Double Taxation Agreement (DTA) **Switzerland/South Africa** Protocol amending the Double Taxation Convention	**Mauritius / South Africa** Memorandum of Understanding between Competent Authorities on Article 4(3) **United States of America and South Africa** Foreign Accounts Tax Compliance Act (FATCA) Competent Authority Arrangement (CAA) **Multilateral Country-by-Country** Reporting Competent Authority Agreement

Corporate Legal Services

The Corporate Legal Services (CLS) unit in the Legal Counsel division provides proactive as well as reactive legal advice, contractual drafting and negotiation, litigation, governance and related support services on a broad range of corporate legal issues. These services include dealing with non-tax liability claims, promotion of access to information requests, general commercial matters and the SARS intellectual property portfolio.

CLS is structured into four distinctive sub-units namely Digital Information Services and Technology, Corporate Real Estate, Governance and Commercial divisions. In addition, CLS plays an active role in various SARS divisions particularly Procurement and Finance, as well as supporting Human Capital and Development and branches.

Through these sub-units CLS provided continuous supportive legal assistance to the various departments within SARS on matters relevant to SARS' business, providing high quality legal services on complex matters. This includes ensuring compliance with applicable legislation, regulatory and governance requirements, as well as identifying and mitigating risks faced by SARS in all its commercial and operational activities.

MANAGING FRAUD AND CORRUPTION

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

SARS has developed and commenced with the implementation of a three year (2014-2017) plan for records management consisting of specific deliverables at an enterprise governance level, subsequent to the approval of the records management policy and framework. Specific business areas have been identified to ensure compliance to legislation and best practices, with specific focus on the file plan and the destruction of physical records. SARS will focus on the finalisation of the file plan for submission to the National Archivist for approval and its implementation in the 2016/17 financial year.

Analysing security risk to reduce revenue loss

SARS did various analyses in relation to fraud and corruption trends and risks facing the organisation. In this regard, the evolution of PIT fraud, the VAT registration risk report, procurement fraud and VAT fraud thematic assessments were prioritised to provide an overview of fraud and corruption trends.

The following risk reports were escalated for risk mitigation:

- VAT sole trader risk report
- VAT and CIT nil return
- Temporary SARS employees
- Change of taxpayer banking details to that of employee banking details
- Forex transactions to legitimise fraudulent VAT refunds
- Tax fraud involving public servants (report for Minister of Finance)
- Insolvent taxpayer risk
- Foreign tax credits

Mitigation action was taken on the temporary SARS employees, insolvent taxpayer risk and the VAT sole trader risk reports.

Mid-year (SARS integrity risks and indicators report) and annual assessments (SARS internal risks report) were done in November 2015 and March 2016, providing SARS with an overview of fraud and corruption trends and risks facing the organisation. Significant fraud and corruption cases were tracked on a monthly basis by management through the provision of reports and monthly meetings with the respective teams.

In addition, SARS also performed the following verifications on suspected fraudulent refunds, placed stoppers and made recoveries, thereby mitigating the loss of revenue to fraud.

Table 30: Verifications

	VAT	IT	Total
Bank verifications	866	3 234	4 100
Stoppers placed	502	293	795
Prevented loss (stoppers)	R120 091 387	R42 906 658	R162 998 045
Released refunds	R 62 508 243	R46 652 038	R109 160 282
Recovered amount	R 22 818 008	R 7 739 474	R 30 557 482

Personnel suitability checks

Personnel suitability checks play a fundamental role in the recruitment and appointment of staff as it enables SARS to pre-empt and mitigate potential risks relating to human resource management. It further assists in ensuring that the appointed candidates have ethical values aligned to the organisational values.

For the period under review, SARS processed a total of 954 permanent and contract-based appointments and all of these were subjected to the SARS screening processes.

During the screening process it was found that a very small number of individuals either submitted fraudulent matric certificates or had criminal records. Without the rigorous application of the screening processes, SARS might have been exposed to these risks. In addition to screening processes, 394 employees were security vetted. Overall, employees that were put through security vetting were found to be security competent.

Compliance to SARS security policies

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.

A specialised SARS unit has been conducting security compliance Quality Assurance (QA) audits and compliance inspections on a number of randomly selected sites. For the period under review a total of 6 172 compliance inspections were conducted.

The overall enterprise Information Security policies compliance assessments indicated that there is very limited policy compliance by SARS in some areas. The non-compliance with policies could be attributed to a lack of policy awareness and the absence of detailed processes which would inform line managers of their responsibilities. Based on various Internal Audit reports and management assurance audit reports, significant progress has been made towards the implementation of policy requirements. However, improvement is required in order to ensure that increased compliance is achieved in this area. SARS will channel more resources towards policy awareness and management training in this regard.

Provide assurance on cybercrime prevention

SARS has acknowledged the risk and impact of the ever-increasing cyber threat and has embarked on a focused strategic programme to address the holistic reach of cyber threats. Various identified initiatives have evolved based on an assessment conducted by a consulting company, to a formal Information Security Strategy, comprising nine core strategic programmes. There is still a severe shortage of general awareness and understanding of cybercrime and cyber threats in the organisation and the programmes will ensure that awareness is enhanced towards information security resilience, threat monitoring and appropriate response.

Innovation in support of operations

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

ANPR has been installed at an additional four border posts and at one SARS office building site to assist in investigations. Approval has been obtained for the installation at an additional 11 sites nationally.

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 has been defined and 15 Standard Operating Procedures (SOPs) identified for development and review. These SOPs include processes for managing Identification Document (ID) cards, tracking assets and assessing risk as well as control room procedures. The manual will be finalised and implemented during the 2016/17 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. The compliance level to the MPSS currently stands at 67%. Installation of additional security equipment and drafting of additional policies and procedures helped improve the compliance level. Focused risk assessments and quality assurance assisted in identifying gaps and directed mitigation plans. SARS anticipates that during the 2016/17 financial year this compliance rate will improve further. This will be achieved by initiating a variety of focused interventions throughout the organisation.

Optimising technical security systems

During the period under review, business cases were drafted and approved for the following critical initiatives namely: Upgrade of technical security systems at Lehae la SARS, upgrade of systems at OR Tambo International Airport (ORTIA) as well as the Automatic Number Plate Recognition Project. To date the projects at Lehae as well as ORTIA have been partially implemented, specifically, the second floor of Block A - Lehae la SARS as well as the procurement and delivery of CCTV equipment for ORTIA.

Reporting fraud and corruption

SARS has a fraud and anti-corruption hotline (0800002870) where taxpayers and employees may call and report suspected non-compliance, as well as a link on its website (intranet and internet) which enables people to complete what is known as a Report of Suspected Non-Compliance (RSN). The reporting may be done anonymously. The SARS whistle-blower policy is aligned to the Protected Disclosures Act thereby ensuring that disclosures made by employees are protected.

The RSNs are independently evaluated by a team from the division receiving these reports. These incidents are then referred to the relevant SARS units for investigation.

All cases reported and approved are investigated to either prove or refute the allegations. Where cases relate to internal breaches and/or offences, these are attended to through the disciplinary process. Where there has been criminal conduct, the cases are reported to the South African Police Service (SAPS) with SARS providing assistance in the criminal case. In all the above instances, where there has been a pecuniary loss, the recovery of losses is a firm objective.

Table 31: Case statistics

No. of cases reported	383	
No. of cases finalised	424	Including rolled over
No. of cases referred for prosecution	91	
No. of prosecution finalised	78	Including Nolle prosequi

Table 32: Sanctions

Corrective Counselling	1
Resignations	24
Suspension without pay	1
Verbal warning	2
Written warning	4
Final written warning	6
Final written warning and suspension without pay	3
Dismissals	24

Table 33: Criminal cases

No. accepted by NPA	77
No. finalised	19
Found guilty	17
Found not guilty	1
Nolle prosequi	1

MINIMISING CONFLICT OF INTEREST

The Conflict of Interest (COI) Policy provides measures and standards for managing conflicts of interest that can arise as a result of private interests in a form of financial interests, work outside SARS, the soliciting and receiving of gifts, ownership and other interests in land and property, directorships and partnerships. In this regard, SARS employees are prohibited from realising any personal gain of any form, which could improperly influence the conduct of their SARS duties. Also, they should not knowingly use SARS property, funds, information, position or power for personal gain.

SARS requires its employees to declare their private financial interests annually. This is done to identify and address potential conflict of interest.

The Declaration of Private Interest (DoPi) system makes provision for an application process in the event that an employee declares any existing or potential involvement in work outside SARS. The DoPi system directs applicants to provide further information and the manager's input is also sought before a decision is made. The direct manager's involvement is of the utmost importance in relation to identifying any actual, perceived or potential conflict of interest.

The declarations are then subjected to verification and SARS conducted 1 821 verifications of declared interests. Two companies belonging to employees were found on the SARS vendor list and were subsequently removed from the vendor list. The employees had not conducted business with SARS.

CODE OF CONDUCT

During 2015/16, SARS commenced with the implementation of the new SARS integrity and values framework. This included a campaign to institutionalise the new SARS Code of Conduct and Ethics as well as communicating the new SARS Values to all stakeholders.

During the process to finalise the draft Code of Conduct and accompanying guide more than 4 000 employees were engaged to obtain input on the said documents. The final draft document incorporates the input not only from employees but Union representatives as well.

As part of the efforts to institutionalise the values and code of conduct the following were undertaken:

- Socialisation of the refreshed values and code of conduct with approximately 1 300 employees through workshops
- Two integrity modules developed with focus on values and code of conduct
- 24 organisation-wide policies reviewed and aligned to the values and code of conduct
- Developed behaviours which give meaning to the refreshed values
- Developed the change management toolkit for embedding the values

HEALTH AND SAFETY

Occupational Health and Safety compliance is a standard of meeting all the required legal standards stipulated by the Occupational Health and Safety Act of 1993. The legal standards stipulated are meant to safe-guard and protect employees in the workplace from any hazards, risks, incidents or fatalities. It also stipulates the safe use of machinery and equipment to prevent injury.

All the provisions related to the administrative regulatory requirements of the Act have been implemented for the SARS community. In terms of the section 16(1) of the Occupational Health and Safety Act of 1993, the Commissioner was duly appointed as CEO and has delegated his authority, in terms of sub section 16(2) of the Act, to specific managers in every office or building occupied by SARS.

In the year under review, the following were undertaken:

- Taking into consideration the operational challenges in the Customs environment, additional interventions have been put in place to ensure that all Customs areas are compliant with regard to the Health and Safety Act
- With the changes to the construction regulations, measures have been put in place to ensure that all contractors working on SARS occupied premises are compliant with the relevant changes to the legislation. The following are key focus areas: Safety files, induction of contractors, correct use of personal protective equipment, letters of good-standing and improved security measures
- Various measures were taken to minimise risks to our internal and external clients including physically challenged clients
- Evacuation drills continue to be one of the focus points due to its importance and legal obligation. The majority of SARS' occupied offices are fitted with an alarm and PA system to be used in the event of an evacuation. 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
- Emergency management planning (including business continuity contingency plan) is a key component to ensure safety of both external and internal stakeholders of SARS. To this effect the Emergency Management Plan was reviewed in order to ensure business continuity
- A total of 1 048 employees were trained as fire marshals, evacuation wardens, safety representatives and first aiders
- Health and safety awareness training is currently running at all the occupied SARS offices
- As a preventative maintenance measure, the responsible Health and Safety officers undertake regular documented checks at selected sites. This includes monthly checks on general maintenance and the functionality of fire extinguishers

Accessibility for disabled persons

In the last National Disability Conference which was held earlier this year, a number of issues were raised by representatives of persons with disabilities. These concerns are being taken very seriously by the SARS leadership which has led to an initiative to declare disabilities. The Health and Safety unit plays a pivotal role in making sure that the needs of people with disabilities are taken care of.

An audit on accessibility for disabled persons was conducted at all SARS-occupied offices focusing on the following aspects:

- Dedicated parking facilities for physically challenged persons
- Standardised signage indicating parking at entrances to buildings
- Ramps and rails to access buildings
- Lifts with the required facilities
- Ablution facilities with all the relevant necessities
- Evacuation chairs in buildings to ensure physically challenged persons are safely transported in the unlikely event of an emergency
- Height of access controls
- Height of door handles
- Positioning of metal detectors
- Ergonomics (height of tables and chairs)
- Emergency revolving lights installed

CORPORATE SOCIAL RESPONSIBILITY (CSR)

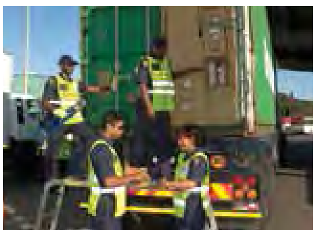
SARS donated decommissioned SARS assets such as laptops, desks, chairs, fridges and microwaves to schools and charities in and around the country. The SARS CSR team diligently assessed the public benefit aspects of these recipients according to approved criteria before assets were distributed to them.

In 2015/16, SARS employees raised about R70 000 for a good cause and donated decommissioned SARS assets to 76 schools, 14 non-profit organisations and three community clinics across the country.

SARS employees volunteered their skills and time to do charitable work at health facilities and charities throughout the country.

Part Four
Human Resource Management

04



OVERSIGHT AND MANAGEMENT

SARS as an organisation continues to create a work environment that supports employee growth and development. In addition, our governance processes are also utilised to drive the strategic objectives of the organisation whilst directing appropriate behaviour. SARS further supports employees in their work environment with the development and tools they require to enable them to perform their jobs and meet the needs of the organisation.

During the year under review, SARS started a project to review, update and align its Human Resource (HR) policies to legislation, bring policies in line with best practice and also to ensure proper governance. Six priority policies were reviewed and approved with another nine policies in the final stages of approval. This project will continue into the 2016/17 financial year to ensure that all HR policies are reviewed and updated with final approval.

SARS also enhanced its support systems with the implementation of the new SAP Human Capital Management (HCM) compensation module and converted all employee files to an electronic storing database. This was done to ensure proper document management and archiving but also to ensure alignment with the POPI Act.

In addition, SARS introduced new technical skills and competencies into the training provided by the SARS Institute of Learning (SIOL), including eLearning training modules. This is done to ensure that the training that is delivered to our staff correlates with the competencies that are required by staff to perform their roles optimally.

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.

SARS continues to support its management with a workforce planning framework to manage their staff headcount, move employees, identify development requirements, hire recruits and build a skills pipeline in identified capability areas. The SARS workforce plan also enables the organisation to have a future view to plan and budget for required headcount capacity and employee capabilities. The workforce plan is utilised in a proactive manner to inform interaction with National Treasury insofar as resource planning and funding allocation is concerned.

In line with the workforce plan requirements and the objectives of the National Youth Policy (NYP), SARS' Strategic Plan (2015/16 – 2019/20) emphasises the importance of identifing, attracting, developing and retaining the right people. Through the trainee programmes, the organisation endeavours to develop skills pipelines that will supplement the current and future skills requirements. Capacitating the SARS workforce is focused on transformation to meet employment equity targets.

The implementation of the revised SARS Operating Model commenced during the second quarter with various changes in the organisational structure and the appointment of top management. The implementation and movement of staff will continue into the new financial year.

Integrated Operating Model and value-based leadership

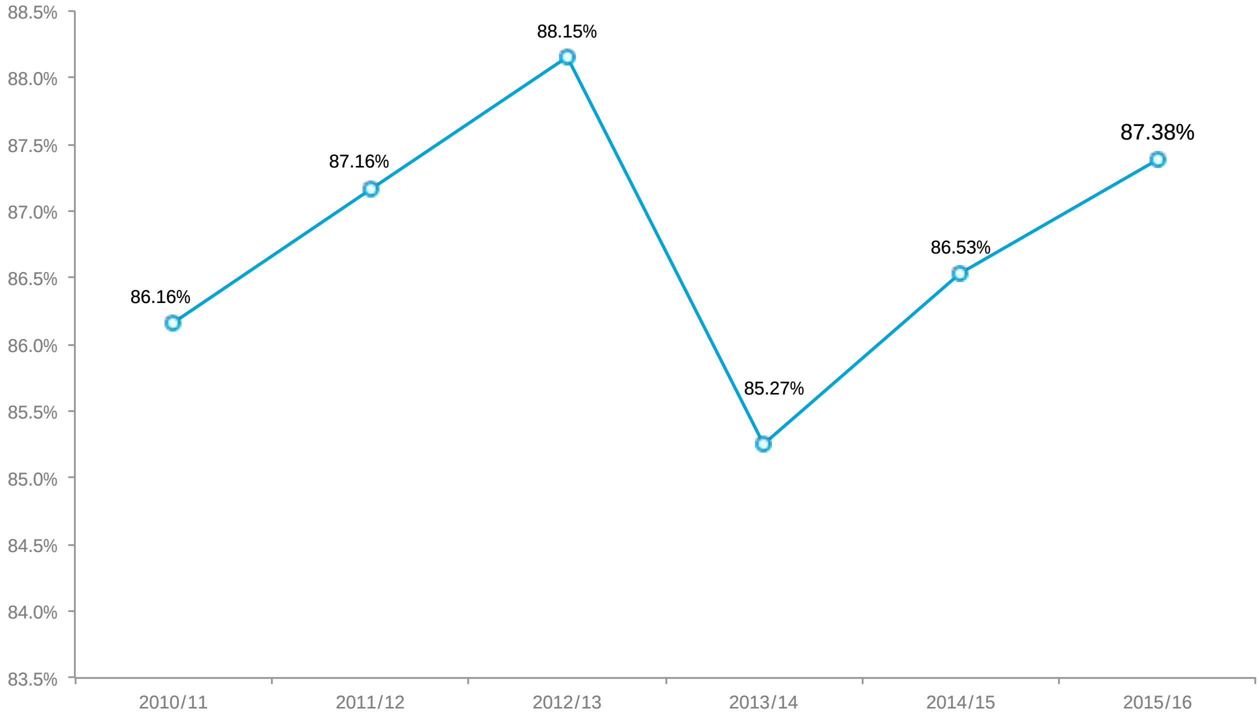
The 2015/16 Leadership Effectiveness Index (LEI) 360-degree appraisal was conducted among SARS' top and senior managers, with business and technical specialists included (Grades 7 to 10 employees).

As part of the creation of a values-based leadership culture, SARS annually measures its leadership effectiveness levels by looking at:

- **Commitment**
  Represents effectiveness activities associated with loyalty, initiative to do more than what is asked, and extends to commitment to society.
- **Empowerment**
  Represents effectiveness activities associated with performance feedback, goal clarification, motivation, encouragement and development of team members to enhance leadership capabilities and performance.
- **Expertise**
  Represents effectiveness activities associated with the use of knowledge and expertise to simplify issues, and to create new work ways to enhance performance.
- **Working with people**
  Represents effectiveness associated with interpersonal skills such as understanding others and treating them with respect, whilst balancing self-confidence with humility.

All the LEI dimension outcomes improved in comparison to the 2014/15 financial year.

Figure 9: Leadership Effectiveness Index



Improving organisational culture and employee engagement

Engagement levels of staff determine the level to which they feel linked to the organisation and the extent to which they are willing to protect and promote the organisation. The outcome of the annual engagement survey is used to drive enterprise-wide initiatives that improve engagement levels.

The annual Employee Engagement survey attracted the participation of 66.43% of employees and the overall Employee Engagement Index (EEI) of 67.50% that was achieved, continues to improve year on year. (Figure 10).

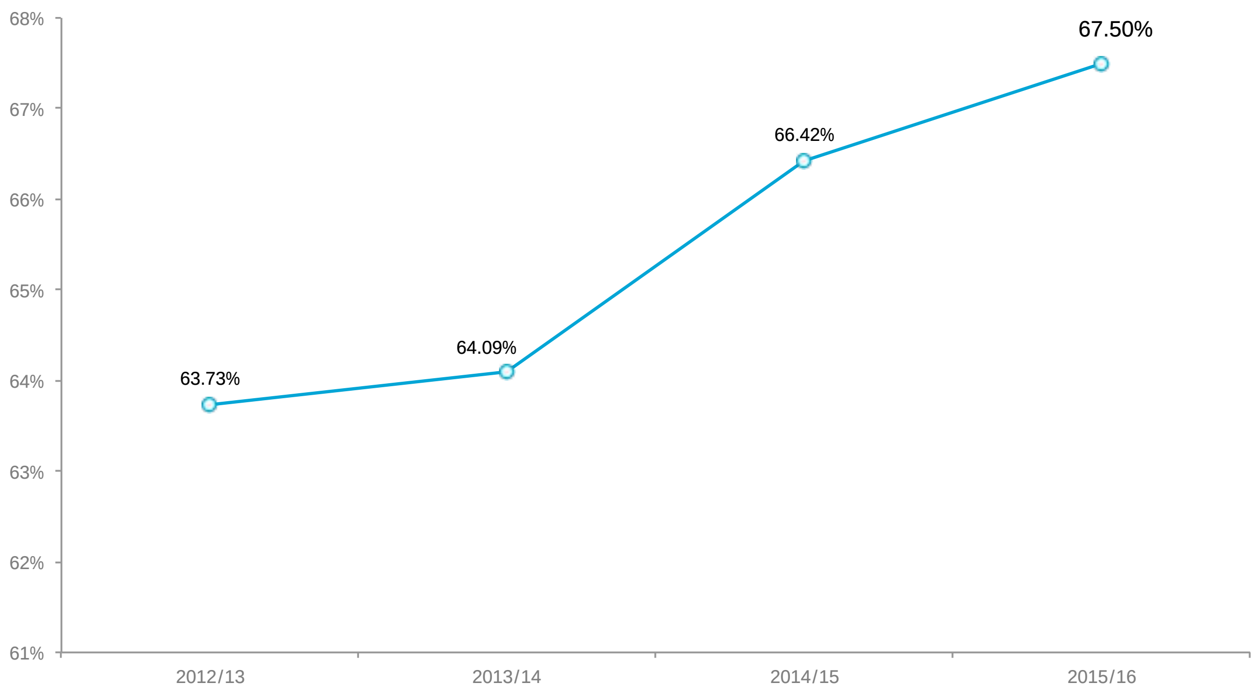
Overall, there is an increase in Employee Engagement in 2015/16. It is encouraging to see this positive trend, taking into account all the changes currently happening at SARS. We do need to consider that this could be influenced by the additional new employees, who still have high engagement levels despite slowly experiencing the reality of working at SARS on a day-to-day basis.

In general, three out of five SARS employees display positive emotional engagement. The majority of employees feel proud to work at SARS, are passionate about their roles and feel they have purpose. In addition, they look forward to coming to work and feel a strong personal attachment to SARS.

There is a decrease in the number of employees who say they will actively search for job opportunities outside of the business, some of which could be attributed to the 5% increase in new employees and the current economic climate.

The proportion of "Fully Engaged" employees is 37% (an increase on 2014/15) and SARS has 61% of employees in the positively engaged group (close to the 67% target). Allied to this, there is an encouraging decrease in "Disgruntled Seekers".

Figure 10: Employee Engagement Index



TRAINING AND DEVELOPMENT

444 trainees participated in...

Graduate Development Programme
311 Learners

Learnerships
99 Learners

Chartered Accountants
34 Learners

R8.4m spent to sponsor 117 disadvantaged youths to SARS career aligned qualifications

33 Modules created on eLearning and 3 882 interventions conducted online

SARS Institute of Learning trained 9 363 employees during 2 492 interventions

SARS fully subscribes to the notion that we are as good as our people. The more skilled our staff are, the greater the chances of us achieving or exceeding our targets. Training and development improves the effectiveness of our revenue collection processes and enhances the service we provide to our clients. In addition, access to learning and development is also seen as part of our employer value proposition as it shows SARS as an organisation invests in its people and this investment inevitably enables staff to progress their careers. Training and development is also closely linked to our staff's level of engagement with the organisation.

During the 2015/16 financial year we have continued to develop our staff to ensure the organisation has the skills and expertise available in order to meet the changing demands of our environment and operations. In addition, we have also invested time and energy in improving our ability to deliver learning products and services to our staff by ensuring that the SARS Institute of Learning (SIOL) is capacitated with people, systems and products to deliver on its mandate. SARS formally developed and adopted a Leadership Development Framework and thus far 1 222 employees at supervisory level participated in this programme.

During the year under review 9 363 individual employees were exposed to training by virtue of 2 492 training and development interventions that the SIOL offered. Based on the fact that some employees attended more than one intervention, a total of 29 649 employees (including trainees) were trained.

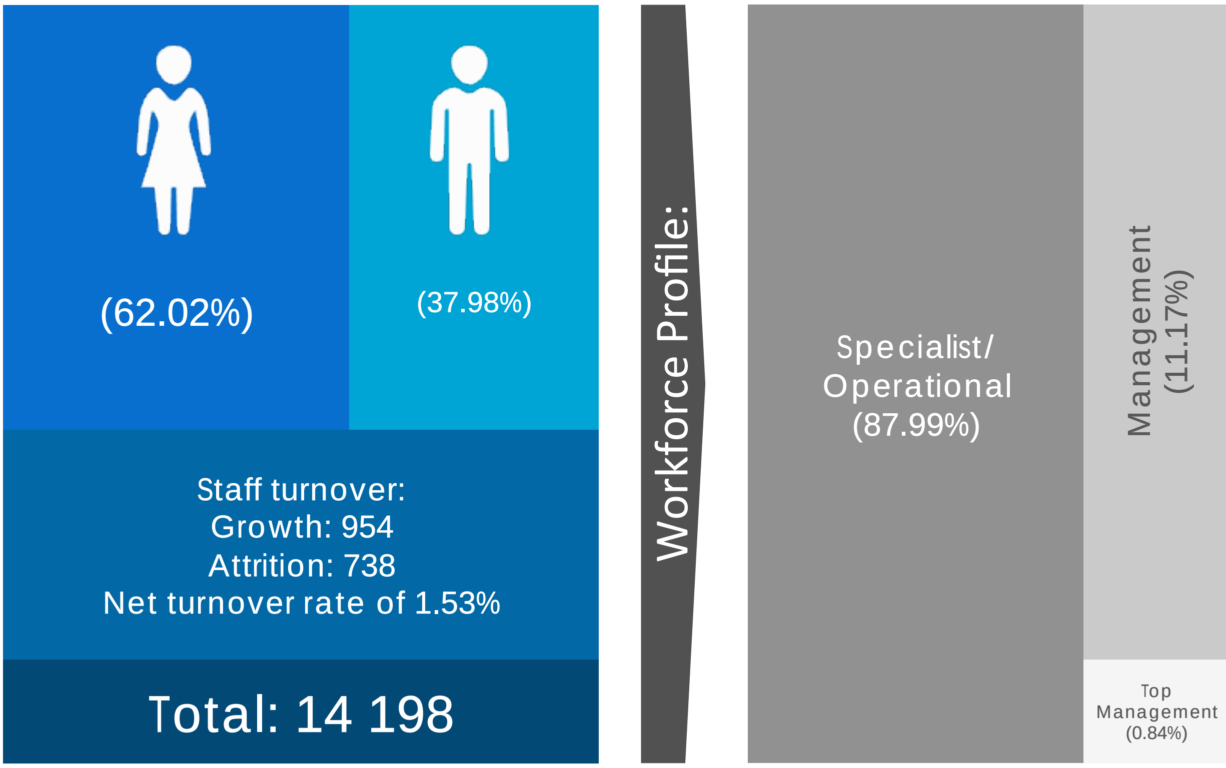
SARS also strengthened its newly implemented eLearning service offering and with the current 33 training modules, a total of 621 employees successfully completed one or more eLearning modules totalling a number of 3 882 training interventions online. Furthermore, SARS spent R8.4 million to sponsor 117 disadvantaged youths at universities through bursaries. These students are studying towards qualifications that are aligned to careers in SARS.

Skills pipeline and youth employment

SARS continues with its skills pipeline development approach and during the year under review 444 trainees participated in the trainee programme. Of these, 51 graduate trainees and seven Chartered Accountant (CA) trainees completed their development programmes and were appointed into substantive positions within SARS.

WORKFORCE PROFILE

SARS' employee headcount as at 31 March 2016 was 14 198. This excludes temporary employees. Most of SARS' employees, 87.99%, are specialists or operational staff.



Although the net staff turnover for this financial year indicates an increase of 1.53%, with the staff attrition of 738 employees, SARS managed to maintain the headcount with the on boarding of 954 new employees. These appointments are approximately 30% more than the previous year. Table 34 provides a summary of the net staff turnover for the 2015/16 financial year.

Table 34: Net staff turnover

Net staff turnover 2015/16				
Growth	**Attritions**	**Recruitment Rate**	**Attrition Rate**	**Net Staff Turnover %**
954	738	6.77%	5.24%	1.53%

Table 35: Reasons for staff exits

Reasons for staff exits 2015/16	
Exit reasons	**No. of employees**
Death	42
Resignation	544
Retirement	103
Termination Employee Relations initiative	33
Other	16
Total	**738**

The risk of people talent leaving the organisation is mitigated by the continued focus on pipeline development.

Table 36 shows the number of permanent and temporary staff, at the end of each financial year, for the past six years.

Table 36: Comparative staff numbers

	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16
Permanent Employees (Incl. Trainees)	14 967	14 944	14 701	14 137	13 978	14 198
Temporary Employees	329	332	79	20	436	12
Employees Total (Incl. Temps)	**15 296**	**15 276**	**14 780**	**14 157**	**14 414**	**14 210**

Note: Employment of temporary staff varies during the year according to workload demand

Table 37: Trainee representation

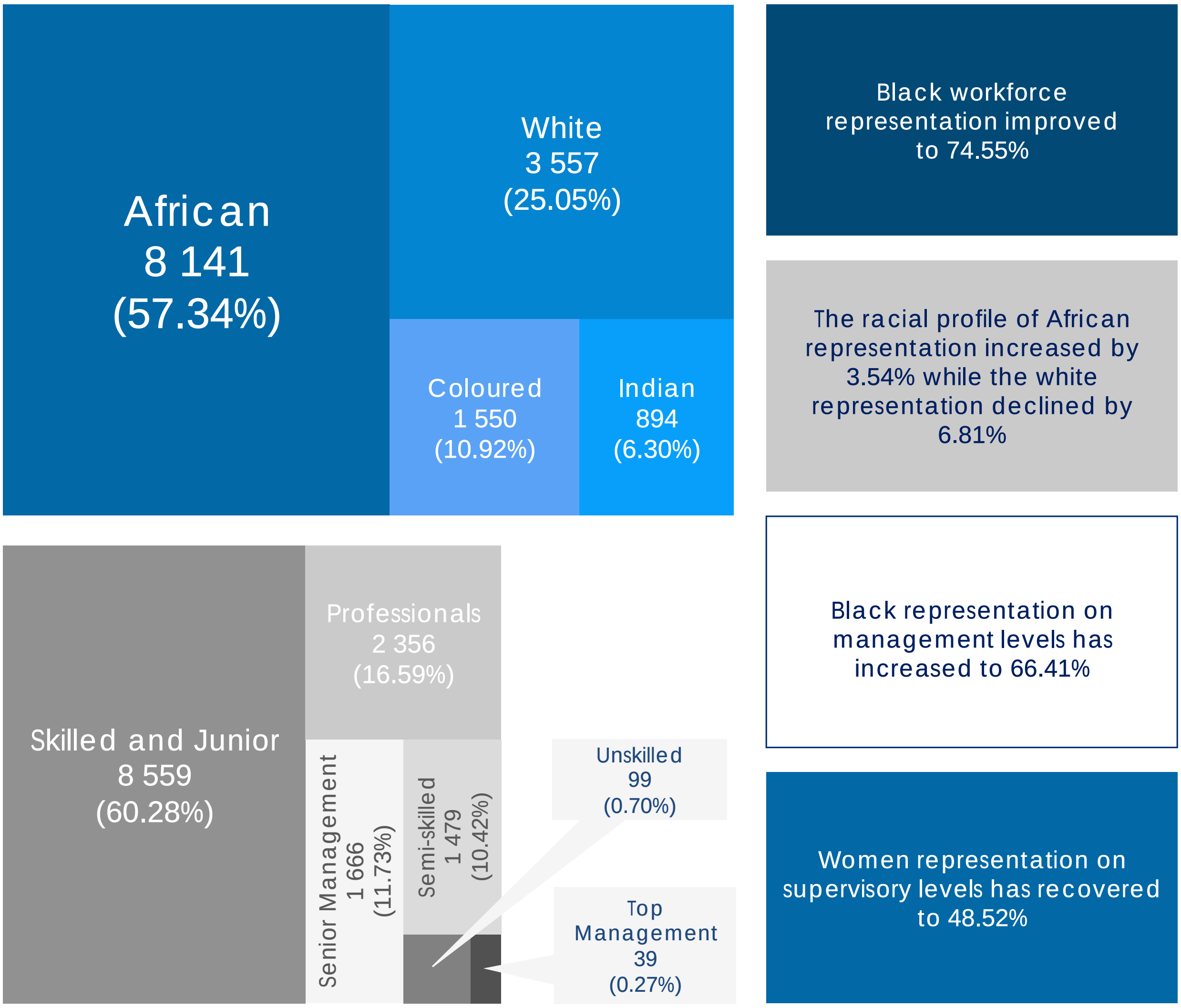
Trainee Representation				
Programme	**Description**	**2013/14**	**2014/15**	**2015/16**
Graduate development programme	A graduate programme provides a combination of learning and workplace experience and is aimed at people with a tertiary qualification.	182	299	311
Learnership	A learnership is a work-based learning programme that combines a structured learning component with practical work experience. It results in a nationally recognised qualification directly related to an occupation and registered on the National Qualification Framework (NQF).	14	-	-
Internship	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.	-	102	99
Chartered Accountant	The Chartered Accountant (CA) programme is a structured learning programme aimed at graduates that intend attaining the professional qualification necessary to become Chartered Accountants.	22	24	34

EMPLOYMENT EQUITY AND WORKPLACE DIVERSITY

SARS continues to prioritise employment equity and therefore sets and strives to achieve annual equity targets for race, gender and disability among staff. Table 38 shows the employment equity profile of each level of the workforce.

SARS has attained many of the Employment Equity targets up to the end of 2015/16 and is making good progress on the planned goals and targets submitted to the Department of Labour (DOL). However, the representation of some of the designated groups are still lagging behind, such as:

- African females at the top two occupational levels
- African males at professional and lower levels
- Coloured females at senior management and semi-skilled levels
- Coloured males at top management and skilled levels
- People with disabilities are underrepresented in all the occupational levels



Workforce racial profile

The racial profile of SARS indicates an increase of 3.54% of African representation and a 6.81% decline of White representation with the Coloured and Indian representation that stayed fairly stable.

Black and female workforce profile

Black workforce profile

SARS' black workforce profile has increased during the past few years and climbed to 74.55% of the organisation's headcount during the year under review.

Female workforce profile

Female representation in SARS remained stable at 62.02% of the organisation's workforce. Female representation on management levels remained fairly stable.

Table 38: Workforce profile relating to Employment Equity

Occupational Levels	Designated							Non Designated			Total
	Male			Female				White Male	Foreign Nationals		
	A	C	I	A	C	I	W		M	F	
Top Management	13	2	4	2	3	1	2	12			39
Senior Management	395	83	130	277	52	91	279	341	12	6	1 666
Professionals	598	117	97	588	135	109	430	268	9	5	2 356
Skilled and Junior	1 977	318	156	3 276	641	273	1 514	383	9	12	8 559
Semi-Skilled	291	57	13	640	132	20	285	38	3		1 479
Unskilled	35	5	-	49	5	0	1	4			99
Grand Total	**3 309**	**582**	**400**	**4 832**	**968**	**494**	**2 511**	**1 046**	**33**	**23**	**14 198**

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 Operations Managers
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 our jobs the occupational levels that will be reported on from 2016/17 (1 April 2016) are as follows:

Table 39: Re-segmentation of jobs

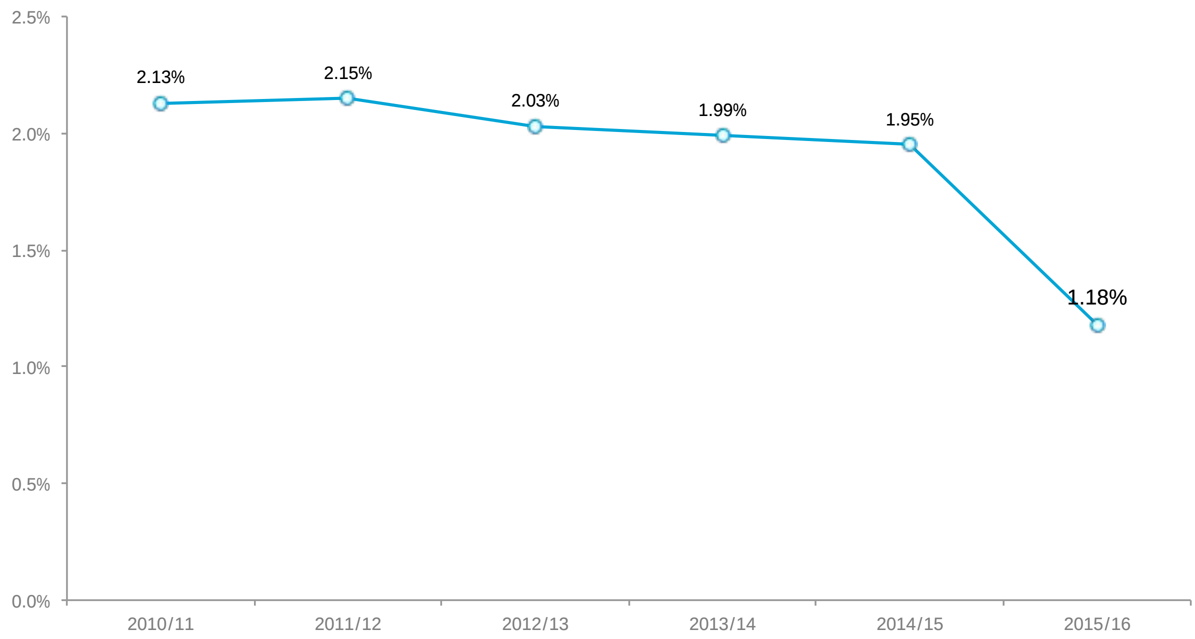
Occupational Levels	Explanation
Top management	Grade: 9B to 10 represents SARS Commissioner and Chief Officers
Senior management	Grade: 8 to 9A represents managerial positions with the following job titles: Group Executive, Executive, Senior Manager and Senior Specialist
Professionally qualified, experienced specialists and middle-management	Grade: 6 to 7 represents Manager, Specialist, Operational Specialist and Team Leader
Skilled technical and academically qualified workers, junior management, supervisors, foremen, superintendents	Grade: FTS, 00 and 4 to 5 represents Functional Operators and Seasonal Workers in Branch Operations
Semi-skilled and discretionary decision making	Grade: 2 to 3, 2GI/2GA/2GT represents Support Staff and Graduate Trainees
Unskilled and defined decision making	Grade: 1 represents General Assistants

Persons with disability workforce profile

The disability ratio in SARS during the year under review comprised 1.18% of the organisation's headcount. This is a decline compared to the previous year (Figure 11). The disability ratio will be addressed in the employment equity plans for 2016/17.

This decline is due to the results of a disability audit and clean-up conducted on actual disabled employees, aligned to the disabilities that may be declared.

Figure 11: Disability profile



HEALTH AND WELLNESS

In the 2015/16 financial year, SARS implemented the following initiatives and interventions to improve the health and wellness of SARS employees. In 2015/16, SARS:

- Implemented mental health awareness sessions across SARS
- Supported the change management project task team to identify and support various business units affected by the restructuring
- Rolled out the executive wellness day programme for SARS managers
- Developed and launched a chronic disease management programme in order to educate employees to be able to register with their various medical aids' chronic disease management programme
- Rolled out medical surveillance and immunisation to ports of entry, contact centres, branch offices and conducted medical assessments for scanner employees as well as employees deployed in Maputo to mitigate exposure to work environmental risks
- Continuously provide wellness clinics SARS-wide as a promotive and preventative initiative to ensure that health parameters such as cholesterol, blood pressure, glucose, body mass index, voluntary HCT (HIV) tests are conducted yearly to allow the employees to monitor their health risks
- Finalised the procurement process of acquiring a suitable service provider to render health risk management services
- Reviewed Sexual Harassment, Drug and Alcohol Abuse, HIV and AIDS, as well as Sick Leave Policies so as to maximise compliance for all parties
- Developed protocols for critical health risks to empower line managers and employees to be able to handle these issues during crisis situations

OVERSIGHT STATISTICS

Table 40: Average Cost to Company per employee employed for this financial year

Level	Cost to Company Expenditure (R'000)	% Cost to Company expenditure to total Cost to Company	No. of employees	Average Cost to Company per employee (R'000)
Top management	91 987	1.57%	39	2 359
Senior management	1 609 972	27.45%	1 666	966
Professional qualified	1 326 780	22.63%	2 356	563
Skilled	2 515 391	42.90%	8 559	294
Semi-skilled	303 254	5.17%	1 479	205
Unskilled	16 682	0.28%	99	169
Total	**5 864 066**		**14 198**	**413**

Note: Cost to Company guaranteed remuneration

Table 41: Employment and vacancies

Occupational levels	2013/14 No. of employees	2014/15 No. of employees	2015/16 No. of employees	2015/16 Vacancies (Estimate)	% of vacancies
Top management	38	38	39	2	5.13%
Senior management	1 611	1 652	1666	10	0.60%
Professional qualified	2 083	2 334	2356	25	1.06%
Skilled	8 083	8 412	8559	70	0.82%
Semi-skilled	2 176	1 418	1479	5	0.34%
Unskilled	146	124	99	-	-
Total	**14 137**	**13 978**	**14198**	**112**	**0.79%**

Table 42: Employment changes for 2015/16

Salary Band	Employment at beginning of period	Appointments: External	Terminations: Staff exits	Employment at end of the period
Top management	38	5	9	39
Senior management	1 652	31	94	1 666
Professional qualified	2 334	47	95	2 356
Skilled	8 412	635	458	8 559
Semi-skilled	1 418	236	65	1 479
Unskilled	124	0	17	99
Total	**13 978**	**954**	**738**	**14 198**

Note: Excludes internal appointments

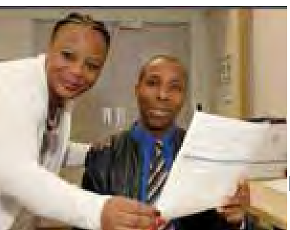
Table 43: Appointments for 2015/16

Salary Band	Staff Exits	Internal Appointments	External Appointments	% Internal Appointments
Top management	9	6	5	54.55%
Senior management	94	96	31	75.59%
Professional qualified	95	152	47	76.38%
Skilled	458	874	635	57.92%
Semi-skilled	65	23	236	8.88%
Unskilled	17	-	-	-
Total	**738**	**1 151**	**954**	**54.68%**

Table 44: Headcount growth for 2015/16

Salary Band	Employment at beginning of period	Employment at end of the period	Headcount Growth	Headcount Trend
Top management	38	39	1	2.63%
Senior management	1 652	1 666	14	0.85%
Professional qualified	2 334	2 356	22	0.94%
Skilled	8 412	8 559	147	1.75%
Semi-skilled	1 418	1 479	61	4.30%
Unskilled	124	99	-25	-20.16%
Total	**13 978**	**14 198**	**220**	**1.57%**

Part Five
Financial Information
05




REPORT OF THE AUDIT COMMITTEE

We are pleased to present our report for the financial year ended 31 March 2016 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 the period April 2015 to July 2015, as Mr Bongani Nqwababa's term as member and Chairperson ended in July 2015. For the period August 2015 to March 2016 the Audit committee consisted of two external members.

Audit Committee attendance

Audit Committee Members	Meeting Dates		
	15 May 2015	24 June 2015	27 Nov 2015
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 Wales	√	√ (Term Ended)	
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 and Fraud Examination (University of Pretoria); Chartered Director (SA); Executive Leadership Development Institute Programme (Harvard Business School)	√	√	√

Audit Committee responsibilities

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 is concerned with the deterioration of the internal control environment based on the findings from Internal Audit and External Audit. Management has given the assurance that effective corrective action will be implemented in respect of all internal control weaknesses and the Committee will monitor these going forward.

Internal Audit function

The Committee is satisfied that Internal Audit had properly discharged its functions and responsibilities in the year under review. The capacity of Internal Audit has been enhanced through the restructuring of the Internal Audit department by the employment of additional personnel.

Evaluation of financial statements

The Audit Committee has:

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

Auditor-General's report

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.

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

Sathie Gounden
Acting Chairperson of the Audit Committee
22 July 2016

ANNUAL FINANCIAL STATEMENTS OWN ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2016

Content

The financial statements set out on pages 111 to 169, which have been prepared on the going concern basis, were approved and signed by:

Tom Moyane
Commissioner South African Revenue Service
26 July 2016

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

Report on the consolidated and separate financial statements

Introduction

1. I have audited the consolidated and separate financial statements of South African Revenue Service (SARS) Own Accounts and its subsidiary set out on pages 111 to 169, which comprise the consolidated and separate statement of financial position as at 31 March 2016, the consolidated and separate statement of financial performance, statement of changes in net assets, cash flow statement and statement of comparison of budget information and actual amounts 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 Generally Recognised Accounting Practice (SA Standards of GRAP) and the requirements of the Public Finance Management Act of South Africa, 1999 (Act No. 1 of 1999) (PFMA), and for such internal control as the accounting authority determines is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

Auditor-General's responsibility

3. My responsibility is to express an opinion on these consolidated and separate financial statements based on my audit. I conducted my audit in accordance with 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 2016 and their financial performance and cash flows for the year then ended, in accordance with the SA Standards 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, 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.

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 SARS Own Accounts for the year ended 31 March 2016:

   - Objective 2: Increased tax compliance on pages 66 to 67
   - Objective 3: Increased ease and fairness in doing business with SARS on pages 67 to 69

9. 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.

10. I assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.

11. I did not raise any material findings on the usefulness and reliability of the reported performance information for the selected objectives.

Additional matter

12. Although I did not raise any material findings on the usefulness and reliability of the reported performance information for the selected objective, I draw attention to the following matter:

Achievement of planned targets

- Refer to the annual performance report on pages 65 to 70 for information on the achievement of the planned targets for the year.

Compliance with legislation

13. I performed procedures to obtain evidence that SARS Own Accounts 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

14. I considered internal control relevant to my audit of the financial statements, schedule of performance information and compliance with legislation. I did not identify any significant deficiencies in internal control.

Auditor General

Pretoria
29 July 2016

AUDITOR-GENERAL
SOUTH AFRICA
Auditing to build public confidence

REPORT BY THE SARS ACCOUNTING AUTHORITY FOR THE YEAR ENDED 31 MARCH 2016

Introduction

The Accounting Authority presents this Annual Report that forms part of the Annual Financial Statements of SARS Own Accounts for the year ended 31 March 2016. 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 as at 31 March 2016 were:	
Tom Moyane	Commissioner and EXCO Chairperson
Jonas Makwakwa	Chief Officer: Business and Individual Taxes and Acting Chief Officer Digital Information Services and Technology
Jed Michaletos	Chief Officer: Customs and Excise
Kosie Louw	Chief Officer: Legal Counsel
Matsobane Matlwa	Chief Officer: Finance
Hlengani Mathebula	Chief Officer: Governance, International Relations, Strategy and Communications and Acting Chief Officer : Enforcement
Teboho Mokoena	Chief Officer: Human Capital and Development

Executive Committee Appointments and Resignations

Mr Jed Michaletos, Mr Hlengani Mathebula and Mr Teboho Mokoena were appointed in January 2016.
Mr Ivan Pillay resigned in May 2015; Mr Bob Head resigned in June 2015 and Mrs Elizabeth Kumalo resigned in September 2015.

Organisational Structure

The organisational structure of SARS is being reviewed as part of the Operating Model review that commenced in the 2015/16 financial year and will conclude 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.

3. REVIEW OF OPERATIONS AND RESULTS (amounts disclosed in R'000) OWN ACCOUNTS

The Revenue for the year was made up as follows:

	% change	2016	2015
Operating revenue	-1.12%	9 343 334	9 449 625
- Transfers from National Treasury	-1.12%	9 334 439	9 440 321
- Rendering of services	-4.40%	8 895	9 304
Other Income	7.88%	558 813	517 992
- Interest received	12.28%	238 601	212 508
- Other income	4.82%	320 212	305 484
	-0.66%	**9 902 147**	**9 967 617**

The Grant from Government decreased in line with the budget reductions applied all over government and in line with the approvals obtained through the Medium Term Expenditure Framework (MTEF).

Other revenue consists mainly of interest earned on funds temporarily available for investment; and 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 the Sector Education and Training Authority in order to comply with the skills development legislation. The approval of the MG is a requirement for the organisation to participate in the application of 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 to its registered stakeholders to give them an opportunity to apply for a discretionary grant equivalent to 49.5% of the levies paid to them, SARS applied for a discretionary grant and managed to obtain an amount of R2 008 557.93 approved from FASSET.

The surplus for the year was as follows:

	2016	2015
Balance accumulated surplus at 1 April as previously reported	4 382 946	3 997 103
Prior year adjustments	-	(583)
Restated balance 1 April	4 382 946	3 996 520
Net surplus/(deficit) for the year	(404 278)	386 425
Balance accumulated surplus at 31 March	**3 978 668**	**4 382 946**

Administered Revenue

Revenue for the year was R1 122 504 482 (2015: R1 029 597 171). 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.

Collections

	% change	2016	2015
Total revenue	9.02%	1 122 504 482	1 029 597 171
SA Customs Union Agreement			(51 737 656)
Net revenue	**14.79%**	**1 122 504 482**	**977 859 515**

SARS previously disclosed disbursements of monies made by National Treasury to the Southern African Customs Union member countries. National Treasury concurred that SARS excludes these payments effected from its disclosure from the current year onwards.

Revenue collected relates to 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

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 2016 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

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

9. ADDRESSES

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

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

Addresses for SARS' other offices are available from SARS.

Tom Moyane
Commissioner
South African Revenue Service
26 July 2016

STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2016

	Note(s)	Economic entity 2016 R '000	Economic entity 2015 Restated* R '000	Controlling entity 2016 R '000	Controlling entity 2015 Restated* R '000
Assets					
Current Assets					
Trade and other receivables	4	72 368	72 505	72 256	69 967
Current tax receivable - controlled entity	10	-	4 823	-	-
Prepayments	25	77 562	100 907	76 177	99 752
Cash and cash equivalents	5	3 423 160	3 423 512	3 370 226	3 415 120
		3 573 090	**3 601 747**	**3 518 659**	**3 584 839**
Non-Current Assets					
Property, plant and equipment	6	1 546 483	1 568 597	1 542 779	1 564 330
Intangible assets	7	771 017	953 861	1 043 571	1 153 040
Investment in controlled entity	8	-	-	-	-
Loan to controlled entity	9	-	-	80 452	81 017
		2 317 500	**2 522 458**	**2 666 802**	**2 798 387**
Total Assets		**5 890 590**	**6 124 205**	**6 185 461**	**6 383 226**
Liabilities					
Current Liabilities					
Finance lease obligation	11	5 327	9 315	5 293	9 253
Trade and other payables	12	720 921	604 204	735 121	633 867
Current tax payable	10	167	-	-	-
Deferred income	13	148	160	148	160
Provisions	14	576 936	537 672	571 841	533 756
VAT payable		2 308	609	-	-
		1 305 807	**1 151 960**	**1 312 403**	**1 177 036**
Non-Current Liabilities					
Finance lease obligation	11	7 853	12 360	7 853	12 326
Operating lease liability		187 405	207 071	187 129	207 029
Deferred income	13	153	233	153	233
Deferred tax - controlled entity	23	5 282	2 740	-	-
Employee benefits	26&27	181 178	176 745	181 178	176 745
		381 871	**399 149**	**376 313**	**396 333**
Total Liabilities		**1 687 678**	**1 551 109**	**1 688 716**	**1 573 369**
Net Assets		**4 202 912**	**4 573 096**	**4 496 745**	**4 809 857**
Net Assets					
Asset revaluation reserve	15	224 244	190 151	224 244	190 151
Accumulated surplus		3 978 668	4 382 945	4 272 501	4 619 706
Net Assets		**4 202 912**	**4 573 096**	**4 496 745**	**4 809 857**

* See Note 2 & 36

STATEMENT OF FINANCIAL PERFORMANCE

		Economic entity		Controlling entity	
		2016	2015 Restated*	2016	2015 Restated*
	Note(s)	R '000	R '000	R '000	R '000
Revenue					
Rendering of services	16	8 895	9 304	-	-
Other income	17	320 212	305 484	320 479	305 716
Interest received		238 601	212 508	244 479	219 629
Transfer from government entity	16	9 334 439	9 440 321	9 334 439	9 440 321
Total revenue		**9 902 147**	**9 967 617**	**9 899 397**	**9 965 666**
Expenditure					
Employee costs		6 928 862	6 520 948	6 864 726	6 467 533
Depreciation and amortisation		625 235	639 291	615 778	630 324
Impairment loss	18	36 413	4 471	44 867	5 992
Finance costs	19	4 691	6 712	4 682	6 696
Operating leases	30	464 918	434 768	463 082	433 177
Other expenses		25 496	20 892	25 461	20 580
Administrative expenses		1 097 290	1 011 761	1 093 909	1 008 846
Professional and special services		1 118 542	938 620	1 132 224	949 589
Total expenditure		**(10 301 447)**	**(9 577 463)**	**(10 244 729)**	**(9 522 737)**
Operating (deficit)/surplus		**(399 300)**	**390 154**	**(345 332)**	**442 928**
(Loss)/gain on disposal of assets		(1 907)	159	(1 873)	187
(Deficit)/surplus before taxation		**(401 207)**	**390 313**	**(347 205)**	**443 115**
Taxation	20	(3 071)	(3 888)	-	-
(Deficit)/surplus for the year		**(404 278)**	**386 425**	**(347 205)**	**443 115**

* See Note 2 & 36

STATEMENT OF CHANGES IN NET ASSETS

	Asset Revaluation Reserve R '000	Accumulated Surplus R '000	Total Net Assets R '000
Economic entity			
Opening balance as previously reported	124 482	3 997 103	4 121 585
Adjustments			
Prior year adjustments*	-	(583)	(583)
Balance at 01 April 2014 as restated*	**124 482**	**3 996 520**	**4 121 002**
Changes in net assets			
Surplus for the year	-	386 425	386 425
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	386 425	452 094
Opening balance as restated	190 151	4 377 856	4 568 007
Adjustments			
Prior year adjustments*	-	5 090	5 090
Balance at 01 April 2015 as restated*	**190 151**	**4 382 946**	**4 573 097**
Changes in net assets			
Deficit for the year	-	(404 278)	(404 278)
Surplus in revaluation of land and buildings	39 058	-	39 058
Depreciation on revalued portion of assets	(4 965)	-	(4 965)
Total changes	34 093	(404 278)	(370 185)
Balance at 31 March 2016	**224 244**	**3 978 668**	**4 202 912**
Note	15		

* See Note 2 & 36

STATEMENT OF CHANGES IN NET ASSETS

	Asset Revaluation Reserve R '000	Accumulated Surplus R '000	Total Net Assets R '000
Controlling entity			
Opening balance as previously reported	124 482	4 177 174	4 301 656
Adjustments			
Prior year adjustments*	-	(583)	(583)
Balance at 01 April 2014 as restated*	**124 482**	**4 176 591**	**4 301 073**
Changes in net assets			
Surplus for the year	-	443 115	443 115
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	443 115	508 784
Opening balance as restated	190 151	4 614 673	4 804 824
Adjustments			
Prior year adjustments*	-	5 033	5 033
Balance at 01 April 2015 as restated*	**190 151**	**4 619 706**	**4 809 857**
Changes in net assets			
Deficit for the year	-	(347 205)	(347 205)
Surplus in revaluation of land and buildings	39 058	-	39 058
Depreciation on revalued portion of assets	(4 965)	-	(4 965)
Total changes	34 093	(347 205)	(313 112)
Balance at 31 March 2016	**224 244**	**4 272 501**	**4 496 745**
Note	15		

* See Note 2 & 36

CASH FLOW STATEMENT

		Economic entity		Controlling entity	
		2016	2015	2016	2015
			Restated*		Restated*
	Note	R '000	R '000	R '000	R '000
Cash flows from operating activities					
Receipts					
Rendering of services		11 046	8 642	-	-
Transfer from government entity		9 334 439	9 440 321	9 334 439	9 440 321
Interest received		264 165	199 433	262 154	198 598
Other income		288 901	306 029	289 168	306 262
		9 898 551	**9 954 425**	**9 885 761**	**9 945 181**
Payments					
Employee costs		(6 885 469)	(6 475 776)	(6 821 893)	(6 422 748)
Suppliers		(2 584 536)	(2 484 641)	(2 609 326)	(2 463 998)
VAT paid		1 699	195	-	-
Tax paid	10	4 462	(1 241)	-	-
		(9 463 844)	**(8 961 463)**	**(9 431 219)**	**(8 886 746)**
Net cash flows from operating activities	**21**	**434 707**	**992 962**	**454 542**	**1 058 435**
Cash flows from investing activities					
Acquisition of property, plant and equipment	6	(205 128)	(263 009)	(204 129)	(260 943)
Proceeds from sale of property, plant and equipment	6	795	3 906	764	3 897
Acquisition of intangible assets	7	(217 542)	(227 170)	(282 956)	(279 521)
Net cash flows from investing activities		**(421 875)**	**(486 273)**	**(486 321)**	**(536 567)**
Cash flows from financing activities					
Finance lease and interest payments		(13 185)	(8 500)	(13 115)	(8 429)
Net (decrease)/increase in cash and cash equivalents		**(353)**	**498 189**	**(44 894)**	**513 439**
Cash and cash equivalents at the beginning of the year		3 423 513	2 925 324	3 415 120	2 901 681
Cash and cash equivalents at the end of the year	**5**	**3 423 160**	**3 423 513**	**3 370 226**	**3 415 120**

* See Note 2 & 36

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	67 967	72 256	**4 289**
Prepayments	104 752	76 177	**(28 575)**
Cash and cash equivalents	1 228 613	3 370 226	**2 141 613**
	1 401 332	**3 518 659**	**2 117 327**
Non-Current Assets			
Property, plant and equipment	2 462 629	1 542 779	**(919 850)**
Intangible assets	1 367 405	1 043 571	**(323 834)**
Loan to controlled entity	71 017	80 452	**9 435**
	3 901 051	**2 666 802**	**(1 234 249)**
Total Assets	**5 302 383**	**6 185 461**	**883 078**
Liabilities			
Current Liabilities			
Finance lease obligation	5 094	5 293	**199**
Trade and other payables	591 006	735 121	**144 115**
Deferred income	-	148	**148**
Provisions	438 142	571 841	**133 699**
	1 034 242	**1 312 403**	**278 161**
Non-Current Liabilities			
Finance lease obligation	7 232	7 853	**621**
Operating lease liability	-	187 129	**187 129**
Deferred income	-	153	**153**
Employee benefits	179 745	181 178	**1 433**
	186 977	**376 313**	**189 336**
Total Liabilities	**1 221 219**	**1 688 716**	**467 497**
Net Assets	**4 081 164**	**4 496 745**	**415 581**
Net Assets			
Asset revaluation reserve	397 573	224 244	**(173 329)**
Accumulated surplus	3 683 591	4 272 501	**588 910**
Net Assets	**4 081 164**	**4 496 745**	**415 581**

STATEMENTS OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

	Approved budget R '000	Actual amounts on comparable basis R '000	Difference between final budget and actual R '000	Reference
Controlling entity				
Statement of Financial Performance				
Revenue				
Other income	297 447	320 479	**23 032**	Note 1
Interest received	176 423	244 479	**68 056**	Note 2
Transfer from government entity	9 334 439	9 334 439	-	
Total revenue	**9 808 309**	**9 899 397**	**91 088**	
Expenditure				
Employee costs	6 876 268	6 864 726	**11 542**	Note 3
Depreciation and amortisation	633 275	615 778	**17 497**	
Impairment loss	1	44 867	**(44 866)**	Note 4
Finance costs	4 586	4 682	**(96)**	
Operating leases	531 411	463 082	**68 329**	
Other expenses	22 440	25 461	**(3 021)**	
Administrative expenses	1 167 684	1 093 909	**73 775**	Note 5
Professional & special services	1 504 312	1 132 224	**372 088**	Note 5
Total expenditure	**(10 739 977)**	**(10 244 729)**	**495 248**	
Operating (deficit)	**(931 668)**	**(345 332)**	**586 336**	
Loss on disposal of assets	-	(1 873)	**(1 873)**	
Total (deficit)	**(931 668)**	**(347 205)**	**584 463**	

STATEMENTS OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

Timing difference	
The variance is due to higher than anticipated income on Unemployment Insurance Fund (UIF) commission due to higher collections of the UIF on behalf of Department of Labour as a result of annual increases in remuneration.	Note 1
During the 2014/15 fiscal period, SARS started a review of the Operating Model and Information Technology strategy to determine how best to serve the growing needs of the taxpayer. This necessitated an assessment of project alignment and roll out which subsequently resulted in accumulation of interest on delayed utilisation of funds.	Note 2
The variance against personnel expenses is mainly as a result of unfilled vacancies due to the Operating Model review as well as scarcity of high end skills.	Note 3
The loss consists of an impairment of R44.9 million (Refer to note 6 & 7). This impairment consists of the Interfront loan as well as the impairment of property, plant and equipment and intangible assets based on the impairment policy.	Note 4
During the 2014/15 fiscal period, SARS started a review of the Operating Model and Information Technology strategy to determine how best to serve the growing needs of the taxpayer. This necessitated an assessment of project alignment and subsequently resulted in temporary savings in the current year mainly due to the delay in Project roll out.	Note 5

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STATEMENTS OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

	Approved budget R '000	Actual amounts on comparable basis R '000	Difference between final budget and actual R '000	Reference
Cash Flow Statement				
Cash flows from operating activities				
Receipts				
Transfer from government entity	9 334 439	9 334 439	**-**	
Interest received	176 423	262 154	**85 731**	Note 1
Other income	297 447	289 168	**(8 279)**	Note 2
	9 808 309	**9 885 761**	**77 452**	
Payments				
Employee costs	(6 718 794)	(6 821 893)	**(103 099)**	Note 3
Suppliers	(3 521 564)	(2 609 326)	**912 238**	Note 4
Finance costs	(4 816)	-	**4 816**	
	(10 245 174)	**(9 431 219)**	**813 955**	
Net cash flows from operating activities	**(436 865)**	**454 542**	**891 407**	
Cash flows from investing activities				
Acquisition of property, plant and equipment	(1 178 757)	(204 128)	**974 629**	Note 4
Proceeds from sale of property, plant and equipment	-	764	**764**	Note 4
Acquisition of intangible assets	(571 632)	(282 957)	**288 675**	Note 4
Net cash flows from investing activities	**(1 750 389)**	**(486 321)**	**1 264 068**	
Cash flows from financing activities				
Borrowing activities	10 000	-	**(10 000)**	
Finance lease and interest payments	(9 253)	(13 115)	**(3 862)**	
Net cash flows from financing activities	**747**	**(13 115)**	**(13 862)**	
Net decrease in cash and cash equivalents	(2 186 507)	(44 894)	**2 141 613**	
Cash and cash equivalents at the beginning of the year	3 415 120	3 415 120	**-**	
Cash and cash equivalents at the end of the year	**1 228 613**	**3 370 226**	**2 141 613**	

STATEMENTS OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

Timing difference	
During the 2014/15 fiscal period, SARS started a review of the Operating Model and Information Technology strategy to determine how best to serve the growing needs of the taxpayer. This necessitated an assessment of project alignment and roll out which subsequently resulted in accumulation of interest on delayed utilisation of funds.	Note 1
The variance is due to higher than anticipated income on Unemployment Insurance Fund (UIF) commission due to higher collections of the UIF on behalf of Department Of Labour as a result of annual increases in remunerations. This was eliminated by Government debtors that increased compared to prior year.	Note 2
The variance against personnel expenses is mainly as a result of unfilled vacancies due to the Operating Model review as well as scarcity of high end skills. This was however eliminated mainly by the payments of Performance bonus provision that were provided in prior year.	Note 3
During the 2014/15 fiscal period, SARS started a review of the Operating Model and Information Technology strategy to determine how best to serve the growing needs of the taxpayer. This necessitated an assessment of project alignment and subsequently resulted in temporary savings in the current year mainly due to the delay in Project Roll out.	Note 4

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.

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 judgements and sources of estimation uncertainty

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

1.2 Significant judgements and sources of estimation uncertainty (continued)

Loans and receivables

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

Fair value estimation

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

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.

1.2 Significant judgements and sources of estimation uncertainty (continued)

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.

Allowance for doubtful debt

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

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 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 economic 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 items 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.

1.3 Property, plant and equipment (continued)

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

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

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

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

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

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

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

Item	Average useful life
Land	Unlimited useful life
Buildings	15 to 50 years
Plant and equipment	10 years
Furniture, fitting and office equipment	3 to 10 years
Land and water vehicles	5 to 8 years
IT equipment	2 to 8 years
Leasehold improvements	Over the life of the asset or the lease period whichever is the shorter
Generators	10 years
Security equipment	3 to 5 years
Assets under construction	No useful life as assets are not available and ready for use

The residual value, and the useful life and depreciation method of each asset are reviewed at the end of each reporting date. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate (Refer note 35).

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 identifiable as an intangible asset when it:

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

An intangible asset is recognised when:

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

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

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

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

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

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

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

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

Item	Useful life
Intellectual property and other rights (Controlled entity)	10 years
IT software	5 to 8 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 are expected from its use or disposal.

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

1.5 Investment in controlled entity

Economic entity's annual financial statements

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

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

1.6 Financial instruments (continued)

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.

Subsequent measurement of financial assets and financial liabilities

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

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

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

1.6 Financial instruments (continued)

Fair value measurement considerations

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

Gains and losses

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

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

Impairment and non-collectability of financial assets

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

Financial assets measured at amortised cost

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

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

Derecognition

Financial assets

The entity derecognises 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.

1.6 Financial instruments (continued)

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

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

1.7 Tax - 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.

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-oriented 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 managed with the objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

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

Depreciation and 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.

1.9 Impairment of cash-generating assets (continued)

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 at the end of the current reporting period.

Recognition and measurement

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

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.

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

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

In allocating an impairment loss, the entity does not reduce the carrying amount of an asset below the highest of:
- its fair value less costs to sell (if determinable);
- its value in use (if determinable); and
- zero.

1.9 Impairment of cash-generating assets (continued)

Reversal of impairment loss

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

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

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

1.10 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.

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.

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.

1.11 Employee benefits (continued)

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.

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.

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 and
- Contracts should relate to something other than the routine – therefore salary commitments relating to employment contracts or social security benefit commitments are excluded.

Disclosure in note 31.

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.

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.

1.15 Revenue from non-exchange transactions (continued)

Measurement

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

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

Donations, including goods in-kind

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

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

1.19 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 to through authorising legislation.

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

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

The approved budget covers the fiscal period from 2015/04/01 to 2016/03/31.

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, regarded as 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.

2. Basis of preparation

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

3. New standards and interpretations

3.1 Standards and interpretations early adopted

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

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• GRAP 17 (as amended 2015): Property, Plant and Equipment	01 April 2016	The adoption of this amendment has not had a material impact on the results of the company but has resulted in more disclosure than would have previously been provided in the financial statements

3.2 Standards and interpretations issued, but not yet effective

The economic entity has not applied the following standards and interpretations, which have been published and are mandatory for the economic entity's accounting periods beginning on or after 01 April 2016 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.
• Directive 12: The Selection of an Appropriate Reporting Framework by Public Entities	01 April 2018	The entity currently applies the Standards of GRAP and is therefore exempt from this Directive

	Economic entity		Controlling entity	
	2016	2015	2016	2015
	R '000	R '000	R '000	R '000

4. Trade and other receivables

Interest receivables	5 451	31 014	5 451	31 014
Government departments	56 351	28 773	56 351	28 773
Refundable deposits	3 939	4 481	3 914	4 466
Staff accounts receivables	2 521	3 036	2 521	3 036
Trade debtors	196	2 622	-	-
Sundry receivables	2 872	2 141	2 981	2 240
Advanced Tax Ruling (ATR) debtors	1 038	438	1 038	438
	72 368	**72 505**	**72 256**	**69 967**

Fair value of Trade and other receivables

Trade and other receivables	72 368	72 505	72 256	69 967

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

Trade and other receivables past due but not impaired

At 31 March 2016, R1 766 066 (2015: R5 108 563) was past due but not impaired.

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

1 month past due	375	2 272	375	974
2 months past due	24	249	24	249
3 months past due	1 367	2 587	1 367	1 263

Trade and other receivables impaired

As of 31 March 2016, trade and other receivables of R11 733 262 (2015: R5 766 197) were impaired and provided for.

The ageing of these trade and other receivables is as follows:

0 to 3 months	141	-	141	-
Over 3 months	11 593	5 766	11 593	5 766

Reconciliation of provision for impairment of Trade and other receivables

Opening balance	5 766	823	5 766	823
Provision for impairment	6 140	5 150	6 140	5 150
Amounts written off as uncollectible	(173)	(207)	(173)	(207)
	11 733	**5 766**	**11 733**	**5 766**

	Economic entity		Controlling entity	
	2016	2015	2016	2015
	R '000	R '000	R '000	R '000

4. Trade and other receivables (continued)

Included in the provision for impairment for the controlling entity is an amount of R4 673 775 (2015: R4 673 775) in respect of officials from SARS seconded to National Treasury (NT) to support the Procurement Transformation Initiative. A disagreement between SARS and NT developed regarding the successful delivery of the project. The matter will be dealt with in terms of the signed memorandum of understanding dispute resolution paragraph.

Also included is a provision for impairment for the controlling entity for an amount of R5 112 537 (2015: R0) in respect of officials from SARS that were seconded to the Department of Cooperative Governance and Traditional Affairs (COGTA).

5. Cash and cash equivalents

Cash and cash equivalents consist of:

	Economic entity 2016 R '000	Economic entity 2015 R '000	Controlling entity 2016 R '000	Controlling entity 2015 R '000
Bank balances	3 422 673	1 023 087	3 369 747	1 014 702
Cash on hand	487	426	479	418
Investments	-	2 400 000	-	2 400 000
	3 423 160	**3 423 513**	**3 370 226**	**3 415 120**

6. Property, plant and equipment

Figures in Rand thousand

Economic entity	2016			2015		
	Cost / Valuation	Movement	Carrying value	Cost / Valuation	Movement	Carrying value
Land	194 161	-	194 161	159 368	-	159 368
Buildings	710 729	(64 886)	645 843	695 984	(46 694)	649 290
Plant and equipment	75 146	(23 618)	51 528	48 366	(18 868)	29 498
Furniture, fittings and office equipment	394 708	(298 855)	95 853	381 849	(274 077)	107 772
Land and water vehicles	223 136	(104 300)	118 836	189 184	(87 767)	101 417
IT equipment	1 013 207	(786 543)	226 664	997 735	(755 823)	241 912
Leasehold improvements	620 411	(482 232)	138 179	599 904	(434 527)	165 377
Generators	66 938	(33 672)	33 266	66 651	(27 803)	38 848
Security equipment	173 435	(132 808)	40 627	159 470	(105 465)	54 005
Assets under construction	1 526	-	1 526	21 110	-	21 110
Total	**3 473 397**	**(1 926 914)**	**1 546 483**	**3 319 621**	**(1 751 024)**	**1 568 597**

Controlling entity	2016			2015		
	Cost / Valuation	Movement	Carrying value	Cost / Valuation	Movement	Carrying value
Land	194 161	-	194 161	159 368	-	159 368
Buildings	710 729	(64 886)	645 843	695 984	(46 694)	649 290
Plant and equipment	75 146	(23 618)	51 528	48 366	(18 868)	29 498
Furniture, fittings and office equipment	393 621	(298 215)	95 406	380 770	(273 569)	107 201
Land and water vehicles	223 136	(104 300)	118 836	189 184	(87 767)	101 417
IT equipment	1 002 926	(778 938)	223 988	987 865	(748 916)	238 949
Leasehold improvements	615 848	(478 232)	137 616	595 341	(430 661)	164 680
Generators	66 734	(33 482)	33 252	66 447	(27 628)	38 819
Security equipment	173 415	(132 792)	40 623	159 450	(105 452)	53 998
Assets under construction	1 526	-	1 526	21 110	-	21 110
Total	**3 457 242**	**(1 914 463)**	**1 542 779**	**3 303 885**	**(1 739 555)**	**1 564 330**

6. Property, plant and equipment (continued)

Reconciliation of the carrying amount of property, plant and equipment - Economic entity - 2016

Figures in Rand thousand

	Opening balance	Additions	Disposals	Transfers	Revaluations	Compensation for replacement assets	Depreciation	Impairment loss/ scrappings	Impairment reversal	Total
Land	159 368	-	-	-	34 793	-	-	-	-	194 161
Buildings	649 290	17 888	-	221	(700)	-	(12 186)	(8 670)	-	645 843
Plant and equipment	29 498	1 660	-	25 115	-	-	(4 745)	-	-	51 528
Furniture, fittings and office equipment	107 772	22 050	(42)	325	-	32	(33 507)	(1 397)	620	95 853
Land and water vehicles	101 417	35 352	(267)	2 661	-	1 064	(20 632)	(759)	-	118 836
IT equipment	241 912	80 801	(2 344)	4 377	-	1 532	(97 582)	(2 507)	475	226 664
Leasehold improvements	165 377	23 565	-	1 183	-	-	(51 939)	(7)	-	138 179
Generators	38 848	292	-	-	-	-	(5 874)	-	-	33 266
Security equipment	54 005	5 537	(49)	7 497	-	-	(26 712)	(418)	767	40 627
Assets under construction	21 110	17 983	-	(37 526)	-	-	-	(41)	-	1 526
	1 568 597	**205 128**	**(2 702)**	**3 853**	**34 093**	**2 628**	**(253 177)**	**(13 799)**	**1 862**	**1 546 483**

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

6. Property, plant and equipment (continued)

Reconciliation of the carrying amount 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/ scrappings	Impairment reversal	Total
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	299 723	70 730	(2 429)	864	-	920	(126 464)	(1 837)	405	241 912
Leasehold improvements	132 102	85 218	-	988	-	-	(52 808)	(123)	-	165 377
Generators	44 145	805	-	-	-	-	(5 838)	(264)	-	38 848
Security equipment	55 073	5 930	(3)	19 143	-	-	(25 046)	(1 109)	17	54 005
Assets under construction	28 997	37 431	-	(45 318)	-	-	-	-	-	21 110
	1 528 461	**263 009**	**(3 747)**	**1 587**	**65 670**	**973**	**(282 907)**	**(5 952)**	**1 503**	**1 568 597**

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

6. Property, plant and equipment (continued)

Reconciliation of the carrying amount of property, plant and equipment - Controlling entity - 2016

Figures in Rand thousand

	Opening balance	Additions	Disposals	Transfers	Revaluations	Compensation for replacement assets	Depreciation	Impairment loss/ scrappings	Impairment reversal	Total
Land	159 368	-	-	-	34 793	-	-	-	-	194 161
Buildings	649 290	17 888	-	221	(700)	-	(12 186)	(8 670)	-	645 843
Plant and equipment	29 498	1 660	-	25 115	-	-	(4 745)	-	-	51 528
Furniture, fittings and office equipment	107 201	22 015	(33)	325	-	32	(33 357)	(1 397)	620	95 406
Land and water vehicles	101 417	35 352	(267)	2 661	-	1 064	(20 632)	(759)	-	118 836
IT equipment	238 949	79 838	(2 288)	4 377	-	1 532	(96 388)	(2 507)	475	223 988
Leasehold improvements	164 680	23 566	-	1 183	-	-	(51 806)	(7)	-	137 616
Generators	38 819	291	-	-	-	-	(5 858)	-	-	33 252
Security equipment	53 998	5 536	(49)	7 497	-	-	(26 708)	(418)	767	40 623
Assets under construction	21 110	17 983	-	(37 526)	-	-	-	(41)	-	1 526
	1 564 330	**204 129**	**(2 637)**	**3 853**	**34 093**	**2 628**	**(251 680)**	**(13 799)**	**1 862**	**1 542 779**

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

6. Property, plant and equipment (continued)

Reconciliation of the carrying amount 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 assets	Depreciation	Impairment loss/ scrappings	Impairment reversal	Total
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	297 536	68 937	(2 429)	865	-	920	105	(125 553)	(1 837)	405	238 949
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
	1 524 908	**260 943**	**(3 710)**	**1 587**	**65 670**	**973**	**105**	**(281 697)**	**(5 952)**	**1 503**	**1 564 330**

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

	Economic entity		Controlling entity	
	2016	2015	2016	2015
	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	11 118	20 227	11 093	20 151

Revaluations

The effective date of the revaluations was 31 March 2016. Revaluations were performed by independent valuer, Mr WJ Hewitt [NDPV,C.I.E.A, F.I.V(SA),MRICS] and candidate valuer Mr PL Niesing [B Art et Scientiae (Planning) SACPVP SAIV] 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 Alberton South Campus (New Redruth Extension 6, McKinnon Crescent, Alberton,1449) were performed using the net annual income method. This method determines the market value of income producing properties such as shopping centres, offices and industrial or commercial properties where the buildings have earning potential.

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

The depreciated replacement method employs the current replacement cost of the respective building, less depreciation for physical, functional and economic factors. The market value of vacant land, if applicable, must be added to this resultant figure, yielding the total market value of the property.

The direct comparable method is generally considered to determine the market value of vacant land or residential properties as it employs the direct comparison of comparable properties, recently sold.

Other information

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

Property, plant and equipment	736 728	685 851	730 422	679 795

Reconciliation of Assets under Construction Economic and Controlling entity - 2016

Additional disclosure as proposed in GRAP 17, effective 1 April 2016, relating to assets under construction have been early adopted. Refer note 3.1.

6. Property, plant and equipment (continued)

Status	Less than 1 year	2-5 years	Total
	R '000	R '000	R '000
Projects in progress	303	1 223	1 526

Reconciliation of Assets under Construction Economic and Controlling entity - 2015

Status	Less than 1 year	2-5 years	Total
	R '000	R '000	R '000
Projects in progress	13 236	7 874	21 110

7. Intangible assets

Figures in Rand thousand

Economic entity	2016			2015		
	Cost / Valuation	Movement	Carrying value	Cost / Valuation	Movement	Carrying value
Intellectual property and other rights	73 583	(19 286)	54 297	73 583	(11 928)	61 655
IT software	2 556 036	(1 938 805)	617 231	2 455 330	(1 575 442)	879 888
Software under development	99 489	-	99 489	12 318	-	12 318
Total	**2 729 108**	**(1 958 091)**	**771 017**	**2 541 231**	**(1 587 370)**	**953 861**

Controlling entity	2016			2015		
	Cost / Valuation	Movement	Carrying value	Cost / Valuation	Movement	Carrying value
IT software	2 754 409	(1 937 247)	817 162	2 572 982	(1 574 486)	998 496
Software under development	226 409	-	226 409	154 544	-	154 544
Total	**2 980 818**	**(1 937 247)**	**1 043 571**	**2 727 526**	**(1 574 486)**	**1 153 040**

7. Intangible assets (continued)

Reconciliation of the carrying amount of intangible assets - Economic entity – 2016

Figures in Rand thousand

	Opening balance	Additions	Transfers	Amortisation	Impairment loss/ scrappings	Total
Intellectual property and other rights	61 655	-	-	(7 358)	-	54 297
IT software	879 888	57 330	53 701	(364 700)	(8 988)	617 231
Software under development	12 318	160 212	(57 554)	-	(15 487)	99 489
	953 861	**217 542**	**(3 853)**	**(372 058)**	**(24 475)**	**771 017**

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

Reconciliation of the carrying amount of intangible assets - Economic entity - 2015

	Opening balance	Additions	Transfers	Amortisation	Impairment loss/ scrappings	Total
Intellectual property and other rights	69 013	-	-	(7 358)	-	61 655
IT software	990 955	22 685	215 296	(349 026)	(22)	879 888
Software under development	24 716	204 485	(216 883)	-	-	12 318
	1 084 684	**227 170**	**(1 587)**	**(356 384)**	**(22)**	**953 861**

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

7. Intangible assets (continued)

Reconciliation of the carrying amount of intangible assets - Controlling entity 2016

Figures in Rand thousand

	Opening balance	Additions	Transfers	Amortisation	Impairment loss/ scrappings	Total
IT software	998 496	55 685	136 067	(364 098)	(8 988)	817 162
Software under development	154 544	227 271	(139 920)	-	(15 486)	226 409
	1 153 040	**282 956**	**(3 853)**	**(364 098)**	**(24 474)**	**1 043 571**

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

Reconciliation of the carrying amount of intangible assets - Controlling entity - 2015

	Opening balance	Additions	Transfers	Write back on shared assets	Amortisation	Impairment loss/ scrappings	Total
IT software	989 625	22 424	335 085	11	(348 627)	(22)	998 496
Software under development	234 119	257 097	(336 672)	-	-	-	154 544
	1 223 744	**279 521**	**(1 587)**	**11**	**(348 627)**	**(22)**	**1 153 040**

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

Details of impairment test of Assets under Construction (Intangibles)

Due to operational environment and technology changes assets under construction (Intangibles) (R24.5 million) is no longer required and was impaired as per GRAP 21.

7. Intangible assets (continued)

Details of impairment test of Intellectual Property - Controlled entity

An impairment test was performed to determine whether the intangible assets' value should be impaired. The effective date of the valuation is 31 March 2016. The valuation was performed by an independent valuer, KPMG. KPMG is not connected to the economic entity and has experience in valuing similar assets.

The valuation method adopted in undertaking this valuation has been the Relief from Royalty method. The Relief from Royalty method estimates the cost of licensing the acquired intangible asset from an independent third party using a royalty rate. Since the company owns the assets, it is relieved from making royalty payments. The resulting cash flow savings attributed to the intangible assets are estimated over the intangible asset's remaining useful life and discounted by the calculated weighted average cost of capital to present value. This approach focuses on the income producing capability of the intangible asset that best represents the present value of the future economic benefits expected to be derived from it. It reflects the present value of the operating cash flows generated by the Intellectual Property (IP) after taking into account the cost to realise the revenue, the relative risk of the revenue streams and an appropriate discount rate to reflect the time value of invested capital.

The following inputs were used:	
IP valuation 2017 to 2026	
Royalty rate forecast	12.80%
Weighted Average cost of Capital	21.90%
Tax rate	28.00%

The impairment test did not indicate an impairment of the Intellectual Property.

Useful life of Intellectual Property - Controlled entity

Amortisation of the Intellectual Property (IP) started in August 2013 when the IP became available for use. Management assessed the useful life of the IP, based on the estimated forecast of commercial and economic realities, at 10 years.

Reconciliation of Assets under Construction Economic and Controlling entity - 2016

Additional disclosure as proposed in GRAP 17, effective 1 April 2016, relating to assets under construction have been early adopted. Refer note 3.1.

Status	Less than 1 year	2-5 years	Over 5 years	Total
	R '000	R '000	R '000	R '000
Projects in progress	104 676	31 916	-	136 592
Projects awaiting finalisation	666	2 703	-	3 369
Projects awaiting prioritisation	692	49 958	35 798	86 448
	106 034	**84 577**	**35 798**	**226 409**

7. Intangible assets (continued)

Reconciliation of Assets under Construction Economic and Controlling entity - 2015

Status	Less than 1 year	2-5 years	Over 5 years	Total
	R '000	R '000	R '000	R '000
Projects in progress	31 641	21 433	-	53 074
Projects awaiting finalisation	391	8 359	-	8 750
Projects awaiting prioritisation	32 195	60 525	-	92 720
	64 227	**90 317**	**-**	**154 544**

	Economic entity		Controlling entity	
	2016	2015	2016	2015
	R '000	R '000	R '000	R '000

8. Investment in controlled entity

Name of company	Held by	% holding	% holding	Carrying amount	Carrying amount
		2016	2015	2016	2015
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	92 595
Provision for impairment of loan to controlled entity	-	-	(12 143)	(11 578)
	-	-	**80 452**	**81 017**

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

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

The loan is recognised at amortised cost which is calculated by assessing the level of impairment necessary weighing the different probabilities of repayment (40%) or conversion into equity (60%) appropriately. A weighted average effective interest rate as at 31 March 2016 was calculated as 9.81% resulting in the implied interest income to be recognised in the Statement of Financial Performance.

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

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

Fair value of the loan to the controlled entity

Loan to controlled entity	-	-	107 232	103 066

An average effective discount rate of 9.17% 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.

	Economic entity		Controlling entity	
	2016	2015	2016	2015
	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 2016, the loan to Interfront of R92 595 410 (2015: R92 595 410) was impaired by R12 142 870 (2015: R11 577 716).

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

Over 6 months	-	-	92 595	92 595

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

Opening balance	-	-	11 578	18 013
Provision for impairment (refer note18)	-	-	8 454	1 521
Interest income	-	-	(7 889)	(7 956)
	-	-	**12 143**	**11 578**

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 payable/(receivable) - controlled entity

Balance at beginning of the year	4 823	3 582	-	-
Current tax for the year recognised in surplus or deficit	(529)	-	-	-
Balance at end of the year	168	(4 823)	-	-
	4 462	**(1 241)**		

Tax balances arise from estimations made for provisional tax payments.

	Economic entity		Controlling entity	
	2016	2015	2016	2015
	R '000	R '000	R '000	R '000

11. Finance lease obligation

Office equipment				
Minimum lease payments due				
- within one year	7 964	13 908	7 929	13 838
- in second to fifth year inclusive	11 836	18 531	11 836	18 496
	19 800	32 439	19 765	32 334
less: future finance charges	(6 620)	(10 764)	(6 619)	(10 755)
Present value of minimum lease payments	**13 180**	**21 675**	**13 146**	**21 579**

Non-current liabilities	7 853	12 360	7 853	12 326
Current liabilities	5 327	9 315	5 293	9 253
	13 180	**21 675**	**13 146**	**21 579**

Office equipment

Photocopiers under lease were capitalised and the corresponding finance lease liability raised in accordance with GRAP 13. The leases are payable in monthly instalments over 36-60 months.

12. Trade and other payables

Trade accounts payable and accruals	482 714	365 587	500 579	398 926
Accruals for salary related expenses	235 772	237 032	232 963	234 012
Other payables	2 358	1 514	1 502	858
Donations for distribution	77	71	77	71
	720 921	**604 204**	**735 121**	**633 867**

13. Deferred income

Receipts comprises of:

Tenant allowances	233	330	233	330
Tower rentals	68	63	68	63
	301	**393**	**301**	**393**

Current liabilities	148	160	148	160
Non-current liabilities	153	233	153	233
	301	**393**	**301**	**393**

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.

NOTES TO THE FINANCIAL STATEMENTS

14. Provisions

Reconciliation of provisions - Economic entity - 2016

Figures in Rand thousand

	Opening balance	Accumulation	Utilised during the year	Adjustment during the year	Closing balance
Performance bonuses	535 916	568 153	(532 664)	(4 890)	566 515
Salary related provisions	1 756	11 322	(2 621)	(36)	10 421
	537 672	**579 475**	**(535 285)**	**(4 926)**	**576 936**

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 - Controlling entity – 2016

	Opening balance	Accumulation	Utilised during the year	Adjustment during the year	Closing balance
Performance bonuses	532 000	563 058	(528 748)	(4 890)	561 420
Salary related provisions	1 756	11 322	(2 621)	(36)	10 421
	533 756	**574 380**	**(531 369)**	**(4 926)**	**571 841**

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**

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.

	Economic entity		Controlling entity	
	2016	2015	2016	2015
	R '000	R '000	R '000	R '000

14. Provisions (continued)

Salary Related Provisions

In 2015 a salary provision (R1.8 million) and in 2016 interest on salary and leave provision (R4.7 million) arose from claims by employees in SARS' service to repay salary recoveries made after 1994. These employees formed part of employees from the former Public Service Department in TBVC States that was 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 Protectors report with regards to deductions for the same reason issued to another organ of state recommended the refund of deductions be made as that entity did 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.

In 2016 a provision for possible salary payments (R6.6 million) were made for employees that were placed on development grades and their grades and salaries not adjusted to the correct grade at the time of promotion. The timing and final quantum of the salary provisions are uncertain.

15. Asset revaluation reserve

Opening balance	190 151	124 482	190 151	124 482
Current year revaluation	39 058	68 957	39 058	68 957
Depreciation on the revalued portion of assets	(4 965)	(3 288)	(4 965)	(3 288)
	224 244	**190 151**	**224 244**	**190 151**

16. Revenue

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

Rendering of services	**8 895**	**9 304**	**-**	**-**

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

Transfer from government entity	**9 334 439**	**9 440 321**	**9 334 439**	**9 440 321**

	Economic entity		Controlling entity	
	2016	2015	2016	2015
	R '000	R '000	R '000	R '000

17. Other income

Commission received	299 896	285 691	299 896	285 691
Sundry receipts	16 139	14 910	16 406	15 142
Negotiated discount	-	149	-	149
SDL training grant	1 549	3 760	1 549	3 760
Compensation for replacement assets	2 628	973	2 628	973
	320 212	**305 483**	**320 479**	**305 715**

18. Impairment of assets

Property, plant and equipment & Intangibles	36 413	4 471	36 413	4 471
Loan to controlled entity (Refer note 9)	-	-	8 454	1 521
	36 413	**4 471**	**44 867**	**5 992**

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 (2016: R11.9 million).

Assets under Construction (Intangibles) (2016: R24.5 million) no longer required due to operational environment and technology changes were impaired as per GRAP 21.

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	**4 691**	**6 712**	**4 682**	**6 696**

	Economic entity		Controlling entity	
	2016	2015	2016	2015
	R '000	R '000	R '000	R '000

20. Taxation - controlled entity

Major components of the tax expense

Current

Local income tax - current period	529	-	-	-

Deferred

Deferred tax movement current year	2 542	3 888	-	-
	3 071	**3 888**	**-**	**-**

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	12 494	6 245	-	-
Tax at 28%	3 498	1 749	-	-
Prior year error	-	(16)	-	-
Originating temporary difference	(2 541)	(3 888)	-	-
Assessed tax loss	-	1 499	-	-
Permanent differences	656	656	-	-
Utilised prior year unrecognised tax losses	(1 084)	-	-	-
	529	**-**	**-**	**-**

The controlling entity is exempt from the payment of income tax in terms of section 10(1)(cA) of the Income Tax Act of 1962.

	Economic entity		Controlling entity	
	2016	2015	2016	2015
	R '000	R '000	R '000	R '000

21. Cash generated from operations

(Deficit)/surplus	(404 278)	386 424	(347 205)	443 115
Adjustments for:				
Depreciation and amortisation	625 235	639 291	615 778	630 324
Gain on disposal of assets	1 907	(159)	1 873	(187)
Compensation for replacement assets	(2 628)	(973)	(2 628)	(973)
Finance costs	4 691	6 712	4 682	6 696
Impairment loss	36 413	4 471	44 867	5 992
Movement in operating lease liabilities	(19 666)	(25 861)	(19 900)	(25 688)
Movement in employee benefits	4 433	(116 949)	4 433	(116 949)
Movement in provisions	39 264	157 163	38 085	156 619
Movement in tax receivable	4 990	(1 240)	-	-
Annual charge for deferred tax	2 542	3 888	-	-
Interest income intercompany loan	-	-	(7 889)	(7 955)
Changes in working capital:				
Trade and other receivables	137	(8 271)	(2 289)	(8 002)
Prepayments	23 345	(50 163)	23 575	(49 975)
Trade and other payables	116 715	(1 849)	101 252	25 135
VAT	1 699	195	-	-
Deferred income	(92)	283	(92)	283
	434 707	**992 962**	**454 542**	**1 058 435**

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	72 368	72 505	72 256	69 967
Cash and cash equivalents at fair value	3 423 160	3 423 512	3 370 226	3 415 120
Loan to controlled entity at amortised cost	-	-	80 452	81 017
	3 495 528	**3 496 017**	**3 522 934**	**3 566 104**

	Economic entity		Controlling entity	
	2016	2015	2016	2015
	R '000	R '000	R '000	R '000

23. Deferred tax - controlled entity

Deferred tax liability

Deferred tax liability	**(5 282)**	**(2 740)**	**-**	**-**

Reconciliation of deferred tax liability				
At beginning of year	(2 740)	1 147	-	-
Temporary difference on intellectual property	(3 363)	(3 363)	-	-
Reversing temporary difference on property, plant and equipment	(105)	(311)	-	-
Reversing temporary difference on finance lease	(17)	(12)	-	-
Originating/(reversing) temporary difference on operating lease	65	(46)	-	-
Temporary difference on prepayments	(222)	(310)	-	-
Movement in provision and accruals	1 100	155	-	-
	(5 282)	**(2 740)**		

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	442 557	409 905	439 102	407 204

25. Prepayments

Prepaid expenses	56 350	78 967	54 965	77 812
Leave taken in advance	21 212	21 940	21 212	21 940
	77 562	**100 907**	**76 177**	**99 752**

	Economic entity		Controlling entity	
	2016	2015	2016	2015
	R '000	R '000	R '000	R '000

26. Employee benefits - leave accumulated prior to 1999

Leave pay represents the entitlements of amounts due to personnel for leave accumulated prior to 1999.

Opening balance	11 442	75 192	11 442	75 192
Benefits paid	(3 066)	(77 466)	(3 066)	(77 466)
Actuarial loss	822	7 804	822	7 804
Interest cost	810	5 912	810	5 912
	10 008	**11 442**	**10 008**	**11 442**

Employees with leave accumulated prior to 1999 had an opportunity in 2015 to encash all available leave. An additional encashment of leave of R1 236 681 (2015: R71 332 367) was processed in 2016 to reduce the leave liability.

The valuation has been performed on a member by member basis using the projected unit credit method as specified by the Statement on Employee Benefits (GRAP25). This valuation method determines the obligation that has accrued at the date of valuation, allowing for salary escalations, the probability of benefits being paid and the time value for money.

The 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	165 303	218 502	165 303	218 502
Benefits paid	(54 686)	(97 472)	(54 686)	(97 472)
Actuarial loss	48 131	26 236	48 131	26 236
Interest cost	12 422	18 037	12 422	18 037
	171 170	**165 303**	**171 170**	**165 303**

An additional encashment of leave of R44 035 677 (2015: 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 (GRAP25). This valuation method determines the obligation that has accrued at the date of valuation, allowing for salary escalations, the probability of benefits being paid and the time value for money.

The 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.

NOTES TO THE FINANCIAL STATEMENTS

	Economic entity		Controlling entity	
	2016	2015	2016	2015
	R '000	R '000	R '000	R '000

28. Financial liabilities by category

Finance lease obligation at amortised cost	13 180	21 675	13 146	21 579
Trade and other payables at amortised cost	720 921	604 204	735 121	633 867
Employee benefits at fair value (refer notes 26 & 27)	181 178	176 745	181 178	176 745
	915 279	**802 624**	**929 445**	**832 191**

29. Auditors' remuneration

Current year fees	16 220	16 284	15 592	15 811
Prior year fees	21 440	13 554	21 440	13 554
	37 660	**29 838**	**37 032**	**29 365**

30. Operating leases

Building and related rentals on straight-line basis	**464 918**	**434 768**	**463 082**	**433 177**

Building and related rentals	484 585	461 058	482 982	458 865

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	137 671	43 465	137 671	43 465
Property, plant and equipment	191 352	32 684	191 352	32 684
	329 023	**76 149**	**329 023**	**76 149**

Authorised but not yet contracted for

Intangible assets	613 564	9 412	613 564	9 412
Property, plant and equipment	864 358	13 316	864 358	13 316
	1 477 922	**22 728**	**1 477 922**	**22 728**

Total capital commitments

Already contracted for but not provided for	329 023	76 149	329 023	76 149
Not yet contracted for and authorised by members	1 477 922	22 728	1 477 922	22 728
	1 806 945	**98 877**	**1 806 945**	**98 877**

	Economic entity		Controlling entity	
	2016	2015	2016	2015
	R '000	R '000	R '000	R '000

32. Contingencies

Contingent liabilities

Trade vendors

Certain goods and services delivered by a vendor on a plant contract (R8 000 000) and another vendor on a goods contract (R465 350.68) are currently subject to arbitration.

Contingent assets

Towards the end of the current year under review a leased property sustained structural damage and subsequent to that the remaining assets in the building sustained water damage. The damage is being assessed and a possible insurance claim may arise as a result.

33. Related parties

Relationships	
Interfront	Refer to note 8
Close family member of the executive committee	Ms. ME Hargreaves Ms. BJ Hore (2015)

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.

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

	Economic entity		Controlling entity	
	2016	2015	2016	2015
	R '000	R '000	R '000	R '000

33. Related parties (continued)

Related party balances - controlling entity		
Loan accounts - owing by related parties		
Interfront	80 452	81 017
Amounts included in trade receivables regarding related parties		
Department of Home Affairs (DHA)	5 604	44
Interfront	110	99
Amounts included in trade and other payables		
Interfront	21 628	34 741
Related party transactions - controlling entity		
Rendering of services to related parties		
Department of Home Affairs (DHA)	41 541	26 502
Rendering of services by related parties		
Interfront	84 146	66 450

The controlling entity continues to assist the Department of Home Affairs (DHA) in maintaining 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. ME Hargreaves (Executive: Program Management) (3 months)	590	2 476
Ms. BJ Hore (GE: Enterprise Business Enablement)	-	2 463
	590	**4 939**

34. Executive remuneration

Figures in Rand thousand

2016	Salary	Bonus	Allowances including leave payments	Contributions medical and pension	Total
Commissioner for SARS	3 650	559	116	441	4 766
Chief Officer: Legal Counsel	2 860	678	54	29	3 621
Chief Officer: Finance	2 894	260	52	282	3 488
Chief Officer: Business and Individual Tax (BAIT) (5 months)	1 329	-	96	129	1 554
Chief Officer: Customs & Excise (3 months)	821	-	9	79	909
Chief Officer: Governance, International Relations, Strategy & Communications (3 months)	747	-	9	97	853
Chief Officer: Human Capital and Development (3 months)	629	-	9	76	714
Deputy Commissioner for SARS (1 month)	263	-	183	5	451
Chief Officer: Strategy, Enablement & Communication (Acting) (2 months)	338	-	4	4	346
Group Executive: LBC (7 months)	1 538	660	18	17	2 233
Chief Officer: Human Resources (6 months)	1 300	730	72	127	2 229
Chief Officer: Operations (Acting) (7 months)	1 344	768	18	14	2 144
Chief Officer: Strategy, Enablement & Communication (Acting) (4 months)	1 180	462	18	13	1 673
Chief Officer: Tax & Customs Enforcement Investigations (Acting) (7 months)	1 037	450	19	11	1 517
Special Advisor: Commissioner (3 months)	879	-	7	9	895
Chief Officer: Tax & Customs Enforcement Investigations (2 months)	422	-	5	5	432
Group Executive: LBC (Acting) (2 months)	164	-	8	22	194
	21 395	**4 567**	**697**	**1 360**	**28 019**

On 7 May 2015 Mr Ivan Pillay resigned and Mr Peter Richer retired from SARS. Eighteen months restraint of trade settlements to the value of R3 914 415.63 and R3 772 393.67 respectively were made.

On 21 May 2015 Mr Gene Ravele resigned. A six months restraint of trade settlement to the value of R858 723 was made to Mr Ravele.

34. Executive remuneration (continued)

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 & 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 & Communication (Acting) (4 months)	517	-	71	7	595
Chief Officer: Strategy, Enablement & Communication (Acting) (6 months)	949	546	115	135	1 745
Chief Officer: Human Resources	2 422	-	189	248	2 859
Group Executive: Governance & 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**

35. Change in estimate

Property, Plant & 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	Increase/(decrease) in depreciation charge (Rand)
Security equipment	5 years	3 years	3 816 823
IT equipment	2-5 years	2-8 years	(7 935 347)
IT software	3-5 years	5-8 years	(492 177)

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

36. Prior period adjustments

The corrections of errors pertaining to 2015 resulted in adjustments as follows:

Statement of Financial Position				
Property, plant and equipment	1 059	-	1 059	-
Prepayments	47	-	-	-
Operating lease liability	10	-	-	-
Intangible assets	3 391	-	3 391	-
Accumulated surplus	(5 090)	-	(5 033)	-
Opening retained earnings	583	-	583	-

Statement of Financial Performance				
Depreciation & amortisation	626	-	626	-
Professional and special services	(3 536)	-	(3 536)	-
Administrative expenses	(2 180)	-	(2 123)	-

In prior years, the controlling entity incorrectly capitalised consultation fees as intangible assets and expensed intangible and property, plant and equipment assets to administration and professional services.

In February 2016 the controlled entity ratified a lease agreement going back to 2015, affecting the straight lining and recognition of the lease in question.

37. Risk management

Capital risk management - controlled entity

The entity's objectives when managing capital are to ensure the entity's ability to continue as a going concern.

The controlled entity is geared mainly with a shareholders loan. To mitigate the risk associated with this type of financing the loan is interest free and has no fixed term.

The entity monitors capital on the basis of the debt: equity ratio.

There have been no changes to what the entity manages as capital, the strategy for capital maintenance or externally imposed capital requirements from the previous year.

Financial risk management

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

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in raising funds to meet commitments associated with financial instruments.

37. Risk management (continued)

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 date of the statement of financial position to the contractual maturity date.

Economic entity

At 31 March 2016	1 year	2 - 5 years	Beyond 5 years	Total
Finance lease obligation	7 964	11 836	-	19 800
Trade and other payables	720 921	-	-	720 921
Employee benefits	-	-	181 178	181 178
Operating lease liability	451 572	980 287	75 392	1 507 251

At 31 March 2015	1 year	2 - 5 years	Beyond 5 years	Total
Finance lease obligation	13 908	18 531	-	32 439
Trade and other payables	604 204	-	-	604 204
Employee benefits	-	-	176 745	176 745
Operating lease liability	394 967	897 836	141 518	1 434 321

Controlling entity

At 31 March 2016	1 year	2 - 5 years	Beyond 5 years	Total
Finance lease obligation	7 929	11 836	-	19 765
Trade and other payables	735 121	-	-	735 121
Employee benefits	-	-	181 178	181 178
Operating lease liability	449 757	974 331	75 392	1 499 480

At 31 March 2015	1 year	2 - 5 years	Beyond 5 years	Total
Finance lease obligation	13 838	18 496	-	32 334
Trade and other payables	633 865	-	-	633 867
Employee benefits	-	-	176 745	176 745
Operating lease liability	393 133	895 856	135 017	1 424 006

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 R10 008 240 (2015: R11 441 886) in comparison to a nominal value of R11 132 317 (2015: R12 710 154).
- Accumulated annual leave. At the reporting date the fair value of this liability is estimated to be R171 169 773 (2015: R165 303 126) in comparison to a nominal value of R183 504 079 (2015: R177 671 713).

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 2016 was R1 163 983 (2015: R1 196 987).

Interest rate risk

Exposure to interest rate risk on financial assets and liabilities is monitored on a continuous and proactive basis.

The economic entity's exposure to interest rate risk is limited. Interest rates implicit to the finance leases are not varied over the term of the lease contracts.

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The economic entity is exposed to credit-related losses in the event of non-performance by counter-parties to financial instruments.

The economic entity only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Staff debts are recovered directly from the employee's salary and/or pension in terms of the applicable policies and procedures.

Management has evaluated the probability of non-repayment of the loan by the subsidiary and has determined that in the case of default the loan could be restructured or converted into equity.

Foreign exchange risk

Currency risk is the risk that the value of a financial instrument will fluctuate because of changes in foreign exchange rates. The controlled entity provides services to one international customer and is exposed to foreign exchange risk arising from currency exposures, primarily with respect to the EURO. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities.

The economic entity does not currently hedge foreign exchange fluctuations.

38. Going concern

The controlled entity currently has sufficient cash reserves to settle all current and non-current liabilities as disclosed on the statement of financial position as well as the operational commitments, with the exception of the interest free shareholders loan which is treated as equity. Accordingly the annual financial statements of the economic entity have therefore 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. Events after the reporting date

The economic entity is not aware of any matters or circumstances arising since the end of the financial period that can impact materially on the financial state of the economic entity other than that disclosed in note 38.

40. Fraudulent activities

The trial pertaining to the 2010 fraud case where a staff member colluded with outside suppliers to the value of R11.5 million commenced in October 2015. The State's case was concluded in June 2016, but the trial will continue in December 2016.

Management is committed to the process and continues to investigate and report all fraudulent activities identified.

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	**12 493 595**
Add back	
Employee related accrual	4 241 618
Bonus provision	5 095 168
Depreciation	2 099 647
Amortisation IP	7 358 263
Scrapping allowance	1 100
Interest on finance lease	8 643
Operating lease: straight-lining	1 706 594
Prepayments 2015	308 817
Loss on disposal of asset	34 115
Income received in advance	855 640
	21 709 605
Less	
Leave accrual for the previous year	(1 693 835)
Bonus provision prior year	(3 915 815)
Wear and tear allowance PPE	(2 374 889)
Wear and tear allowance IP	(17 159 000)
Prepayments	(1 100 795)
Actual payments made on finance lease	(70 463)
Income received in advanced	(655 545)
Actual operating lease payments made	(1 473 894)
	(28 444 236)
Taxable income for 2016	**5 758 964**
Assessed loss brought forward	(3 870 496)
Taxable income	**1 888 468**
Tax thereon @ 28%	**528 771**
Tax liability	
Amount prepaid at the beginning of year	(4 822 888)
Amount to be refunded in respect of prior year	4 730 504
	(92 384)
Tax prepaid for the current year	
Normal tax	
Per calculation	528 771
2nd provisional payment	(268 790)
	259 981
Amount owing at the end of year	**167 597**

	Controlling entity	
	2016	2015
	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).

		2016	2015
1)	World Customs Organisation (WCO)	665	78

Travel, accommodation and subsistence (2015) to attend and participate in various WCO events (projects, capacity building support, workshops and training).

2)	Her Majesty's Revenue and Customs (HMRC)	241	-

Travel and accommodation to visit Her Majesty's Revenue and Customs.

3)	Southern African Development Community (SADC)	214	22

Travel and accommodation to attend events sponsored by the Southern African Development Community. Attendance of SADC Customs Training. Rules and seminar to Develop Guidelines for the coordination of Excise Taxes in the SADC region (2015).

4)	African Tax Administration Forum (ATAF)	177	18

Accommodation and travel to do a presentation on behalf of the ATAF, attendance of the ATAF Tax Treaties and the African Tax Administration Forum Technical Seminar on Taxpayer Service-Taxpayer Orientation and Communication.

5)	International Monetary Fund (IMF), AFRITAC SOUTH	129	-

Travel and accommodation for attending IMF workshops.

6)	Swedish Tax Administration	126	-

Travel and accommodation 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.

7)	Liberia Revenue Authority (LRA)	107	-

Travel and accommodation for providing technical assistance to Liberia Revenue Authority.

8)	Kenya Revenue Authority	105	-

Travel and accommodation for the workshop on DWBI (Data Warehouse and Business Intelligence).

ANNEXURE 2 - DONATIONS IN KIND (CONTROLLING ENTITY)

		Controlling entity	
		2016	2015
		R '000	R '000

Donations in kind - controlling entity (continued)

9)	International Atomic Energy Agency	98	-

Travel and accommodation to attend workshop on development of the detection strategy.

10)	China Customs	95	-

Accommodation and travel for First China Africa Seminar on Customs Administration in Shangai to share insights on customs administration from a decision-making perspective.

11)	Organisation for Economic Co-operation and Development (OECD)	67	-

Accommodation for training at the OECD.

12)	Organisation for the Prohibition of Chemical Weapons	53	-

Travel and accommodation to attend workshop on technical aspects of the transfers regime of the chemical weapons convention.

13)	UNU-WIDER	47	-

Travel and accommodation for attending the United Nations conference.

14)	Organisation for Economic Co-operation and Development	36	-

Travel and accommodation for attending a UN Tax Committee meeting for the Organisation for Economic Co-operation and Development.

15)	African Union Commission	34	-

Accommodation and travel for First African Union Experts meeting on the development of a trade facilitation strategy.

16)	Rwanda Revenue Authority	29	-

Travel and accommodation for providing technical assistance to Rwanda Revenue Authority.

17)	African Tax Administration Forum (ATAF)	28	-

Accommodation and travel to AWF2 Workshop on improving Value Added Tax and compliance management.

18)	Swaziland Revenue Authority (SRA)	27	-

Travel and accommodation for technical mission for expertise in Transfer Pricing audit and capacity building.

ANNEXURE 2 - DONATIONS IN KIND (CONTROLLING ENTITY)

		Controlling entity	
		2016	2015
		R '000	R '000

Donations in kind - controlling entity (continued)

19)	Economic Commission for Africa	21	-

Travel was sponsored for the Subregional Workshop on Curbing Illicit Financial Flows (IFFs) from Africa.

20)	Southern African Development Community	8	-

Travel and accommodation for attending the Double Taxation Agreement (DTA) Training workshop.

21)	Botswana Unified Revenue Service (Interfront)	5	-

Accommodation and travel to Botswana revenue authority.

22)	International School of Transparency (IST)	-	93

Transport, travel, accommodation and subsistence for attending the Open Governance Leadership Programme.

23)	Australian Customs and Border Protection Service (ACBPS)	-	46

Transport, accommodation and subsistence for attending the Indian Ocean Rim Association for Regional Co-operation (IOR-ARC) Trade Facilitation workshop.

24)	United Nations	-	30

Travel, accommodation and subsistence to attend the Committee of Experts meeting on international co-operation 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.

25)	Kenya Revenue Authority	-	31

Attendance of the conference on effectively taxing the Telecommunication Industry.

26)	Swedish Government	-	7

Travel and accommodation to attend the WCO Project GAPIN II workshop for front line customs officers.

ABBREVIATIONS AND ACRONYMS

AEO	Authorised Economic Operator
AEOI	Automatic Exchange of Information
ACM	Automated Cargo Management
ANPR	Automated Number Plate Recognition
ATAF	African Tax Administration Forum
BASA	Banking Association of South Africa
BCOCC	Border Control Operations Co-ordinating Committee
BEPS	Base Erosion and Profit Shifting
BLNS	Botswana, Lesotho, Namibia and Swaziland
BMA	Border Management Agency
BUL	Business Unit Leader
BUSA	Business Unity South Africa
CA	Chartered Accountant
CAA	Competent Authority Arrangement
CCA	Customs Control Act
CCMG	Contact Centre Management Group
CDA	Customs Duty Act
CEN	Customs Enforcement Network
CEO	Chief Executive Officer
CFO	Chief Financial Officer
CIPC	Companies and Intellectual Property Commission
CIT	Corporate Income Tax
CLS	Corporate Legal Services
CMO	Complaints Management Office
COI	Conflict of Interest
CRS	Common Reporting Standards
CSD	Central Suppliers Database
CSR	Corporate Social Responsibility
DDU	Detector Dog Unit
DHA	Department of Home Affairs
DFID	Department for International Development
DOL	Department of Labour
DOPI	Declaration of Private Interest
DT	Dividends Tax
DTI	Department of Trade and Industry
EEI	Employee Engagement Index
ESA	East and Southern Africa
EXCO	Executive Committee
FATCA	Foreign Account Tax Compliance Act
FCR	First Contact Resolution
FET	Further Education and Training
FITA	Fair Trade Independent Tobacco Association
FSC	Financial Stability Committee
GACC	General Administration of China Customs
GC	Governing Council
GDP	Gross Domestic Product

ABBREVIATIONS AND ACRONYMS

GEC	Governor's Executive Committee
GIBS	Gordon Institute of Business Science
GRAP	Generally Recognised Accounting Practice
HCT	Hematocrit
HCM	Human Capital Management
HIV	Human Immunodeficiency Virus
HNWI	High Net Worth Individuals
HR	Human Resources
IA	Internal Audit
iCBS	Interfront Customs Business System
ID	Identification Document
IIA	Institute of Internal Auditors
IFF	Illicit Financial Flows
IGA	Inter-Governmental Agreement
IPPF	International Professional Practice Framework
IRBA	Independent Regulatory Body of Auditors
IRS	Internal Revenue Service
IT	Information Technology
LBC	Large Business Centre
LEI	Leadership Effectiveness Index
LMD	Leadership and Management Development
MAAA	Mutual Administration Assistance Agreement
MBA	Masters of Business Administration
MHC	Master of the High Court
MoC	Memorandum of Co-operation
MoU	Memorandum of Understanding
MPC	Monetary Policy Committee
MPR	Manifest Processing
MPRR	Mineral and Petroleum Resource Royalties
MPSS	Minimum Physical Security Standards
MRA	Mozambique Revenue Authority
MTBPS	Medium Term Budget Policy Statement
MTU	Mobile Tax Units
NBV	Net Book Value
NCAP	New Customs Acts Programme
NGO	Non-Governmental Organisation
NPA	National Prosecuting Authority
NQF	National Qualification Framework
NYP	National Youth Policy
OECD	Organisation for Economic Co-operation and Development
ORTIA	OR Tambo International Airport
OTO	Office of the Tax Ombud
PAYE	Pay-As-You-Earn
PBO	Public Benefit Organisation
PFMA	Public Finance Management Act
PIT	Personal Income Tax

ABBREVIATIONS AND ACRONYMS

PMD	Programme for Management Development
PMO	Project Management Office
PT	Preferred Trader
PTP	Preferred Trader Programme
QA	Quality Assurance
RAF	Road Accident Fund
RCB	Recognised Controlling Bodies
RCG	Reporting of Conveyancing and Goods
RFI	Reporting Financial Institution
RILO	Regional Intelligence Liaison Offices
RLA	Registration, Licensing and Accreditation
ROCB	Regional Office for Capacity Building
RSA	Republic of South Africa
RSN	Report of Suspected Non-Compliance
SAAFF	South African Association of Freight Forwarders
SACU	Southern African Customs Union
SADC	Southern African Development Community
SAICA	South African Institute of Chartered Accountants
SAPS	South African Police Service
SAQA	South African Qualification Authority
SARB	South African Reserve Bank
SARS	South African Revenue Service
SCOF	Standing Committee on Finance
SDL	Skills Development Levy
SIOL	SARS Institute of Learning
SITA	State Information Technology Agency
SMME	Small, Medium and Micro-sized Enterprises
SOP	Standard Operating Procedure
SSA	State Security Agency
SSMO	SARS Service Monitoring Office
STC	Secondary Tax on Companies
TAA	Tax Administration Act
TCC	Tax Clearance Certificate
TCS	Tax Compliance Status
TISA	Tobacco Industry of South Africa
UCR	Unique Consignment Reference
UIF	Unemployment Insurance Fund
UK	United Kingdom
USA	United States of America
VAT	Value-Added Tax
VDU	Voluntary Disclosure Unit
WCO	World Customs Organisation
WP6	Working Party 6

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