ANNUAL REPORT
SOUTH AFRICAN REVENUE SERVICE
2016 - 2017

SARS
South African Revenue Service


SARS
THANKS A TRILLION
for building strong foundations
SARS
At Your Service
THANKS A TRILLION
for believing in our future
SARS
At Your Service

Annual Report

South African Revenue Service
2016 – 2017

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General Information

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MESSAGE FROM THE MINISTER OF FINANCE

The South African Revenue Service (SARS), as the collector for more than 90% of government's revenue, again did us proud and set an example of an institution that continues to do more with less, which is very important in the context of the tight fiscal framework we find ourselves in.

SARS achieved what is considered as impossible with their outstanding collection achievement over the past financial year and yet again their collections far outgrew the growth of the economy.

Equally important, is their ability to sustain the containment and proportionately downward management of costs - their cost-to-revenue ratio which is well below 1%, which compares favourably with the most effective tax administrations in the world.

The significance of SARS's achievements is evident by the comprehensive coverage under each of the strategic outcomes set out in this report.

The balance they strike between the three levers that forms the premise of their Compliance Model namely Service, Education and Enforcement remains very important to note.

SARS's activity spanned across South Africa's borders for instance, the progress made as an early adopter to the OECD's Automated Exchange of Information programme.

In the Customs realm, SARS continued to adopt global best practices to facilitate trade, whilst ensuring proper control of the flow of goods in and out of our country. Not a week went by without some media coverage of the busts SARS made at our Ports of Entry; this is testament to the effective use of intelligence, reliable systems, non-intrusive inspection capabilities (baggage and container scanners), detector dogs and skilled officials.

SARS is well known for its innovation and being on the forefront of deploying reliable technology-enabled systems. For multiple years they managed to achieve up-times exceeding 99% of their mission-critical Information and Communication Technology (ICT) platforms. This investment remains to be well maintained, refreshed and enhanced as it enables the business of SARS.

I congratulate SARS leadership on their performance and express my gratitude to all SARS employees, taxpayers, traders and intermediaries for making South Africa great.

Mr. MKN Gigaba, MP
MINISTER OF FINANCE

COMMISSIONER'S OVERVIEW

In the face of significant challenges, organisational changes and some varying external opinions on SARS's ability to deliver on its mandate it gives me great pleasure to present this Annual Report reflecting the work of the South African Revenue Service for the year 2016/17.

The 2016/17 total tax revenue estimate (Printed Estimate), based on a 1.2% Gross Domestic Product (GDP) growth outlook, was set at R1 174.8 billion in the February 2016 Budget.

The estimate was then revised to R1 144.4 billion in the February 2017 Budget (Revised Estimate) based on deteriorating economic conditions. Despite challenging economic conditions, SARS collected R1 144.1 billion which represents a 6.9% growth in total tax revenue from 2015/16. This is the second consecutive year that more than a trillion rand has been collected which is an outstanding achievement given the 0.3% real growth in GDP for 2016 announced by Statistics South Africa in March 2017. The Tax to GDP ratio of 26.1% maintained by SARS speaks to the remarkable resilience of this organisation to extract tax from an ailing economy. The challenges we faced in meeting the target, forced us at SARS to intensify our revenue collection efforts and develop innovative approaches including special revenue initiatives. Be that as it may, the revenue collection result is by no means a surprise. South Africa has built one of the most effective tax authorities in the developing world. SARS has made huge strides over the past decade in ensuring compliance whether by service, education or enforcement. The revenue result is another SARS success story and one I am extremely proud of as Commissioner.

The Individual Taxpayer Filing season that closed in 2016 was yet again a significant success. At the end of the filing season on Friday, 25 November 2016, which represents SARS's biggest single engagement with taxpayers, SARS had received 5.74 million returns in respect of non-provisional taxpayers, comprising of 4.16 million submissions by individuals for the 2015/16 tax year, 47 000 submissions by trusts for the 2015/16 tax year and 1.52 million returns for previous tax years from individuals and trusts. SARS processed 99.9% of all returns electronically, 92.4% of tax returns were assessed within 3 seconds and 93.28% of refunds were paid to taxpayers within 72 hours.

A detailed design of a Data Analytics value chain and key supporting processes commenced, underpinned by the various sciences and disciplines. The purpose of the establishment and development of this capability is to move SARS continuously up the value curve to achieve optimum levels of information maturity to become a data driven organisation. The Data Analytics capabilities that have been implemented have enabled SARS to work in a more productive, rigorous and effective way through instrumentation and efficient management practices. The data driven journey has gained momentum and has seen an unprecedented adoption, especially during the revenue drive and the end-to-end co-ordination of operations across SARS.

As part of our wider mandate SARS plays an important role in expediting legitimate cross border trade and travel activities while disrupting harmful illicit trade activities. We have sought to improve our efficiencies and reinforce our risk management capabilities during the year under review.

SARS is continuously strengthening its strategic relationships and partnerships with foreign Customs and Tax authorities both bilaterally and internationally. In both these areas of Customs and Tax, SARS continues to co-operate bilaterally, regionally and internationally to enhance its effectiveness as a Revenue Authority. During the year SARS supported various capacity building missions of the World Customs Organisation (WCO) by availing its experts to assist a number of countries in different customs technical areas.

As the current Chair of the WCO East and Southern Africa (ESA) region comprising 24 countries, SARS facilitated key regional meetings of the Regional Steering Group (RSG) as well as Governing Council (GC) in Lesotho and Mauritius respectively. Key focus areas for SARS included prudent financial management, governance as well as implementation of GC decisions. To this end, the region obtained a clean audit report; implemented 90% of the activities planned for the period and instituted monthly reporting by the Regional Office for Capacity Building (ROCB).

SARS facilitated various incoming and outgoing Customs Mutual Administrative Assistance (CMAA) requests. Existing cross border co-operation will be further strengthened through the World Trade Organisation's (WTO's) Trade Facilitation Agreement which came into force on 22 February 2017, as well as by the operationalisation of the Southern African Customs Union (SACU) Annex E which enables automatic exchange of customs information. SARS continued to engage its partner countries on formalising customs assistance through Customs Mutual Administrative Assistance Agreements (CMAAA), the countries with which negotiations are ongoing include Malawi, Mexico, Zimbabwe and Angola.

In the Tax environment, SARS continued with its advanced engagement with the Organisation for Economic Co-operation and Development's (OECD's) Committee of Fiscal Affairs (CFA) and its various working parties and auxiliary bodies. A primary focus is the continued implementation of the OECD Base Erosion and Profit Shifting (BEPS) project action plan outcomes and recommendations. This is done through participation in the inclusive framework which brings together over 100 jurisdictions.

The Brazil, Russia, India, China, South Africa (BRICS) Heads of Tax Authorities Memorandum of Co-operation (MOC) was concluded and it is anticipated that the MOC will be signed later in 2017.

Significant progress was made with regard to the implementation of the new SARS Operating Model. The transition of all employees to the new organisational structure was successfully completed in July 2016, with minimal disruption to the core operations of the business. The embedding of the revised governance structure, which is a key focus of the Operating Model review process, is well underway, with completion thereof expected in the first quarter of the 2017/18 financial year.

Sound governance principles are critical and forms the foundation upon which the trust of stakeholders in SARS is built, maintained and enhanced. SARS remains dedicated to performance excellence and integrity.

As a consequence of the implementation of a new Operating Model in SARS, various units that were previously responsible for certain oversight governance functionalities were centralised in a single governance unit. In terms of the principles of King IV, which are adapted for SARS, the new governance unit will provide oversight, support and advice at a second line of assurance level. SARS has established robust processes at the first line of assurance level, but acknowledge that from a maturity perspective, further development is required at the first as well as second line of assurance levels. The centralised governance unit will help provide business with an enterprise-wide direction and guidance on governance related matters. To align enterprise committees with the new Operating Model, and also to enhance and strengthen governance at an enterprise level, a new enterprise governance committee structure was developed for SARS.

Furthermore, I am pleased to announce that we have now completed the filling of vacancies at the senior leadership level. This process commenced in the year under review and the Chief Officers positions in respect of the Legal Counsel, Enforcement and Digital Information Services and Technology divisions have now been completed. Thus addressing the gender imbalances of the past. I look forward to the commitment and energy that the Executive Committee will bring in playing a pivotal role in shaping the future and destiny of SARS.

SARS employees are the key resource in achieving our goals. As an organisation we therefore continue to create a work environment that supports employee growth and development. SARS will furthermore ensure that staff has the necessary skills and tools they require to enable them to perform their jobs and meet the needs of the organisation. The strong performance of this vital fiscal organisation would not have been possible without the dedication and professionalism of the 13 000 plus 'SARSians'. I continue to be humbled by your commitment and energy.

In closing, I thank the Minister of Finance, Mr. Malusi Gigaba and his Deputy Mr. Sfiso Buthelezi, as well as the Director-General and his team at National Treasury for their support.

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 are 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 this information.

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

In my opinion, the annual report fairly reflects the operations, the performance information, the Human Resource information and financial affairs of SARS for the financial year ended 31 March 2017.

Tom Moyane
SARS COMMISSIONER

ABOUT THIS REPORT

In accordance with Government's performance monitoring methodology, SARS has aligned this report with its Strategic Plan 2016/17 to 2020/21 as well as its Annual Performance Plan 2016/17

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

- Increased customs and excise compliance
- Increased tax compliance
- Increased ease and fairness of doing business with SARS
- Increased cost effectiveness and internal efficiency
- Increased public trust and credibility

As part of SARS's 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.

This report comprises five distinct parts:

1 General Information

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

2 Performance Information

Part Two reports SARS's performance against the predetermined objectives set in the Annual Performance Plan of 2016/17

3 Governance, Legal and Risk Management

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

4 Human Capital and Development

Part Four covers SARS's Human Capital and Development discipline and workforce profile

5 Financial Information

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

PERFORMANCE HIGHLIGHTS

Revenue collections exceeded **R1 trillion** for the **2nd time**

Collected
R 1 144.081 bn
against the
R 1 144.382 bn
target

6.9% revenue
growth against a
0.3% GDP growth

Cost to Revenue collection
0.93%
lowest level in
6 years

Tax collection to
GDP ratio
26.1%

58% increase
YoY in **narcotics seizures**

6.94%
Undisputed debt as a % of revenue collected

During **PIT Filing Season** SARS received **5.74 million returns**

> 90% filing
compliance for the
4th year

92.4%
returns assessed in
3 seconds

99.9%
electronically processed

97.27%
returns assessed in
24 hours

93.28% PIT
refunds paid in **72 hours**

WHO WE ARE

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 PEOPLE

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

OUR VALUES

Integrity

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

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

Fairness

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

Respect

The ability to be considerate towards others

Honesty

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

Trust

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

THE VOLUMES WE PROCESSED

16.6 million
Tax return submissions

16.7 million
IRP5 certificates received

15.1 million
Payments processed

6.7 million
Taxpayers serviced in branches

6.2 million
Customs declarations processed

4.67 million
Inbound calls answered

2.9 million
Outbound calls made

2.3 million
Audits conducted

1.8 million
Debt collection SMS' to taxpayers

1.02 million
Tax Clearance Certificates requested

215 230
Taxpayers attended Education Workshops

25 714
Complaints received

2 156
Excise audits conducted

1 374
Narcotics seizures

COMPONENTS OF OUR BUSINESS MODEL

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

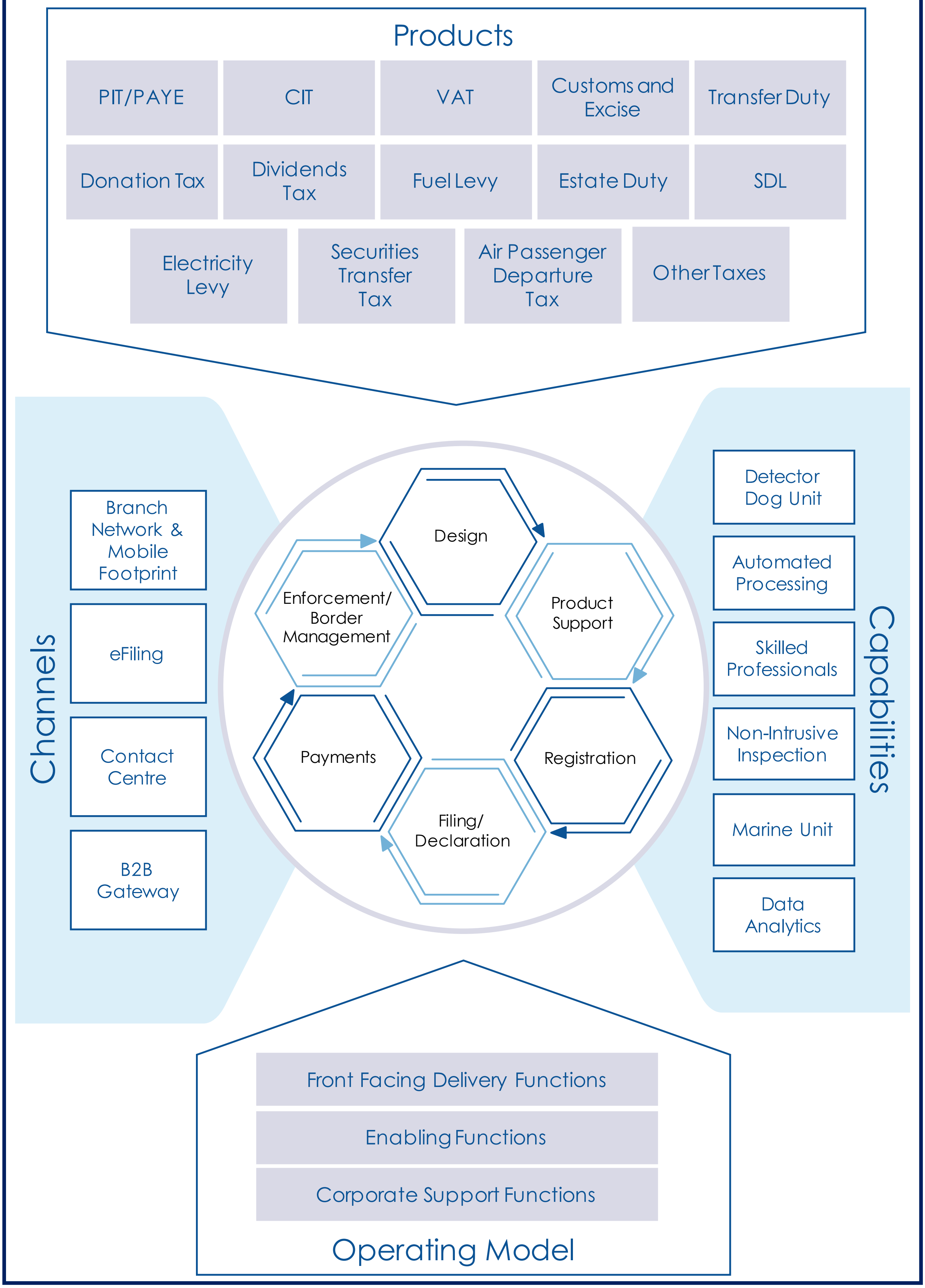
Legislative, Policy, Principles and Standards **framework**

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**

OUR INTEGRATED BUSINESS MODEL



LEGISLATIVE, POLICY PRINCIPLES AND STANDARDS FRAMEWORK

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

SARS administers various **ACTS**

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

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

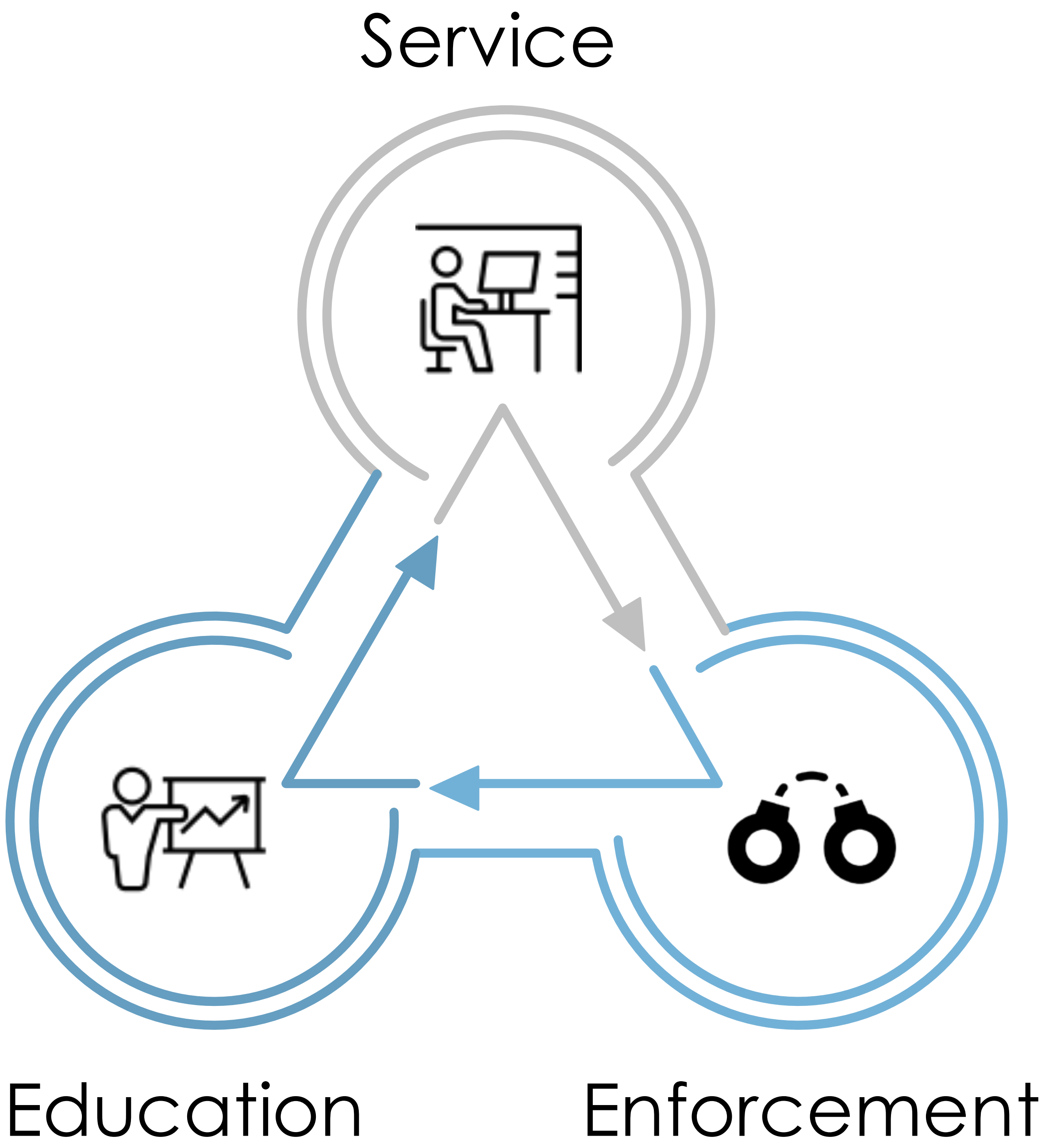
OECD

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

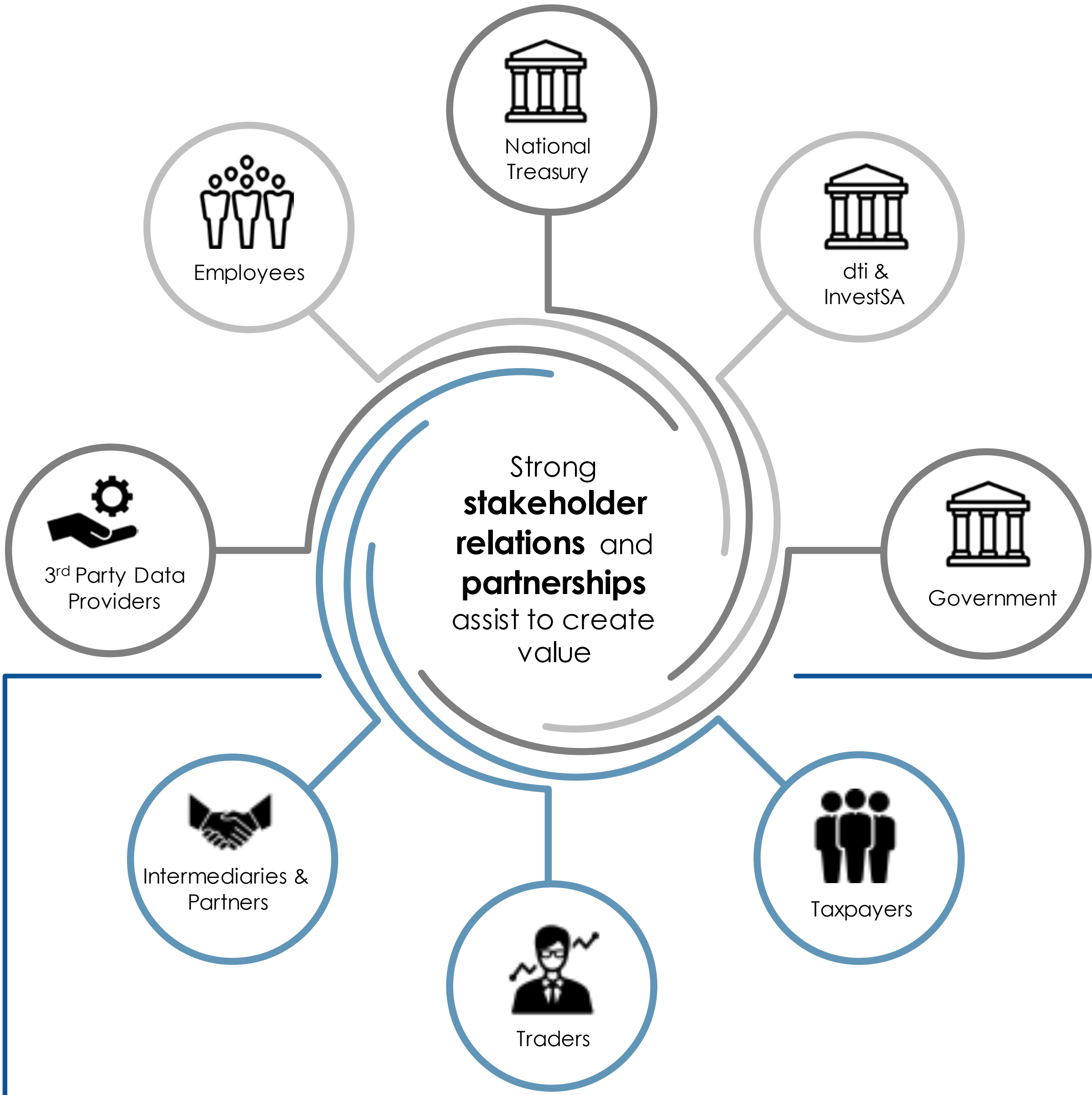
GOVERNANCE & OVERSIGHT

- Standing Committee on Finance
- Executive Committee
- Audit and Risk Committee
- Human Resource Committee

SARS BALANCES THREE LEVERS TO EXECUTE ITS MANDATE



KEY STAKEHOLDERS



Intermediaries

- Tax Practitioners
- Trade Intermediaries
- Employers as Agents

Individuals

- Complex
- Standard
- Below threshold

Businesses & SOEs

- Large
- Medium
- Micro & Small

Organised into **9 distinct segments**

POSITIONING OUR STRATEGIC FRAMEWORK

Opportunities

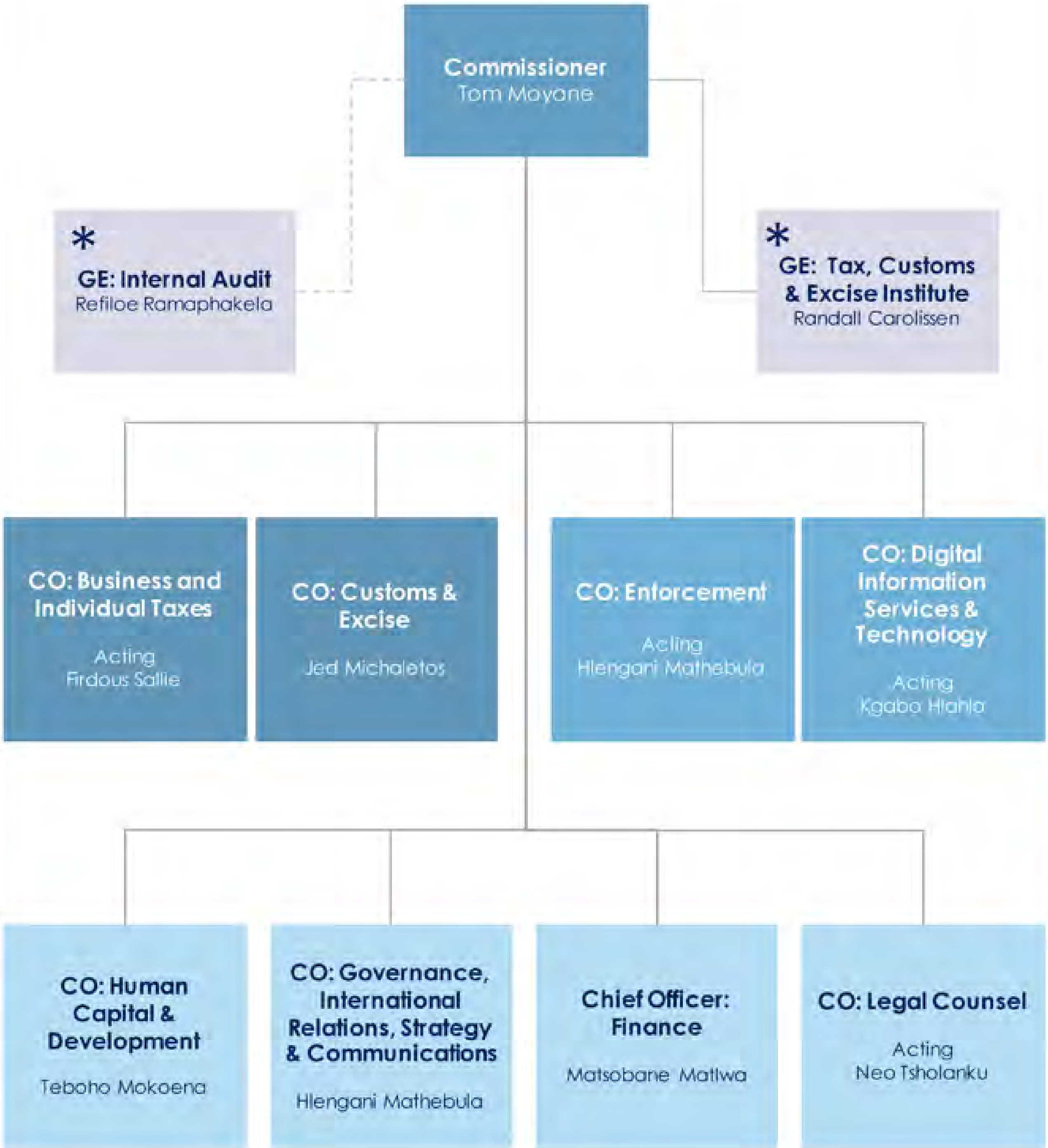
- Broader tax base to pursue and tax gap to close
- New channels to augment SARS's physical footprint
- Unlocking full potential and development of our staff
- Elevated focus on capacity management will enable optimised resource allocation
- Enable data analytics capability to introduce improved business 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

OUR STRUCTURE



* Non-EXCO Members

SARS EXECUTIVE COMMITTEE

Tom Moyane
SARS COMMISSIONER

Bachelor of Science (Economics) – Eduardo Mondlane University (Mozambique)

Tom Moyane was appointed as the Commissioner for SARS in September 2014. His expertise includes strategic management, development economics and enterprise development. He served as the former National Commissioner for the Department of Correctional Services.

The Commissioner also completed various certificates:

- Certificate in Intermediate Micro-Economics – London School of Economics, UK
- Certificate in Managing Markets – Henley Management College, RSA
- Certificate in Strategic Management – Henley Management College, RSA
- Programme for Management Development (PMD) – University of Cape Town, RSA
- Mastering Finance Programme – Gordon Institute of Business School, RSA

The Commissioner was awarded a scholarship to study French by the then Crown Prince Phillipe of Belgium – now the King of Belgium.

Tom has also served as the Chief Executive Officer for the Government Printing Works, and was the Managing Director for Engen Mozambique. He was the Regional Coordinator for the Regional Spatial Development Initiatives (SDI) and Chief Director for Industry and Enterprise Development at the Department of Trade and Industry and also worked for the Governments of Mozambique and Guinea Bissau.

Hlengani Mathebula
CHIEF OFFICER: GOVERNANCE, INTERNATIONAL RELATIONS, STRATEGY AND COMMUNICATIONS

Master of Management – Wits Business School, BTh(Hons) and Bachelor of Arts - University of the North, Senior Executive Program – Harvard Business School, MDP – Stellenbosch University

Hlengani joined SARS in January 2016 in the capacity of Chief Officer for Governance, International Relations, Strategy and Communications (GISC). His expertise includes strategic business management and governance at board level, mainly in the Financial Services Sector.

He previously headed up Group Strategy and Communications at the South African Reserve Bank (SARB). Prior to that, he was the Managing Executive of Absa Private Bank as well as the CEO of FNB Personal Banking. He is currently the chairperson of the Black Business Executive Circle (BBEC) and former Chairman of the Eskom Pension and Provident Fund (EPPF). Hlengani also serves as a non-executive director of BMW South Africa Group.

Matsobane Matlwa
CHIEF OFFICER: FINANCE

Master of Business Administration – Alabama University (United States), Masters of Commerce (Taxation) – University of North West, Hons Compt – UNISA, Bachelor of Commerce – UNISA

Matsobane joined SARS as Chief Officer: Finance in December 2014. As a qualified chartered accountant, his skills include financial management, auditing, taxation and general management. He has held various strategic roles in both the public and private sectors.

Prior to joining SARS he was CEO at Matlwa Consulting, a management consultancy he founded and built from the ground. In addition, he was also CEO of the South African Institute of Chartered Accountants (SAICA) and served SARS in various senior managerial positions including Group Executive for the Large Business Centre and was General Manager at Absa amongst others. He has previously served on the boards of companies including SAA, Transnet, JD Group and SASOL.

Jed Michaletos
CHIEF OFFICER: CUSTOMS AND EXCISE

Bachelor of Commerce Financial Accounting – University of Witwatersrand

Jed was appointed Chief Officer: Customs and Excise in January 2016. He possesses significant skills and experience in the fields of customs, global trade, tax and global revenue reform. Jed has previously held numerous senior-level roles at Deloitte including Manager, Senior Manager, Associate Director and most recently as Partner/Director. During his time 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 the Tax South Africa Business Unit Leader (BUL) group.

Teboho Mokoena
CHIEF OFFICER: HUMAN CAPITAL AND DEVELOPMENT

Baccalaureus Iuris - University of Johannesburg, Management Advancement Programme – WITS Business School,

Teboho assumed his position of Chief Officer: Human Capital and Development in January 2016. His capabilities include, among others, human capital strategy development and implementation in financial services sector, aviation and public sectors, organisational design and development, change management, project management, international labour relations, airport operations, customer service management, risk management and correctional services. Teboho also completed a Certificate in Leadership- Gordon Institute of Business Science, Post Graduate Certificate in Executive Leadership – Vaal University of Technology & RSA National School of Government, Certificate in Practical Project Management – UNISA School of Business Leadership

He has previously served as a Provincial Commissioner for Gauteng at the Department of Correctional Services. He has also occupied senior positions within the human capital field at South African Revenue Service (SARS) and South African Airways (SAA) respectively. Prior to joining SARS he held the position of Chief Deputy Commissioner: Human Resources, at the Department of Correctional Services (DCS).

Firdous Sallie
ACTING CHIEF OFFICER: BUSINESS AND INDIVIDUAL TAXES

Diploma in Human Resource Management – Cape Peninsula University of Technology

Firdous joined SARS in 2009 as Group Executive: Contact Centre Operations, having subsequently moving on to Group Executive: Direct Channels. Her areas of expertise include information technology, human resource management, customer channel management and customer service at group level.

A key member of the Business and Individual Taxes (BAIT) leadership team, Firdous served as Acting Chief Officer for Business and Individual Taxes during the reporting period and was instrumental in SARS's interface with taxpayers.

Prior to her experience at SARS, Firdous previously held a number of positions at Telkom, including Human Resources Manager, Information Technology Executive, Call Centre Executive and most recently as Customer Service Executive.

Kgabo Hlahla
ACTING CHIEF OFFICER: DIGITAL INFORMATION SERVICES AND TECHNOLOGY

Bachelor of Science in Computer Science and Physics – University of Western Cape

Kgabo joined SARS in August 2015 as Group Executive: Modernisation and Technology Strategy and is a seasoned professional with over 20 years experience and a wealth of knowledge in the ICT industry.

His expertise includes information technology strategy, IT architecture, digital technology and ICT policy. Kgabo served as Acting Chief Officer: Digital Information Services and Technology (DIST) from 1 January 2017. He has held various senior IT positions having worked in the private and public sectors including for organisations such as Eskom and the Department of Home Affairs.

Neo Tsholanku
ACTING CHIEF OFFICER: LEGAL COUNSEL

Bachelor of Law – University of Fort Hare, LLB – University of Fort Hare, Higher Diploma in Company Law – University of Witwatersrand

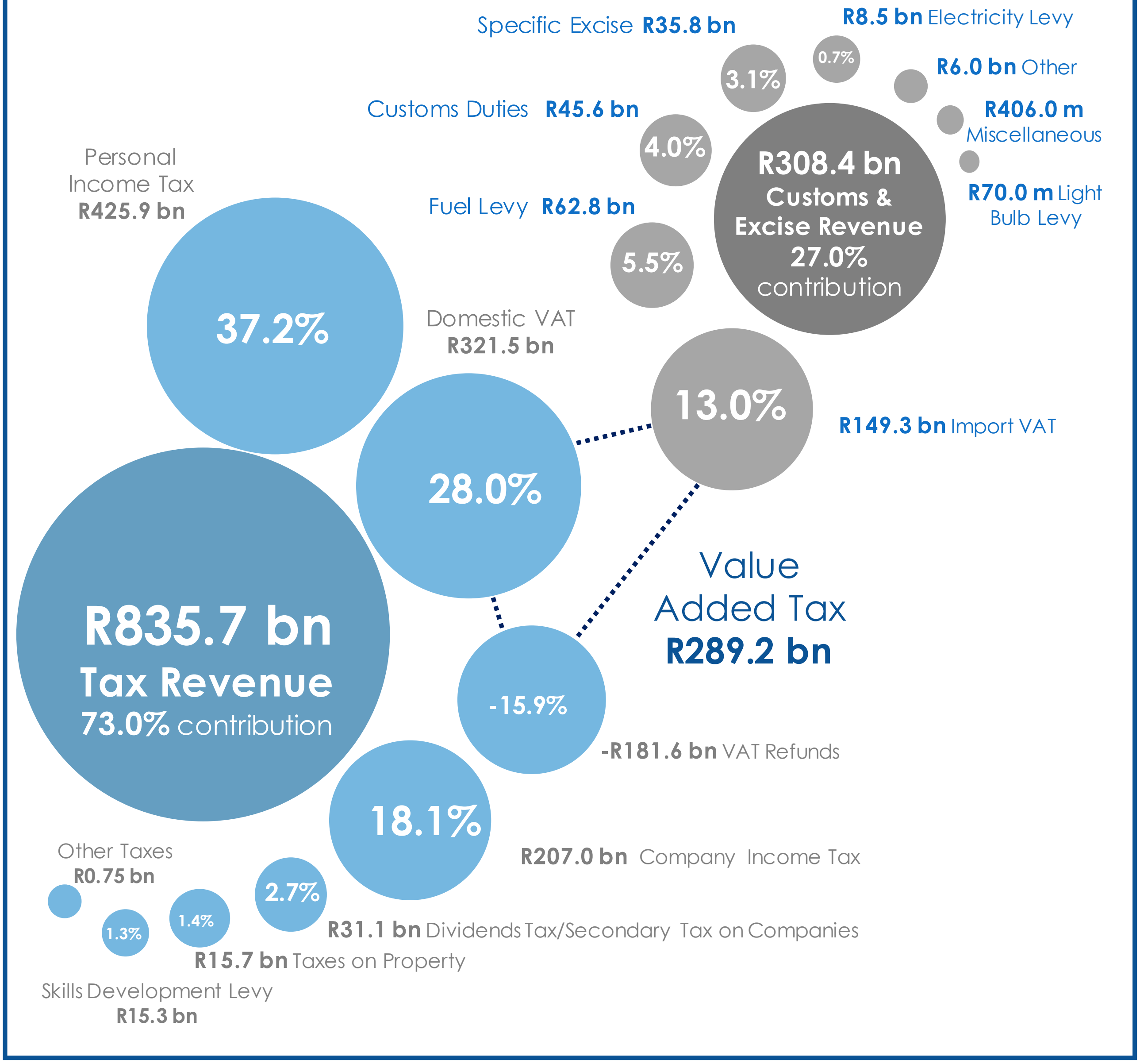
Advocate Neo was appointed as Group Executive: Criminal Investigations in September 2016. He is a well-rounded legal professional having prosecuted in the Criminal Courts, lectured part-time, practised as an Advocate for his own account and also advised on matters pertaining to Company Law, Corporate Governance and Policy issues.

Neo has a wealth of experience including legal experience having previously served as General Manager: Office of the Chairman and Legal Team Manager at Eskom Holdings. In addition Advocate Neo was a Senior Public Prosecutor at the Department of Justice. As a former practicing Advocate, Neo was a recipient of multiple Managers' Awards and also a recipient of a Chairman's Award for Sustainability (2010).

Performance Information

Part TWO

SARS collected **R1 144.081 bn** in Revenue



Global Economic Environment

- Subdued growth worldwide due to policy uncertainty, sluggish investment growth and slow global trade.
- Large swings in commodity prices.
- Volatility in currency movements and financial markets.
- WTO forecast trade growth of 2.4% in 2017 and between 2.1% and 4% in 2018.

Domestic Economic Environment

- Lackluster performance of SA economy driven by weak consumer demand, increased price inflation, subdued confidence levels and adverse effects of prolonged drought.
- Trade balance improved to a R0.9 billion surplus in 2016.
- Current account deficit narrowed to R76 billion in Q4-2016, a 3.3% ratio to GDP.

Policy Developments

- Tax proposals reflect commitment to narrow budget deficit, stabilise debt and sustainable public finances.
- Aims to ensure tax system remains fair, efficient, equitable and progressive.
- Budget proposals expected to add close to R5.0 billion to 2016/17 revenue collection.

Situational Analysis
Global Economic Environment

The year 2016 was characterised by subdued growth throughout the world. Global growth eased to 3.2% in 2016, from 3.4% in 2015, due to policy uncertainty, sluggish investment growth and slowing global trade. World trade has remained sluggish as several factors contributed to the lackluster performance, including:

- Falling prices for oil and other primary commodities.
- Strong fluctuations in exchange rates.
- Economic slowdown in China.
- Recessions in other large developing economies including Brazil.
- Financial volatility driven by divergent monetary policies in developed countries.

The discrepancy between trade growth in terms of volume and value was mostly attributable to large swings in commodity prices. Commodity markets saw a freefall in prices since mid-2014 and the broad-based weakness continued throughout 2015 and early 2016.

The decline in metal prices (down 35% over the same period) as well as food and agricultural raw material prices (down by around 22%) was smaller than the decline in energy prices.

The sharp drop in commodity prices has contributed to the weakness in global trade as indicated by the steep decline in imports of resource-exporting regions over the last two years.

Volatility in currency movements and financial markets, including the dollar's appreciation by 20% in 2015 also dented business and consumer confidence and may have contributed to reduced global demand for certain durable goods.

The appreciation of the United States (US) dollar contributed to falling commodity prices since most primary products are priced in dollars and a stronger US currency generally allows the same quantity of goods to be purchased with fewer dollars. The appreciation of the Chinese yuan contributed to the economic slowdown in China to the extent that it made Chinese exports more expensive in foreign markets.

Meanwhile, major natural resource exporters such as Brazil and Russia saw their currencies drop sharply in value in 2014 as falling prices for oil and other commodities reduced export earnings.

Global merchandise trade volumes registered growth of 1.3% in 2016, reflecting softening demand from advanced economies. The slow growth was exacerbated by a cyclical drawdown in inventories across advanced economies and contracting imports in China and other major commodity exporters. Growth in world merchandise trade volumes is expected to rebound this year.

The World Trade Organisation (WTO) is forecasting that global trade will expand by 2.4% in 2017, however, as deep uncertainty about near-term economic and policy developments raise the forecast risk, this figure is placed within a range of 1.8% to 3.6%. In 2018, the WTO is forecasting trade growth between 2.1% and 4.0%.

These economic pressures negatively impacted South Africa's growth outlook during the 2016/17 forecasting period. Growth was revised down successively from 0.9% in February 2016, to 0.5% in October 2016 and remained the same in February 2017.

This resulted in an overall downward revision in the Revenue Estimate from R1 174.8 billion in February 2016 to R1 144.4 billion in February 2017.

Situational Analysis
Domestic Economic Environment

The South African economy contracted in the last quarter of 2016 as a result of decline in real output of the primary and secondary sectors. The lackluster performance of the South African economy in 2016 could, to a large extent, be attributed to:

- Weak consumer demand.
- Acceleration in consumer price inflation.
- Stagnant formal sector employment.
- Persistent subdued business and consumer confidence levels that suppressed fixed investment.
- Adverse effects of prolonged drought conditions experienced in many parts of the country.

Despite improved rainfall after the devastating prolonged drought, agricultural output contracted for an eighth consecutive quarter, albeit only marginally.

Real economic growth in South Africa slowed further in quarter four of 2016. Real Gross Domestic Product (GDP) declined at an annualised rate of 0.3% quarter-on-quarter in quarter four of 2016 following the marginal growth of 0.4% quarter-on-quarter in quarter three of 2016. The largest negative contributor to GDP in quarter four of 2016 was the Mining and Quarrying industry which decreased by 11.5% and contributed -0.9% of percentage point to GDP growth.

Manufacturing was the second largest sector that recorded a negative growth of -0.4% of percentage points to GDP growth. The disappointing performance in the last quarter of 2016 reflected a decrease in the real value added by the primary and secondary sectors. By contrast, growth in real output of the tertiary sector accelerated over the period.

The external value of the rand appreciated further on a trade-weighted basis in quarter four of 2016, supported by higher international commodity prices and reduced global and domestic uncertainty. Global trade volumes increased in quarter four of 2016, while higher rand prices for South African export commodities resulted in a strengthening of the terms of trade.

The current account deficit narrowed from R166 billion to R76 billion in Q4-2016. As a ratio of GDP the deficit narrowed from 3.8% in quarter three of 2016 to 1.7% in Q4-2016. For 2016 as a whole, the ratio narrowed to 3.3% from 4.4% in 2015.

South Africa's trade balance switched from a deficit of R7 billion in quarter three of 2016 to a surplus of R56 billion in quarter four of 2016. This reflected an increase in the export earnings of domestic producers amid improved foreign demand for domestically produced goods and higher prices of selected commodities.

On an annual basis, the trade balance improved markedly to a surplus of R0.9 billion in 2016 from a deficit of R52.2 billion in 2015. The improvement in 2016 reflected both a narrowing in the trade deficit with Europe and Asia and a widening trade surplus with Africa.

Situational Analysis
Policy Developments

South Africa's fiscal policy is, in the main, captured in the Budget Review, which sets out the fiscal framework. The 2016 Budget Review sets out the tax proposals, most of which were implemented in 2016/17 and partially set the context for revenue collected during the year.

The 2016 tax proposals reflect government's commitment to narrow the budget deficit, stabilise debt and maintain sustainable public finances. The aim is to further ensure that the tax system remains fair, efficient, equitable and progressive. The 2016 Budget tax proposals were expected to add close to R5 billion to revenue in 2016/17. The following proposed changes were presented in Chapter four of the 2016 Budget Review:

- Adjustment to the personal income tax structure to reduce the impact of inflation on lower- and middle-income earners by increasing the primary rebate with 1.8% and the bottom three income brackets by 3.4%.
- Adjustment to the medical tax credits in line with inflation.
- Increased inclusion rates for capital gains for individuals from 33.3% to 40.0% and for companies from 66.6% to 80.0% that increased the maximum effective tax rates to 16.4% and 22.4% respectively.
- Transfer duty rate increase for property sales above R10 million from 11.0% to 13.0%.
- Increase in the general fuel levy by 30c per litre.
- Increases in the excise duties on alcoholic and tobacco products between 6.7% and 8.5% .

Revenue Performance

The 2016/17 total tax revenue estimate (Printed Estimate), based on a 1.2% Gross Domestic Product (GDP) growth outlook, was set at R1 174.8 billion in the February 2016 Budget. The estimate was then revised to R1 144.4 billion in the February 2017 Budget (Revised Estimate) based on deteriorating economic conditions. Collections for the 2016/17 financial year amounted to R1 144.1 billion, R301 million below the revised target of R 1 144.4 billion.

The preliminary ratio of revenue growth to economic growth (buoyancy) is estimated at 0.89 which is below the long-term average of 1.08. Furthermore, a Tax-to-GDP ratio of 26.1% was achieved in a very weak economic growth environment; this tax extraction rate is normally achieved during higher levels of economic growth.

This revenue performance was supported by improving the effectiveness of tax revenue collections and in addition focusing on 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.

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

Budget Estimates

Estimate Description	Date Announced	2015/16 Estimate	Date Announced	2016/17 Estimate
		R million		R million
Printed Estimate	25 February 2015	1 081 275	24 February 2016	1 174 788
Medium Term Budget Policy Statement (MTBPS) Estimate	21 October 2015	1 073 700	26 October 2016	1 152 026
Revised Estimate	**24 February 2016**	**1 069 700**	**22 February 2017**	**1 144 382**

Revenue estimates for the next three years, the medium term, are set or adjusted on three occasions during the financial year. For 2016/17, estimates were announced in the February 2016 Budget (generally referred to as the Printed Estimate), in October 2016 in the Medium Term Budget Policy Statement (MTBPS) and in the February 2017 Budget (the Revised Estimate).

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.

Budget Revenue Performance

Tax Type	Printed Estimate Feb 2016	Revised Estimate Feb 2017	Actual Result	Increase / Decrease on Printed Estimate	Increase / Decrease on Revised Estimate
	R million	R million	R million	R million	R million
Tax revenue	1 174 788	1 144 382	1 144 081	-30 707	-301
Non-tax revenue	26 657	31 957	33 016	6 359	1 059
Mineral and Petroleum Resource Royalties	4 430	6 272	5 802	1 372	-471
Mining leases and ownership	-	112	112	112	-1
Other non-tax revenue and extraordinary receipts	22 227	25 572	27 102	4 876	1 530
Less: SACU payments	-39 448	-39 448	-39 448	-	-
Total Budget Revenue	**1 161 996**	**1 136 891**	**1 137 648**	**-24 348**	**758**

This table 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 is Mineral and Petroleum Resource Royalties (MPRR), mining leases and ownership, as well as receipts from other State departments and extraordinary receipts.

SARS also collects Unemployment Insurance Fund (UIF) and Skills Development Levy (SDL) contributions for the Department of Labour and Road Accident Fund (RAF) levies on behalf of the Department of Transport.

Revenue Performance

Tax Type Performance

Tax Type	Printed Estimate Feb 2016	Revised Estimate Feb 2017	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)	442 189	426 907	425 924	-16 265	-983
Company Income Tax (CIT)	200 945	207 515	207 027	6 082	-488
Secondary Tax on Companies (STC) / Dividends Tax (DT)	25 031	25 710	31 130	6 099	5 420
Value-Added Tax (VAT)	301 260	290 000	289 167	-12 093	-833
Domestic VAT	322 445	319 740	321 475	-970	1 736
Import VAT	164 013	150 498	149 265	-14 748	-1 232
VAT refunds	-185 199	-180 237	-181 574	3 625	-1 337
Fuel levy	64 495	62 970	62 779	-1 716	-191
Customs duties	54 043	47 500	45 579	-8 464	-1 921
Specific excise duties	38 000	35 700	35 774	-2 226	74
Taxes on property	15 455	16 043	15 661	206	-381
Skills development levy	17 640	15 462	15 315	-2 325	-147
Other taxes and duties	15 730	16 575	15 725	-4	-850
Total Tax Revenue	**1 174 788**	**1 144 382**	**1 144 081**	**-30 707**	**-301**
Customs and Excise revenue	335 846	312 548	308 367	-27 479	-4 181
Tax revenue (excluding Customs and Excise revenue)	838 942	831 834	835 714	-3 228	3 880
Total Tax Revenue	**1 174 788**	**1 144 382**	**1 144 081**	**-30 707**	**-301**

Personal Income Tax (PIT), which accounts for more than 37.2% of total revenue, grew by 9.4% in 2016/17. This growth was lower compared to previous years as a result of lower wage settlements, job shedding and increasing unemployment.

Company Income Tax (CIT) grew moderately due to the poor performance of the manufacturing sector, which was negatively affected by poor global demand, subdued oil prices, as well as rising operational costs. The financial sector remained the largest contributor to CIT revenue, at 27.2%.

Although the adverse economic conditions negatively affected company profitability and CIT collections, an improvement in commodity prices particularly the platinum and the iron ore prices provided some relief to Company Income Tax. CIT grew to 7.1% in nominal terms from the 3.6% achieved in 2015/16.

The split between Customs and Excise Revenue and Tax Revenue, recorded at the bottom of the table, shows that Customs and Excise Revenue came in slightly below the Revised Estimate by R4.2 billion offset by higher than estimated collections in Tax Revenue of R3.9 billion surplus. Weak import growth negatively affected import VAT and revenue from Customs duties.

Domestic VAT collections were marginally (0.5%) above the Revised Estimate as real household consumption expenditure remained constrained registering a real growth of 0.8% in 2016 from 1.7% in 2015. The slowdown was driven by increased inflationary pressures, moderation in wage growth, marginally higher interest rates as well as weak consumer confidence.

PIT, CIT and VAT remain the largest sources of tax revenue and comprise about 80% of total tax revenue collections.

The table provides a breakdown of the relative contributions of the different taxes.

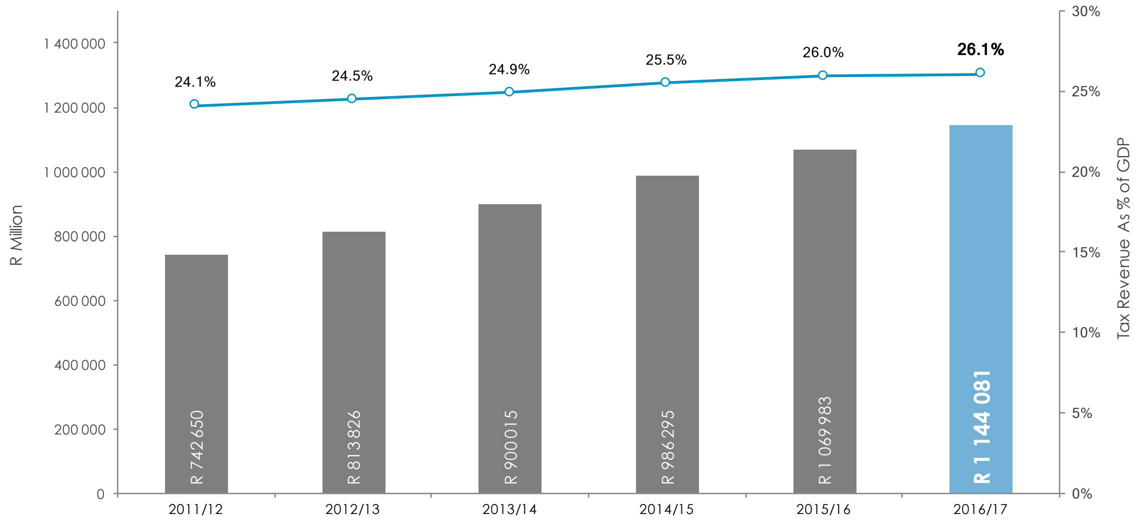
The relative contribution of taxes to the tax revenue portfolio has changed over the past six years. The relative contribution of CIT fell from 20.6% in the 2011/12 financial year to 18.1% in the 2016/17 financial year while PIT increased from 33.8% to 37.2% and VAT declined from 25.7% to 25.3% during this period.

Breakdown of Tax Revenue

Year	PIT	CIT	DT/STC	VAT	Fuel Levy	Customs Duties	Other	Total Tax Revenue	GDP*
	R million	R million	R million	R million	R million	R million	R million	R million	R million
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	3 320 780
2013/14	310 929	179 520	17 309	237 667	43 685	44 179	66 727	900 015	3 614 884
2014/15	353 918	186 622	21 247	261 295	48 467	40 679	74 068	986 295	3 867 896
2015/16	389 280	193 385	23 934	281 111	55 607	46 250	80 414	1 069 983	4 122 618
2016/17	**425 924**	**207 027**	**31 130**	**289 167**	**62 779**	**45 579**	**82 475**	**1 144 081**	**4 390 558**
	%	%	%	%	%	%	%	%	%
2011/12	33.8%	20.6%	3.0%	25.7%	4.9%	4.6%	7.3%	100.0%	24.1%
2012/13	34.0%	19.8%	2.4%	26.4%	5.0%	4.8%	7.6%	100.0%	24.5%
2013/14	34.5%	19.9%	1.9%	26.4%	4.9%	4.9%	7.4%	100.0%	24.9%
2014/15	35.9%	18.9%	2.2%	26.5%	4.9%	4.1%	7.5%	100.0%	25.5%
2015/16	36.4%	18.1%	2.2%	26.3%	5.2%	4.3%	7.5%	100.0%	26.0%
2016/17	**37.2%**	**18.1%**	**2.7%**	**25.3%**	**5.5%**	**4.0%**	**7.2%**	**100.0%**	**26.1%**

Source: * Q1-2017 GDP, Statistics SA.

Revenue Performance



Before the global financial crisis, the Tax-to-GDP ratio rose above 26% in 2008/09 as a result of the commodity boom and reforms in the financial sector. The Tax-to-GDP ratio has shown a steady increase and has reached a six year high of 26.1% in the year under review.

Tax Proposals

Year	Direct				Indirect				Other	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	R million
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
2016/17	**-5 650**	**1 000**	**100**	**-4 550**	**2 284**	**6 800**	**-**	**9 084**	**456**	**4 990**
Total	**-40 932**	**590**	**-2 500**	**-42 842**	**12 069**	**25 542**	**3 630**	**41 242**	**456**	**-1 144**

Tax relief implemented during the past five years curtailed taxpayers' direct tax obligations and raised indirect taxes. Reforms applied across a variety of tax products resulted in net tax relief to taxpayers of R5.0 billion in the 2016/17 financial year. The increase in the marginal tax rate for PIT was offset by the fiscal drag relief and increased monthly medical scheme contribution tax credits.

Maximum marginal tax rates remained unchanged across most tax types. The exception was Personal Income Tax (PIT) and Secondary Tax on Companies (STC).

The marginal tax rate for PIT has increased from 41% to 45% effective from 1 March 2017.

STC was replaced with Dividends Tax (DT), imposed at a rate of 15%, from 1 April 2012. As at 22 February 2017 the DT rate has increased to 20%. Despite the tax relief granted during this period, tax revenue continued to grow as a result of economic growth and increased compliance.

Marginal Tax Rates

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

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

** Secondary Tax on Companies (STC) at a rate of 10% was replaced with Dividends Tax (DT) at a rate of 15% on 1 April 2012 and the rate of DT was increased to 20% on 22 February 2017.

Delivery against Strategic Outcomes

Outcome ONE

Outcome 1: Increased Customs and Excise Compliance

Customs Revenue

R312.5 bn target | **R308.4 bn** achievement

R4.2 bn shortfall

Audit Coverage

25% target | **28.09%** achieved

289 potential **preferred traders** were audited since inception

Excise Audits

Completed **2 156 audits** with a **56% hit rate**

Diesel refunds contributes **43%** of **audits completed**

1 374 narcotic seizures to the value of R464.1m

Cocaine	**104** seizures, **558kg** in weight	**R160.4 m, 35%** of the value
Mandrax	**34** seizures, **1.43 m** tablets	**R78.6 m, 17%** of the value
Heroin	**36** seizures, **118kg** in weight	**R70.1 m, 15%** of the value
Crystal Meth	**21** seizures, **294kg** in weight	**R84.2 m, 18%** of the value
Ephedrine	**15** seizures, **158kg** in weight	**R47.5 m, 10%** of the value
Cannabis	**578** seizures, **3 543kg** in weight	**R9.9 m, 2%** of the value

1 042 Mail Centre seizures

223 Airport seizures

107 Land Port seizures

2 Sea Port seizures

58% increase YoY in **customs narcotics seizures**

Goods Declarations targeted

13% target | **13.63%** achieved

Adjustments to **Customs Risk Engine** contributed to lower alert rates

Specialised Dog Unit

123 dogs and **handlers**

70 dogs trained in **narcotics** & **33** dogs trained to detect **trafficking** in **endangered species**

Non-Intrusive Inspections Capability

R7.5 m revenue yielded and **R11.7 m illicit goods** detected through scanning

Customs Revenue Performance

Tax Type	Printed Estimate Feb 2016	Revised Estimate Feb 2017	Actual Result	Increase / Decrease on Printed Estimate	Increase / Decrease on Revised Estimate
	R million	R million	R million	R million	R million
Import VAT	164 013	150 498	149 265	-14 748	-1 232
Customs Duties	54 043	47 500	45 579	-8 464	-1 921
Specific Excise	38 000	35 700	35 774	-2 226	74
Fuel Levy	64 495	62 970	62 779	-1 716	-191
Electricity Levy	8 568	8 530	8 458	-110	-72
Incandescent Light Bulb Levy	58	85	70	12	-15
Miscellaneous Customs & Excise	371	741	406	35	-335
Other*	6 298	6 524	6 036	-262	-488
Total Customs and Excise Revenue	**335 846**	**312 548**	**308 367**	**-27 479**	**-4 181**

* Other includes Air Departure Tax, Plastic Bags Levy, CO2 Tax, Tyre Levy, International Oil Pollution Levy Fund, Diamond Export Levy and Ad Valorem Excise

SARS collected R308.4 billion in Customs and Excise revenue during the 2016/17 financial year, R4.2 billion below the Revised Estimate of R312.5 billion. Import VAT and Customs duties accounted for most of the deficit in the Customs and Excise Revenue collections. 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.

Import VAT

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 steady performance in 2015/16 of 10.4%, Import VAT has fallen by 1.0% in 2016/17 mainly due to the subdued growth levels of merchandise imports, resulting from rising import costs and weak domestic activity dampening the demand of consumption and capital goods, most of which are key contributors to import taxes.

Year	Actual	% Year-on-year Change	% of Tax Revenue	% of GDP
	R million	%	%	%
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%
2016/17	**149 265**	**-1.0%**	**13.0%**	**3.4%**

Customs Duties

Year	Actual	% Year-on-year Change	% of Tax Revenue	% of GDP
	R million	%	%	%
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%
2016/17	**45 579**	**-1.5%**	**4.0%**	**1.0%**

Customs duty collections have fallen by 1.5% in 2016/17 to R45.6 billion from an upper base of R46.3 billion in the 2015/16 year after the significant portion of duties was reallocated to Fuel Levy.

As with Import VAT, the 1.5% decline was a result of the contractions in key chapters of vehicles, electrical machinery and clothing on the back of weak local demand conditions, weak merchandise imports and upward pressure on inflation.

Specific Excise

SARS collected R35.8 billion in Specific Excise revenue during the 2016/17 financial year; the percentage contribution to total tax revenue collected by SARS declined from 3.4% during the 2011/12 year to 3.1% at the end of the 2016/17 year.

The year-on-year growth of 2.0% is lower than the growth of 8.5% in the previous year; year-on-year growths are impacted by changes in consumption and demand as well as changes in activities by companies producing these goods.

Year	Actual	% Year-on-year Change	% of Tax Revenue	% of GDP
	R million	%	%	%
2011/12	25 411	10.6%	3.4%	0.8%
2012/13	28 378	11.7%	3.5%	0.9%
2013/14	29 039	2.3%	3.2%	0.8%
2014/15	32 334	11.3%	3.3%	0.8%
2015/16	35 077	8.5%	3.3%	0.9%
2016/17	**35 774**	**2.0%**	**3.1%**	**0.8%**

Fuel Levy

Year	Actual	% Year-on-year Change	% of Tax Revenue	% of GDP
	R million	%	%	%
2011/12	36 602	6.3%	4.9%	1.2%
2012/13	40 410	10.4%	5.0%	1.2%
2013/14	43 685	8.1%	4.9%	1.2%
2014/15	48 467	10.9%	4.9%	1.3%
2015/16	55 607	14.7%	5.2%	1.3%
2016/17	**62 779**	**12.9%**	**5.5%**	**1.4%**

The growth in collections from fuel levy were mainly as a result of an 11.8% rate increase but the growth decreased from 14.7% at the end of 2015/16 to 12.9% at the end of 2016/17.

Fuel levy on imports were lower than expected which can be ascribed to high costs as a result of exchange rate fluctuations and the reduction in diesel consumption used for electricity generation.

Electricity Levy

The collections in respect of electricity levy in 2016/17 compared to the previous year contracted by 0.2%. This is lower than the 2.0% decline recorded in 2015/16.

Collections displayed double digit growths in earlier years but started to decline since the 2013/14 year.

The growth in collections during the earlier few years was mainly driven by the rate increase (from 2.5 cents per k/Wh to 3.5 cents per k/Wh) that was implemented in July 2012.

Year	Actual	% Year-on-year Change	% of Tax Revenue	% of GDP
	R million	%	%	%
2011/12	6 323	23.9%	0.9%	0.2%
2012/13	7 984	26.3%	1.0%	0.2%
2013/14	8 819	10.5%	1.0%	0.2%
2014/15	8 648	-1.9%	0.9%	0.2%
2015/16	8 472	-2.0%	0.8%	0.2%
2016/17	**8 458**	**-0.2%**	**0.7%**	**0.2%**

Although the duty rate increased by 40.0% effective 1 July 2012, growth in consumption was slow. The expectation is that the demand for electricity will decrease as a result of the muted economy as well as a continued interest in and migration to renewable energy sources.

Identify, Assess and Respond to Risks More Effectively

- **Improvements identified** to current **case selection** capability and **automated risk engine.**
- Deployed **8 additional baggage scanners** and initiated **procurement of 2 additional cargo scanners.** Image analysis and interpretation training has commenced.
- Level 2 of **Preferred Trader Compliance Accreditation** commenced – **28 approved applications** to date.

Enhance Quality of Inspections and Audit

- Increased maximum **cargo scanning capacity** to 300 vehicles per day. The commissioning of the Beitbridge cargo scanner positively impacted this capability.
- Initiated a **quality framework review** for inspections to enhance and align job and policy profiles.
- Implemented **enforcement workflow** to enhance **traceability of manual triggered risk interventions.** The focus is on cargo and vehicle based inspections.

Modernise and Align Excise Processes and Systems

- Improve Excise skills by **training 227 staff** in more than **58 Standard Operating Procedures** – a 7% increase year-on-year.
- Completed **track and trace study** into cigarette industry supply chain movements by introducing advanced technology – this will replace the diamond stamp in line with WHO convention for Tobacco Control.

Align Customs Workforce to WCO Framework for Professionalism and Discipline

- Customs **uniform policy approved** and **paramilitary training conducted** – 32 completed Phase 1. These interventions aim to increase the professionalism and discipline of the Customs and Excise workforce in a focused manner.
- Designed a **national training and mentorship programme** with special focus on technical skills gap for the core roles.
- Benchmark of **front office pilot rotation practices** in progress to support anti-corruption efforts and career progression plans.
- **Bilateral capacity building partnership established** with United States Customs and Border Protection in addition to online training.

Improved understanding of stakeholder needs for service improvements

- Initiated a broad based **stakeholder forum.**
- **Engaged key industry stakeholders** including alcohol, plastic, poultry, clothing & textile, tyre and scrap metal industries.

Implement the New Customs and Excise Legal Framework

- SARS continue to **develop the processes and systems** to support the implementation of the **Customs Control Act** and **Customs Duty Act** through a formal programme.
- **Phase 1 of NCAP** with processes and systems supporting Registration, Licensing and Accreditation is **95% complete.**
- **Phase 2: Reporting of Conveyances and Goods** system development progressing well.
- **Phase 3: Declaration Processing and Release** has been designed.
- The **people workstream aligns the aspects not included in the system related projects**. These include training, organisation design and external stakeholder engagement. **More than 50% of staff was trained** and the stakeholder working group are focused on finalising Terms of Reference for the group.
- New **Tyre Levy introduced** in February 2017.

Improve Control of Flow of Goods and Travellers

- **2 pilot projects** informed and refined the marine & air modality **operating model design.** A goods control solution was tested as a proof of concept at 3 sites to increase the visibility of the physical movement of goods, thereby improving risk identification.
- **Alert ratio decreased** to around 13% due to risk mitigation enhancements enabling swift movement of goods and travellers.
- **Manifest processing** system with **3rd party reporting** implemented to comply with new international cargo management standards – this replaced the current manifest acquittal solution.
- **State Warehouse Barcode Inventory Management system** was implemented at **18 of 25 land ports.**
- Implemented **Customs Goods Control** solution for **containerised and bulk cargo,** to reduce the risk associated with goods residing with shipping companies for a lengthy period.

Adopt Whole-of-Government Approach to Improve Border Management

- Completed the **business case for developing integrated processes** between SARS and the Department of Agriculture, Forestry & Fisheries.
- Support **Government's creation of the Border Management Agency** (BMA), focusing on consolidating key border control functions currently residing in various organs of state.
- Establish **One-Stop-Border-Posts** with Mozambique and Zimbabwe.
- Pilot the **WCO – SACU IT Connectivity Initiative** with Swaziland and Mozambique to enable interface capabilities for information and data exchange.
- Drive the development of a **divisional plan in support** of the **National Drug Master Plan** to fight illicit trade and abuse of illegal substances.
- Support the implementation of the **World Trade Organisation trade facilitation agreement.**

Delivery against Strategic Outcomes

Outcome

TWO

Outcome 2: Increased Tax Compliance

Tax Revenue

R831.8 bn target | **R835.7 bn** achievement

R3.9 bn surplus

Dividends Tax and Secondary Tax on Companies contributed **R5.4 bn more** than estimated

Debt Book

7% target | **6.94%** achievement

R79.4 bn undisputed debt

R49.8 bn debt under dispute

R50.6 bn cash collected from overdue debt

4.8% improvement YoY

Audit Coverage

12% target

18.26% achieved

More than **2 million audits** in total

1.6 million PIT audit verifications done

Credit Book

R56.4 bn closing balance

R6.46 bn reduction on 2015/16 closing balance

More than **2.8 million** Outstanding Returns received

76% were for **VAT & PAYE**

PIT Compliance

Filing:

92% target | **91.14%** achieved

Payment:

50% target | **44.99%** achieved

CIT Compliance

Filing:

50% target | **40.97%** achieved

Payment:

70% target | **67.90%** achieved

Service Channel Debt Collection

R3.38 bn collected

1.61 million direct channel outbound calls

1.32 million branch outbound calls

PAYE Compliance

Filing:

65% target | **60.51%** achieved

Payments:

85% target | **85.16%** achieved

VAT Compliance

Filing:

60% target | **53.58%** achieved

Payment:

85% target | **82.89%** achieved

SMS Campaigns

Targeted more than **1.8 million** taxpayers

Yielded **> R6 bn**

Settlement payments received to the value of **R2.2 bn**

Tax Revenue Performance

Tax Type	Printed Estimate Feb 2016	Revised Estimate Feb 2017	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)	442 189	426 907	425 924	-16 265	-983
Company Income Tax (CIT)	200 945	207 515	207 027	6 082	-488
STC/DT	25 031	25 710	31 130	6 099	5 420
Domestic VAT	322 445	319 740	321 475	-970	1 736
VAT refunds	-185 199	-180 237	-181 574	3 625	-1 337
Fuel levy	64 495	62 970	62 779	-1 716	-191
Specific excise duties	38 000	35 700	35 774	-2 226	74
Taxes on property	15 455	16 043	15 661	206	-381
Skills development levy	17 640	15 462	15 315	-2 325	-147
Other taxes and duties	-102 060	-97 975	-97 797	4 263	178
Total Tax Revenue (excl Customs and Excise)	**838 942**	**831 834**	**835 714**	**-3 228**	**3 880**

Tax revenue (excluding Customs Revenue) collected during the 2016/17 financial year amounted to R835.7 billion. This was R3.9 billion above the Revised Estimate of R831.8 billion.

Personal Income Tax

PIT collections grew to R425.9 billion, R1.0 billion below the Revised Estimate of R426.9 billion, and contributed 37.2% of total revenue collections for the year under review. PIT is the largest contributor to tax revenue. It comprises of assessed and provisional tax as well as Pay-As-You-Earn (PAYE) collected by employers on behalf of employees (net of refunds).

The poor growth in PIT collections was as a result of lower wage settlements, job shedding, increased unemployment and inflation.

Year	Actual	% Year-on-year Change	% of Tax Revenue	% of GDP
	R million	%	%	%
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%	9.4%
2016/17	**425 924**	**9.4%**	**37.2%**	**9.7%**

PIT as a percentage of GDP has grown during this period from 9.4% in 2015/16 to 9.7% in 2016/17.

Company Income Tax

Year	Actual	% Year-on-year Change	% of Tax Revenue	% of GDP
	R million	%	%	%
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%	4.8%
2015/16	193 385	3.6%	18.1%	4.7%
2016/17	**207 027**	**7.1%**	**18.1%**	**4.7%**

CIT revenue, which comprises all provisional and assessed taxes paid by companies (net of refunds), increased by 7.1% to R207.0 billion.

During the year under review, CIT revenue grew marginally due to an improvement in commodity prices (particularly the platinum and iron ore prices).

Although the weak global demand negatively impacted the profitability of companies in the petroleum and manufacturing sector, the sluggish recovery of CIT during the past five years is the main reason for the fluctuating CIT-to-GDP ratio.

Sector *	2014/15	2015/16	Growth	2016/17	Growth
	R million	R million	%	R million	%
Agriculture	3 339	3 963	18.7%	4 147	4.6%
Mining	17 996	15 114	-16.0%	25 139	66.3%
Telecommunications	10 333	9 607	-7.0%	9 214	-4.1%
Financial services	53 287	53 177	-0.2%	56 302	5.9%
Banks	21 694	20 536	-5.3%	21 990	7.1%
Insurance	18 399	18 154	-1.3%	18 793	3.5%
Other financial services	13 194	14 487	9.8%	15 518	7.1%
Manufacturing	42 940	43 268	0.8%	41 059	-5.1%
Petroleum	8 458	8 361	-1.1%	7 677	-8.2%
Other manufacturing	34 483	34 906	1.2%	33 382	-4.4%
Wholesale and retail trade	20 329	23 536	15.8%	24 822	5.5%
Business services	16 687	20 058	20.2%	20 588	2.6%
Medical and health	5 057	5 652	11.8%	5 841	3.4%
Transport	3 848	4 396	14.2%	4 328	-1.6%
Construction	5 129	5 321	3.7%	5 720	7.5%
Catering and accommodation	2 333	2 752	17.9%	3 020	9.8%
Recreation and cultural	4 101	5 118	24.8%	5 398	5.5%
Other	1 241	1 425	14.8%	1 449	1.7%
Total	**186 622**	**193 385**	**3.6%**	**207 027**	**7.1%**

Note: * SARS-defined sector.

Company Income Tax by Sector

Sector contributions to CIT revenue have changed significantly since the global financial crisis. The contribution of the Mining Sector improved significantly following an improvement in platinum as well as iron ore prices in 2016/17.

The decline in the oil prices also contributed to the decline in profitability of companies in the Manufacturing Sector.

Increased contributions from the Mining Sector (up 66.3%) and Financial Services sectors (up 5.9%) bolstered CIT growth during the 2016/17 financial year.

Domestic VAT

Domestic VAT collections amounted to R321.5 billion in 2016/17, this was R24.1 billion (8.1%) higher than the previous year. Growth was boosted by the rebound of the payments from large vendors which grew by R7.1 billion (5.6%) compared to the contraction of R3.1 billion (2.4%) in the prior year. The small to medium vendors continued on the positive trajectory, contributing R16.9 billion to the growth.

The sectors which contributed significantly to the Domestic VAT growth were Finance R9.9 billion (7.7%); Wholesale and Retail R5.1 billion (11.6%); and Manufacturing R2.8 billion (6.5%).

Year	Actual	% Year-on-year Change	% of Tax Revenue	% of GDP
	R million	%	%	%
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%	7.2%
2016/17	**321 475**	**8.1%**	**28.1%**	**7.3%**

VAT Refunds

Year	Actual	% Year-on-year Change	% of Tax Revenue	% of GDP
	R million	%	%	%
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%
2016/17	**-181 574**	**8.7%**	**15.9%**	**4.1%**

VAT refunds grew by 8.7% in 2016/17 compared to 3.0% in 2015/16. The Wholesale and Retail trade; Finance; Manufacturing; as well as Mining and Quarrying sectors received the largest amount of VAT refunds.

The vendors in the Manufacturing sector, including the vehicle manufactures which are classified under the Wholesale and Retail sector; received higher refunds as a result of the high level of Import VAT they pay for their inputs yet the bulk of their products are exported (zero rated).

The Finance sector received substantial refunds mainly because of holding companies claiming high input costs while the Mining and Quarrying sector benefitted from zero-rated exports.

Secondary Tax on Companies and Dividends Tax

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 the 2015/16 financial year.

DT/STC has grown in the 2016/17 year by R7.2 billion (30.1%) when compared to 2015/16; it grew at a higher rate as companies have opted to distribute profits (current and retained) to shareholders rather than reinvesting them.

The increase in the DT rate from 15% to 20%, effective on 22 February 2017, also contributed to the growth in DT collections.

Year	Actual	% Year-on-year change	% of tax revenue	% of GDP
	R million	%	%	%
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%	0.5%
STC	547	-39.9%	0.1%	0.0%
DT	20 700	26.2%	2.1%	0.5%
2015/16	23 934	12.6%	2.2%	0.6%
STC	428	-97.9%	0.0%	0.0%
DT	23 507	13.6%	2.2%	0.6%
2016/17	**31 130**	**30.1%**	**2.7%**	**0.7%**
STC	**423**	**-1.1%**	**0.0%**	**0.0%**
DT	**30 707**	**30.6%**	**2.7%**	**0.7%**

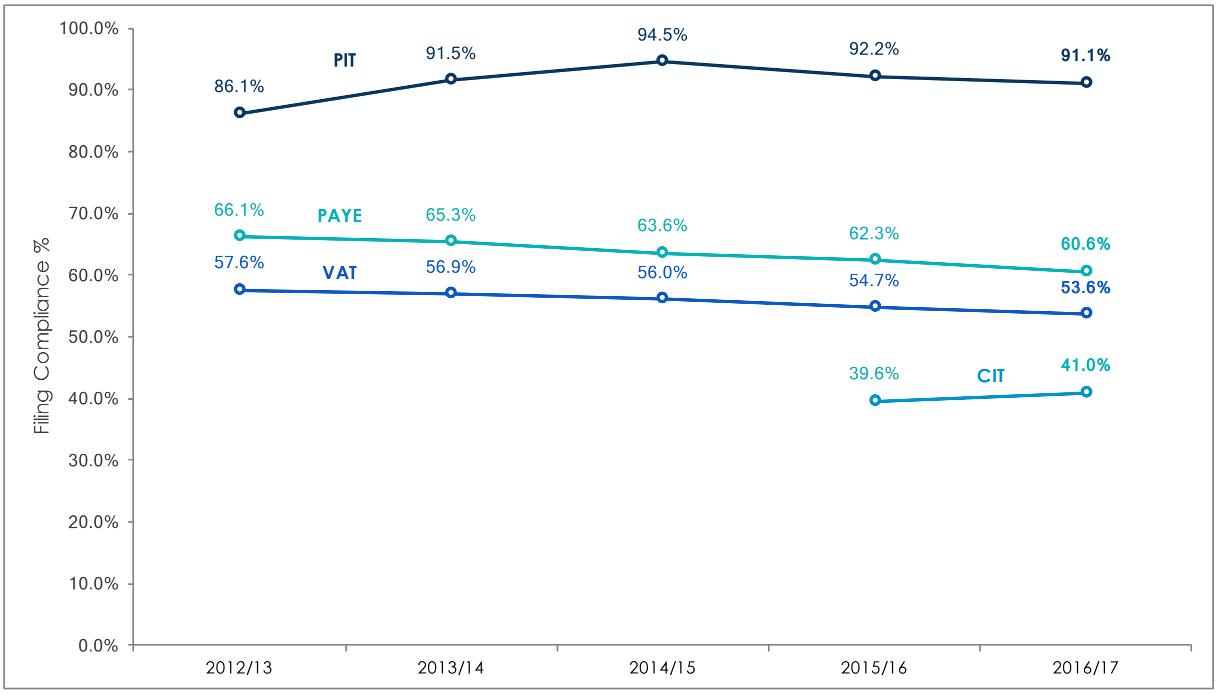
Due to the change in this tax rate, a substantial number of dividend taxpayers paid dividends in the month of March 2017. The rate is applicable to any dividends declared but not yet paid on 22 February 2017.

Registration Compliance

Registered Persons	2013/14	2014/15	2015/16	2016/17	% Growth
					%
Income tax	19 787 304	21 452 507	22 693 978	24 057 574	6.0%
Individuals	16 779 711	18 185 538	19 075 270	19 980 110	4.7%
Trusts	322 188	331 584	340 000	345 048	1.5%
Companies	2 685 405	2 935 385	3 278 708	3 732 416	13.8%
Value-Added Tax (VAT)	662 194	679 274	706 874	742 388	5.0%
Pay-As-You-Earn (PAYE)	407 066	429 691	458 048	489 445	6.9%
Customs	519 044	535 061	552 084	574 697	4.1%
Importers	272 544	280 953	289 922	301 746	4.1%
Exporters	246 500	254 108	262 162	272 951	4.1%
Total Register	**21 375 608**	**23 096 533**	**24 410 984**	**25 864 104**	**6.0%**

- SARS continues to broaden the tax base and expand its taxpayer and trader register. Bulk registrations at places of employment and an online facility for employers to register staff when submitting their monthly PAYE returns, contribute positively.
- Automatic merging of almost 1.5 million tax and customs products were done for more than 650 000 unique taxpayers, with less than 0.01% objections received.
- This initiative will greatly improve the quality of information SARS holds about each taxpayer and will facilitate an improved and tailored service offering. Debt 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. In addition, this single taxpayer profile view enhances the assessment and auditing capabilities where a taxpayer has more than one tax product.

Filing Compliance



The focus is shifting from a service landscape towards risk based enforcement for those that do not comply. Strategic activities to increase filing compliance include cleaning up of the register, implementing a new taxpayer engagement approach, prioritising a penalty regime and strengthening enforcement capabilities for timeous follow-up on outstanding returns.

PIT filing compliance was above 90% for the past four years, despite thresholds being moved from R120 000 to R350 000. This easing of the tax compliance burden was communicated through targeted campaigns. Submission rates during filing season are a testament to an effortless engagement process, underpinned by easy submission through channels of choice, pre-population of returns and relying on employers for submission of IRP5's.

CIT filing compliance of 40.97% was recorded compared to 39.59% in the previous financial year. The understanding of behavioural and economic dynamics underpinning the submission patterns remains a challenge. SARS has adopted a developmental strategy in defining the required pool of submissions due to the level of register accuracy.

The submission pool focused on the "economically active" entities that are active on the tax register, liable to file a return and had a submission or payment engagement with SARS in the last three years.

A number of register clean-up activities have commenced, supported by an in-depth analysis of the register using 22 identifying criteria that point to an active status based on internal and third party data sources.

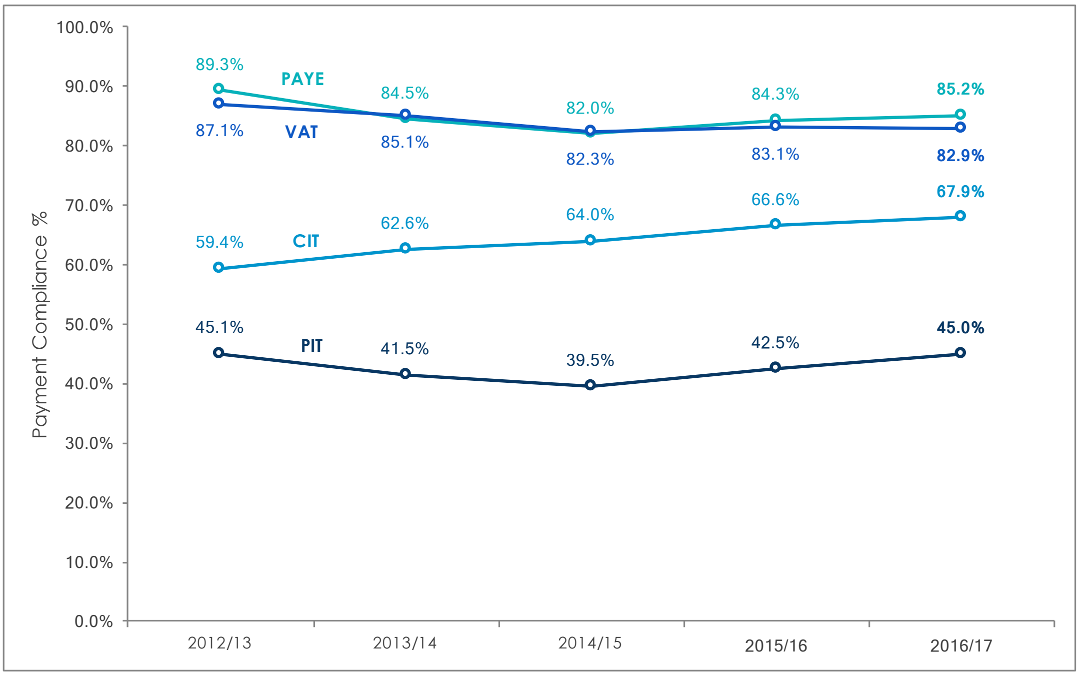
In January 2017, SARS EXCO approved the status of one million corporates to be changed from 'active' to 'dormant' owing to the fact that they are economically inactive. In addition to the current clean-up activities, enforcement will be strengthened by the implementation of an administrative penalty regime.

VAT filing compliance was maintained above 53% in the past five years, 53.58% for the reporting period. Contributing to the decline is the deregistration of fraudulent VAT registrations that were identified as SARS continues to focus on the accuracy of the register.

Value-Added Tax is the second biggest source of revenue for the fiscus and plays a vital role in the revenue collections. It is therefore imperative that a positive filing compliance trend needs to be maintained at all times.

PAYE filing compliance noted a gradually declining trend in employer submissions on or before due dates. About 11.5% or more than 650 000 returns were filed late and 27% or 1.5 million returns were outstanding – a move towards more severe non-compliance in the form of not filing returns at all. Activities to follow-up on outstanding returns were intensified on a monthly basis.

Payment Compliance



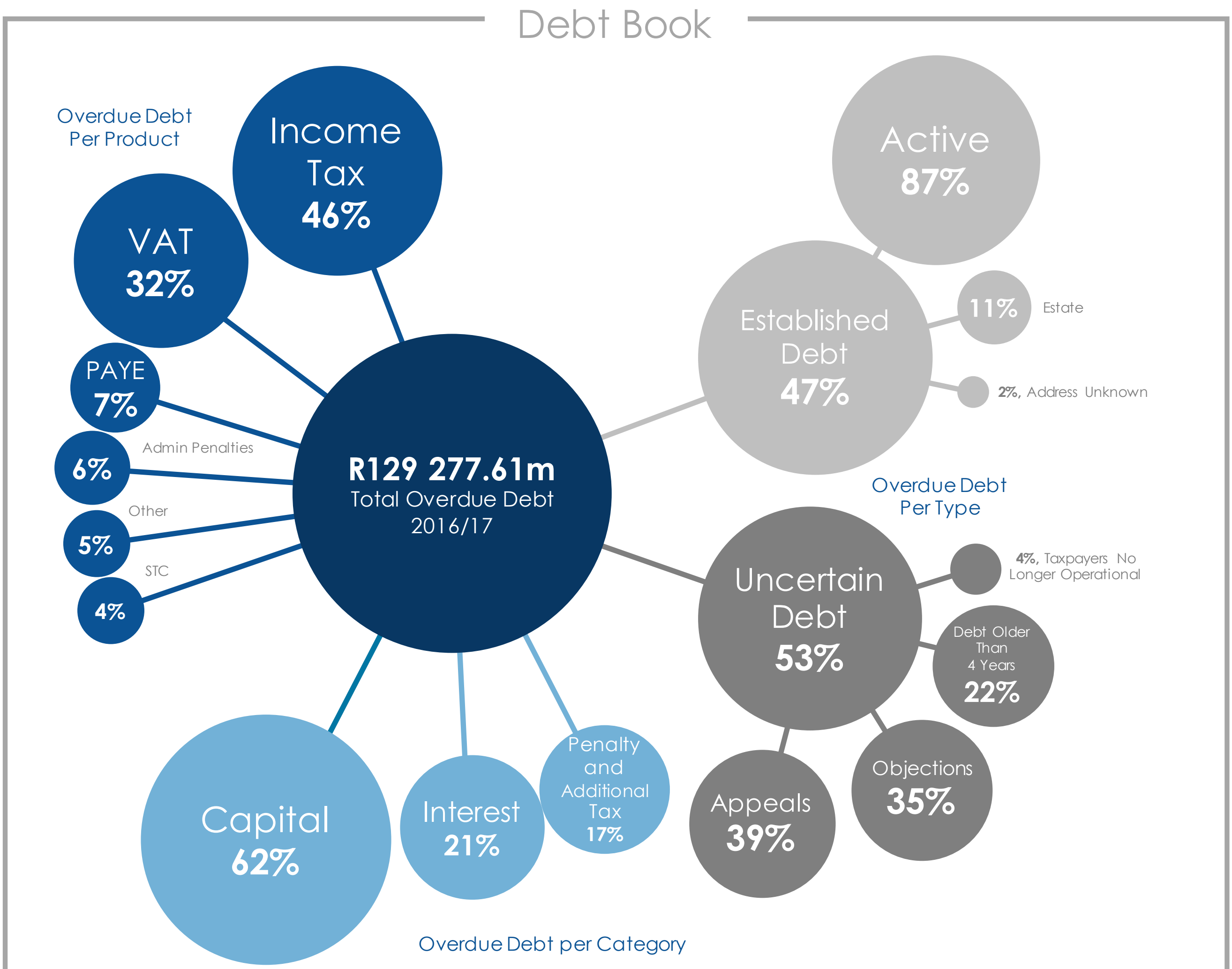
The **PIT payment compliance** of individuals and trusts has increased by over 5% in the last three years from 39.5% in 2014/15 to 45.0% in the 2016/17 financial year. PIT payment compliance increased by 2.5%, due to regular and extensive SMS campaigns notifying taxpayers of outstanding payments, paired with outbound call initiatives. Debt set-off was also extended to include debt equalisation from the Assessed account to the Administrative Penalty account which further reduced outstanding debt. Debt Management continues to contact taxpayers and collect outstanding amounts from their individual employers, whilst register clean-ups continue.

CIT payment compliance improved by 8.5% over the last five years. This is a positive trend towards reaching the target of 70%. Enforcement will be strengthened by the implementation of an administrative penalty regime.

During the 2016/17 financial year 82.9% of **VAT payments** was settled on or before the due date. A further 9.9% of the VAT payment obligations were settled later then required, indicating 93.4% of VAT payment obligations were settled within the financial year it became due.

PAYE payment compliance indicates that 85.2% was settled in full on or before the respective due dates. A further 10.7% of the PAYE payment obligations were settled shortly after the required due date. This resulted in 95.9% of all PAYE payment obligations due, being settled within the 2016/17 financial year, an upward trend over the last three years.

The non-payment trend decreased by more than 4% for the last five years as a result of active management and follow-up engagements with taxpayers.



- SARS committed to increase capacity and capability in order to manage outstanding debt and focus on responsive follow-up actions emanating from the debt book age analysis. SARS's target was to reduce the level of collectable debt to 7% of revenue collected.

- 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. SARS is continuously engaging with the banks with regards to third party appointments and standard procedures are now implemented nationally to effectively pursue personal liability where appropriate. SARS also implemented debt counters in offices where debt management and branch offices are not co-located.

- Total cash collected by SARS from overdue debt was R50.6 billion, which is an improvement of 4.8% compared to the R48.3 billion of the previous year. The net growth in the total debt book is attributed to a growth in Income tax debt of R16.8 billion and VAT which increased by R12.3 billion, and an increase of Pay-As-You-Earn of R1.0 billion.

- The current year debt book reporting takes cognisance of the split of established debt (collectable (undisputed) – R79.4 billion) and uncertain debt (disputed - R49.8 billion). In terms of undisputed debt, SARS achieved reductions on some tax types, including PIT and CIT which reduced by R7.3 billion collectively and STC debt with R4.3 billion. VAT increased by R3.8 billion.

- Debt under dispute has increased by R38.5 billion to R49.8 billion at 31 March 2017. Disputed debt represents 38.6% of the total debt book. The write-offs for the financial year were R10.4 billion, which is a decrease of R1.3 billion compared to the previous financial year (2015/16) of R11.7 billion. Temporary write-off accounts for R7.2 billion or 69.4% of the write-off number. One of the key measures for SARS was to achieve 7% undisputed debt as a percentage of revenue; the achievement was 6.94% of the R1 144.1 billion revenue collected.

Unaudited Overdue Taxpayer Debt

Unaudited overdue taxpayer debt (receivables) as at 31 March 2017		
	2016/17	2015/16
Segmentation	R	R
Established Debt		
Active	53 098 226 748	57 402 978 161
Address Unknown	1 487 726 699	2 289 309 537
Estate	6 752 167 582	6 956 807 281
Total Established Debt	**61 338 121 029**	**66 649 094 979**
Uncertain Debt		
Objections	23 559 982 364	1 781 770 403
Appeals	26 286 831 315	9 563 732 811
Debt Under Dispute	49 846 813 679	11 345 503 214
Debt Older Than 4 Years	15 123 895 791	15 576 664 194
Taxpayers No Longer Operational	2 968 775 881	2 806 440 431
Total Uncertain Debt	**67 939 485 351**	**29 728 607 839**
Total Overdue Taxpayer Debt	129 277 606 380	96 377 702 817
Comprising		
Capital	80 568 753 690	60 353 374 158
Penalty and Additional Tax	21 557 223 610	16 705 436 860
Interest	27 151 629 080	19 318 891 799
Total Overdue Taxpayer Debt	129 277 606 380	96 377 702 817
Administered Tax Analysis		
Income Tax	58 902 801 314	42 100 749 782
Company	38 468 786 731	24 803 393 926
Individuals and Trusts	20 434 014 584	17 297 355 855
PAYE	9 129 408 788	8 088 997 368
VAT	41 376 101 991	29 055 096 800
STC	5 660 506 502	4 815 029 876
SDL	1 336 845 161	1 119 932 303
UIF	1 825 386 923	1 638 523 718
Diesel	254 887 400	168 716 907
Customs	1 569 028 911	1 594 502 851
Excise	136 277 718	288 406 122
Administrative penalties	7 924 903 409	7 011 792 663
Estate Duty	201 603 041	159 411 329
Small Business Amnesty Levy	16 371 535	36 100 426
Dividends Tax	924 600 276	280 148 923
Donations Tax	18 883 409	18 149 168
Transfer Duty	-	2 144 583
Total Overdue Taxpayer Debt	129 277 606 380	96 377 702 817

Unaudited Credit Book

Unaudited taxpayer credits (payables) as at 31 March 2017		
	2016/17	2015/16
	R	R
Income Tax	-24 395 895 399	-22 168 043 513
Unallocated payments	-10 781 264	-10 763 236
Returns not received	543 025 717	453 132 658
Income Tax	-23 863 650 946	-21 725 674 090
PAYE	-221 564 088	-845 499 172
Unallocated payments	-1 666 371 152	-2 627 751 498
Returns not received	36 912 127	117 817 899
PAYE	-1 851 023 112	-3 355 432 772
VAT	-30 830 903 720	-33 783 584 150
Unallocated payments	-616 856 684	-773 435 441
Returns not received	2 805 391 612	964 280 529
VAT	-28 642 368 792	-33 592 739 061
UIF	-77 317 527	-129 757 816
Returns not received	20 853 791	43 448 434
UIF	-56 463 736	-86 309 382
SDL	-46 875 540	-93 303 037
Returns not received	12 425 872	33 817 235
SDL	-34 449 668	-59 485 802
Diesel	-1 475 529 537	-2 115 416 440
Returns not received	35 769 328	10 766 507
Diesel	-1 439 760 210	-2 104 649 932
STC	-10 654 128	-113 322 592
Unallocated payments	-56 042 180	-55 452 921
Returns not received	1 321 248	41 060 773
STC	-65 375 059	-127 714 740
Estate Duty	-2 598 094 613	-2 448 483 527
Returns not received	2 598 094 613	2 448 483 527
Estate Duty	-	-
Dividends Tax	-403 389 239	-1 788 980 902
Unallocated payments	-3 901 298	-3 901 298
Returns not received	101 593 881	153 525 605
Dividends Tax	-305 696 657	-1 639 356 596
Administrative Penalties	-76 508 575	-146 702 712
Unallocated payments	-852 145	-675 926
Administrative Penalties	-77 360 720	-147 378 638
Small Business Amnesty levy	-4 773 919	-5 946 750
Customs	-67 074 354	-22 884 962
Excise	-5 395 350	-3 282 933
Total Taxpayer Credits	**-56 413 392 522**	**-62 870 855 657**

Targeted Compliance Interventions Conducted in High Risk Areas

Large Business

- Increased **BEPS capacity** with **12 resources.**
- Completed **548 in-depth audits** yielding **R3.1 billion** (including BEPS and transfer pricing).
- Introduced **domestic legislative requirements to share transfer information with other jurisdictions.**

SMME

- Completed **409 440 audits** in the SMME segment **yielding R38.9 billion.**
- Implemented **Mobile Business Services** to enhance out-of-branch data gathering for registration, campaigns and investigations.
- Introduced **domestic legislative requirements** to **share transfer pricing information** with other jurisdictions.
- Successfully ran a **proof of concept pilot** to create a handshake between **individual imports/exports with small business registration and compliance.**
- **Collaborate** with Department of Small Business Development (DSBD) **to research trends, tax contribution and reducing administrative burden for small business.**

HNWI

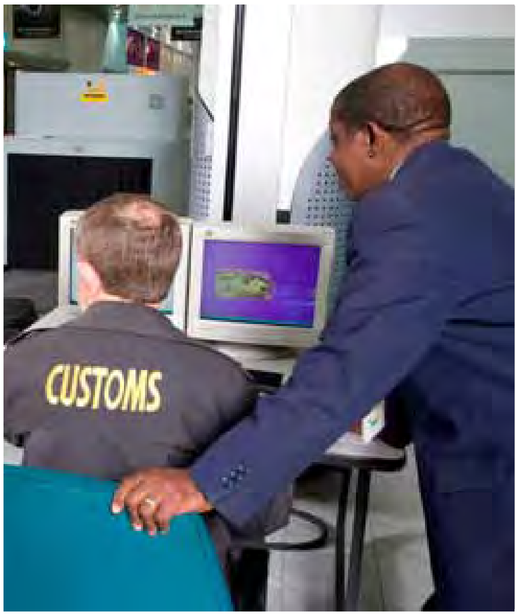
- Introduced a **refined segmentation methodology.**
- Completed **263 audits** with a **success rate of 59%.**

Industry Specific

- Reduce cross border **cigarette smuggling** by **seizing 17.5 million sticks.**
- **36 investigative audits** with **83% success rate** within the tobacco industry.
- **57** cigarette manufacturing **audits** with **51% success rate.**
- **Construction Industry** compliance **deteriorated 1 328 audits** conducted with a **90% success rate.**
- Introduced a **clothing and textile reference pricing database** to curb under valuations – **91 audits** with **success rate of 68%.**
- **545 post clearance audits** in clothing and textile industry.
- Amended act to **regulate tax practitioners** through a controlling body.

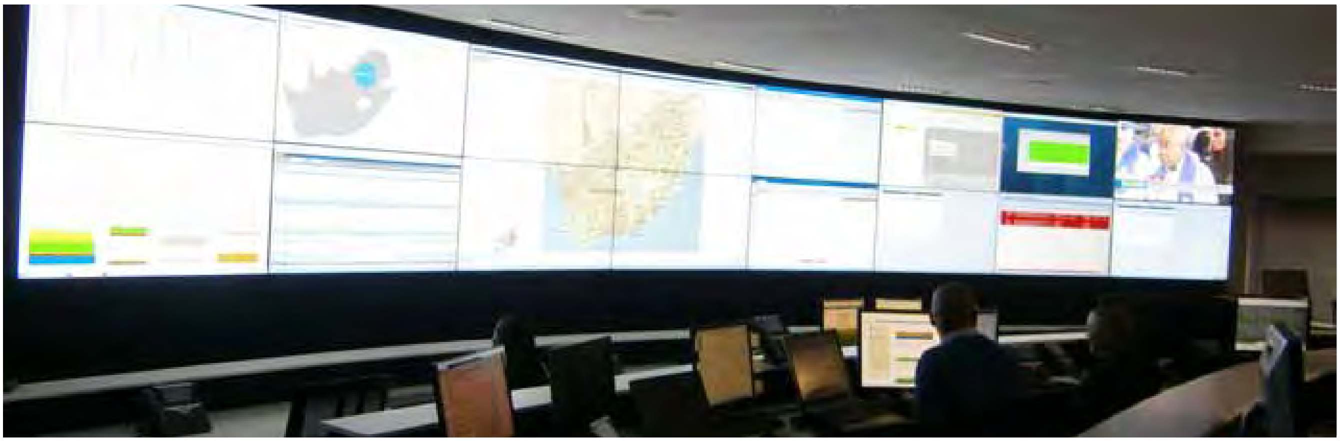
Strengthen Enforcement Capabilities

- **332 cases were handed to NPA** with **174 cases successfully prosecuted.** Inter-agency partnership agreement developed to focus on serious tax offences.
- Enhanced fraud detection in case selection, risk profiling, rules and analytical processes **preventing R26 billion in high risk VAT refunds** from being paid.
- **R8.7 billion debt equalisation** were off-set against due debt and **R7 billion of PIT refunds prevented.**
- Manual **risk profiling of multi-nationals and SMMEs** grew with 66% in case delivery and 29% increase in yields.
- Introduced a **new PAYE risk engine** and developed new **risk rules for BEPS and HNWIs.**



Improved Case Selection Process

- Case Selection process improved by **eliminating manual intervention** in case selection and **refined excise profiling.**
- Built an **audit result feedback loop** to optimise hit rate and improve **effectiveness in Civil Case selection.**



Collaboration on Global Compliance and Enforcement

- OECD is at the forefront of **promoting transparency and the exchange of information** between countries, to combat problems of corruption, financial crime, money laundering and illicit financial flows and trade.
- SA participates in OECD activities through the **Enhanced Engagement Programme** and has endorsed the **OECD standards on Exchange of Information**.
- SARS supports the **SA Government to administer treaties and agreements with other countries**, **tax jurisdictions** and i**nternational organisations**.
- SA is seen as one of the **leading countries in development and early adoption** of OECD Common Reporting Standards for Automatic Exchange of Information (AEOI).
- Implemented building blocks for **OECD Common Reporting Standards** in line with early adoption.
- Designed an **administrative penalty for non-submission of AEOI data** with SARS as central point of data distribution – development is in progress.
- Published **AEOI reporting requirements** to the SA financial industry.

Delivery against Strategic Outcomes

Outcome THREE

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

Average PIT Processing Turnaround Time

< 1 day target | **0.23 days** achieved

eFiling Uptake

60% target

53.26% achieved

System Uptime

99% target

99.38% achieved

Average CIT Processing Turnaround Time

< 1 day target | **0.28 days** achieved

Average VAT Refund Processing Turnaround Time

21days target | **22.89 days** achieved

Engagements

483 797 taxpayers serviced through **Mobile Tax Units**

215 130 Help-You-eFile callers

35% increase YoY

6.5 million calls handled

4.68 million calls **inbound**

95% 1st Call resolution

1.61 million calls **outbound**

90% customer satisfaction

> 8 million taxpayers serviced

6.73 million walk-ins

1.32 million calls **outbound**

Employer Filing Season

250 940 employers submitted

> 16.7 million certificates received

Complaints

25 714 complaints received

22 497 complaints finalised

Disputes

328 disputes handled at **Head Office**

183 disputes handled by a **Tax Board**

3 610 disputes handled at **Regional Level**

215 230 taxpayers attended free **Tax Education Workshops**

Reduce Manual Volumes

- **Manual activities** in SARS have **significantly been reduced.**
  - 96.6% electronic tax submissions
  - 99.9% electronic customs declarations
  - 99.8% electronic tax payments
- Enabled **eFiling with VAT & PAYE dispute resolution.**
- Almost **1.5 million tax and customs products were auto-merged** into **± 650 000 taxpayer profiles**, thereby improving data quality, tailored service offerings, assessments and audit capabilities.
- **Re-designed the estates and de-registration processes**, including 3rd party interfaces in preparation for modernisation.

Integrate a Service Centric Approach into Operations

- **Improved taxpayer compliance** during PIT, CIT and PAYE filing seasons **through process simplifications workflow automation**, and the introduction of a PAYE risk engine.
- Creating ability for taxpayers calling to request **returns in all 11 languages.**
- 700 staff trained in **best practice for delivering customer centricity and debt collection.**
- **Improve complaints management process** and **Office of Tax Ombud engagements** with system generated letters and forms.

Create Service Channel Network

- **Surveyed 48 690 eFilers** to uncover potential churn rate between channels – **more than a 1 000 taxpayers indicated:**
  - 21.6% feared making mistakes
  - 17.6% forgot log-in details
  - 8.7% were unable to upload supporting documents
  - 4.9% had intermittent internet access
  - 3.5% feared fraud and scams
- Service **channel delivery is easy, convenient and accessible** to all areas of the country in a cost effective manner.
- Customer **modality trends informed enhancements** to mobi-applications.
- Designed an **assistive solution for visually impaired** persons to improve interactions with SARS.
- Increased **public access** through deployment of **6 new Mobile Tax Units.**
- Projects undertaken to **standardise and increase efficiencies** within our branch footprint.
- Implemented an **automated payment system** to clients banking with Mercantile, HBZ Albaraka, and SASFIN.
- **Co-located with municipalities** in outlying areas to make service accessible.

Deliver Tailored Education and Outreach Programmes

- **Integrated approach to increase taxpayer understanding** of their obligations with mass campaigns during revenue collection drive and tax season.
- **All mediums of advertising were used** to re-inforce compliance messages and expand communication with the public.
- Partnered with **provincial education** to reach **93 957 learners promoting fiscal citizenship.**

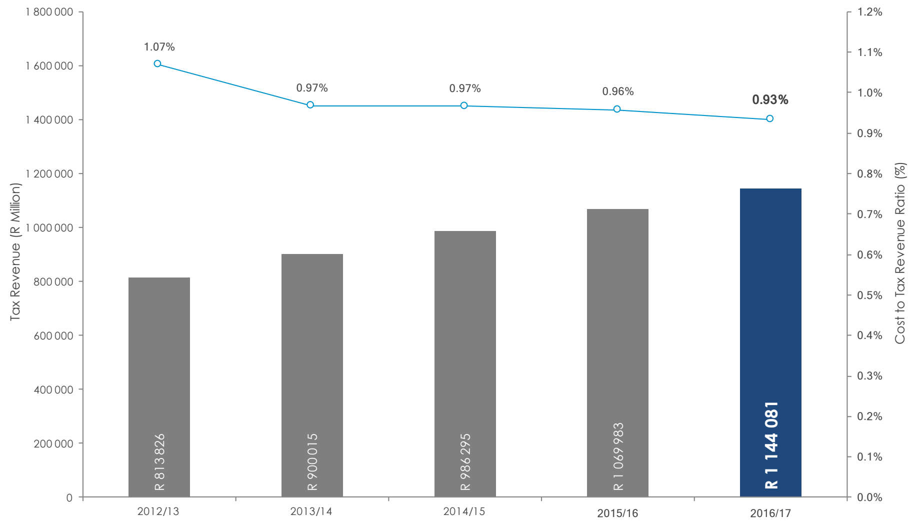
Delivery against Strategic Outcomes

Outcome FOUR

Outcome 4: Increased Cost Effectiveness and Internal Efficiency

Costing

0.93% cost to revenue collection ratio



PULSe

65 dashboards providing **relevant information**

450 users with information @ their fingertips

Enable **data driven decision-making**

R3.2 bn SARS External Procurement **Expenditure**

76% external spend towards suppliers with **BBBEE recognition**

23% spent with **Black Owned entities**

7% spent with **Black Women Owned entities**

6% spent with **Qualifying Small Enterprises (QSEs)**

4% spent with **Emerging Micro Enterprises (EMEs)**

Level 8 BBBEE Contribution

10% of **procurement spent** contributed to integration of **Black People into the economy**

Embed the New Operating Model

- **Transition of all employees** to new organisation structure completed.
- Embedded **revised governance structure**.
- Established a **results delivery office to ensure sustainability and benefits realisation.**

Practice Prudent Financial Management

- Implemented a **new procurement and sourcing strategy** resulting in decrease of turnaround time by 7 days.
- Implemented **new IT vendor management process** to ensure optimal value.
- **Corporate Real Estate strategy** informed by capacity models and an in-depth analysis of the current portfolio and usage.
- **Integrated procurement processes** with National Treasury and Central Supplier Database for **verification and compliance status checks.**
- Procurement implemented **reporting tools** to **minimise unauthorised and irregular spending**. Sound **financial governance** ensured no irregular or wasteful expenditure.
- SARS planned to **migrate its accounting practices and systems to GRAP** to be compliant by 31 March 2023. Progress was made in the conversion of Transfer Duty, Customs, Excise and Withholding Tax on Interest.

Information Communications Technology Capability

- SARS concluded the drafting of its ICT- and Information Security Strategies; both were approved by EXCO.
- Implemented new Vendor Management process and IT Governance framework aligned to CoBIT 5.
- Achieved >99% up-time on its critical platforms, whilst introducing several enhancements to our systems.
- Substantively concluded the tender processes for the refresh of SARS's network and related services.
- Implemented enhancements to cater for new business requirements, including the changes announced during the Budget Speech.
- Launched our IT Security enhancement programme and implemented quick wins.
- Concluded several upgrades to our ICT Infrastructure to ensure it remains current to OEM supported versions – this protects SARS against cyber attacks.
- Refreshed approximately 10% of SARS's ICT infrastructure assets.

Build a Data Analytics Capability

- Data Analytics enabled SARS to **work in a more productive, rigorous and effective way** through instrumentation and efficient data driven management practices.
- PULSe electronic dashboards **streamlined and simplified management information** across all devices providing a common framework and early warning system **to analyse SARS performance.**
- **StARS Room** operational since January 2017, as the enterprise nerve center for **performance management information** and **informing decision making.**
- **Monitor all aspects of the organisation** from revenue collection, filing seasons, to business as usual functions across the organisation.
- Analytics and insights **drove revenue collection efforts** and **operational optimisation.**

Delivery against Strategic Outcomes

Outcome FIVE

Outcome 5: Increased Public Trust and Credibility

Public Opinion

72%
Index score on
public opinion survey

Voluntary Disclosure Programme

1 771 VDP
applications received, including **120 SVDP**

1 496 VDP
cases finalised, including **17 SVDP**

Collected **> R2.5 bn**
R13.9 bn since inception

Tax Clearance Status

1 021 569 TCS requests received

866 372 compliant taxpayers

62% via eFiling channel

Criminal Investigations

1 862 suspected
non-compliance instances reported

685 related to Criminal Investigations

SARS Value System

Reviewed and approved a
new set of values to govern behaviour

Anti-Corruption Campaigns

Recovered R64.8 million of suspected tax fraud
monies by working with the financial industry

Continue a Zero Tolerance Approach to Fight Fraud and Corruption

- Successfully implemented **final phase of an automated Tax Compliance Status** (TCS) solution to reduce the administrative burden, eliminate fraud and corruption and facilitate electronic verification by 3rd parties. Taxpayers can print a certificate from eFiling without the need to visit a branch.
- Members of the public can use the **Suspected Non-Compliance Reporting System** to inform SARS of any tax and customs **non-compliance and/or corruption** perpetuated by employees.
- SARS continues to operate the **Voluntary Disclosure Programme** (VDP) for those taxpayers who wish to **disclose previously undisclosed income.**
- A **Special Voluntary Disclosure Programme** (SVDP) was introduced by the Minister of Finance **and relevant legislation** was promulgated on 19 January 2017.
- **Special campaigns** were run to **educate and deter** those taxpayers, traders, public and employees on **fraud and corruption.**
- Actively participated in the **2016 International Anti-Corruption Day** held at UNISA.
- Regularly review management controls to **strengthen physical and information security** systems.

Minimising Conflict of Interest

- 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 of SARS
  - Soliciting and receiving of gifts
  - Ownership or other interests in land and property
  - Directorships and partnerships
- SARS employees are prohibited from realising any personal gain of any form which could improperly influence the conduct of their SARS duties.
- All employees are required to declare their private financial interests annually.

Public Opinion on Tax Compliance

- SARS gauges **public opinion** annually on their willingness to **comply with requirements** and test their **perception on tax compliance**.
- Four drivers identified that shape attitudes:
  - Tax Information and Process Accessibility
  - Government Stewardship
  - Tax Compliance Ethics
  - Tax Morality and Institutional Integrity
- Index declined marginally by 1% from previous year to 72%.
- More respondents shared a lack of understanding of which supporting documents to keep and concerns about the user friendliness of the tax registration process.

International Relations

Customs

- SARS participated in **Policy Commission and Council meetings** to shape the international Customs agenda and **set the implementation standards of trade facilitation programmes**.
- Support WCO capacity building missions.
- As Chairman of WCO East and Southern Africa (ESA) region **influenced the shaping of regional agenda.**
- **WCO conducted SACU Preferred Trader Programme** gap assessment and diagnostics on SARS's ability and capacity to administer their programme.
- Facilitated various **Customs Mutual Administrative Assistance** requests and agreements to strengthen **cross border co-operation, specifically with Malawi, Mexico and Zimbabwe.**

Tax

- Advanced engagements with **OECD to implement BEPS project plan** outcomes and recommendations through an **inclusive framework across 100 jurisdictions.**
- Commissioner participates as a **Bureau Member of the Forum on Tax Administration** (FTA) to implement projects such as the unpacking of the **Panama Papers** and transfer pricing in the Automobile Industry.
- SARS hosted the second edition of the **OECD/ATAF/AU Revenue Statistics in Africa** publication.
- **Bilateral co-operation was strengthened** by hosting Mozambique, Swaziland, Zimbabwe and the United States Customs and Border Protection.

Contribution to Capacity Building of Other Revenue Administrations

- SARS in collaboration with the WCO and in partnership with Department of International Development (DFID) agreed to provide technical skills transfer and capacity building support to members of the ESA:
  - Hosted a regional Risk Accreditation event. This served as pre-accreditation as officials would now be required to complete at least one mission before accreditation can be finalised.
  - Supported outgoing capacity building missions on risk management to Zimbabwe, Kenya and Zambia.
  - Botswana received initial training of eight dogs and their handlers as part of the Detector dog technical assistance missions to the Botswana Unified Revenue Service (BURS).
  - Conducted two follow-up missions to the Malawi Revenue Authority (MRA) on anti-corruption and Revised Kyoto Convention (RKC).
  - Hosted an incoming study visit from Maldives Customs with the SARS Customs statistical reporting teams.
- Hosted a study tour facilitated by African Tax Administration Forum (ATAF) and funded by the GIZ for Masters in Tax students on issues of taxpayer services, branch operations and Contact Centres.
- Received incoming benchmark visits from Botswana on detector dogs, Ghana on International Relations, a visit on change management from the Central Bank of Swaziland and the hosting of 154 trainees from the National Academy of Direct Taxes (NADT) from India.
- Facilitated visits from Malawi, Malaysia, Mauritius, Rwanda, Tanzania, Uganda, Kenya, Mozambique, Republic of Sudan and Swaziland on Value-Added Tax (VAT), Transfer Pricing, mining, IT operations, communications, taxpayer services, strategy and Operating Model.
- Conducted direct technical assistance missions on developing data warehouse capabilities to the Kenya Revenue Authority (KRA), funded by the Swedish Tax Administration (STA) and to the Swaziland Revenue Authority (SRA).
- Hosted three events this financial year on the areas of Revenue, Analysis and forecasting; Exchange of Information and International Relations.
- Hosted a workshop on Customs co-operation in the area of Commerce.

Pre-determined Performance Objectives

SARS continues to align its performance management and reporting processes with the South African Government's outcomes-based approach to measuring and assessing performance of government entities. The SARS 2016/17 – 2020/21 Strategic Plan provides the basis for the organisation's outcomes-based performance management and planning processes. The Strategic Plan articulates SARS's long-term objectives and action plans that describe the measurable outcomes it seeks to achieve over the five-year period. 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 new ways to reflect and report performance in a more meaningful manner. SARS depends on accurate data, including efficient and effective systems to gather and analyse data. Subsequently, SARS has updated some of its strategic measures to reflect appropriate targets and baselines and added a few more in the year under review. 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 its performance.

Considerations informing our target setting

Schedule of Performance Information

	Strategic Measure			Actual Achievement 2016/17	Variance On Target	Comments
	Measures	Baseline	2016/17 Target			
Increased Customs and Excise Compliance						
1	Customs and Excise revenue collected (R billion)	R302.31 billion	As per agreed target with Minister of Finance R312.55 billion - (Revised Estimate for 2016/17)	R308.37 billion (audited)	-4.18	The Customs and Excise revenue collected resulted in a deficit of R4.18 billion. Customs duties and Import VAT were lower than the revised estimate, mainly as a result of subdued growth levels of merchandise imports, combined with rising import costs and weak domestic activity, which dampened the overall demand of consumption and capital goods.
2	% Audit coverage of trade	29.34	25.00	28.09	3.09	For the financial year, importers submitted declarations consisting of 28 223 997 lines. Of this total, 7 928 534 were submitted by potential traders. Audits are done on clients to determine their potential preferred trader status and in total, 289 potential preferred traders were audited since the inception of this programme.
3	% Of goods declarations targeted	13.14	13.00	13.63	-0.63	Total declarations were targeted for further validation in line with SARS's coverage model and compliance program. This achievement is well within tolerance levels for the target.
4	% Compliance to Excise Framework	New Measure	70.00	108.02	38.02	Excise completed 2 156 audits during the financial year. Focused efforts in the last quarter enabled SARS to finalise more audits. The major focus area was on Diesel refunds which constituted 43% of the total audits completed.
5	Interfront Governance - Unqualified audit report by Auditor-General	Clean Audit Report	Unqualified Audit Report	Clean Audit Report	0	The Auditor-General audit report for Interfront is a clean report.
Increased Tax Compliance						
6	Total revenue (excluding Customs and Excise revenue) collected (R billion)	R767.67 billion	As per agreed target with Minister of Finance R831.83 billion - (Revised Estimate for 2016/17)	R835.71 billion (audited)	3.88	The total revenue (excluding Customs and Excise revenue collected) resulted in a surplus of R3.88 billion. DT/STC was higher than the revised estimate mainly due to companies returning profits (current and retained) to shareholders through dividend declarations rather than re-investing, supported by the increase in the DT rate from 15% to 20% effective on 22 February 2017. Collections are maintained by the robust growth from SMMEs.
7	Debt Book as a % of revenue	9.01	7.00	6.94* (audited)	0.06	The net growth in the total debt book of R32.9 billion (34.14%) is attributed mainly to a growth in Income Tax debt of R16.8 billion, VAT increased by R12.3 bn and PAYE of R1.0 billion. The net growth is due to disputed debt and is not considered collectable; disputed debt represents 38.6% of the total debt book.

*The criteria used for determining the 2016/17 actual achievement differs from the criteria used in determining the baseline, i.e. the actual achievement for 2015/16. These changes are supported by adjusted and approved measurement definitions

Schedule of Performance Information

	Strategic Measure			Actual Achievement 2016/17	Variance On Target	Comments
	Measures	Baseline	2016/17 Target			
Increased Tax Compliance						
8	% PIT filing compliance	92.16	92.00	91.14	-0.86	Despite the achievement being slightly under the target, it is deemed to be within acceptable tolerance levels. During the financial year the PIT register was analysed to identify more accurately the economically active taxpayers. This would allow for an improved measurement definition to be used going forward. Existing efforts are focused on obtaining outstanding returns, register clean-up activities, strengthening of penalty regimes and enforcement activities to improve compliance levels.
9	% PIT payment compliance	New Measure	50.00	44.99	-5.01	During the financial year, extensive efforts were implemented to reduce outstanding payments such as SMS campaigns, outbound call initiatives, debt set-off and collection of outstanding payments from employers.
10	% CIT filing compliance	New Measure	50.00	40.97	-9.03	Identifying the behavioural and economic dynamics underpinning submission patterns remains a challenge. A number of register clean-up activities have commenced supported by an in-depth analysis of the register. Enforcement will be strengthened by the implementation of an administrative penalty regime.
11	% CIT payment compliance	New Measure	70.00	67.90	-2.10	Upward trend recorded towards achieving the target. Deterioration of the South African economy impacted on payment of debt by taxpayers. SARS will continue to focus on a combined strategy of debt management, enforcement activities and timeous follow-up engagements via our service channels to increase compliance levels.
12	% VAT filing compliance	New Measure	60.00	53.58	-6.42	The root cause for the under achievement of this measure is related to an increase in voluntary and fraudulent VAT registrations. During the financial year SARS identified such fraudulent registrations and deregistered them as part of the tax register clean-up. This process is ongoing.

Schedule of Performance Information

	Strategic Measure			Actual Achievement 2016/17	Variance On Target	Comments
	Measures	Baseline	2016/17 Target			
Increased Tax Compliance						
13	% VAT payment compliance	New Measure	85.00	82.89	-2.11	Whilst the actual performance was marginally lower than expected it is critical to note that the processes and systems developed to quantify and qualify payment non-compliance are not yet at the maturity levels envisaged. The perception of delayed refunds, being investigated by the Tax Ombud, has negatively impacted this compliance behaviour. SARS has noted that Vendors, particularly those dependent on their VAT refund for cash flow purposes, have therefore been hesitant to submit their monthly VAT payment on time. In addition to the Tax Ombud response, SARS is reviewing the entire VAT value chain with a view to optimise and impact compliance behaviour positively.
14	% PAYE filing compliance	New Measure	65.00	60.51	-4.49	Despite the under achievement it is clear that there is not a significant non-compliance trend as many employers submitted within one day of the due dates. Extensive timeous follow-up activities and engagements have taken place to increase the compliance levels.
15	% PAYE payment compliance	New Measure	85.00	85.16	0.16	There was a steady decline in instances of both late payments and non-payments over the last three years. Efforts to maintain this trend will be intensified going forward.
16	% Audit coverage of registered taxpayers (PIT, CIT, VAT, PAYE and Trusts)	15.12	12.00	18.26*	6.26	SARS concluded more than 2.05 million audits for the financial year of which the majority were compliance verification audits. Emphasis was placed on faster turnaround times in order to increase the number of completed cases and improving the experience of taxpayers when engaging with SARS during the audit process.
Increased Ease and Fairness of Doing Business with SARS						
17	% System Uptime for e-channels	New Measure	99.00	99.38	0.38	This achievement was due to the overall stability of systems.
18	% Uptake of PIT eFiling channel	New Measure	60.00	53.26	-6.74	For the financial year, SARS received 4 695 499 PIT returns. Of this total, 2 500 806 were submitted electronically which equates to a 53.26% uptake. According to a study conducted factors that contributed to taxpayer's reluctance to use eFiling and rather visit a branch is a fear of making mistakes, forgotten login details, the inability to upload supporting documents, fear of fraud, scams and the lack of access to the internet.

*The criteria used for determining the 2016/17 actual achievement differs from the criteria used in determining the baseline, i.e. the actual achievement for 2015/16. These changes are supported by adjusted and approved measurement definitions

Schedule of Performance Information

	Strategic Measure			Actual Achievement 2016/17	Variance On Target	Comments
	Measures	Baseline	2016/17 Target			
Increased Ease and Fairness of Doing Business with SARS						
19	Average processing turnaround time for PIT returns (working days)	0.28	Less than 1 day	0.23	0.77	The process continues to perform within acceptable tolerance levels.
20	Average processing turnaround time for CIT returns (working days)	0.30	Less than 1 day	0.28	0.72	The process continues to perform within acceptable tolerance levels.
21	Average processing turnaround time for VAT refunds (working days)	33.11	21.00	22.89*	-1.89	The VAT refund turnaround time was negatively impacted by the initial high stoppage as well as delays experienced by SARS due to insufficient and incomplete documentation received from taxpayers. An exercise was under taken to refine the rules which resulted in a lower stoppage from around the middle of the year.
Increased Cost Effectiveness and Internal Efficiencies						
22	Treasury allocation to revenue percentage	0.96	Between 0.95 and 1.00	0.93 (audited)	0.07	SARS contained costs while increasing the amount of revenue it has collected.
Increased Public Trust and Credibility						
23	Employee Engagement (%)	67.50	-	-	-	The Employee Engagement will be measured every second year.
24	Leadership Effectiveness Index (%)	87.38	88.00	88.46	0.46	The overall LEI continues to improve as the index was above target.
25	Employment Equity: Demographics (%)	74.55	75.10	74.84	-0.26	The attrition of black employees impacted the performance of this measure, as the majority of staff attritions (82%) were black employees.
26	Employment Equity: Gender on management level (%)	48.50	48.70	48.70	0.00	The performance of gender representation on management levels was on target at 48.70%, which is an improvement of 0.2% compared to the previous financial year.
27	Employment Equity: Disability (%)	1.18	1.40	1.51	0.11	The increase in the disability representation was as a result of additional declarations by employees and the appointment of eleven graduate trainees with disabilities.
28	Public opinion index (%)	New Measure	74.50	72.00	-2.50	The overall year-on-year index score decreased from 73% to 72% mainly due to a decline experienced in the Tax Information and Process Accessibility driver. Tax compliance ethics and tax morale remained the same in the past two years. Institutional integrity and perception of government stewardship improved by one percent.
29	Unqualified Audit report by Auditor-General	Clean audit report	Unqualified audit report	Unqualified Audit Report with findings regarding Compliance	0.00	The Auditor-General audit report for SARS Own Accounts is an Unqualified Audit Report with findings regarding Compliance.

*The criteria used for determining the 2016/17 actual achievement differs from the criteria used in determining the baseline, i.e. the actual achievement for 2015/16. These changes are supported by adjusted and approved measurement definitions

Governance, Legal & Risk Management

Part THREE

Governance

Sound governance principles are critical and the foundation upon which the trust of stakeholders in SARS is built, maintained and enhanced.

Right SARS official makes the right decision at the right time

Critical drivers of good governance

- Accountability
- Integrity
- Transparency
- Efficiency
- Leadership

Responsible exercise of decision making by competent officials to achieve strategic outcomes.

Enterprise Governance Structure

Single **new governance unit** to provide **oversight, support and advice** at a second line of assurance level

Implemented **new governance committee structure** to align with operating model and strengthen enterprise level governance

- SARS has robust processes at first line assurance.
- Enhancements to increase maturity levels still needed at level 1 and 2 assurance levels.
- Centralised unit will provide business with enterprise-wide direction and guidance on governance.
- A range of committees that support execution of the principal accountabilities of the Commissioner.
- Purpose is to ensure efficient, effective and ethical decision making.
- Enterprise committees support Risk, Governance and Quality, Tax Administration, Procurement and Public Finance Management Act.
- SARS will be implementing a new Governance Framework to pro-actively provide, protect, anticipate and defend SARS against criminal and unethical conduct through a 5 level assurance model.

SARS Values and Code of Conduct approved by Executive Committee

- Embedding values is consistently done in development of policies, procedures, training and development.
- Fundamental principles of good governance as encoded by King IV, values and code of conduct filter all activities performed.
- Policies and Standard Operating Procedures (SOPs) operationalise legislation and create stability within business activities.

Records Management Programme

- New file plan implemented to comply with the National Archives Act 43 of 1996.
- Used international standards to develop new plan which improves intellectual control of records, access and reduce maintenance costs.

Parliamentary Engagements

SARS attended **36 parliamentary committee meetings** which included engagements with SCOF, SECOF, DTI, DHA and SCOPA.

Standing Committee on Finance (SCOF)

Date	Key Issues Discussed
19 Apr 2016	Rates and Monetary Amounts and Amendment of Revenue Laws Draft Bill: National Treasury briefing
17 May 2016	SARS Commissioner and National Treasury on 2016 results
25 May 2016	Illicit Financial Flows, Base Erosion and Profit Shifting, Panama Papers: Treasury, SARB, Financial Intelligence Centre, SARS inputs
17 Aug 2016	Financial Sector Regulation Bill [B34-2015]: discussion and Draft Taxation Laws Amendment Bill: National Treasury on comments received
23 Aug 2016	SARS on its Quarterly Report and Annual Performance Plan
24 Aug 2016	Taxation Laws Amendment and Tax Administration Laws Amendment Bill: briefing
30 Aug 2016	Rates and Monetary Amounts and Amendment of Revenue Laws Bill: public hearings
7 Sep 2016	Draft Rates and Monetary Amounts and Taxation Laws Amendment Bill: response to submissions and REDISA; Double Taxation Agreements
14 Sep 2016	Draft Taxation Laws Amendment Bill and Tax Administration Laws Amendment Bill: public hearings
21 Sep 2016	Taxation Laws Amendment and Tax Administration Laws Amendment Bill: response to submissions; Revenue Laws Amendment Bill [B4-2016]: update
11 Oct 2016	Employment Tax Incentive and Learnership Incentive; Taxation Laws Amendment Bill and Tax Administration Laws Amendment Bill Workshop
12 Oct 2016	National Treasury and SARS on their 2015/16 Annual Reports with Auditor-General input
25 Oct 2016	Rates and Monetary Amounts and Amendment of Revenue Laws Bill; Financial Sector Regulation Bill schedules: deliberations; Financial Stability Board: role and mandate; BRRR
9 Nov 2016	Employment and Learnership Tax Incentives: Public hearings
23 Feb 2017	2017 Budget: Minister of Finance briefing
1 Mar 2017	2017 Budget: Public hearings
2 Mar 2017	2017/18 Budget: Treasury response to submissions
15 Mar 2017	Illicit Financial Flows and Base Erosion and Profit Shifting: input by government agencies

Parliamentary Engagements

Department of Trade and Industry (the dti)

Date	Key Issues Discussed
16 Aug 2016	Industrialisation linkages with trade, procurement, investment and localisation drive
17 & 18 Aug 2016	Local Procurement Colloquium
20 Sept 2016	CIPC and SARS collaboration to address company compliance burden
24 Mar 2017	Local Procurement feedback

Standing Committee on Public Accounts (SCOPA)

A SCOPA session between the Anti-Corruption Task Team and SARS was held on 14 September 2016.

Department of Home Affairs (DHA)

Date	Key Issues Discussed
16 Aug 2016	Border Management Authority Bill (BMA) – Briefing by Home Affairs, NT and SAPS
13 Sep 2016	BMA – Public hearings
14 Sep 2016	BMA – deliberations
20 Sep 2016	BMA – deliberations
12 Oct 2016	BMA – deliberations
18 Oct 2016	BMA – deliberations
25 Oct 2016	BMA – deliberations
28 Feb 2017	BMA - deliberations and adoption – NT and SARS was not present

Select Committee on Finance (SECOF)

Date	Key Issues Discussed
16 Mar 2016	Revenue Laws Amendments Bill [B6-2016]: briefing, consideration and adoption
7 Sep 2016	Rates and Monetary Amounts and Amendment of Revenue Laws Bill; United Arab Emirates and Singapore Double Taxation Agreements
30 Nov 2016	Taxation Laws and Tax Administration Laws Amendment Bills; Rates and Monetary Amounts and Amendment of Revenue Laws and Administration Bills: briefing
7 Dec 2016	Tax Bill: adoption

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's overall governance is strengthened by the existence of two external committees and an Executive Committee.

SARS Executive Committee had 18 meetings and had 8 members as at 31 March 2017

EXCO Member	Position	Status	Start Date	End Date
Tom Moyane	Commissioner	Permanent		
Teboho Mokoena	CO: Human Capital and Development	Permanent		
Matsobane Matlwa	CO: Finance	Permanent		
Hlengani Mathebula	CO: Governance, International Relations, Strategy and Communications	Permanent		
Jed Michaletos	CO: Customs and Excise	Permanent		
Jonas Makwakwa	CO: Business And Individual Taxes	Permanent		16 Sep 2016
Kosie Louw	CO: Legal Counsel	Permanent		31 Jan 2017
Hlengani Mathebula	Acting CO: Enforcement	Acting	1 Apr 2016	31 Mar 2017
Jonas Makwakwa	Acting CO: Digital Information Services and Technology	Acting	1 Apr 2016	16 Sep 2016
Firdous Sallie	Acting CO: Business And Individual Taxes	Acting	16 Sep 2016	31 Mar 2017
Tau Mashigo	Acting CO: Digital Information Services and Technology	Acting	16 Sep 2016	31 Dec 2016
Kgabo Hlahla	Acting CO: Digital Information Systems and Technology	Acting	1 Jan 2017	31 Mar 2017
Neo Tsholanku	Acting CO: Legal Counsel	Acting	31 Jan 2017	31 Mar 2017

Human Resource Committee had 1 meeting and 5 members as at 31 March 2017

Members of Committee

- Ms. Berenice Lue-Marais
- Ms. Maggie Mojapelo
- Prof. Steven Bluen
- Mr. Kenny Govender
- Mr. Moeketsi Shai

- Mandate originates from SARS Act section 11 and 12.
- Assist Minister of Finance and Commissioner in managing strategic human resource matters, subject to statutory limits, delegation of authority limitations, approved policies and authority levels within SARS.
- HRC provides advice and does not replace powers vested in Commissioner and Minister as amended in SARS Act of 2002.
- Met once on 24 August 2016.

SARS Committees

Audit and Risk Committee had 6 meetings as at 31 March 2017

Members of Committee

Mr. Sathie Gounden (Chairperson)

Mr. Vuyo Kahla (until 22 July 2016)

Ms. Nonkululeko Gobodo

Ms. Meta Maponya

Mr. Thabiso Gerald Ramasike

- Ensured independence in accordance with section 77 of PFMA and Treasury Regulations 27.1.3 and 27.1.4.
- All members are external appointees and independent non-executive members.
- All members complied with statutory required competencies, no conflict of interest and independence requirements.
- Reviewed SARS's effectiveness of:
  - Internal control system
  - Internal audit function
  - Risk management system
  - Risk associated with people
  - Risk areas within operations to be covered by scope of internal and external audits
  - Adequacy, reliability and accuracy of financial information
  - Accounting and auditing concerns identified as a result of internal or external audits
  - Compliance with legal and regulatory provisions
  - Activities of internal audit function and annual programme
  - Co-ordination with Auditor-General
  - Reports of significant investigations and management responses
- Part 5 contains the Audit and Risk Committee report, details of membership and meetings conducted.

Enterprise Risk Management

- Risk Management must be a **core competency** for business to succeed and achieve strategic outcomes.
- PFMA Act 1 of 1999 states that a **public entity must ensure** and maintain an effective, efficient and transparent system of risk management.
- King IV Report on corporate governance states that the governing body **should govern risk** in a way that supports the organisation in setting and achieving its strategic objectives.
- King IV Report was a catalyst in SARS adopting **5 lines of assurance** and sets the foundation for SARS's combined assurance model.
- **Implemented Divisional Risk Committees** to provide input on divisional risks, appropriate measures and mitigation activities on a quarterly basis.
- Enterprise Risk Management Committee oversees **compliance to risk processes and policies** to ensure appropriate measures are taken to identify, assess, monitor and mitigate key risks for the organisation.

Current strategic risks facing SARS

1	Revenue collection under pressure
2	The threat of the illicit economy and illicit financial flows
3	Complex schemes used by large businesses to evade and avoid tax
4	Low compliance of High-Net-Worth Individuals (HNWI)
5	Significant debt book
6	Value-added Tax (VAT) refund fraud
7	Commercial fraud on Imports
8	Excise duty risk
9	IT Security threats including cybercrime
10	Implementation of the Customs Control Act and Customs Duty Act and New Excise Act (NCAP)
11	Threat of global terrorism
12	Transition to the new operating model
13	Unfavourable public perception of poor state delivery and corruption
14	Succession Risk

Enterprise Risk Management

	Description	Mitigation
1	**Revenue collection under pressure**	
	The prevailing global and local economic uncertainties place increasing pressure on SARS's ability to collect revenue. Ongoing electricity supply constraints, labour disputes and service delivery protests domestically add to this already challenging economic environment.	❑ The SARS Group Executive (GE) Revenue Forum continues to review the macro- and micro economic environment as well as overseeing the impact of specific revenue initiatives to optimise collection and mitigate related risks. ❑ SARS is continuing with its branch footprint expansion strategy and will open new branches in the 2017/18 financial year. ❑ SARS continues to maintain the deployment of its current 21 Mobile Tax Units. ❑ Collections for the 2016/17 financial year amounted to R1 144.1 billion, R301 million below the revised target of R1 144.4 billion.
2	**The threat of the illicit economy and illicit financial flows**	
	The illicit economy, especially illicit cigarettes and tobacco trade, 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.	❑ During the reporting period, Customs enforcement action against Illicit cigarettes, as well as clothing and textile items yielded growing successes. ❑ SARS continues to invest in enhanced modern technology such as the non-intrusive detection integrated into automated risk engines to enable more extensive coverage in the consignments that can be inspected. Nine baggage scanners were deployed in the year under review.
3	**Complex schemes used by large businesses to evade and avoid tax**	
	SARS has detected a trend among businesses, especially multi-national enterprises, whereby domestic and international loopholes are used to take advantage of cross-border structuring and transfer pricing manipulations to evade or impermissibly avoid tax.	❑ SARS's Tax Avoidance Unit currently focuses on high-value high-risk transactions. SARS is in the process of expanding this capability. ❑ The process to increase the capacity of Transfer Pricing specialists has achieved its annual target. ❑ SARS, as an early adopter in the realm of Automated Exchange, has implemented the Common Reporting Standard (CRS) of the OECD.
4	**Low compliance of High-Net-Worth Individuals (HNWIs)**	
	A significant number of HNWIs do not pay the correct amount of taxes timeously due to non-declaration of income sources, overstating expenses and splitting of income through trusts.	❑ SARS elevated its focus in conducting audits in this area, with a more prudent approach, based on leveraging multiple information sources, including foreign interests and cross border movement. ❑ SARS has exceeded its year-to-date target for HNWI Audit cases.

Enterprise Risk Management

	Description	Mitigation
5	**Significant Debt Book**	
	Growth of the debt book is mainly due to sub-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.	❑ Enhancements to the Customs account and statement continue to improve the accuracy, completeness and transparency of Deferment accounts, in addition to enabling SARS to act earlier in instances of late/non-payment. ❑ The opportunity to leverage the collection of outstanding returns together with outstanding debt is being optimised as part of automated comparison across multiple databases.
6	**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 over-claim inputs and expenses or under-declare and/or non-declare outputs and income to protect their profits. There are also the payments of invalid refunds and the threat of identity fraud.	❑ The compliance risk interventions were intensified with a focus on high risk areas which included new registration, revised assessments, anomalous alerts and linking customs declarations to the VAT return.
7	**Commercial fraud on Imports**	
	Incidents of import under-declarations not only create leakage of potential Customs duties and VAT, but also lead to risks of illicit capital flow and foreign exchange transgressions. We have noted an increase in the abuse of rules of origin, valuation regime and tariff classification.	❑ SARS continues to improve its risk detection capabilities to mitigate this risk with regard to Customs Determinations. ❑ Most of the rejected Tariff, Valuation and Rule of Origin determinations were due to misalignment of information and fraud.

Enterprise Risk Management

	Description	Mitigation
8	Excise duty risk	
	Increased incidents of excise fraud and smuggling of excisable goods such as fuel and cigarettes undermine SARS's efforts to improve compliance and ensure a level playing-field for all taxpayers.	❑ During the reporting period, the Excise risk engine was deployed into production and all projected excise audits completed. The efficiency level yielded a success rate of 56%.
9	IT Security threats including cybercrime	
	The threat of security breaches (internal or external) remains an area of concern. Cybercrime is one of the top ten risks for most organisations around the world. Failure to focus on this area continuously to improve information security controls may compromise the integrity and security of SARS operations, resulting in loss/theft of confidential taxpayer information.	❑ The roll-out of a Data Loss Prevention (DLP) solution is scheduled to take place over the next two to three years. ❑ Several new Cyber Security initiatives were implemented to prevent data leakages and restrict access to SARS systems and data.
10	Implementation of the Customs Control Act & Customs Duty Act & New Excise Act (NCAP)	
	SARS is required to make major systems, policy and procedural changes to implement the new Acts. The transition to new infrastructures and systems poses a risk to SARS operational continuity as well as to trade and border facilitation.	❑ Reporting of Conveyancing and Goods (RCG), under the NCAP project is currently in the operational impact analysis stage.
11	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 continues to participate in both domestic and global anti-terrorism bodies such as the Financial Action Task Force. ❑ SARS physical and non-intrusive inspection capabilities include the detection of nuclear material and weapons.

Enterprise Risk Management

	Description	Mitigation
12	**Transition to the new Operating Model**	
	The SARS Operating Model Review Programme represents a major change programme that has the potential to significantly change employee and trade/taxpayer interactions with SARS, and could have far reaching consequences for the organisation's performance in the long term. Given the scale of the review (in terms of impact and resources), SARS should ensure that progress against agreed key milestones and outcomes is actively monitored and reported. Failure to explicitly identify and manage risks associated with the Operating Model Review Programme has the potential to significantly affect the organisation's transformation and achievement of its goals going forward. This could lead to a period of major uncertainty for employees and taxpayers, and cause serious disruption to service.	❑ Recruitment of the remaining Chief Officers, Group Executives, Executives and Senior Managers in terms of the finalised new Operating Model, is in progress. ❑ The embedding of the new Operating Model in business was finalised with the finalisation of the transition process. ❑ The organisation remains focused on SARS's main line of business and the existing rhythm of strategic meetings and reporting continues.
13	**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 their 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's ability to achieve compliance due to loss of public confidence in government.	❑ SARS hosted co-locations, work place visits and service channels engagements with growing attendance for small business interventions as part of its campaigns to build a culture of fiscal citizenship. Additionally, 279 well attended Educational programmes for SMMEs were held. ❑ Students attended the school programmes and workshops across the country.

Enterprise Risk Management

	Description	Mitigation
14	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 hand-over process. SARS also faces a big challenge in addressing the gender equality imbalance in its leadership, which poses a threat in terms of government's employment equity objectives.	❑ SARS has embarked on a focused Talent Management intervention with a specific focus on succession planning. ❑ Part of implementing the new Operating Model, duly considers the availability of talent and ensuring the optimal placement of talent in respective roles. ❑ Career Path Appreciation reports and assessments by Deloitte Human Capital, continue to form part of the recruitment and talent identification process.

Internal Audit

Obtained Highest Rating

- Undergoes **external quality assurance assessment** every 5 years by IIA International Standards.
- Assurance review done in February 2017 and **the final results indicate "Generally Confirms"** – the highest possible rating that IIA SA can give to an internal auditing function.

Purpose and Operation

- Provides **objective and independent assurance** on the **adequacy and effectiveness of SARS's governance, risk management and control processes.**
- The **Group Executive reports administratively to the Commissioner** and **functionally to the SARS Audit and Risk Committee** with unrestricted access to the chairperson.
- Activities are governed by **Internal Audit Charter,** reviewed on an annual basis for relevance and applicability, approved by Audit & Risk Committee.
- Has access to **best practices, standards and guidance** through **affiliation with various professional bodies** including Institute of Internal Auditors SA (IIASA).

Future Focus

- Focus will be on the implementation of **integrated and combined assurance** in a phased approach.
- Will provide assurance on **maturity implementation of risk and governance management processes.**
- Audit **plans will be flexible** to adapt to changes within the environment.
- **Business value will be enhanced** to assign resources to highest level of focus areas.
- Will implement a more **robust follow-up procedure** to ensure management actions effectively mitigate risks.

Internal Audit has executed the **approved plan** during the year and has provided **reasonable assurance** to the audit committee as to the **state of internal controls** of SARS

Audit Plan Scope

- Tax Compliance and Education
- Taxpayer/Trader Services
- Enforcement
- Border Control and Trade Facilitation
- Institutional Integrity
- Information and Cyber Security
- Human Capital and Financial Management

Legal Counsel

Amendment Acts

- SARS conducts **extensive research to support drafting and developments of Acts** pertaining to Parliament, tax proposals, international tax and customs agreements.
- **National Treasury is responsible for drafting and amending SA's taxation** laws around tax policy matters.
- **SARS is responsible for drafting and amending of administrative and customs laws.**

Short Title	Amendment Act Number	Promulgation Date
Revenue Laws Amendment Act, 2016	Act No. 2 of 2016	20 May 2016
Tax Administration Laws Amendment Act, 2016	Act No. 16 of 2016	19 Jan 2017
Taxation Laws Amendment Act, 2016	Act No. 15 of 2016	19 Jan 2017
Rates and Monetary Amounts and Amendment of Revenue Laws (Administration) Act, 2016	Act No. 14 of 2016	19 Jan 2017
Rates and Monetary Amounts and Amendment of Revenue Laws Act, 2016	Act No. 13 of 2016	19 Jan 2017

SARS meets frequently with National Treasury, Department of Trade and Industry, Department of Labour, Department of Mineral Resources and tax practitioner organisations to help improve tax legislation and regulations.

International Tax and Customs Agreements

SARS and National Treasury initiated 10 international tax and customs agreements to improve international treaty network and co-operation between tax administrations.

Customs Mutual Administrative Assistance Agreement (MAAA)

- Brazil-South Africa Protocol amending the Customs Mutual Administrative Agreement.
- Mozambique-South Africa Protocol amending the Customs Mutual Administrative Agreement.

Tax Information Exchange Agreement

- Liberia-South Africa Protocol amending the Tax Information Exchange Agreement.
- Bahamas-South Africa Protocol amending the Tax Information Exchange Agreement.

Other Agreements

- Regulations on the Customs Co-operation Committee of Brazil, Russia, India, China, South Africa (BRICS).
- Joint declaration between Switzerland and South Africa on Automatic Exchange of Financial Account Information on a reciprocal basis.
- Singapore-South Africa Competent Authority Agreement on the automatic exchange of financial account information to improve international tax compliance.
- Joint Statement of the United States Department of Homeland Security, US Customs and Border Protection and the South African Revenue Service to facilitate the exchange of customs expertise.
- Multilateral Convention to implement tax treaty-related measures to prevent Base Erosion and Profit Shifting.
- Hong Kong-South Africa Competent Authority Agreement on the automatic exchange of financial account information to improve international tax compliance.

Legal Counsel

Legal Advisory Services

Finalised **330 binding rulings** (266 VAT related)

Finalised **805 non-binding rulings** (156 CIT related and 649 PIT related)

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

Corporate Legal Services

- Provide pro-active legal advice, litigation, contractual drafting, negotiation, governance and support services to ensure internal compliance with legislative, regulatory and governance requirements.
- Deal with non-tax liability claims, promotion of access to information requests, general commercial matters and SARS property portfolio.

SARS Social Responsibility

Donated **decommissioned assets and office furniture** to **schools, health projects** and **registered public benefit organisations**

SARS's Social Responsibility Programme supports **active democratic life** by promoting the **autonomous voice of disadvantaged and vulnerable communities**

6 933 decommissioned assets donated to **205 beneficiary organisations**

Private Sector Stakeholder Engagement

Stakeholder relationships are important to SARS within public and private sectors as well as civil society **to strengthen relationships and promote a culture of fiscal citizenship and voluntary compliance**

Key Leadership Meetings were held with Stakeholders

- Tax Practitioners Organisations
- Institute of Directors South Africa (IODSA)
- Black Business Council (BBC)
- South African Insurance Association (SAIA)
- Tobacco Institute of Southern Africa (TISA)
- Fair Trade Independent Tobacco Association (FITA)
- South African Institute of Professional and Management Accountants (SAIPA)
- South African Institute of Tax Professionals (Sait)
- Business Unity South Africa (BUSA)

Participated in Key Industry Events

- Tax Indaba
- Tax Recognised Controlling Bodies Leadership (RCBs) meetings
- South African Association of Freight Forwarding (SAAFF)
- National Customs and Excise Stakeholder Forum (NCESF)
- InvestSA – World Bank Ease of Doing Business
- Small Business Development

Relaunched **National Customs and Excise Stakeholder Forum** in October 2016

Focus on **broad consultation and specific working groups** to address **emerging trends** and **issues impacting the customs** operating environment

Capital Investment

Growth and Expansion

- Adopted **property acquisition plan** that shifts portfolio **from leased based to owned** in the long term.
- Current focus requires **fiscal discipline in balancing portfolio** informed by dynamic business imperatives.
- Tender process of **foot print expansion did not yield positive results** in Lephalale, Queenstown and Springbok. No suitable premises from SOE's or other government agencies could be used.

Efficiency Projects

- **Corporate real estate strategy** with the aim to **optimise the accommodation** requirements for SARS at a national level.
- Proposed **functional co-location model** was submitted to EXCO, informed by research, benchmarks, data analytics, value chain processes and a functional model.
- **Co-location model** will **inform design principles** for a proposed block plan.

Compliance Upgrades and Relocations

- **Upgrading of staff canteen** at Alberton Campus, first phase of upgrading **Bloemfontein Central Government Building**, **waterproofing of the Customs House in Durban**, final phase of **upgrading the state owned building in Port Elizabeth** (old Receiver of Revenue building) and the upgrading of the **Worcester branch office**.
- Upgrades and relocations planned for 2017/18 include: **refurbishment of the ground floor at Randburg Branch Office** and construction of **scanner functions to Waverley Building in East London**.
- Refurbishment projects included **Port Elizabeth**, **St Mary's Terrace** and **Waverley, East London building.**

Business Continuity

- **Generator plants** were added to **4 offices** – Randfontein, Benoni, Pinetown and Soweto Dube.
- **Back-up water systems** were installed at **36 sites** nationally.

Human Capital and Development

Part FOUR

Human Capital & Development

Employment Equity

Race
75.10% target | **74.84%** achieved

Gender
48.70% target | **48.70%** achieved

Disability
1.40% target | **1.51%** achieved

Leadership Effectiveness

88% target | **88.46%** achieved

Executive Stability

87.72% executive stability rate for **Grade 8 and 9** during performance period

85% of SARS Workforce is **unionised**

Headcount

13 583 headcount

Average **age** of **42 years**

Average length of **service 14 years**

Vacancies

970 positions

6.7% vacancy rate

24.16% YoY decrease

Attrition Rate

1 111 staff exits

8.06% attrition rate

82% Black

Recruitment

496 new recruits of which **493** were equity recruits

226 internal appointments of which **218** were equity candidates

3.60% Recruitment rate

Retirement

83 employees are eligible for compulsory retirement in the next 3 years

8.85% (1 202) of current workforce are eligible for early retirement in next 3 years

Absence

3.34% absenteeism rate

Oversight and Management

- Employees are the key resource in achieving organisational goals.
- A strategic workforce plan informs and supports management in planning decisions, movement of employees, recruitment and building of skills pipelines.
- SARS Operating Model implementation was concluded.
- eLearning modules enhanced the SARS Institute of Learning capabilities.
- Performance management processes guide staff, remuneration, incentives and development.
- Human Capital and Development Strategic Framework developed to ensure a focus on skills development in creation of a capable workforce.

Value–Based Leadership

As part of the creation of a value-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 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.

The overall SARS Leadership Effectiveness Index (LEI) is a reflection of the current leadership effectiveness of the South African Revenue Service. Leadership effectiveness was measured with 360-degree evaluations aligned to the bespoke SARS leadership competency model. The overall LEI for SARS for the 2016/17 financial year was 88.46% and exceeded the SARS target of 88.00% by 0.46%. This was a significant achievement considering the change experienced with the implementation of the new Operating Model.

Improving Organisational Culture and Employee Engagement

- Engagement levels of staff determine the level to which they feel linked to the organisation and are willing to promote or protect the organisation.
- Engagement levels are measured bi-annually (every two years).
- Current initiatives included policy education drive and employee value proposition awareness and institutionalisation of SARS values.

Training and Development

SARS continues to develop its staff to ensure the organisation has the skills and expertise it requires to meet the changing demands of its environment and operations. This improves the effectiveness of its revenue collection and enhances the service it provides to its clients.

Skills Pipeline & Youth Employment

292 trainees completed **2 year** programme

76% absorbed into the structure

226 new trainees for 2017/18 intake

SARS Institute of Learning Training Interventions

11 416 employees **trained** or completed **eLearning modules**

5.41 days per employee per year

3.3 training interventions per employee

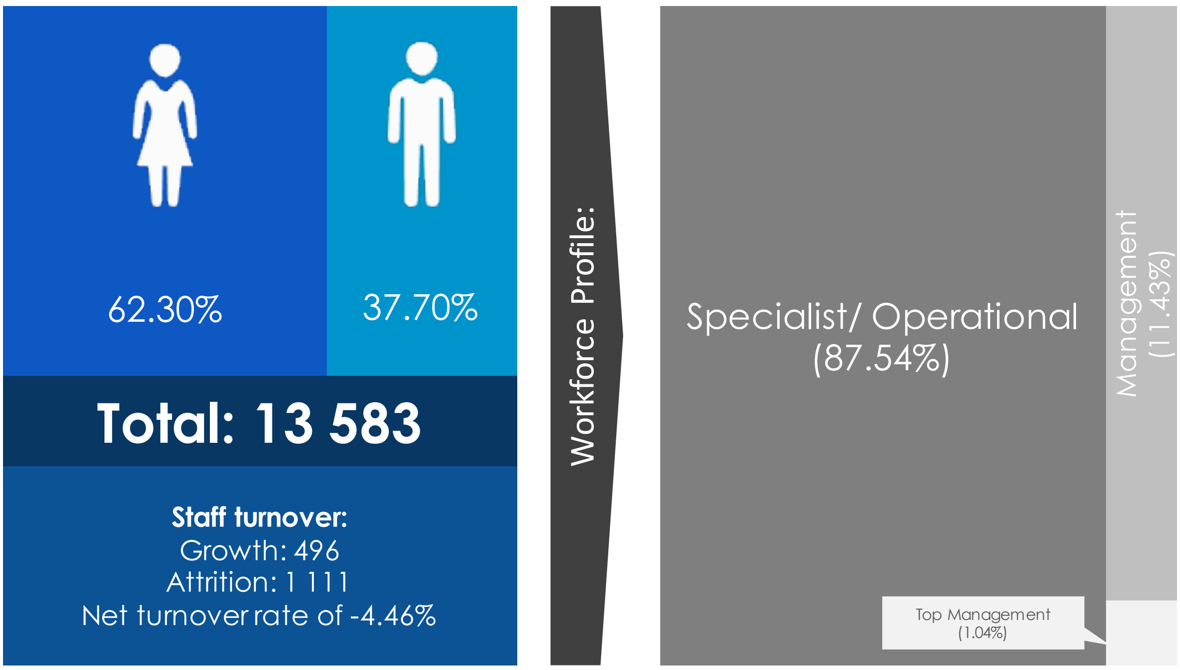
84% training **utilisation**

234 Learners on Graduate Development Programme

74 Internships

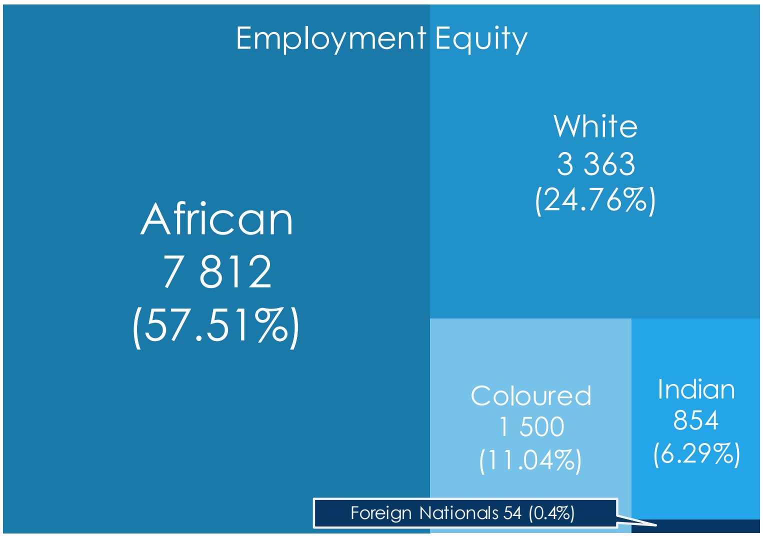
28 Chartered Accountants Learning Programme

Workforce Profile



Employment Equity and Workplace Diversity

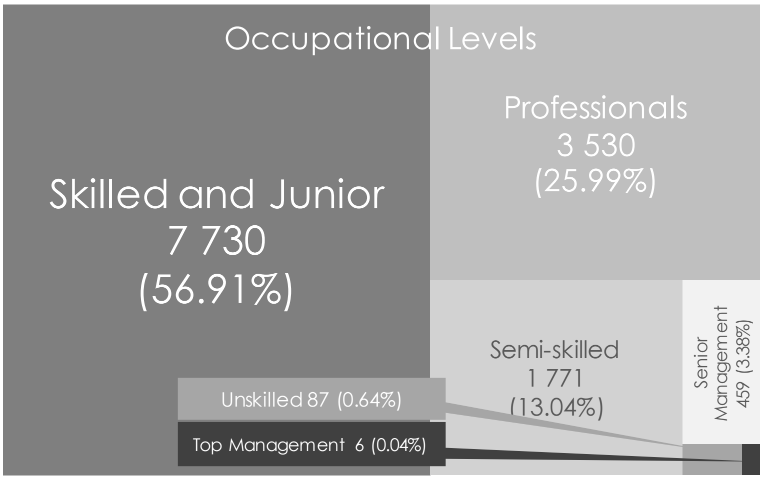
SARS continues to prioritise employment equity and therefore sets and strives to achieve annual equity targets for race, gender and disability among staff.



Black workforce is steadily **increasing** with year under review at **74.84%**

0.29% YoY

The racial profile of **African** representation **increased** by **0.3%** while the **White** representation **declined** by **1.17%**



Women representation on **supervisory levels** has **increased** to 48.70%

0.4% YoY

- 0.29% improvement in black workforce profile (from previous period at 74.55%) with a 6.24% increase in recruitment ratio (from 84.28% in 2015/16).
- Growth in African workforce of 0.17% and Coloureds of 0.12% from previous period. Indian designated group declined by 0.01%.
- 0.13% YoY improvement on female representation (62.17% recorded in 2015/16).
- 99.39% of external candidates recruited were within the designated groups – 90.52% African, 5.24% Coloured and 3.63% Indian.
- Disability representation improved from 1.18% to 1.51%.

Health and Wellness

As part of the transitioning of the Human Capital and Development division and in alignment with the implementation of the SARS Operating Model, the Occupational Health and Safety function was placed with Employment Relations within the Human Capital and Development division. As dictated by the Occupational Health and Safety (OHS) Act (85 of 1993), SARS needs to ensure that it is legally compliant as per the requirements of the Act. Some of the key initiatives that were successfully implemented were:

- Appointment of 200 Section 16.2 representatives. Line Managers are appointed to manage Occupational Health and Safety matters at a local building level ensuring the identification and mitigation of all risks.
- Risk Assessments were conducted at 55 offices and sites nationwide as part of the 2016/17 Organisational Health and Safety (OHS) audit calendar. This was to establish the extent that the OHS Management Framework is in place, to ensure legal compliance, assess potential risks and track progress on the implementation of the OHS programme.
- Conducting of periodical medical surveillance assessments in high risk exposure areas such as border posts in Mpumalanga, North West and Limpopo to ensure that requirements of the Act are adhered to, and to assess the capacity to meet inherent job requirements and conditions in those areas. This will be extended to all other regions based on risk profiles and regional circumstances.
- Evacuation drills were executed at all buildings and sites to ensure the necessary due diligence in line with legislative requirement. For the 2016/17 financial year 87 evacuation drills, with consistent evaluation of the effectiveness, were conducted.
- Training of Occupational Health and Safety representatives and related committee members such as First Aiders, Fire Marshalls and Evacuation Wardens were optimised and for the year 841 employees were trained in these disciplines and legal requirements.
- Monitoring and reporting all Occupational Health and Safety accidents and incidents were conducted to ensure compliance to both the OHS Act of 1993 and the Compensation of Occupation Injuries and Diseases Act of 1993 (COID Act 130 of 1993). In-depth analysis of all accidents and incidents were done to establish the contributing factors and implement the necessary corrective and preventative measures. For the year 119 accidents and incidents were recorded with 41 medical exposures and 34 trips, slips and falls, the major causal factors for incidents (63.03%).

Oversight Statistics

Annual Comparative Staff Numbers

	2012/13	2013/14	2014/15	2015/16	2016/17
Staff complement (Permanent employees, Seasonal Workers and Trainees)	14 701	14 137	13 978	14 198	13 583
Temporary Employees	79	20	436	12	2
Total	**14 780**	**14 157**	**14 414**	**14 210**	**13 585**

Note: Employment of temporary staff and seasonal workers varies during the financial year according to workload demand

Average Cost to Company per Employee

Occupational Levels	Personnel Expenditure (CTC) (R'000)	% of personnel expenditure to total personnel cost (CTC)	No. of employees	Average cost per employee (R'000)
Top Management	22 268	0.36	6	3 711
Senior Management	663 421	10.80	459	1 445
Professionally qualified, experienced specialists and mid-management	2 556 956	41.61	3 530	724
Skilled technical and academically qualified workers, junior management, supervisors, foremen, and superintendents	2 507 506	40.80	7 730	324
Semi-skilled and discretionary decision making	379 312	6.17	1 771	214
Unskilled and defined decision making	15 875	0.26	87	182
Total	**6 145 337**	**-**	**13 583**	**452**

Termination Reasons

Reason	Number	% of total no. of Staff Leaving
Death	37	3.33
Resignation	934	84.07
Retirement	103	9.27
Termination ER	31	2.79
Other	6	0.54
Total	**1 111**	**-**

Resignation Reasons

Resignation Reason	Number
Retirement	6
Contract expired	528
Dissatisfied with working environment	2
Emigrated	5
Health reasons	3
Other career opportunities	368
Resume studies	20
Pending disciplinary action	0
Transfer not approved	2
Total	**934**

Financial Information

Part FIVE

Report of the Audit and Risk Committee

We are pleased to present our report for the financial year ended 31 March 2017 in terms of Treasury Regulations 3.1.1.9 and 10 whereby the Audit & Risk 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 and Risk Committee members and attendance

The Audit and Risk Committee operates in terms of approved written terms of reference, which deals with its membership, authority and responsibilities. These terms of reference are reviewed at least annually to ensure their continued relevance (Treasury Regulations 27.1.6). The composition of the Audit and Risk Committee members is such that all Treasury Regulations requirements are met in terms of financial literacy and independence. The Audit and Risk Committee consisted of two external members for the period April 2016 to July 2016, as Mr Vuyo Kahla completed his term as member on 22 July 2016. For the period August 2016 to March 2017 the Audit and Risk committee consisted of four external members.

Audit and Risk Committee attendance

Audit Committee Members	Meeting Dates					
	20 June 2016	22 July 2016	23 Sep 2016	25 Nov 2016	1 Mar 2017	3 Mar 2017
Vuyo Kahla: Executive Vice President: Advisory & Assurance and Company Secretary of Sasol Limited; Bachelor of Arts & LLB (Rhodes University)	√	√ (Term Ended)				
Sathie Gounden: B Compt (Unisa); Higher Diploma in Accounting (University of Durban-Westville); Chartered Accountant (SA); Certificate in Forensic Accounting & Fraud Examination (University of Pretoria) Chartered Director (SA); Executive Leadership Development Institute Programme (Harvard Business School & NABA); Certificate of Mediator Accreditation (Conflict Dynamics)	√	√	√	√	√	√
Mmakgolo Meta Maponya: B Com Accounting (Wits); B Com Honours (UKZN); Chartered Accountant (SA); Financial Services Board Regulatory Examinations: RE1, RE3, RE5			X	√	√	X
Thabiso Gerald Ramasike: Chief Executive: Tuleka Group; B Comm (UJ) CAIB (SA) – (Institute of Bankers of SA); Global International Executive Development Programme – (Rotmann School of Management, Canada)			√	√	√	√
Nonkululeko Gobodo: Chief Executive: Nkululeko Leadership Consulting; B Compt (UNISA); Chartered Accountant (SA); Non-Executive Director: Mercedes Benz SA, PPC LTD, Clicks Group LTD			√	X	√	√

Audit and Risk Committee responsibilities

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

The effectiveness of internal control

The system of internal controls is designed to provide cost effective assurance that assets are safeguarded and that liabilities and working capital are efficiently managed. From the various reports issued by the Internal Audit function, the external Audit Report on the Annual Financial Statements and management letters of the Auditor-General, it was noted that no significant or material non-compliance with prescribed policies and procedures has been reported. However, the internal control environment had regressed during the year under review. Management has given the Audit and Risk Committee the assurance that processes are put in place to improve the system of internal control. In line with the PFMA and the King IV Report on Corporate Governance, the Internal Audit function provided the Audit and Risk Committee and management with assurance that the internal controls are appropriate and effective. This is achieved by means of the risk management process, as well as the identification of corrective actions and suggested enhancements to the controls and processes.

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.

Enterprise Risk Management (ERM)

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

A new risk governance framework has been developed and this has introduced Divisional Risk Management Committees (DRMC) where each division hosts a quarterly risk workshop to determine their respective high-end operational risk profile. The revised divisional and strategic risk profiles have been submitted to the Audit and Risk Committee for oversight and commentary to improve both the process and the profiles. The Audit and Risk Committee is satisfied with scope and direction taken by ERM to ensure SARS develops and implements an appropriate risk management approach consistent with needs and aspirations of the organisation and designed to strengthen decision making capabilities at all levels of the organisation.

Evaluation of Financial Statements

The Audit and Risk Committee has:

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

Auditor-General's report

The Audit and Risk Committee concurs and accepts the Auditor-General's conclusions on the Annual Financial Statements and is of the opinion that the audited Annual Financial Statements be accepted and read together with the report of the Auditor-General. The Audit and Risk Committee confirms that it has been actively involved throughout the audit process and has been thoroughly appraised of the issues giving rise to the audit opinion.

Sathie Gounden
Chairperson of the Audit & Risk Committee
3 November 2017

Annual Financial Statements Own-Accounts for the year ended 31 March 2017

Content

The financial statements set out on pages 102 to 161, which have been prepared on the going concern basis, were approved and signed by:

Tom Moyane
Commissioner South African Revenue Service
3 November 2017

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

Report on the audit of the consolidated and separate financial statements

Opinion

1. I have audited the consolidated and separate financial statements of the South African Revenue Service (SARS) Own Accounts and its subsidiary set out on pages 102 to 161, which comprise the consolidated and separate statement of financial position as at 31 March 2017, and the consolidated and separate statement of financial performance, statement of changes in net assets, cash flow statement and statement of comparison of budget information with actual information for the year then ended, as well as the notes to the consolidated and separate financial statements, including a summary of significant accounting policies.

2. In my opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of SARS Own Accounts and its subsidiary as at 31 March 2017, and their financial performance and cash flows for the year then ended in accordance with South African Standards of Generally Recognised Accounting Practice (SA Standards of GRAP) and the requirements of the Public Finance Management Act (PFMA).

Basis for opinion

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

4. I am independent of the public entity and its subsidiary in accordance with the International Ethics Standards Board for Accountants' Code of ethics for professional accountants (IESBA code) together with the ethical requirements that are relevant to my audit in South Africa. I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA code.

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

Responsibilities of the Accounting Authority

6. The Accounting Authority is responsible for the preparation and fair presentation of the consolidated and separate financial statements in accordance with SA Standards of GRAP and the requirements of the PFMA and for such internal control as the accounting authority determines is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

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

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

8. My objectives are to obtain reasonable assurance about whether the consolidated and separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue· an auditor's report that includes my

opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated and separate financial statements.

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

Report on the audit of the annual performance report

Introduction and scope

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

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

12. I evaluated the usefulness and reliability of the reported performance information in accordance with the criteria developed from the performance management and reporting framework, as defined in the general notice, for the following selected objectives presented in the annual performance report of the public entity for the year ended 31 March 2017:

Objectives	**Pages in the annual performance report**
Objective 1 - Increased Customs & Excise Compliance	60
Objective 2 - Increased Tax Compliance	60 - 62
Objective 3 - Increased ease and fairness of doing business with SARS	62 - 63

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

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

Objective 1: Increased Customs & Excise Compliance
Objective 2: Increased Tax Compliance
Objective 3: Increased ease and fairness of doing business with SARS

Other matter

15. I draw attention to the matter below.

Achievement of planned targets

16. Refer to the annual performance report on page(s) 60 to 63; for information on the achievement of planned targets for the year and explanations provided for the under/overachievement of a number of targets.

Report on audit of compliance with legislation

Introduction and scope

17. In accordance with the PAA and the general notice issued in terms thereof I have a responsibility to report material findings on the compliance of the public entity with specific matters in key legislation. I performed procedures to identify findings but not to gather evidence to express assurance. The material findings in respect of the compliance criteria for the applicable subject matters are as follows:

Expenditure management

18. Performance bonuses relating to employees in the management structure were paid without the Minister's approval, contrary to section 18(3) of the SARS Amendment Act of 2002.

Other information

19. SARS Own Accounts and its subsidiary's accounting authority is responsible for the other information. The other information comprises the information included in the annual report which includes the Commissioner's report and the audit committee's report. The other information does not include the consolidated and separate financial statements, the auditor's report thereon and those selected objectives presented in the annual performance report that have been specifically reported on in the auditor's report.

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

21. In connection with my audit, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate financial statements and the selected objectives presented in the annual performance report, or my knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work I have performed on the other information obtained prior to the date of this auditor's report, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

Internal control deficiencies

22. I considered internal control relevant to my audit of the consolidated and separate financial statements, reported performance information and compliance with applicable legislation; however, my objective was not to express any form of assurance thereon. The matter reported below is limited to the significant control deficiency that resulted in material non-compliance.

23. In line with section 18(3) of the SARS amendment Act of 2002, management have in the prior years obtained the approval for the bonus payment from the Minister of Finance. Performance bonuses relating to the 2015/16 financial year were paid in the 2016/17 financial year and SARS could not provide evidence that an approval was obtained, as specified in the bonus approval framework, from the Minister prior to payment being effected to employees who fall within the management structure.

Other reports

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

25. There is currently an ongoing investigation into a senior SARS official with regards to receipt of suspicious payments into his bank account as reported by the Financial Intelligence Centre.

Auditor General

Pretoria
3 November 2017

AUDITOR-GENERAL
SOUTH AFRICA

Auditing to build public confidence

Annexure - Auditor-general's responsibility for the audit

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

Financial statements

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

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

    - Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the public entity's internal control.

    - Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the accounting authority.

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

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

    - Communication with those charged with governance.

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

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

Report by the SARS Accounting Authority for the year ended 31 March 2017

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 2017. 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 2017 were:	
Tom Moyane	Commissioner for SARS and EXCO Chairperson
Jonas Makwakwa	Chief Officer: Business and Individual Taxes (5.5 months) Acting Chief Officer: Digital Information Services and Technology (5.5 months)
Firdous Sallie	Acting Chief Officer: Business and Individual Taxes (6.5 months)
Kgabo Hlahla	Acting Chief Officer: Digital Information Services and Technology (3 months)
Tau Mashigo	Acting Chief Officer: Digital Information Services and Technology (3.5 months)
Jed Michaletos	Chief Officer: Customs and Excise
Kosie Louw	Chief Officer: Legal Counsel (10 months)
Neo Tsholanku	Acting Chief Officer: Legal Counsel (2 months)
Matsobane Matlwa	Chief Officer: Finance
Hlengani Mathebula	Chief Officer: Governance, International Relations, Strategy and Communications Acting Chief Officer: Enforcement
Teboho Mokoena	Chief Officer: Human Capital and Development

Executive Committee Appointments and Resignations

Mr Kosie Louw retired on 31 January 2017.

2. ORGANISATIONAL STRUCTURE

The organisational structure of SARS was reviewed as part of the Operating Model review that commenced in the 2015/16 financial year and concluded in the 2016/17 financial year.

3. 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.

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

The Revenue for the year was made up as follows:

	% change	2017	2016
Operating revenue	7.23%	10 019 080	9 343 334
- Transfers from National Treasury	7.23%	10 009 152	9 334 439
- Rendering of services	11.61%	9 928	8 895
Other Income	111.01%	1 179 175	558 813
- Interest received	6.59%	254 326	238 601
- Other income	188.82%	924 849	320 212
	13.09%	**11 198 255**	**9 902 147**

Other income consists mainly of the discount received on the non-exchange transaction entered into with IBM; 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 R3 885 106.23 approved from FASSET.

The surplus for the year was as follows:

	2017	2016
Balance accumulated surplus at 1 April as previously reported	2 358 338	4 382 946
Prior year adjustments	-	2 389
Restated balance 1 April	2 358 338	4 385 335
Net surplus/(deficit) for the year	432 437	(404 278)
Surrender of surplus balance	-	(1 622 719)
Balance accumulated surplus at 31 March	**2 790 775**	**2 358 338**

REVENUE ACCOUNTS (amounts disclosed in R'000)

Revenue for the year was R1 201 451 617 (2016: R1 122 504 482). Revenue Accounts do not retain funds as taxes collected are transferred to the National Revenue Fund on a daily basis.

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

Collections

	% change	2017	2016
Total revenue	7.03%	1 201 451 617	1 122 504 482

Revenue collected relates to the prevailing economic conditions, their effect on the South African economy and the level of compliance.

5. 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.

6. 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.

7. SURRENDER OF SURPLUS FUNDS

SARS obtained approval to retain R1.75 billion of the R3.37 billion cash balance as at 31 March 2016. National Treasury utilised the balance through a reduction in the March 2017 grant of R645 million and ring-fenced the balance to be used over the medium term (2017/18: R860 million and 2018/19: R117 million).

SARS did not provide for an obligation to surrender surplus funds from the 2017 financial year.

8. PUBLIC/PRIVATE PARTNERSHIPS

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

9. EVENTS SUBSEQUENT TO THE BALANCE SHEET DATE

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

10. 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's other offices are available from SARS.

Tom Moyane
Commissioner
South African Revenue Service
6 November 2017

STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2017

		Economic entity		Controlling entity	
		2017	2016	2017	2016
			Restated*		
	Note(s)	R '000	R '000	R '000	R '000
Assets					
Current Assets					
Current tax receivable - controlled entity	9&35	469	2 222	-	-
Receivables from exchange transactions	3	61 629	72 368	59 069	72 256
Prepayments	24	71 351	77 562	70 653	76 177
Cash and cash equivalents	4	2 535 674	3 423 160	2 454 244	3 370 226
		2 669 123	**3 575 312**	**2 583 966**	**3 518 659**
Non-Current Assets					
Property, plant and equipment	5	1 976 068	1 546 483	1 972 665	1 542 779
Intangible assets	6	900 085	771 017	1 256 972	1 043 571
Investment in controlled entity	7	-	-	-	-
Loan to controlled entity	8	-	-	80 542	80 452
		2 876 153	**2 317 500**	**3 310 179**	**2 666 802**
Total Assets		**5 545 276**	**5 892 812**	**5 894 145**	**6 185 461**
Liabilities					
Current Liabilities					
Finance lease obligation	10	6 499	5 327	6 465	5 293
Trade and other payables	11	558 683	720 921	562 052	735 121
VAT payable		748	2 308	-	-
Deferred income	12	860 435	148	860 435	148
Provisions	13	554 156	576 936	548 735	571 841
		1 980 521	**1 305 640**	**1 977 687**	**1 312 403**
Non-Current Liabilities					
Finance lease obligation	10	7 354	7 853	7 294	7 853
Operating lease liability		170 971	187 405	170 574	187 129
Deferred income	12	117 031	153	117 031	153
Deferred tax - controlled entity	22	5 398	5 282	-	-
Employee benefits	25&26	211 040	181 178	211 040	181 178
		511 794	**381 871**	**505 939**	**376 313**
Total Liabilities		**2 492 315**	**1 687 511**	**2 483 626**	**1 688 716**
Net Assets		**3 052 961**	**4 205 301**	**3 410 519**	**4 496 745**
Net Assets					
Asset revaluation reserve	14	262 186	224 244	262 186	224 244
Accumulated surplus		2 790 775	3 981 057	3 148 333	4 272 501
Net Assets		**3 052 961**	**4 205 301**	**3 410 519**	**4 496 745**

* See Note 35

STATEMENT OF FINANCIAL PERFORMANCE

		Economic entity		Controlling entity	
		2017	2016	2017	2016
			Restated*		
	Note(s)	R '000	R '000	R '000	R '000
Revenue					
Rendering of services	15	9 928	8 895	-	-
Other income	16	924 849	320 212	925 135	320 479
Interest received		254 326	238 601	258 056	244 479
Transfers from government entity	15	10 009 152	9 334 439	10 009 152	9 334 439
Total revenue		**11 198 255**	**9 902 147**	**11 192 343**	**9 899 397**
Expenditure					
Employee cost		7 249 615	6 928 862	7 174 527	6 864 726
Depreciation and amortisation		533 802	625 235	524 378	615 778
Impairment loss	17	108 705	36 413	116 512	44 867
Finance costs	18	3 250	4 691	3 234	4 682
Operating leases	29	519 222	464 918	517 349	463 082
Other expenses		20 379	25 496	20 251	25 461
Administrative expenses		1 116 749	1 097 402	1 113 786	1 093 909
Professional and special services		1 210 380	1 118 430	1 225 916	1 132 224
Total expenditure		**10 762 102**	**10 301 447**	**10 695 953**	**10 244 729**
Operating surplus/(deficit)		**436 153**	**(399 300)**	**496 390**	**(345 332)**
Gain/(loss) on disposal of assets		2 091	(1 907)	2 159	(1 873)
Surplus/(deficit) before taxation		**438 244**	**(401 207)**	**498 549**	**(347 205)**
Taxation	19	(5 807)	(3 071)	-	-
Surplus/(deficit) for the year		**432 437**	**(404 278)**	**498 549**	**(347 205)**

* See Note 35

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	190 151	4 382 946	4 573 097
Prior year adjustments	-	2 389	2 389
Balance at 01 April 2015 as restated*	**190 151**	**4 385 335**	**4 575 486**
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)**
Opening balance as restated	224 244	3 981 057	4 205 301
Surrender of surplus balance	-	(1 622 719)	(1 622 719)
Balance at 01 April 2016 as restated*	**224 244**	**2 358 338**	**2 582 582**
Changes in net assets			
Surplus for the year	-	432 437	432 437
Surplus in revaluation of land and buildings	43 960	-	43 960
Depreciation on revalued portion of assets	(6 018)	-	(6 018)
Total changes	**37 942**	**432 437**	**470 379**
Balance at 31 March 2017	**262 186**	**2 790 775**	**3 052 961**
Note(s)	14	12	

* See Note 35

STATEMENT OF CHANGES IN NET ASSETS

	Asset Revaluation reserve R '000	Accumulated surplus R '000	Total net assets R '000
Controlling entity			
Balance at 01 April 2015	**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)**
Opening balance as previously reported	224 244	4 272 501	4 496 745
Surrender of surplus balance	-	(1 622 719)	(1 622 719)
Balance at 01 April 2016	**224 244**	**2 649 784**	**2 874 028**
Surplus for the year	-	498 549	498 549
Surplus in revaluation of land and buildings	43 960	-	43 960
Depreciation on revalued portion of assets	(6 018)	-	(6 018)
Total changes	**37 942**	**498 549**	**536 491**
Balance at 31 March 2017	**262 186**	**3 148 333**	**3 410 519**
Note(s)	14	12	

CASH FLOW STATEMENT

		Economic entity		Controlling entity	
		2017	2016	2017	2016
	Note(s)	R '000	R '000	R '000	R '000
Cash flows from operating activities					
Receipts					
Rendering of services		7 743	11 046	-	-
Transfers from government entity		9 363 676	9 334 439	9 363 676	9 334 439
Interest received		255 590	264 165	251 423	262 154
Other income		930 954	288 901	931 240	289 168
		10 557 963	**9 898 551**	**10 546 339**	**9 885 761**
Payments					
Employee costs		(7 232 448)	(6 885 469)	(7 157 797)	(6 821 893)
Suppliers		(3 044 191)	(2 584 536)	(3 066 019)	(2 609 326)
VAT paid		(1 560)	1 699	-	-
Tax paid	9	(3 940)	4 462	-	-
		(10 282 139)	**(9 463 844)**	**(10 223 816)**	**(9 431 219)**
Net cash flows from operating activities	**20**	**275 824**	**434 707**	**322 523**	**454 542**
Cash flows from investing activities					
Acquisition of property, plant and equipment	5	(768 596)	(205 128)	(767 455)	(204 129)
Proceeds from sale of property, plant and equipment	5	2 759	795	2 742	764
Acquisition of intangible assets	6	(394 905)	(217 542)	(471 171)	(282 956)
Net cash flows from investing activities		**(1 160 742)**	**(421 875)**	**(1 235 884)**	**(486 321)**
Cash flows from financing activities					
Finance lease and interest payments		**(2 568)**	**(13 185)**	**(2 621)**	**(13 115)**
Net decrease in cash and cash equivalents		(887 486)	(353)	(915 982)	(44 894)
Cash and cash equivalents at the beginning of the year		3 423 160	3 423 513	3 370 226	3 415 120
Cash and cash equivalents at the end of the year	**4**	**2 535 674**	**3 423 160**	**2 454 244**	**3 370 226**

STATEMENT 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
Statement of Financial Position			
Assets			
Current Assets			
Receivables from exchange transactions	70 256	59 069	**(11 187)**
Prepayments	81 177	70 653	**(10 524)**
Cash and cash equivalents	955 710	2 454 244	**1 498 534**
	1 107 143	**2 583 966**	**1 476 823**
Non-Current Assets			
Property, plant and equipment	1 957 877	1 972 665	**14 788**
Intangible assets	1 603 599	1 256 972	**(346 627)**
Loan to controlled entity	70 452	80 542	**10 090**
	3 631 928	**3 310 179**	**(321 749)**
Total Assets	**4 739 071**	**5 894 145**	**1 155 074**
Liabilities			
Current Liabilities			
Finance lease obligation	6 131	6 465	**(334)**
Trade and other payables	660 476	562 052	**98 424**
Deferred income	-	860 435	**(860 435)**
Provisions	616 755	548 735	**68 020**
	1 283 362	**1 977 687**	**(694 325)**
Non-Current Liabilities			
Finance lease obligation	5 704	7 294	**(1 590)**
Operating lease liability	187 129	170 574	**16 555**
Deferred income	-	117 031	**(117 031)**
Employee benefits	184 178	211 040	**(26 862)**
	377 011	**505 939**	**(128 928)**
Total Liabilities	**1 660 373**	**2 483 626**	**(823 253)**
Net Assets	**3 078 698**	**3 410 519**	**331 821**
Net Assets			
Asset revaluation reserve	224 545	262 186	**37 641**
Accumulated surplus	2 854 153	3 148 333	**294 180**
Net Assets	**3 078 698**	**3 410 519**	**331 821**

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

	Approved Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
	R '000	R '000	R '000	
Controlling entity				
Statement of Financial Performance				
Revenue				
Revenue from exchange transactions				
Interest received	230 017	258 056	**28 039**	Note 1
Other income	305 561	925 135	**619 574**	Note 2
Total revenue from exchange transactions	**535 578**	**1 183 191**	**647 613**	
Revenue from non-exchange transactions				
Transfer from government entities	10 009 152	10 009 152	-	
Total revenue from non-exchange transactions	**10 009 152**	**10 009 152**	**-**	
Expenditure				
Employee cost	7 424 489	7 174 527	**249 962**	Note 3
Depreciation and amortisation	729 536	524 378	**205 158**	
Impairment loss	1	116 512	**(116 511)**	Note 4
Finance costs	2 636	3 234	**(598)**	
Operating lease	571 868	517 349	**54 519**	Note 5
Other expenses	21 028	20 251	**777**	
Administrative expenses	1 185 563	1 113 786	**71 777**	Note 6
Professional & special services	1 382 530	1 225 916	**156 614**	Note 6
Total expenditure	**11 317 651**	**10 695 953**	**621 698**	
Operating (deficit)/surplus	**(772 921)**	**496 390**	**1 269 311**	
Gain on disposal of assets	49	2 159	**2 110**	
(Deficit)/surplus	**(772 872)**	**498 549**	**1 271 421**	

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

Timing difference	
The variance is due to higher than anticipated interest received on cash balances. National Treasury approved the retention of a cash balance of R978 million relating to the 2015/16 financial year to be utilised over the medium term.	Note 1
Hardware and software purchased from IBM at a discounted rate was recognised at fair value. The discount of R578 million in the statement of Financial Performance is the reason for the variance.	Note 2
The variance in employee cost is mainly attributable to unfilled vacancies.	Note 3
The loss of R116.51 million is as a result of impairments recognised (Refer to note17). The impairment relates to the Interfront loan valuation as well as the SARS owned building valuations conducted by independent valuators. Intangible assets were impaired based on the principles of GRAP21.	Note 4
The variance relates to footprint expansion planned for in the financial year that did not realise and will only realise in future years. Further rental savings were realised as actual escalation rates were lower than planned, new contracts were negotiated at lower rates and a building that had structural damage was vacated and no rental was paid for the period of reconstruction.	Note 5
The variance relates to ongoing cost containment measures enforced, stricter budget management and some projects planned for that will continue in the new financial year.	Note 6

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

	Approved Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
	R '000	R '000	R '000	
Cash Flow Statement				
Cash flows from operating activities				
Receipts				
Transfer from government entity	9 363 676	9 363 676	-	
Interest received	230 017	251 423	**21 406**	Note 1
Other income	305 561	931 240	**625 679**	Note 2
	9 899 254	**10 546 339**	**647 085**	
Payments				
Employee costs	(7 285 687)	(7 157 797)	**127 890**	Note 3
Suppliers	(3 329 405)	(3 066 019)	**263 386**	Note 4
Finance costs	(2 704)	-	**2 704**	
	(10 617 796)	**(10 223 816)**	**393 980**	
Net cash flows from operating activities	**(718 542)**	**322 523**	**1 041 065**	
Cash flows from investing activities				
Acquisition of property, plant and equipment	(726 177)	(767 455)	**(41 278)**	
Proceeds from sale of property, plant and equipment	-	2 742	**2 742**	
Acquisition of intangible assets	(978 486)	(471 171)	**507 315**	
Net cash flows from investing activities	**(1 704 663)**	**(1 235 884)**	**468 779**	Note 5
Cash flows from financing activities				
Borrowing activities	10 000	-	**(10 000)**	
Finance lease and repayments	(1 310)	(2 621)	**(1 311)**	
Net cash flows from financing activities	**8 690**	**(2 621)**	**(11 311)**	
Net increase/(decrease) in cash and cash equivalents	(2 414 515)	(915 982)	**1 498 533**	
Cash and cash equivalents at the beginning of the year	3 370 226	3 370 226	**-**	
Cash and cash equivalents at the end of the year	**955 711**	**2 454 244**	**1 498 533**	

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

Timing difference	
The variance is due to higher than anticipated interest received on cash balances. National Treasury approved the retention of a cash balance of R978 million relating to the 2015/16 financial year to be utilised over the medium term.	Note 1
Hardware and software purchased from IBM at a discounted rate was recognised at fair value. The discount of R578 million in the statement of Financial Performance is the reason for the variance.	Note 2
The variance in employee cost is mainly attributable to unfilled vacancies.	Note 3
The variance relates to ongoing cost containment measures enforced, stricter budget management and some projects planned for that will continue in the new financial year.	Note 4
The variance relates to projects as per Annual Performance Plan that have commenced but will only be concluded in the following financial year.	Note 5

1. Presentation of Financial Statements

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

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

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

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

These accounting policies are consistent with the previous period.

1.1 Consolidation

Basis of consolidation

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

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

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

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

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

1.2 Significant 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:

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.

1.2 Significant judgements and sources of estimation uncertainty (continued)

Fair value estimation

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

Impairment testing

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

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

If there is objective evidence that an impairment loss on the carrying value of assets has been incurred, the amount of the loss is the difference between the asset's carrying amount and estimated recoverable amount. The amount 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 13 - Provisions.

Taxation - controlled entity

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

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

1.2 Significant judgements and sources of estimation uncertainty (continued)

Allowance for doubtful debt

On 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 economic entity reviews the estimated useful lives and residual values of property, plant and equipment and intangible assets at the end of each reporting period.

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.

Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at the date of acquisition. If the acquired item's fair value is not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

When significant components of an item of property, plant 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.

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

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

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

1.3 Property, plant and equipment (continued)

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

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

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

The revaluation surplus in equity 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, fittings 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 nor ready for use

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

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

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

The economic entity assesses at each reporting date whether there is any indication that the economic entity expectations about the residual value and the useful life of an asset have changed since the preceding reporting date. If any such indication exists, the economic entity revises the expected useful life and/or residual value accordingly. The change is accounted for as a change in an accounting estimate refer note 34.

1.3 Property, plant and equipment (continued)

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

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

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

Assets which the economic entity holds for rentals to others and subsequently routinely sell as part of the ordinary course of activities, are transferred to inventories when the rentals end and the assets are available-for-sale. Proceeds from sales of these assets are recognised as revenue. All cash flows on these assets are included in cash flows from operating activities in the cash flow statement.

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

The economic entity discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note 5).

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 liabilities; or
- arises from contractual arrangements or other legal rights, regardless of whether those rights are transferable or separable from the economic entity or from other rights and obligations.

An intangible asset is recognised when:

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

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

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

- An intangible asset arising from development (or from the development phase of an initial project) is recognised when: it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits or service potential.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

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

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

1.4 Intangible assets (continued)

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

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

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

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

1.5 Investment in controlled entity

Economic entity financial statements

Investment in controlled entity is consolidated in the economic entity's annual financial statements. Refer to the accounting policy on consolidations (Note 1.1).

Controlling entity financial statements

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

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

1.6 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.

1.6 Financial instruments (continued)

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.

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
Receivables from exchange transactions	Financial asset measured at amortised cost
Cash and cash equivalents	Financial asset measured at fair value

1.6 Financial instruments (continued)

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.

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.

1.6 Financial instruments (continued)

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. 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.

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

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

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

1.7 Tax - controlled entity (continued)

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 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 - controlled entity

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

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

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

A cash-generating unit is the smallest identifiable group of assets 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 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 controlled entity.

Identification

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

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

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

Recognition and measurement

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

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

Indication of impairment

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

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

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

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

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

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

Reversal of impairment loss

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

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

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

1.10 Impairment of non-cash-generating assets

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

Identification

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

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

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

Recognition and measurement

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

An impairment loss is recognised immediately in surplus or deficit.

Reversal of an impairment loss

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

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

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

1.11 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.

1.12 Employee benefits

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

Other long-term employee benefits are employee benefits that are not due to be settled within twelve months after the end of the period in which the employees render the related service.

Short-term employee benefits

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

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

1.12 Employee benefits (continued)

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

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

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

The entity recognise the expected cost of 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 the entity pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

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

1.13 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 31.

1.14 Commitments

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

Disclosures are required in respect of unrecognised contractual commitments.

Commitments for which disclosure is necessary to achieve a fair presentation should be disclosed in a note to the financial statements, if both the following criteria are met:
- Contractual commitments should be non-cancellable or only cancellable at significant cost; and
- Contractual commitments relate to projects approved and executed as per the Annual Performance Plan.
- Contractual commitments exclude business as usual expenditure.

Disclosure in note 30.

1.15 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 National Treasury or in the case of the controlled entity the controlling entity.

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

Measurement

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

Rendering of services

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

1.16 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 National Treasury or in the case of the controlled entity the controlling entity.

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

Recognition

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

Measurement

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

1.16 Revenue from non-exchange transactions (continued)

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

Donations

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

1.17 Government grants

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

1.18 Investment income

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

1.19 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.

1.20 Comparative figures

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

1.21 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.

1.22 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 2016/04/01 to 2017/03/31.

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.

1.23 Related parties

The controlling entity has early adopted the standard on Related parties as recommended by the ASB. The standard has been prospectively applied from 1 April 2016 in line with GRAP 3 - accounting policies, changes in accounting estimates and errors.

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

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

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

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

1.24 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.

2. New standards and interpretations

2.1 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 20: Related parties	01 April 2017	The adoption of this standard impacts the disclosure of executive remuneration as per note 33.
• GRAP 26 (as amended 2015): Impairment of cash- generating assets	01 April 2017	The impact of this standard is not material.
• GRAP 21 (as amended 2015): Impairment of non-cash-generating assets	01 April 2017	The impact of this standard is not material.

2.2 Standards and interpretations not yet effective or yet relevant

The following standards and interpretations have been approved and are mandatory for the economic entity's accounting periods beginning on or after 01 April 2017:

GRAP 108: Statutory Receivables

The objective of this standard is to prescribe accounting requirements for the recognition, measurement, presentation and disclosure of statutory receivables.

It furthermore covers: definitions, recognition, derecognition, measurement, presentation and disclosure, and the transitional provisions.

The effective date of the standard is not yet set by the Minister of Finance.

The economic entity does not envisage the adoption of the standard until such time as it becomes applicable to the economic entity's operations.

The impact of this standard is currently being assessed.

GRAP 35 Consolidated Financial Statements

The objective of this standard is to establish principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities.

It furthermore covers: definitions, recognition, derecognition, measurement, presentation and disclosure, and the transitional provisions.

No effective date has been determined by the Minister of Finance.

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

	Economic entity		Controlling entity	
	2017	2016	2017	2016
	R '000	R '000	R '000	R '000

2.2 Standards and interpretations not yet effective or yet relevant (continued)

GRAP 38 Disclosure of interest in other entities

The objective of this Standard is to require an entity to disclose information that enables users of its financial statements to evaluate:

a. the nature of, and risks associated with, its interests in controlled entities, unconsolidated controlled entities, joint arrangements and associates, and structured entities that are not consolidated; and
b. the effects of those interests on its financial position, financial performance and cash flows.

It furthermore covers: definitions, recognition, derecognition, measurement, presentation and disclosure, and the transitional provisions.

No effective date has been determined by the Minister of Finance.

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

3. Receivables from exchange transactions

Government departments	44 537	56 351	44 537	56 351
Trade debtors	2 904	196	-	-
Refundable deposits	4 176	3 939	4 114	3 914
Staff accounts receivables	3 251	2 521	3 251	2 521
Sundry receivables	1 987	2 872	2 393	2 981
Advance Tax Ruling (ATR) debtors	588	1 038	588	1 038
Interest receivables	4 186	5 451	4 186	5 451
	61 629	**72 368**	**59 069**	**72 256**

Fair value of receivables from exchange transactions

Trade and other receivables	61 629	72 368	59 069	72 256

Receivables from exchange transactions past due but not impaired

At 31 March 2017, R4 393 565 (2016: R1 766 066) was past due but not impaired.

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

1 month past due	63	375	63	375
2 months past due	1 810	24	20	24
3 months past due	2 521	1 367	2 521	1 367

Receivables from exchange transactions impaired

As of 31 March 2017, receivables from exchange transactions of R2 795 192 (2016: R11 733 262) were impaired and provided for.

	Economic entity		Controlling entity	
	2017	2016	2017	2016
	R '000	R '000	R '000	R '000

3. Receivables from exchange transactions (continued)

The ageing of these receivables from exchange transactions is as follows:

0 to 3 months	286	141	255	141
Over 3 months	2 509	11 593	2 540	11 593

Reconciliation of provision for impairment of receivables from exchange transactions

Opening balance	11 734	5 766	11 734	5 766
Provision for impairment	(3 629)	6 140	(3 629)	6 140
Amounts written off as uncollectible	(5 310)	(173)	(5 310)	(173)
	2 795	11 733	2 795	11 733

Included in the amounts written off as uncollectable for the controlling entity is an amount of R4 673 775 in respect of officials from SARS that were seconded to National Treasury (NT) to support the Procurement Transformation Initiative. This amount was provided for in the 2016 financial statements and has been written off in 2017 as SARS has exhausted all avenues to pursue the collection of the debt without success.

The outstanding debt was therefore deemed irrecoverable and written off.

Included in the provision for impairment for the controlling entity is an amount of R636 130.69 (2016: R5 112 537) in respect of officials from SARS that were seconded to the Department of Cooperative Governance and Traditional Affairs (COGTA). A payment of R4 476 406 was received during the financial year.

4. Cash and cash equivalents

Cash and cash equivalents consist of:

Bank balances	2 535 130	3 422 673	2 453 708	3 369 747
Cash on hand	544	487	536	479
	2 535 674	**3 423 160**	**2 454 244**	**3 370 226**

5. Property, plant and equipment

Figures in Rand thousand (R'000)

Economic entity	2017			2016		
	Cost / Valuation	Movement	Carrying value	Cost / Valuation	Movement	Carrying value
Land	156 334	-	156 334	194 161	-	194 161
Buildings	707 694	(83 169)	624 525	710 729	(64 886)	645 843
Plant and equipment	90 493	(29 843)	60 650	75 146	(23 618)	51 528
Furniture, fittings and office equipment	415 083	(306 160)	108 923	394 708	(298 855)	95 853
Land and water vehicles	238 507	(118 954)	119 553	223 136	(104 300)	118 836
IT equipment	1 576 420	(894 324)	682 096	1 013 207	(786 543)	226 664
Leasehold improvements	682 445	(520 499)	161 946	620 411	(482 232)	138 179
Generators	73 617	(39 671)	33 946	66 938	(33 672)	33 266
Security equipment	178 295	(150 200)	28 095	173 435	(132 808)	40 627
Assets under construction	-	-	-	1 526	-	1 526
Total	**4 118 888**	**(2 142 820)**	**1 976 068**	**3 473 397**	**(1 926 914)**	**1 546 483**

Figures in Rand thousand (R'000)

Controlling entity	2017			2016		
	Cost / Valuation	Movement	Carrying value	Cost / Valuation	Movement	Carrying value
Land	156 334	-	156 334	194 161	-	194 161
Buildings	707 694	(83 169)	624 525	710 729	(64 886)	645 843
Plant and equipment	90 493	(29 843)	60 650	75 146	(23 618)	51 528
Furniture, fittings and office equipment	414 047	(305 560)	108 487	393 621	(298 215)	95 406
Land and water vehicles	238 507	(118 954)	119 553	223 136	(104 300)	118 836
IT equipment	1 565 588	(886 017)	679 571	1 002 926	(778 938)	223 988
Leasehold improvements	677 882	(516 366)	161 516	615 848	(478 232)	137 616
Generators	73 413	(39 478)	33 935	66 734	(33 482)	33 252
Security equipment	178 275	(150 181)	28 094	173 415	(132 792)	40 623
Assets under construction	-	-	-	1 526	-	1 526
Total	**4 102 233**	**(2 129 568)**	**1 972 665**	**3 457 242**	**(1 914 463)**	**1 542 779**

5. Property, plant and equipment (continued)

Reconciliation of the carrying amount of property, plant and equipment - Economic entity - 2017

Figures in Rand thousand (R'000)

	Opening balance	Additions	Disposals	Transfers	Revaluations	Compensation for replacement assets	Depreciation	Impairment loss/ Scrappings	Impairment reversal	Total
Land	194 161	-	-	-	73	-	-	(37 900)	-	156 334
Buildings	645 843	7 651	-	832	37 869	-	(12 110)	(55 560)	-	624 525
Plant and equipment	51 528	15 349	-	-	-	-	(6 227)	-	-	60 650
Furniture, fittings and office equipment	95 853	44 233	(5)	-	-	112	(30 685)	(754)	169	108 923
Land and water vehicles	118 836	26 218	(578)	-	-	-	(24 732)	(191)	-	119 553
IT equipment	226 664	583 574	(85)	607	-	272	(127 361)	(1 696)	121	682 096
Leasehold improvements	138 179	78 255	-	-	-	-	(51 988)	(2 500)	-	161 946
Generators	33 266	6 615	-	-	-	-	(5 935)	-	-	33 946
Security equipment	40 627	6 788	-	-	-	-	(19 351)	(65)	96	28 095
Assets under construction	1 526	(87)	-	(1 439)	-	-	-	-	-	-
	1 546 483	**768 596**	**(668)**	**-**	**37 942**	**384**	**(278 389)**	**(98 666)**	**386**	**1 976 068**

Additions are disclosed net of inter-class transfers, which might result in a negative balance depending on the transfer in or out of the specific class.

5. Property, plant and equipment (continued)

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

Figures in Rand thousand (R'000)

	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 6 contra each other.

5. Property, plant and equipment (continued)

Reconciliation of the carrying amount of property, plant and equipment - Controlling entity - 2017

Figures in Rand thousand (R'000)

	Opening balance	Additions	Disposals	Transfers	Revaluations	Compensation for replacement assets	Depreciation	Impairment loss/ Scrappings	Impairment reversal	Total
Land	194 161	-	-	-	73	-	-	(37 900)	-	156 334
Buildings	645 843	7 651	-	832	37 869	-	(12 110)	(55 560)	-	624 525
Plant and equipment	51 528	15 349	-	-	-	-	(6 227)	-	-	60 650
Furniture, fittings and office equipment	95 406	44 090	(3)	-	-	112	(30 533)	(754)	169	108 487
Land and water vehicles	118 836	26 218	(578)	-	-	-	(24 732)	(191)	-	119 553
IT equipment	223 988	582 575	(2)	607	-	272	(126 294)	(1 696)	121	679 571
Leasehold improvements	137 616	78 255	-	-	-	-	(51 855)	(2 500)	-	161 516
Generators	33 252	6 615	-	-	-	-	(5 932)	-	-	33 935
Security equipment	40 623	6 789	-	-	-	-	(19 349)	(65)	96	28 094
Assets under construction	1 526	(87)	-	(1 439)	-	-	-	-	-	-
	1 542 779	**767 455**	**(583)**	**-**	**37 942**	**384**	**(277 032)**	**(98 666)**	**386**	**1 972 665**

Additions are disclosed net of inter-class transfers, which might result in a negative balance depending on the transfer in or out of the specific class.

5. Property, plant and equipment (continued)

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

Figures in Rand thousand (R'000)

	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 6 contra each other.

	Economic entity		Controlling entity	
	2017	2016	2017	2016
	R '000	R '000	R '000	R '000

5. Property, plant and equipment (continued)

Assets subject to finance lease (Net carrying amount)

Furniture, fittings and office equipment	12 332	11 118	12 240	11 093

Revaluations

The effective date of the revaluations was 31 March 2017. Revaluations were performed by independent valuer, Mr WJ Hewitt [NDPV,MIEA, FIVSA,MRICS] and candidate valuer Mr PL Niesing [B Art et Scientiae (Planning) SAIV] of Mills Fitchet (TVL) cc. Mills Fitchet (TVL) cc. is not connected to the economic entity.

The valuation of Lehae la SARS (299 Bronkhorst Street, Nieuw Muckleneuk, 0180) was performed using the direct comparable method. This method determines the market value of vacant land or residential properties as this method employs the direct comparison of comparable properties recently sold.

The valuation of the Alberton South Campus (New Redruth Extension 6, McKinnon Crescent, Alberton,1449) was 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 Fouriesburg houses were performed using both the depreciated replacement method and the direct comparable method to determine the market value.

The valuation of the Ficksburg houses were performed using the depreciated replacement 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.

Expenditure incurred to repair and maintain property, plant and equipment and intangibles

Included in Statement of Financial Performance				
General expenses	71 557	61 884	71 507	61 862
Contracted services	449 200	397 827	468 025	414 749
	520 757	459 711	539 532	476 611

6. Intangible assets

Figures in Rand thousand (R'000)

Economic entity	2017			2016		
	Cost / Valuation	Movement	Carrying value	Cost / Valuation	Movement	Carrying value
Intellectual property and other rights	73 583	(26 644)	46 939	73 583	(19 286)	54 297
IT software	2 948 021	(2 176 774)	771 247	2 556 036	(1 938 805)	617 231
Software under development	81 899	-	81 899	99 489	-	99 489
Total	**3 103 503**	**(2 203 418)**	**900 085**	**2 729 108**	**(1 958 091)**	**771 017**

Controlling entity	2017			2016		
	Cost / Valuation	Movement	Carrying value	Cost / Valuation	Movement	Carrying value
IT software	3 245 418	(2 174 507)	1 070 911	2 754 409	(1 937 247)	817 162
Software under development	186 061	-	186 061	226 409	-	226 409
Total	**3 431 479**	**(2 174 507)**	**1 256 972**	**2 980 818**	**(1 937 247)**	**1 043 571**

6. Intangible assets (continued)

Reconciliation of the carrying amount of intangible assets - Economic entity - 2017

Figures in Rand thousand (R'000)	Opening balance	Additions	Transfers	Amortisation	Impairment loss/ Scrappings	Total
Intellectual property and other rights	54 297	-	-	(7 358)	-	46 939
IT software	617 231	271 163	141 332	(248 055)	(10 424)	771 247
Software under development	99 489	123 742	(141 332)	-	-	81 899
	771 017	**394 905**	**-**	**(255 413)**	**(10 424)**	**900 085**

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

Figures in Rand thousand (R'000)	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 5 contra each other.

Reconciliation of the carrying amount of intangible assets - Controlling entity 2017

Figures in Rand thousand (R'000)	Opening balance	Additions	Transfers	Amortisation	Impairment loss/ Scrappings	Total
IT software	817 162	303 128	208 391	(247 346)	(10 424)	1 070 911
Software under development	226 409	168 043	(208 391)	-	-	186 061
	1 043 571	**471 171**	**-**	**(247 346)**	**(10 424)**	**1 256 972**

6. Intangible assets (continued)

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

Figures in Rand thousand (R'000)	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 5 contra each other.

	Economic entity		Controlling entity	
	2017	2016	2017	2016
	R '000	R '000	R '000	R '000

6. Intangible assets (continued)

Intangible assets in the process of being constructed or developed that is taking a significantly longer period of time to complete than expected

eDNA & Q Radar	10 619	-	10 619	-

The project rollout was completed however not all the functionalities planned for phase 1 have been delivered, and this is being addressed in the 2017/18 financial year. Functionalities excluded are the Gemalto readers for SmartID cards and SAP components. The Q Radar implementation could not take place due to the dependency on and delay of two other projects namely; Appscan and SIM/SAM.

The Appscan project however was cancelled due to a lack of infrastructure and the dependency removed. The technical issues experienced on SIM/SAM have been resolved and the deployment of Q Radar will take place as soon as SIM/SAM has been implemented, currently planned for December 2017.

Dispute Management	7 214	-	7 214	-

The Disputes scope was originally scheduled for implementation in two phases in 2015, but due to the complexity of the solution the functionality was phased. The last phases are being implemented later in 2017 and early 2018. The project was scoped for implementation on 20 November 2015 with an automated guided Disputes process on eFiling and Service Manager for PIT/CIT, VAT and PAYE. The complexity of the solution across the various tax types resulted in a high number of test cases and the scope for the 20 November 2015 release was reduced to exclude VAT and PAYE.

The release was postponed until December 2015 because of the risk of the Provisional Tax payments deadline at the end of November 2015. This release was limited to PIT and CIT with a full guided process on Service Manager. The VAT functionality was subsequently planned for implementation on 7 April 2016, and thereafter postponed and implemented on 14 October 2016. The postponement was due to the deadlines of tax payments, public holidays and the financial year-end.

On 12 May 2017 the Disputes process was enhanced by including the Request for Reasons, Condonation, Suspension of Payment and the full guided process on eFiling. The full functionality is scheduled to be extended to PAYE on 30 June 2017. The change requests that were raised during the project are tentatively scheduled for implementation on 23 February 2018. The Business Case requirements will be finalised with the implementation of the change requests and the project will be closed.

Security Event Management	952	-	952	-

The project consisted of 3 deliverables. The first deliverable relates to a reports portal. The business requested minor enhancements based on feedback after a demonstration and will then approve. The estimated completion for this is end of June 2017. The second deliverable relates to mobile signatures for the request for mobile device process. Initial work done is in development, the project is awaiting the completion of business requirements. This last deliverable relates to the database data security. This required downtime on key databases and was delayed due to other priorities. The last two deliverables are currently being finalised.

	18 785	-	18 785	-

	Economic entity		Controlling entity	
	2017	2016	2017	2016
	R '000	R '000	R '000	R '000

6. Intangible assets (continued)

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

Integrated Account and Revenue Management (IARM)	93 481	-	93 481	-

The project was suspended for an extended timeframe due to the moratorium placed on modernisation activities in December 2014, subsequent changes in business priorities and the need for external reviews to be concluded. It is prudent to safeguard these assets in anticipation of future reuse opportunities when the project phases dedicated to the delivery of these tax products commence in 2017/18.

Mainframe replacement project	4 658	-	4 658	-

The 2017/2018 annual performance plan includes the mainframe program as a main deliverable under the new SARS IT Strategy rollout and therefore this project will be reviewed during the next financial year.

	98 139	-	98 139	-

	Economic entity		Controlling entity	
	2017	2016	2017	2016
	R '000	R '000	R '000	R '000

7. Investment in controlled entity

Name of company	Held by	% holding 2017	% holding 2016	Carrying amount 2017	Carrying amount 2016
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).

8. Loan to the controlled entity

Controlled entity

Interfront	-	-	92 595	92 595
Provision for impairment of loan to controlled entity	-	-	(12 053)	(12 143)
	-	**-**	**80 542**	**80 452**

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

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

The loan is recognised at amortised cost which is calculated by assessing the level of impairment necessary weighing the different probabilities of repayment (40%) or conversion into equity (60%) appropriately. A weighted average effective interest rate as at 31 March 2017 was calculated as 9.81% resulting in the implied interest income to be recognised in the Statement of Financial Performance.

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

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

Fair value of the loan to the controlled entity

Loan to controlled entity	-	-	122 968	107 232

An average effective discount rate of 9.08% 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.

	Note(s)	Economic entity 2017 R '000	Economic entity 2016 Restated* R '000	Controlling entity 2017 R '000	Controlling entity 2016 R '000

8. Loan to the controlled entity (continued)

Impairment of the loan to the controlled entity

As at 31 March 2017, the loan to Interfront of R92 595 410 (2016: R92 595 410) was impaired by R12 052 739 (2016: R12 142 870).

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	-	-	12 143	11 578
Provision for impairment (refer note 17)	-	-	7 807	8 454
Deemed interest income	-	-	(7 898)	(7 889)
	-	-	12 052	12 143

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

9. Tax payable/(receivable) - controlled entity

Balance at beginning of the year	2 222	7 213	-	-
Current tax recognised in surplus or deficit	(5 693)	(529)	-	-
Balance at end of the year	(469)	(2 222)	-	-
	(3 940)	**4 462**	**-**	**-**

10. Finance lease obligation

Office equipment				
Minimum lease payments due				
- within one year	9 673	7 964	9 629	7 929
- in second to fifth year inclusive	10 847	11 836	10 782	11 836
	20 520	19 800	20 411	19 765
less: future finance charges	(6 667)	(6 620)	(6 652)	(6 619)
Present value of minimum lease payments	**13 853**	**13 180**	**13 759**	**13 146**

Non-current liabilities	7 354	7 853	7 294	7 853
Current liabilities	6 499	5 327	6 465	5 293
	13 853	**13 180**	**13 759**	**13 146**

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.

* See Note 35

	Economic entity		Controlling entity	
	2017	2016	2017	2016
	R '000	R '000	R '000	R '000

11. Trade and other payables

Trade accounts payable and accruals	302 379	482 714	308 581	500 579
Accruals for salary related expenses	255 606	235 772	252 773	232 963
Other payables	621	2 358	621	1 502
Donations for distribution	77	77	77	77
	558 683	**720 921**	**562 052**	**735 121**

12. Deferred income

Receipts comprises of:

Tenant allowances	153	233	153	233
Tower rentals	70	68	70	68
Surrender of surplus balance	977 243	-	977 243	-
	977 466	**301**	**977 466**	**301**

Current liabilities	860 435	148	860 435	148
Non-current liabilities	117 031	153	117 031	153
	977 466	**301**	**977 466**	**301**

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.

On 31 May 2016, SARS submitted a request for retention of the cash balance as at 31 March 2016 in line with section 53(3) of the Public Finance Management Act (PFMA) which states that a public entity may not retain cash surpluses that were realised in the previous financial year without prior written approval from the National Treasury.

On 28 July 2016 SARS obtained approval to retain R1.75 billion of the R3.37 billion cash balance as at 31 March 2016 to be utilised for current obligations as disclosed in the Annual Financial Statements. National Treasury however requested that SARS do not return the funding of R1.62 billion that was not approved for retention and instead reduce the March 2017 monthly grant with R645 million and ring-fenced the balance to be used over the medium term (2017/18: R860 million and 2018/19: R117 million).

13. Provisions

Reconciliation of provisions - Economic entity - 2017

Figures in Rand thousand (R'000)

	Opening Balance	Accumulation	Utilised during the year	Adjustment during the year	Closing balance
Performance bonuses	566 515	548 506	(561 068)	(5 447)	548 506
Salary related provisions	10 421	-	(1 366)	(6 584)	2 471
Provision for building rentals	-	3 179	-	-	3 179
	576 936	**551 685**	**(562 434)**	**(12 031)**	**554 156**

Reconciliation of provisions - Economic entity - 2016

Figures in Rand thousand (R'000)

	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 - Controlling entity - 2017

Figures in Rand thousand (R'000)

	Opening Balance	Accumulation	Utilised during the year	Adjustment during the year	Closing balance
Performance bonuses	561 420	543 085	(556 326)	(5 094)	543 085
Salary related provisions	10 421	-	(1 366)	(6 584)	2 471
Provision for building rentals	-	3 179	-	-	3 179
	571 841	**546 264**	**(557 692)**	**(11 678)**	**548 735**

Reconciliation of provisions - Controlling Entity - 2016

Figures in Rand thousand (R'000)

	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**

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	
	2017	2016	2017	2016
	R '000	R '000	R '000	R '000

13. 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's service to repay salary recoveries made after 1994. These employees formed part of employees from the former Public Service Department in TBVC States that were awarded irregular salary increases and job titles. SARS started with the recovery of these salary overpayments in 1999, but was not part of the Public Service Administration at that time. Payments to the amount of R1 366 336 were made in 2017 and are still ongoing.

In 2016 a provision for possible salary payments (R6.6 million) was 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 provision has now been reversed as no payments were made against the provision in 2017 and the probability of these payments realising has been determined to be very low.

Provision for building rentals

A provision for building rental escalations was raised on contracts that could not be included in the straight line calculations for operating leases for the financial year 2016/2017 pending conclusion of new lease agreements. The calculations were based on the escalation rates as per the latest concluded contracts. Values included in Operating lease expenses as disclosed in Note 29.

14. Asset revaluation reserve

Opening balance	224 244	190 151	224 244	190 151
Current year revaluation	43 960	39 058	43 960	39 058
Depreciation on the revalued portion of assets	(6 018)	(4 965)	(6 018)	(4 965)
	262 186	**224 244**	**262 186**	**224 244**

15. Revenue

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

Rendering of services	**9 928**	**8 895**	**-**	**-**

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

Transfer from government entity	**10 009 152**	**9 334 439**	**10 009 152**	**9 334 439**

	Economic entity		Controlling entity	
	2017	2016	2017	2016
	R '000	R '000	R '000	R '000

16. Other income

Discount on non-exchange transaction	578 109	-	578 109	-
Commission received	315 821	299 896	315 821	299 896
Sundry receipts	25 880	16 139	26 166	16 406
SDL training grant	4 654	1 549	4 654	1 549
Compensation for replacement assets	385	2 628	385	2 628
	924 849	**320 212**	**925 135**	**320 479**

17. Impairment loss

Property, plant and equipment & Intangibles	108 705	36 413	108 705	36 413
Loan to controlled entity (Refer note 8)	-	-	7 807	8 454
	108 705	**36 413**	**116 512**	**44 867**

According to GRAP 17 and GRAP 21, the economic entity reviews and tests the carrying value of property, plant and equipment when events or changes in circumstances suggest that the carrying amount may not be recoverable. In the economic entity's asset policy an event is defined as the inability to verify an asset for a period of two years upon which the carrying value is impaired to zero. If the asset remains unverified, it will be written-off at the subsequent reporting date. In 2017 assets to the value of R10.4 million (2016: R24.5 million) were impaired in line with GRAP 21 and R 4.9 million (R2016: R3.3 million) in line with the SARS policy.

Impairment of land and buildings represent adjustments in terms of valuations performed (refer note 5 and 14). Impairments of R93.4 million (2016: R8.7 million) were processed for 2017.

The loan to Interfront was measured at amortised cost. This resulted in an impairment in the current financial year.

18. Finance costs

Finance leases	**3 250**	**4 691**	**3 234**	**4 682**

19. Taxation - controlled entity

Major components of the tax expense

Current

Local income tax - current period	5 662	529	-	-
Local income tax - recognised in current tax for prior periods	30	-	-	-
	5 692	**529**	**-**	**-**

Deferred

Deferred tax movement current year	115	2 542	-	-
	5 807	**3 071**	**-**	**-**

	Economic entity		Controlling entity	
	2017	2016	2017	2016
	R '000	R '000	R '000	R '000

19. Taxation - controlled entity (continued)

Reconciliation of the tax expense

Reconciliation between applicable tax rate and average effective tax rate.

Applicable tax rate	28%	28%	-%	-%

Accounting Profit subject to tax	15 353	12 494	-	-
Tax at 28%	4 299	3 498	-	-
Deferred tax effect income	(115)	(2 541)	-	-
Non-deductible expenses	1 478	656	-	-
Under/(over) provision of tax in the prior year	30	(1 084)	-	-
	5 692	**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.

20. Cash generated from operations

Surplus (deficit)	432 437	(404 278)	498 549	(347 205)
Adjustments for:				
Depreciation and amortisation	533 802	625 235	524 378	615 778
Gain on disposal of assets	(2 091)	1 907	(2 159)	1 873
Compensation for replacement assets	(384)	(2 628)	(384)	(2 628)
Surplus received in advance	(645 476)	-	(645 476)	-
Finance costs	3 241	4 691	3 234	4 682
Impairment loss	108 705	36 413	116 512	44 867
Movement in operating lease liabilities	(16 434)	(19 666)	(16 555)	(19 900)
Movement in employee benefits	29 859	4 433	29 859	4 433
Movement in provisions	(22 780)	39 264	(23 106)	38 085
Movement in tax receivable	1 753	4 990	-	-
Annual charge for deferred tax	115	2 542	-	-
Interest income intercompany loan	-	-	(7 898)	(7 889)
Changes in working capital:				
Receivables from exchange transactions	10 739	137	13 187	(2 289)
Prepayments	6 211	23 345	5 524	23 575
Trade and other payables	(162 235)	116 715	(173 064)	101 252
VAT	(1 560)	1 699	-	-
Deferred income	(78)	(92)	(78)	(92)
	275 824	**434 707**	**322 523**	**454 542**

	Economic entity		Controlling entity	
	2017	2016	2017	2016
	R '000	R '000	R '000	R '000

21. Financial assets by category

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

Receivables from exchange transactions	61 629	72 368	59 069	72 256
Cash and cash equivalents at fair value	2 535 674	3 423 160	2 454 244	3 370 226
Loan to controlled entity at amortised cost	-	-	80 542	80 452
	2 597 303	**3 495 528**	**2 593 855**	**3 522 934**

22. Deferred tax - controlled entity

Deferred tax liability

Deferred tax liability	**(5 398)**	**(5 282)**	**-**	**-**

Reconciliation of deferred tax liability

At beginning of year	(5 282)	(2 740)	-	-
Originating/(reversing) temporary difference on intellectual property	619	(3 363)	-	-
Reversing temporary difference on property, plant and equipment	(177)	(105)	-	-
Reversing temporary difference on finance lease	(13)	(17)	-	-
Originating temporary difference on operating lease	34	65	-	-
Temporary difference on prepayments	112	(222)	-	-
Movement in provision and accruals	(691)	1 100	-	-
	(5 398)	**(5 282)**	**-**	**-**

23. Employee benefit obligations

Defined contribution retirement fund

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

The total economic entity contribution to such schemes	**472 894**	**442 557**	**468 830**	**439 102**

24. Prepayments

Prepaid expenses	51 160	56 350	50 462	54 965
Leave taken in advance	20 191	21 212	20 191	21 212
	71 351	**77 562**	**70 653**	**76 177**

	Economic entity		Controlling entity	
	2017	**2016**	**2017**	**2016**
	R '000	**R '000**	**R '000**	**R '000**

25. 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	10 008	11 442	10 008	11 442
Benefits paid	(974)	(3 066)	(974)	(3 066)
Actuarial loss	512	822	512	822
Interest cost	843	810	843	810
	10 389	**10 008**	**10 389**	**10 008**

Employees with leave accumulated prior to 1999 did not have an opportunity in 2017 to encash any leave (2016: R1 236 681).

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.

26. 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	171 170	165 303	171 170	165 303
Benefits paid	(61 522)	(54 686)	(61 522)	(54 686)
Actuarial loss	75 983	48 131	75 983	48 131
Interest paid	15 021	12 422	15 021	12 422
	200 652	**171 170**	**200 652**	**171 170**

An additional encashment of leave of R48 749 207 (2016: R44 035 677) was approved in 2017. 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.

	Economic entity		Controlling entity	
	2017	2016	2017	2016
	R '000	R '000	R '000	R '000

27. Financial liabilities by category

Finance lease obligation at amortised cost	13 853	13 180	13 759	13 146
Trade and other payables at amortised cost	303 000	485 072	309 202	502 081
Employee benefits at fair value (refer notes 25 & 26)	211 040	181 178	211 040	181 178
	527 893	**679 430**	**534 001**	**696 405**

28. Auditors' remuneration

Current year fees	14 440	16 220	13 812	15 592
Prior year fees paid in the current year	12 773	21 440	12 773	21 440
	27 213	**37 660**	**26 585**	**37 032**

29. Operating leases

Building and related rentals on straight-line basis	**519 222**	**464 918**	**517 349**	**463 082**

Contractual building and related rentals	535 607	484 585	533 903	482 982

Clauses pertaining to renewal or purchasing options are evaluated on a case by case basis. The escalation rates vary between 0% and 9% per annum.

Minimum future lease payments.

Economic entity 2017	Less than 1 year	Between 2 and 5 years	Beyond 5 years	Total
Building and related rentals	479 847	783 586	48 025	1 311 458

Economic entity 2016	Less than 1 year	Between 2 and 5 years	Beyond 5 years	Total
Building and related rentals	451 572	980 287	75 392	1 507 251

Controlling entity 2017	Less than 1 year	Between 2 and 5 years	Beyond 5 years	Total
Building and related rentals	477 628	781 189	45 896	1 304 713

Controlling entity 2016	Less than 1 year	Between 2 and 5 years	Beyond 5 years	Total
Building and related rentals	449 757	974 331	75 392	1 499 480

	Economic entity		Controlling entity	
	2017	2016	2017	2016
	R '000	R '000	R '000	R '000

30. Commitments

Authorised capital expenditure				
Already contracted for				
Intangible assets	114 176	137 671	114 176	137 671
Property, plant and equipment	124 505	191 352	124 505	191 352
	238 681	329 023	238 681	329 023
Authorised but not yet contracted for				
Intangible assets	881 643	613 564	881 643	613 564
Property, plant and equipment	352 528	864 358	352 528	864 358
	1 234 171	1 477 922	1 234 171	1 477 922
Total capital commitments				
Already contracted for	238 681	329 023	238 681	329 023
Authorised but not yet contracted for	1 234 171	1 477 922	1 234 171	1 477 922
	1 472 852	1 806 945	1 472 852	1 806 945
Authorised operational expenditure				
Already contracted for	142 149	210 083	140 488	209 841
Authorised but not yet contracted for	349 714	604 442	349 714	604 442
	491 863	814 525	490 202	814 283
Total commitments				
Capital expenditure	1 472 852	1 806 945	1 472 852	1 806 945
Operational expenditure	491 863	814 525	490 202	814 283
	1 964 715	2 621 470	1 963 054	2 621 228

31. Contingencies

Contingencies exclude any matters arising as a results of tax and customs related activities

Contingent liabilities

Salary related

In 2016 a provision for possible salary payments (R6.6 million) was 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 were uncertain at the time. The provision has now been reversed as no payments were made against the provision in 2017 and the probability of these payments realising has been determined to be very low. Refer note 13.

31. Contingencies (continued)

Trade vendors

In 2016 certain goods delivered by a vendor on a goods contract (R465 350.68) were subject to arbitration. The matter is still not concluded and will be tabled at the National Bid Adjudication Committee (NBAC) for resolution during the second quarter of 2017/2018.

Due to a breach of its obligations SARS served notice of termination on one of its service vendors effective 1 May 2012 in respect of all the regions it was awarded under the cleaning services tender. The matter proceeded to litigation in the Labour Court. SARS holds an amount of R272 667 in retention which is the amount that it is liable for in terms of a compliance order issued by the Department of Labour. The vendor filed for arbitration in February 2015 claiming R3 317 550. SARS is defending the matter, which is still ongoing.

Lease Agreement

A dispute arose between SARS and a landlord regarding the date that a leased premises was available for re- occupation. The landlord proposed that the premises be occupied until 31 December 2017 while SARS had given notice to vacate the premises by 30 June 2017. To this end the landlord is now demanding that the leased premises be fully reinstated by no later than 30 June 2017. Should SARS fail or neglect to reinstate the leased premises, the landlord will accept that SARS has agreed to extend the lease to 31 December 2017 and SARS will be liable for rental and other charges up to and including 31 December 2017. Should SARS wish to refund the landlord the reinstatement costs, the landlord will proceed to obtain 3 quotations to cost the reinstatement required. SARS will be liable to pay the cost of the reinstatement by no later than 30 June 2017.

Contingent assets

Towards the end of 2016 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 finalisation of the insurance claim is expected in early 2018.

32. Related parties

Related parties	
Interfront	Refer to note 7
Key members of the controlled entity's management who are employed by the controlling entity	Mr. J.J. Louw - Non - Executive Director (Resigned 31 January 2017) Mr. J.M. Makwakwa - Non - Executive Director Mr. M.P. Matlwa - Non - Executive Director Mr. H.T. Mashigo - Non - Executive Director (Alternative Director appointed 20 October 2016)
Close family member of the executive committee	Ms. DG Mokoena Ms. K Elskie

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.

	Controlling entity	
	2017	2016
	R '000	R '000

32. Related parties (continued)

Only transactions with related parties where the transactions are not concluded within the normal operating policies and procedures or on terms that are not more or less favourable than the terms it would use to conclude transactions with another entity or person are disclosed.

During the course of the current year, a spouse to one of the members of the executive committee, was in the employ of the controlling entity and received remuneration for services rendered. Possible fictitious qualifications/misrepresentation in respect of qualifications by the employee, leading to the defraudment of the controlling entity, is currently under investigation.

	2017	2016
Related party balances - controlling entity		
Loan accounts - owing by related parties		
Interfront	80 543	80 452
Amounts included in trade receivables regarding related parties		
Department of Home Affairs (DHA)	6 194	5 604
Interfront	-	110
Amounts included in trade and other payables		
Interfront	-	21 628
Related party transactions - controlling entity		
Rendering of services to related parties		
Department of Home Affairs (DHA)	41 785	41 541
Rendering of services by related parties		
Interfront	96 164	84 146

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).

	2017	2016
Compensation to close family members of executive committee		
Ms. DG Mokoena (2016 - 3 months)	268	62
Ms. K Elskie	323	312
	591	**374**

33. Executive remuneration

Figures in Rand thousand (R'000)						
2017						
	Salary	**Bonus paid/ payable**	**Allowances including leave payments**	**Contributions medical and pension**	**Acting allowance paid/ payable**	**Total**
Commissioner for SARS	3 665	-	52	443	-	4 160
Chief Officer: Business and Individual Taxes and Chief Officer: Digital Information and Services Technology (Acting) (5.5 months)	3 336	930	196	322	165	4 949
Chief Officer: Business and Individual Taxes (Acting) (6.5 months)	1 371	-	47	15	136	1 569
Chief Officer: Digital Information and Services Technology (Acting) (3.5 months)	904	-	9	11	89	1 013
Chief Officer: Digital Information and Services Technology (Acting) (3 months)	429	-	28	47	55	559
Chief Officer: Finance	3 036	795	55	295	-	4 181
Chief Officer: Governance, International Relations, Strategy and Communication and Chief Officer: Enforcement (Acting)	3 338	185	126	404	376	4 429
Chief Officer: Customs and Excise	3 419	185	96	330	-	4 030
Chief Officer: Legal Counsel (10 months)	2 502	720	231	26	-	3 479
Chief Officer: Legal Counsel (Acting) (2 months)	386	-	6	38	43	473
Chief Officer: Human Capital and Development	2 782	185	111	317	-	3 395
	25 168	3 000	957	2 248	864	32 237

Chief Officer: BAIT, Mr. M J Makwakwa was suspended on the 15th September 2016, on allegations of suspicious and unusual cash deposits and payments made by Mr. Makwakwa in his personal bank account as reported in a Financial Intelligence Centre report to SARS. Mr Makwakwa has returned to work on 1 November 2017 post conclusion of an internal disciplinary process.

The Acting Allowance Policy was revised to also include the executive committee members.

Refer to Note 38 on payment of performance bonuses for the SARS Executive Committee.

33. Executive remuneration (continued)

Figures in Rand thousand (R'000)

2016

	Salary	Bonus	Allowances including leave payments	Contributions medical and pension payments	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 Taxes (5 months)	1 329	-	96	129	1 554
Chief Officer: Customs and Excise (3 months)	821	-	9	79	909
Chief Officer: Governance, International Relations, Strategy and Communication (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 and Communication (Acting) (2 months)	338	-	4	4	346
Group Executive: Large Business Centre (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 and Communication (Acting) (4 months)	1 180	462	18	13	1 673
Chief Officer: Tax and 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 and Customs Enforcement Investigations (2 months)	422	-	5	5	432
Group Executive: Large Business Centre (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 payment to the value of R1 281 993.60 was made to Mr Ravele.

34. 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	Decrease in depreciation charge (Rand)
Servers	3 years	5 years	(5 294 397)
Software servers	5 years	8 years	(121 680 628)
Software personal computers	5 years	8 years	(4 331 142)

35. Prior period adjustments

The corrections of errors pertaining to 2016 resulted in adjustments as follows:

Figures in Rand thousand (R'000)

	Economic Entity		Controlling Entity	
Statement of Financial Position	**2016**	**2015**	**2016**	**2015**
Current tax receivable - controlled entity	-	(2 221)	-	-
Current tax payable - controlled entity	-	(168)	-	-
Opening retained earnings	-	2 389	-	-

	Economic Entity		Controlling Entity	
Statement of Financial Performance	**2016**	**2015**	**2016**	**2015**
Administrative expenses	(112)	-	-	-
Personnel expenditure	112	-	-	-

Due to an accelerated depreciation rate for Intellectual Property (IP), the controlled entity over provided for tax in 2014 (R2 388 905).

In 2016, the controlled entity incorrectly classified administrative fees as professional services.

36. 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.

36. Risk management (continued)

Financial risk management

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

Liquidity risk

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

The economic entity's risk to liquidity is a shortfall in funds available to cover commitments. The economic entity manages liquidity risk through 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

Figures in Rand thousand (R'000)				
At 31 March 2017	**Less than 1 year**	**Between 2 and 5 years**	**Beyond 5 years**	**Total**
Finance lease obligations	9 717	10 891	22	20 630
Trade and other payables	303 000	-	-	303 000
Employee benefits	-	-	211 040	211 040

Figures in Rand thousand (R'000)				
At 31 March 2016	**Less than 1 year**	**Between 2 and 5 years**	**Beyond 5 years**	**Total**
Finance lease obligations	7 964	11 836	-	19 800
Trade and other payables	485 072	-	-	485 072
Employee benefits	-	-	181 178	181 178

36. Risk management (continued)

Controlling entity

Figures in Rand thousand (R'000)				
At 31 March 2017	**Less than 1 year**	**Between 2 and 5 years**	**Beyond 5 years**	**Total**
Finance lease obligations	9 629	10 782	-	20 411
Trade and other payables	309 202	-	-	309 202
Employee benefits	-	-	211 040	211 040

Figures in Rand thousand (R'000)				
At 31 March 2016	**Less than 1 year**	**Between 2 and 5 years**	**Beyond 5 years**	**Total**
Finance lease obligations	7 929	11 836	-	19 765
Trade and other payables	502 081	-	-	502 081
Employee benefits	-	-	181 178	181 178

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 338 548 (2016: R10 008 240) in comparison to a nominal value of R11 059 231 (2016: R11 132 317).
- Accumulated annual leave. At the reporting date the fair value of this liability is estimated to be R200 651 740 (2016: R171 169 773) in comparison to a nominal value of R207 352 707 (2016: R183 504 079).

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 2017 was R591 073 (2016: R1 163 983).

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.

36. Risk management (continued)

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.

37. 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.

38. Irregular Expenditure

Performance bonus	3 000	-	3 000	-

In the year under review SARS paid a total of R561 million in performance bonuses relating to the 2015/16 financial year of which R3 million was paid to members of the Executive Committee. The payment of the R3 million was based on legal opinions obtained by the SARS Accounting Authority which confirmed the powers conferred upon the SARS Commissioner by the SARS Act as amended in 2002 in particular Section 18(3).

Indeed SARS has historically sought approval from the Minister when effecting such performance bonus payments however on the strength of the legal advice obtained, the historical approval was not obtained.

In order to put the legal opinions beyond interpretative doubt, SARS is in the process of seeking a declaratory on the interpretation of the powers of the SARS Commissioner in as far as Section 18(3) of the SARS Act as amended in 2002 is concerned, to this effect SARS has approached the Gauteng North High Court. Upon the conclusion of the court process, SARS will give effect to an update to its financials in the 31 March 2018 reporting period and will accordingly comply with section 55(2) of the PFMA.

39. Fraudulent activities

The trial pertaining to the 2010 fraud case where a staff member allegedly colluded with outside suppliers to the value of R11.5 million began in October 2015. The State concluded their arguments on 23 May 2017 and the defence moved to challenge the State's evidence against his client. Judgement was handed down in August 2017 and the staff member was found not guilty.

During the year under review a staff member was dismissed due to procurement related fraud amounting to R1 778 589.

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	15 119 795
Add back	
Leave accrual for the current year	2 501 377
Bonus provision	5 421 150
Depreciation	2 063 971
Amortisation IP	7 358 263
Interest on finance lease	7 489
Operating lease straight lining	1 787 188
Prepayments for the prior year	1 100 795
Office plant straight lining	38 607
Income received in advance for the current year	862 706
	21 141 546

Less	
Leave accrual for the previous year	(1 559 713)
Bonus provision prior year	(5 095 168)
Wear and tear allowance	(2 566 217)
Prepayments	(697 604)
Actual payments made on finance lease	(52 678)
Income received in advance	(855 640)
Actual operating lease payments made	(1 704 349)
Temporary differences	(2 681 900)
	(15 213 269)
Taxable income	**21 048 072**
Tax thereon @ 28%	**5 893 460**

		Controlling entity	
		2017	2016
		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).

		2017	2016
1)	World Customs Organisation (WCO)	633	665

Travel and accommodation to attend various WCO events (projects, capacity building support, workshops, training, leadership/management training, SACU connect project, risk management training and missions to Sudan, Liberia and Uganda.

		2017	2016
2)	Botswana Unified Revenue Service (Interfront)	254	5

Travel and accommodation for the establishment of the BURS dog detector unit and graduation. Accommodation and travel to Botswana Revenue Authority (2016) .

		2017	2016
3)	China Customs	243	95

Travel, accommodation and subsistence to attend risk management seminars. Accommodation and travel for First China Africa Seminar on Customs Administration in Shangai to share insights on customs administration from a decision-making perspective (2016).

		2017	2016
4)	United Nations	65	-

Travel and accommodation to attend various workshops and committee meetings.

		2017	2016
5)	Korea International Cooperation Agency	52	-

Travel, accommodation and meals to attend the 13th CBCTI capacity building conference.

		2017	2016
6)	Office of Export Control Cooperation	43	-

Travel, accommodation and meals to attend training and strategic trade management.

		2017	2016
7)	Afritac	41	-

Travel, accommodation and subsistence to attend RAF IT training.

		2017	2016
8)	International Monetary Fund	35	-

Travel and accommodation to attend the TPA-TTF Seminar on Managing Tax Admin Reform Programs and the Heckathon in Senegal.

ANNEXURE 2- DONATIONS IN KIND – CONTROLLING ENTITY

		Controlling entity	
		2017	2016
		R '000	R '000

Donations in kind - controlling entity (continued)

9)	African Tax Administration Forum (ATAF)	33	205

Travel and Accommodation to attend the 6th ATAF CBT meeting. Accommodation and travel to do a presentation on behalf of ATAF, attendance of ATAF Tax Treaties and the African Tax Administration Forum Technical Seminar on Taxpayer Service Taxpayer Orientation and Communication & Accommodation & travel to AWF2 Workshop on improving Value Added Tax and compliance management (2016).

10)	Korea Customs Co-operation Fund	31	-

Travel, accommodation and subsistence to attend WCO Operation CATalyst debriefing seminar.

11)	South African Development Community (SADC)	28	222

Travel and accommodation delegation to support the SADC VAT task team. Travel and accommodation to attend events sponsored by the South African Development Community. Attendance of SADC Customs Training and the Double Taxation Agreement (DTA) Training Workshop (2016).

12)	African Union (AU) Commission	15	34

Travel, accommodation and subsistence to attend the 2nd AU meeting. Accommodation and travel for First African Union Experts meeting on the development of a trade facilitation strategy (2016).

13)	Southern Africa Customs Union (SACU)	15	-

Travel, accommodation and subsistence to attend SACU Enforcement Training.

14)	WCO – SA Customs Union (SACU)	14	-

Travel and accommodation to attend a meeting.

15)	WCO Japanese Customs Cooperation Fund	12	-

Travel, accommodation and subsistence to attend NCO workshop.

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

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

17)	International Monetary Fund (IMF), AFRITAC South	-	129

Travel and accommodation for attending IMF workshops.

ANNEXURE 2- DONATIONS IN KIND – CONTROLLING ENTITY

	Controlling entity	
	2017	2016
	R '000	R '000

Donations in kind - controlling entity (continued)

	2017	2016
18) 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.

	2017	2016
19) Liberia Revenue Authority (LRA)	-	107

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

	2017	2016
20) Kenya Revenue Authority (KRA)	-	105

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

	2017	2016
21) Organisation for Economic Co-operation and Development (OECD)	-	103

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

	2017	2016
22) International Atomic Energy Agency	-	98

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

	2017	2016
23) 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.

	2017	2016
24) UNU-WIDER	-	47

Travel and accommodation for attending the United Nations conference.

	2017	2016
25) Rwanda Revenue Authority (RRA)	-	29

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

	2017	2016
26) Swaziland Revenue Authority (SRA)	-	27

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

	2017	2016
27) Economic Commission for Africa	-	21

Travel was sponsored for the Sub regional workshop on curbing Illicit Financial Flows (IFFs) from Africa.

Abbreviations and Acronyms

AEOI	Automatic Exchange of Information
ASB	Accounting Standards Board
ATAF	African Tax Administration Forum
ATR	Advance Tax Ruling
AU	African Union
B2B	Business to Business
BAIT	Business and Individual Taxes
BBEC	Black Business Executive Circle
BBEEE	Broad-based Black Economic Empowerment
BBC	Black Business Council
BEPS	Base Erosion and Profit Shifting
BLNS	Botswana, Lesotho, Namibia and Swaziland
BMA	Border Management Agency
bn	billion
BRICS	Brazil, Russia, India, China, South Africa
BUL	Business Unit Leader
BURS	Botswana Unified Revenue Service
BUSA	Business Unity South Africa
CEO	Chief Executive Officer
CFA	Committee on Fiscal Affairs
CIPC	Companies and Intellectual Property Commission
CIT	Corporate Income Tax
CMAA	Customs Mutual Administrative Assistance
CMAAA	Customs Mutual Administrative Assistance Agreements
CO	Chief Officer
CO2	Carbon dioxide
COGTA	Co-operative Governance and Traditional Affairs
COIDA	Compensation for Occupation Injuries and Diseases Act
CRS	Common Reporting Standard
CTC	Cost to Company
DCS	Department of Correctional Services
DHA	Department of Home Affairs
DIST	Digital Information Services and Technology
DFID	Department for International Development
DLP	Data Loss Prevention
DSBD	Department of Small Business Development
DT	Dividends Tax
DTA	Double Taxation Agreement
the dti	Department of Trade and Industry
EME	Emerging Micro Enterprise
EPPF	Eskom Pension and Provident Fund
ESA	East and Southern Africa
FATCA	Foreign Account Tax Compliance Act
FASSET	Finance and Accounting Services Sector Education and Training Authority
FITA	Fair Trade Independent Tobacco Association
FNB	First National Bank
FTA	Forum on Tax Administration
GC	Governing Council
GDP	Gross Domestic Product
GE	Group Executive
GISC	Governance, Intellectual Relations, Strategy and Communications
GRAP	Generally Recognised Accounting Practice
HBZ	Habib Bank AG Zurich
HMRC	Her Majesty Revenue and Customs
HNWIs	High Net Worth Individuals
HRC	Human Resource Committee
IFFs	Illicit Financial Flows
IA	Internal Audit
IARM	Integrated Account and Revenue Management
ICT	Information and Communication Technology
IIA	Institute of Internal Auditors
IIASA	Institute of Internal Auditors South Africa
IMF	International Monetary Find
IODSA	Institute of Directors South Africa
IP	Intellectual Property
IT	Information Technology
kWh	Kilowatt per hour
KRA	Kenya Revenue Authority
LBC	Large Business Centre
LEI	Leadership Effectiveness Index

ABBREVIATIONS AND ACRONYMS

LRA	Liberia Revenue Authority
m	million
MAAA	Mutual Administration Assistance Agreement
MG	Mandatory Grant
MHC	Master of the High Court
MoC	Memorandum of Co-operation
MPRR	Mineral and Petroleum Resources Royalty
MRA	Malawi Revenue Authority
MRA	Mozambique Revenue Authority
MTBPS	Medium Term Budget Policy Statement
MTEF	Medium Term Expenditure Framework
NADT	National Academy of Direct Taxes
NBAC	National Bid Adjudication Committee
NCAP	New Customs Act Programme
NCESF	National Customs and Excise Stakeholder Forum
NPA	National Prosecuting Authority
NT	National Treasury
OECD	Organisation for Economic Co-operation and Development
OHS	Occupational Health and Safety
PAYE	Pay-As-You-Earn
PFMA	Public Finance Management Act
PIT	Personal Income Tax
QSE	Qualifying Small Enterprise
RAF	Road Accident Fund
RCBs	Recognised Controlling Bodies
RCG	Reporting of Conveyancing and Goods
RE	Revised Estimate
RFI	Reporting Financial Institution
RKC	Revised Kyoto Convention
ROCB	Regional Office for Capacity Building
RRA	Rwanda Revenue Authority
SA	South Africa
SAA	South African Airways
SAAFF	South African Association of Freight Forwarders
SACU	Southern African Customs Union
SADC	Southern African Development Community
SAIA	South African Insurance Audit
SAICA	South African Institute of Chartered Accountants
SAIPA	South African Institute of Professional Accountants
Sait	South African Institute of Tax Professionals
SARB	South African Reserve Bank
SARS	South African Revenue Service
SCOF	Standing Committee on Finance
SCOPA	Standing Committee on Public Accounts
SDL	Skills Development Levy
SECOF	Select Committee on Finance
SITA	State Information Technology Agency
SMMEs	Small, Medium and Micro Enterprises
SMS	Short Message Service
SOE	State Owned Enterprises
SOPs	Standard Operating Procedures
SRA	Swaziland Revenue Authority
STA	Swedish Tax Authority
STC	Secondary Tax on Companies
SVDP	Special Voluntary Disclosure Programme
TCS	Tax Compliance Status
TISA	Tobacco Industry of South Africa
UIF	Unemployment Insurance Fund
UNISA	University of South Africa
US	United States
VAT	Value-Added Tax
VDP	Voluntary Disclosure Programme
WCO	World Customs Organisation
WTO	World Trade Organisation
YoY	Year-on-Year

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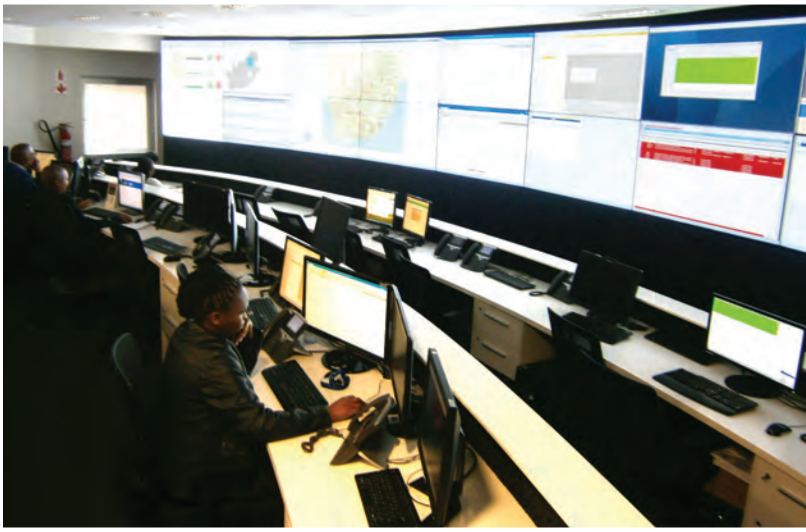


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