

Update: SARS diesel refunds

Agri SA and Grain SA recently met with SARS regarding farmers concerns over diesel refunds. SARS acknowledged their appreciation for the key role agriculture plays in our economy. The agricultural sector increased its production by 33,6% in the second quarter of 2017 and helped to lift the economy out of recession.

The key areas discussed included:

1. Delays of diesel refunds
2. The log books
3. Communication from SARS
4. Other concerns and feedback

1) Delays of diesel refunds

We communicated our members' concerns over delays in payment of diesel refunds. SARS highlighted the need for farmers to submit all the relevant information. Should farmer's experience delays, it essential to log a call with the SARS contact centre and to keep record of the reference number for the call.

Regulations require the contact centre to only communicate directly with the taxpayer or a person which has been assigned power of attorney to act on the taxpayer's behalf. For this reason, farmers should contact SARS directly or through a third party with the legal right to do so.

2) The log books

SARS has made recommendations to National Treasury on an agriculture specific log book. SARS is awaiting feedback from Treasury. Log book records which are unclear, with limited explanatory detail, may lead to delays in processing. For example, not disclosing the purpose for which diesel is used will lead to delays.

Farmers are encouraged to keep clear and detailed records, including supporting documents. We can provide the following tips for diesel refunds:

- Claim the diesel refund based on consumption and not purchases
- Keep comprehensive records of diesel used on the farm (from the main distribution points):
 - ✓ Date diesel is issued/dispensed
 - ✓ Quantity of diesel issued/dispensed
 - ✓ Description of vehicle
 - ✓ Purpose for which diesel is used

www.agrisa.co.za

Tel | +27 12 643 3400 **Fax** | +27 12 663 3178 **Email** | agrisa@agrisa.co.za

Physical Address | Inkwazi Building | Block A | 1249 Embankment Road | Zwartkop X7 | Pretoria | South Africa

Postal Address | Private Bag X180 | Centurion | 0046 | South Africa

- ✓ Note: Experience with audits has shown that SARS may also request that a producer indicate where on the farm the activity takes place

Please note that the final logbook is still awaited from SARS, accordingly, the above-mentioned information may be subject to change. For more information on managing the diesel refund, refer to (Schedule 6 part 3):

<http://www.sars.gov.za/AllDocs/LegalDoclib/SCEA1964/LAPD-LPrim-Tariff-2012-19%20-%20Schedule%20No%206.pdf>

Furthermore, it is important for producers to note the activities which qualify for the refund (Schedule 6 part 3)

3) Communication

We highlighted the concern that there is no single channel for clear communication on diesel refunds. SARS noted our concern. Delays in issuing notification of audit letters are attributed to the manual issuing process. SARS is working hard to convert to a web based automated system, but it is not yet in place.

4) Other concerns and feedback

In addition to the above, we highlighted the following concerns:

- It seems payment of refunds are delayed on purpose
- There are rumours that SARS employ consultants that earn commission for delaying refunds

SARS responded that they do not purposefully delay any refunds, rather submissions with insufficient or incomplete information can lead to delays as well as system errors. The payment of refunds is linked to other departments within SARS, for example VAT and debtors. Tax payers need to know their net position in terms of diesel refunds and VAT, which will influence the processing of refunds.

Furthermore, SARS highlighted that diesel refunds are “conditional/preliminary” in the sense that until a claim has been audited, SARS may revert on a refund that was made. SARS denied rumours that commission earning consultants are used to delay refunds. Auditors are not permitted to earn such commission.

SARS suggested that farmers be aware of suppliers who sell diesel mixed with other fuels, for example paraffin. Possession of such mixed fuels is a criminal offence. Only reputable suppliers should be used and diesel deliveries should be inspected to avoid receipt of mixed fuels.

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SARS noted the concerns we raised and we trust that going forward, the process will improve. SARS assured us that should a case not be resolved, after following the correct procedures, the matter can be taken further and we welcome members to contact Agri SA with such concerns.

Enquiries

Mr Hamlet Hlomendlini, Chief Economist, Agri SA, 012-643 3400 or 082 957 964

Dr Requier Wait, Head: Trade & Commerce, Agri SA, 012-643 3400 or 073 3040 932

www.agrisa.co.za

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