



national treasury

Department:
National Treasury
REPUBLIC OF SOUTH AFRICA

- TO ALL : ACCOUNTING OFFICERS OF DEPARTMENTS AND CONSTITUTIONAL INSTITUTIONS**
- : ACCOUNTING AUTHORITIES OF PUBLIC ENTITIES LISTED IN SCHEDULES 2 AND 3 TO THE PFMA**
- : HEAD OFFICIALS OF PROVINCIAL TREASURIES**

NATIONAL TREASURY SCM INSTRUCTION NO. 7 OF 2017/2018

TAX COMPLIANCE STATUS

1. PURPOSE

The purpose of this Treasury Instruction is to provide guidance to Accounting Officers of departments and constitutional institutions and Accounting Authorities of public entities listed in Schedules 2 and 3 to the Public Finance Management Act (PFMA), Act No.1 of 1999, regarding the implementation of the South African Revenue Service (SARS) revised system for the management of tax compliance including the introduction of a revised Standard Bidding Document 1 to give effect to the tax compliance status system.

2. BACKGROUND

- 2.1 Government is committed to increasing the degree of compliance with supply chain management prescripts and ensuring that persons conducting or intending to conduct business with the State are afforded no scope to abuse the Supply Chain Management system.
- 2.2 It is therefore essential to ensure that persons conducting business with the State are tax compliant at the awarding of price quotations or competitive bids as no price quotations or competitive bids may be awarded to persons who are not tax compliant.
- 2.3 On the 18th April 2016, the South African Revenue Service introduced an enhanced tax compliance status system on eFiling aimed at improving tax compliance and making it easier for taxpayers to manage their tax affairs.
- 2.4 National Treasury Regulation 16A9.1(d) requires an Accounting Officer and Accounting Authority to reject any bid from a supplier who fails to provide written proof from the South African Revenue Service that, that supplier either has no tax obligations or has made arrangements to meet outstanding tax obligations.
- 2.5 Therefore, in terms of the legislative requirements, the new tax compliance status impacts on supply chain management processes and documentation as the South African Revenue Service no longer issues tax clearance certificates.

3. IMPLEMENTATION OF THE TAX COMPLIANCE STATUS SYSTEM

- 3.1 In order to comply with the provisions indicated in paragraph 2 above and the condition of bid that successful bidder's taxes are in order, Accounting Officers and Accounting Authorities of all PFMA compliant institutions must:
- (a) Designate employees, preferably from the Supply Chain Management Unit, who must verify the tax compliance status of a taxpayer on the South African Revenue Service's eFiling system. *Guidance to the Tax Compliance functionality on eFiling is available on the South African Revenue Service website: www.sars.gov.za*
 - (b) Utilise the Standard Bid Document 1 issued with this Treasury Instruction when inviting bids;
 - (c) As a bid condition, Accounting Officers and Accounting Authorities must request bidders to register on government's Central Supplier Database and include in their bid a copy of their Master Registration Number (Supplier Number) in order to enable the institution to verify the supplier's tax status on Central Supplier Database;
 - (d) An Accounting Officer and Accounting Authority may also request a supplier to provide tax compliance status PIN when required to view a supplier's tax profile;
 - (e) Utilise the tax compliance status PIN to verify bidders' tax compliance status; and
 - (f) Print the tax compliance status screenview or letter with the result of the bidder's status at the date and time of verification to file with the bidder's bid documents for audit purposes.
- 3.2 The Central Supplier Database and the tax compliance status PIN are the approved methods that will be utilised to verify tax compliance as the South African Revenue Services does not issue Tax Clearance Certificates but has made an online provision available, via eFiling, for bidders to print their own Tax Clearance Certificates which they can submit with their bids or price quotations.
- 3.3 Accounting Officers and Accounting Authorities must therefore accept printed or copies of Tax Clearance Certificates submitted by bidders and verify them on the eFiling. The verification result recorded as per paragraph 3.1 of this Treasury Instruction must be filed for audit purposes.
- 3.4 Where a supplier does not submit a tax compliance status PIN but provides a Central Supplier Database Number, Accounting Officers and Accounting Authorities must utilise the Central Supplier Database Number via the Central Supplier Database website www.csd.gov.za to access the supplier records and verify tax compliance status. A printed screen view at the time of verification must be attached to the Supplier's records for audit purposes.
- 3.5 Where goods and services are procured from foreign suppliers with tax obligation in South Africa, proof of tax compliance status must be obtained from the supplier.
- 3.6 Foreign suppliers with neither South African tax obligation nor history of doing business in South Africa must complete a pre-award questionnaire on the Standard Bidding Document 1 for their tax obligation categorisation. Where a recommendation for award of a bid has been made to a bidder that responded as not being liable for taxation in South Africa, the Accounting Officers and Accounting Authorities must refer such a bidder to the South African Revenue Services on the following email address: GovernmentInstitute@sars.gov.za and provide the following information to the South African Revenue Service:

- (a) Details of the foreign entity;
 - (b) Description of goods and services being supplied by the entity; and the
 - (c) Name of the South African Government institution the bidder will be providing the goods or services to.
- 3.7 Where goods and services are procured from foreign suppliers with no tax obligation in South Africa for use by, e.g South African Embassies or any South African office outside the country, there is no need to require proof of tax compliance status.
- 3.8 Where goods and services are imported, all custom related taxes shall be applied as prescribed by South African Revenue Service.
- 3.9 Tax Compliance Certificate issued prior to the implementation of the new system, are acceptable provided such Tax Compliant Certificates are valid. Accounting Officers and Accounting Authorities must however, verify the status thereof prior to the award of the bid.

4. APPLICATION DURING SUPPLY CHAIN MANAGEMENT PROCESS

- 4.1 Designated employee(s) must verify the bidder's tax compliance status prior to the finalisation of the award of the bid or price quotation.
- 4.2 Where the recommended bidder is not tax compliant, the bidder must be notified of their non-compliant status and be granted reasonable timeframe to rectify their tax compliance status with the South African Revenue Service. The bidder must thereafter provide the procuring entity¹ with proof of it's tax compliance status which must be verified via the Central Supplier Database or eFiling.
- 4.3 The Accounting Officer and Accounting Authority must reject a bid submitted by the bidder if such a bidder fails to provide proof of tax compliance status in terms of paragraph 4.2 above.
- 4.4 Where goods or services have been delivered satisfactorily without any dispute, Accounting Officers and Accounting Authorities must not delay processing payment of invoices as a result of outstanding tax matters, unless directed otherwise by the South African Revenue Service.

5. APPLICABILITY

This Instruction applies to all National and Provincial Departments, Constitutional Institutions, Public Entities listed in Schedules 2 and 3 to the PFMA.

6. EFFECTIVE DATE

This Treasury Instruction takes effect from **01 June 2017**.

7. REPEAL OF PRACTICE NOTES AND TREASURY INSTRUCTIONS

- 7.1 This Treasury Instruction repeals the following Practice Notes and Treasury Instructions:
- (a) SCM Practice Note No. 1 of 2006 on Tax Clearance Certificates on 23 January 2006;
 - (b) SCM Practice Note No. 3 of 2006 on Tax Clearance Certificates for price quotations and competitive bids issued issued on 20 February 2006;

¹ Procuring entity refers to the department, constitutional institution or the public entity procuring the good(s) or service(s)

- (c) Paragraph 5 and 6 of Practice Note No. 8 of 2007/2008 on threshold values for the procurement of goods, works and services by means of petty cash, verbal/written price quotations or competitive bids issued on 29 November 2007;
- (d) The old Standard Bidding Document 1; and
- (e) The Standard Bidding Document 2.
- (f) National Treasury SCM Instruction 3 of 2014/2015 on Tax Measures for persons conducting business with the State issued on 15 July 2014;

8. DISSEMINATION OF INFORMATION CONTAINED IN THIS TREASURY INSTRUCTION

8.1 Accounting Officers of Departments and Constitutional Institutions must bring the contents of this Treasury Instruction to the attention of:

- (a) Chief Financial Officers and supply chain management officials of their respective Departments; and
- (b) All Accounting Authorities of Public Entities reporting to the Executive Authority of their respective Departments.

8.2 Heads of Provincial Treasuries are requested to bring the contents of this Treasury Instruction to the attention of all Accounting Officers and supply chain management employees in their respective provincial departments.

8.3 Accounting Authorities of Public Entities must bring the contents of this Treasury Instruction to the attention of Chief Financial Officers and supply chain management employees of their respective Public Entities.


9. AUTHORITY FOR THIS INSTRUCTION

This National Treasury Instruction is Issued in terms of section 76(4)(c) of the Public Finance Management Act.

10. CONTACT INFORMATION

Enquiries related to this Treasury Instruction may be directed to:

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ACTING ACCOUNTANT - GENERAL
DATE: 24/05/2017

² The Accountant-General is responsible for the issuing of all Treasury Instructions at the National Treasury to ensure that such is issued from a central point. The contents of this Treasury Instruction is, however, the responsibility of the Office of the Chief Procurement Officer and is issued on behalf of that Office.