

**NATIONAL ASSEMBLY**  
**QUESTION FOR WRITTEN REPLY**  
**QUESTION NUMBER 1861**

**DATE OF PUBLICATION: 18 NOVEMBER 2005**

**DR S M VAN DYK (DA) TO ASK THE MINISTER OF FINANCE:**

Whether the SA Revenue Service has introduced measures for the speedy refunding of tax to (a) individuals and (b) companies; if not, why not; if so, (i) what measures, (ii) why are tax refunds being effected at such an unsatisfactory rate and (iii) what is the current average waiting-period for tax refunds in respect of (aa) individuals and (bb) companies? **N2521E**

**REPLY:**

(a) and (b)

(i)

The processing of tax returns must take into account:

- a) The need to provide a good service to taxpayers,
- b) To provide an assessment to the taxpayer as quickly as possible,
- c) The need to implement risk management principles during and after the assessment process,
- d) The need to undertake various types of audits in order to ensure that the refund is justified,
- e) The need to pay refunds as efficiently and quickly as possible.

This process is absolutely vital to secure the *fiscus* and ensure that SARS does not pay out unjustified refunds.

The risk model has been created taking various factors into account, such as the client profile, client history, refund trends, in addition to the amount of the refund. Based on this risk model an office will then only audit those cases classified as high risk.

Furthermore a service charter was launched during October 2005, which states that SARS will strive towards refunding taxpayers within 30 working days after having been assessed.

Section 89(*quat*) of the Income Tax Act also provides for interest to be paid to companies and individuals (provisional taxpayers) at the prescribed rate, if they are entitled to a refund and if they have not been assessed within 6 months after the end of their financial year, unless they have a February year end, under which circumstances it is 7 months.

SARS is continuously re-engineering its internal processes to ensure the timeous assessment and the refunding of any tax due to taxpayers.

*(ii)*

In the opinion of SARS tax refunds are not being effected at an unsatisfactory rate due to the reasons as set out below:

For the period April to October 2005, 1,57 million assessments with amounts due to taxpayers, were issued. These amounts were either

- (a) immediately refunded by electronic fund transfer or by cheque, the total value of these refunds amounted to R8,3 billion,
- (b) or the amount due to the taxpayer was set off against outstanding balances on the taxpayer account,
- (c) or referred for audit prior to the credit being approved as per our risk profiling tools. An audit could include request for information or a physical verification of the taxpayer details, this process would therefore influence the timeous finalization and payment of the refund. The refund audits conducted up to the end of October 2005 resulted in refunds to the value of R576 million disallowed.

*(iii) (aa) and (bb)*

Of the aforementioned assessments, 93% were finalized in terms of (ii)(a) and (ii)(b) above (within 30 working days) with the remaining 7% cases referred to audit. The finalisation of the cases referred to audit depends on the complexity of the case, the availability of the information and the cooperation of the taxpayer. Notwithstanding the above, 85% of the cases referred to audit were finalised during the above mentioned period.

# NATIONAL ASSEMBLY

## QUESTION FOR WRITTEN REPLY

### QUESTION NUMBER 1862

DATE OF PUBLICATION: 18 NOVEMBER 2005

#### DR S M VAN DYK (DA) TO ASK THE MINISTER OF FINANCE:

- (1) Whether the 9,3% increase in the tax base for individuals and companies (details furnished) can be attributed to (a) unsatisfactory planning by the SA Revenue Service (SARS) with regard to estimated tax revenue and/or (b)(i) ignorance or (ii) staff shortage; if not,
- (2) whether it can be attributed to an improved management efficiency at SARS; if not, what is the position in this regard; if so, what are the relevant details;
- (3) whether there has been an unexpected increase in the number of taxpayers; if so, what are the relevant details? *N2522E*

#### REPLY:

- (1) The 9,3% increase in the tax base as referred to in the 2004/05 Annual Report constitute an 8,6% increase in individuals and a 12,1% increase in company registrations. The increase in the tax base can not be attributed to unsatisfactory planning, and/or (b)(i) ignorance or (ii) staff shortages at SARS. Furthermore the increase in revenue collection can not be directly linked to the size of the growth in the register, due to the level of taxable income of new cases taken on register. The biggest reason for the increase in persons and individuals on register, is the registration of taxpayers that previously fell within the Standard Income Tax on Employees (SITE) dispensation that has progressed above the R60 000 SITE threshold requiring them to register. The majority of "new" taxpayers on the register is thus not new taxpayers, but simply taxpayers that have moved from being a SITE case to a registered case. The growth in the register is also not abnormally high in comparison with previous years:

Year	Cases on register	Growth (y-o-y)
2001/02	3,556,023	11,58%
2002/03	3,885,136	9,26%
2003/04	4,280,129	10,17%
2004/05	4,647,484	8,58%
2005/06 (Oct)	4,971,849	8,14%

Whilst there is an increase in the number of companies on register, these companies do not necessarily contribute to tax as a big portion of these companies are dormant.

The growth in the register is also not abnormally high in comparison with previous years. (The reason for the low growth in the 2003/04 was mainly due to problems experienced with the link between SARS and CIPRO which has been resolved.):

<b>Year</b>	<b>Cases on register</b>	<b>Growth (y-o-y)</b>
2001/02	1,081,788	8,14%
2002/03	1,221,273	12,89%
2003/04	1,283,155	5,07%
2004/05	1,438,539	12,11%
2005/06 (Oct)	1,604,428	13,37%

- (2) Improved management efficiency has contributed to the improved compliance and improved compliance played the most significant role in increasing the number of taxpayers on register.
- (3) There has not been an unexpected increase in the number of taxpayers, as can be seen in the movement in the registers for the past few years as set out above.