

**NATIONAL ASSEMBLY
QUESTION FOR WRITTEN REPLY
QUESTION NUMBER: 58 [NW62E]
DATE OF PUBLICATION: 10 FEBRUARY 2022**

58. Mr A N Sarupen (DA) to ask the Minister of Finance:

- (1) Whether any value-added Tax (VAT) refunds are overdue for payment; if not, what is the position in this regard; if so, what is the total outstanding amount per economic sector;
- (2) whether any steps will be taken to resolve any backlog in the payment of overdue VAT refunds; if not, why not; if so, what are the relevant details?

NW62E

REPLY

(1) The South African Revenue Service, in processing all refunds, will always seek to balance the protection of the fiscus from illegitimate refund claims and the optimal processing of all refunds that are legitimate. This balance is further enhanced when considering that more than R50bn in illegitimate refunds are prevented from flowing out of the fiscus every year.

SARS has for the period ending 31 December 2021 paid R193bn in refunds and 72% (R138bn) was paid within 21 days, furthermore it is worth noting that almost 80% of all refunds claims are paid without audit or verification interventions thus confirming our compliance theory that most taxpayers are honest that want to meet their tax obligations fully. The remaining 20% is the combination of taxpayers who make genuine errors as well as those who unfortunately seek to defraud the fiscus. It must be noted that the law does not prescribe a minimum period for the completion of an audit or verification process, therefore rendering the notion of overdue refunds a misnomer in law however SARS has committed to turnaround times in its service charter in line with the SARS desire to provide superior service to taxpayers in order to bring about clarity and certainty on their affairs.

| TAT | 31-Aug-19 | | 31-Mar-20 | | 31-Aug-20 | | 31-Mar-21 | | 31-Dec-21 | |
|-------------------------|--------------------------|---------------|---------------------------|---------------|--------------------------|---------------|---------------------------|---------------|---------------------------|---------------|
| | Value | Cases | Value | Cases | Value | Cases | Value | Cases | Value | Cases |
| 0 - 3 days | 61 428 143 012.71 | 155633 | 53 335 373 901.19 | 230838 | 38 702 528 935.72 | 166264 | 68 797 095 218.87 | 232765 | 94 309 741 492.50 | 280633 |
| 4 - 7 days | 15 287 908 715.71 | 8867 | 30 487 796 210.55 | 18714 | 8 417 607 042.32 | 7846 | 8 426 761 781.02 | 8051 | 13 008 632 588.18 | 16654 |
| 8 - 21 days | 10 260 923 803.77 | 20604 | 29 852 539 043.57 | 21484 | 18 423 848 000.11 | 20712 | 19 791 814 292.90 | 22738 | 31 471 524 496.38 | 28224 |
| 22 - 31 days | 3 298 591 915.79 | 7350 | 8 563 051 368.97 | 8372 | 8 331 668 546.43 | 10090 | 11 634 954 784.88 | 9516 | 15 132 734 792.05 | 12456 |
| 32 - 90 days | 4 792 146 661.47 | 12446 | 7 497 717 818.62 | 12589 | 14 765 300 178.43 | 18217 | 20 736 752 959.29 | 32173 | 30 388 127 603.34 | 44429 |
| 91 days - 365 days | 1 853 592 858.49 | 9641 | 2 576 077 711.03 | 10149 | 2 394 709 604.98 | 8650 | 5 760 093 984.14 | 15621 | 7 038 581 181.65 | 25219 |
| 1 - 2 years | 297 953 788.56 | 2801 | 376 760 912.06 | 3506 | 248 746 925.49 | 2020 | 299 914 269.96 | 3578 | 687 023 994.10 | 5428 |
| Greater than 2 years | 36 262 649.18 | 571 | 94 592 574.81 | 1076 | 41 195 127.76 | 806 | 198 761 514.13 | 1793 | 246 144 336.66 | 2846 |
| Could not calculate TAT | 766 611 390.00 | 8257 | 878 467 118.06 | 11324 | 281 588 800.20 | 5427 | 536 363 525.26 | 10993 | 664 943 248.79 | 13162 |
| Grand Total | 98 022 134 795.68 | 226170 | 133 662 376 658.86 | 318052 | 91 607 193 161.44 | 240032 | 136 182 512 330.45 | 337228 | 192 947 453 733.65 | 429051 |

Yes, SARS has some refunds that are outstanding. SARS at any given time will have amounts outstanding on refunds for a number of reasons, key amongst these reasons are 1) SARS is at various stages of the audit and verification process and 2) Taxpayer related issues including invalid banking details, instances of outstanding documentation where SARS has communicated in more than one instance with the taxpayer requesting such supporting documentation (these are continuous non-compliance cases) as well as instances of suspected fraud by the taxpayer. The sectorial view of the balance of refunds in audit in excess of 21 days is as follows:

| Industry | Vendors | Sum of Balance |
|---|----------------|-----------------------|
| AGENCIES AND OTHER SERVICES | 11718 | -R 3,485,040,995.02 |
| AGRICULTURE, FORESTRY AND FISHING | 11228 | -R 2,032,265,989.44 |
| BRICKS, CERAMICS, GLASS, CEMENT AND SIMILAR PRODUCTS | 338 | -R 52,091,107.65 |
| CATERING AND ACCOMMODATION | 1827 | -R 302,765,982.13 |
| CHEMICALS AND CHEMICAL, RUBBER AND PLASTIC PRODUCTS | 707 | -R 362,900,673.78 |
| CLOTHING AND FOOTWEAR | 520 | -R 67,148,930.30 |
| COAL AND PETROLEUM PRODUCTS | 555 | -R 216,979,759.08 |
| CONSTRUCTION | 10316 | -R 4,273,709,791.85 |
| EDUCATIONAL SERVICES | 471 | -R 81,063,823.27 |
| ELECTRICITY, GAS AND WATER | 583 | -R 261,615,811.24 |
| FINANCING, INSURANCE, REAL ESTATE AND BUSINESS SERVICES | 13678 | -R 4,327,781,607.92 |
| FOOD, DRINK AND TOBACCO | 1630 | -R 248,802,796.42 |
| LEATHER, LEATHER GOODS + FUR(EXCLUDING FOOTWEAR + AND CLOTHING) | 205 | -R 20,001,623.97 |
| MACHINERY AND RELATED ITEMS | 1243 | -R 304,557,104.71 |
| MEDICAL, DENTAL AND OTHER HEALTH AND VETERINARY SERVICES | 774 | -R 218,844,178.05 |
| METAL | 437 | -R 275,891,258.63 |
| METAL PRODUCTS (EXCEPT MACHINERY AND EQUIPMENT) | 529 | -R 108,858,944.81 |
| MINING AND QUARRYING | 3990 | -R 934,174,989.83 |
| OTHER MANUFACTURING INDUSTRIES | 719 | -R 183,565,764.57 |
| PAPER, PRINTING AND PUBLISHING | 571 | -R 98,998,679.73 |
| PERSONAL AND HOUSEHOLD SERVICES | 509 | -R 177,524,560.34 |
| PUBLIC ADMINISTRATION | 236 | -R 264,314,018.60 |
| RECREATIONAL AND CULTURAL SERVICES | 561 | -R 75,341,201.10 |
| RESEARCH AND SCIENTIFIC INSTITUTES | 145 | -R 24,340,885.13 |
| RETAIL TRADE | 4491 | -R 707,260,203.27 |
| SCIENTIFIC, OPTICAL AND SIMILAR EQUIPMENT | 149 | -R 60,521,555.14 |
| SOCIAL + RELATED COMMUNITY SERVICES NOT ELSEWHERE SPECIFIED | 785 | -R 95,335,672.15 |
| SPECIALISED REPAIR SERVICES | 599 | -R 94,216,037.19 |
| TEXTILES | 300 | -R 62,412,722.77 |
| TRANSPORT EQUIPMENT(EXCEPT VEHICLES, PARTS AND ACCESSORIES) | 756 | -R 338,988,730.81 |
| TRANSPORT, STORAGE AND COMMUNICATION | 3059 | -R 757,966,821.77 |
| VEHICLES, PARTS AND ACCESSORIES | 1236 | -R 240,996,838.88 |
| WHOLESALE TRADE | 3695 | -R 1,740,906,434.94 |

| | | |
|-----------------------------------|--------------|-----------------------------|
| WOOD, WOOD PRODUCTS AND FURNITURE | 412 | -R 46,556,690.16 |
| Grand Total | 78972 | -R 22,543,742,184.65 |

The financing, insurance, real estate and business services accounts for the largest balance, followed by Agencies and other services, Wholesale Trade then Construction sector.

(2) SARS adopts a number of strategies to address the credit book backlog including but not limited to working overtime, repurposing of experienced staff to focus on audits and verifications, applying secondary risk tolerance and appetite based on taxpayer previous compliance track record and continued attempts to get taxpayers to comply with outstanding requirements in order to process refunds. SARS accepts that the balance of supply and demand is not always possible to maintain thereby leading to increase in inventory faster than the available capacity can handle. In this regard refinement of our risk approach is on-going.