

CUSTOMS AND EXCISE

EXTERNAL

EXAMPLES OF DIESEL REFUND ON FOODSTUFFS

1 MANUFACTURING PREMISES

Non-manufacturing areas incidental to the manufacturing process such as the administrative block or the test labs are acceptable, and no apportionment is required. However, it is important to note that the area and energy used by those functions should be reasonable in relation to the total diesel usage.	
Example 1: The company's premises has blocks other than the manufacturing plant itself	Facts: ABC (Pty) Ltd is registered for VAT and manufactures baked beans only. The facility has an administrative office, the manufacturing plants, testing lab, storage area, canteen and waste management site. Generators power up the facility during load shedding and any other power outage. The generator used during loadshedding/power outage, generates electricity for the whole facility. The power used by the administrative block and canteen is less than ten (10) percent of the total energy usage at any given time.
	Results: The facility will qualify to be registered for the purpose of the refund item.
Example 2: The company's premises includes a retail space.	Facts: ABC (Pty) Ltd is registered for VAT and manufactures baked beans only. The facility has an administrative office, the manufacturing plants, testing lab, storage area, canteen and waste management site. In addition, the facility also has a retail space taking up twenty (20) percent of the floor surface. Generators power up the facility during load shedding or any other power outage. The generator used during loadshedding/power outage, generates electricity for the whole facility. The power used by the office block and canteens is less than ten (10) percent of the total energy usage at any given time.
	Results: The facility will not qualify to be registered for the purpose of the refund item because the retail facility is more than ten (10) percent of the total floor space.

2 MANUFACTURING PROCESS

To qualify for the refund, the foodstuff manufacturing process must take place in a registered facility and the process of manufacturing such product must be as per the definition of "manufacture" on Note 14.	
Example 1: The company imports maize and repackages it.	ABC (Pty) Ltd imports maize flour in bulk and repackages it into 2kg packs for resale.
	Results: The process is considered manufacturing according to the Note 14 definition of manufacturing under F) and the facility will qualify to be registered.
Example 2: The company is a bakery	ABC (Pty) Ltd is a bakery and they use multiple raw materials to bake cakes.
	Results: The process is considered manufacturing and the facility will qualify to be registered.
Example 3: The company is an abattoir that also ages meat.	The main business of ABC (Pty) Ltd is selling meat. They run an abattoir and a facility to preserve meat before selling it. One (1) of their facilities is used for aging meat before packing and selling it to the market.
	Results: The process of aging meat is considered manufacturing and the facility will qualify to be registered.
Example 4: The company treats meat before storage	The main business of ABC (Pty) Ltd is selling meat. They run an abattoir and have multiple facilities within their supply chain used to preserve meat before selling. One (1) of their facilities is solely used as a cold storage premises for storing meat as part of their distribution channels.
	Results: The facility solely used as cold storage facility for distribution purposes will not qualify as a manufacturing facility for the purpose of the refund item.
Example 5: The company repurposes their wastage	The main business of ABC (Pty) Ltd is selling meat. They run an abattoir and as part of their business they have waste material, including dealing with the animal hides. The company undertakes a second function or repurposing the hides into leather.
	Results: The process in their abattoir to remove the hides and keep the hygienic standards required is considered to be part of the manufacturing of "foodstuffs". When the new process of leather making starts, that is not considered manufacturing of foodstuffs nor the management of wastage from manufacturing foodstuffs. As such the process of making leather is not considered manufacturing for the purpose of this refund item.

3 REFUND CLAIMING

The claim must be based on actual diesel used in the process of manufacturing foodstuffs.	
Example 1: The company used diesel for the months in April 2023 and May 2023 to manufacture foodstuffs	ABC (Pty) Ltd is a registered refund user for the purpose of refund item 670.05 and their facility is also registered with SARS. The facility is based in Pretoria. During the period of April 2023, the generator used 1 000 litres of diesel for qualifying activities and in May 2023 used 500 litres for the same activities.

	Results:	
	ABC (Pty) Ltd will complete two (2) DA66 claim forms, one (1) for April 2023 and another for May 2023. Both the claims will be submitted manually at the Doringkloof office. The claim amounts will be calculated as follows:	
	<u>April 2023</u>	
	Diesel actually used	1 000 litres
	RAF rate @ 80% (R2.18)	R1.744
	Claim amount	R1.744
	<u>May 2023</u>	
	Diesel actually used	500 litres
	RAF rate @ 80% (R2.18)	R1.744
	Claim amount	R872

4 MULTIPLE PROCESS IN ONE (1) PREMISES

Where the facility is simultaneously used for manufacturing of foodstuffs and non-foodstuffs, the claim should be apportioned based on the ratio of diesel used for the manufacture of foodstuffs relative to overall diesel.	
Example 1: The company used diesel for the months in April 2023 to manufacture foodstuffs and non-foodstuffs.	ABC (Pty) Ltd is a registered refund user for the purpose of refund item 670.05 and their facility is also registered with SARS. The facility is based in Pretoria. During the period of April 2023, the generator used 1 000 litres of diesel to run the company's registered premises. The company manufactures snacks and Chapter 22 beverages in the facility. The premises energy usage is broken down as follows:
	Office block 600 kwh
	Lab 300 kwh
	Canteen 100 kwh
	Snacks' plant/equipment 100 000 kwh
	Beverages' plant/equipment 200 000 kwh
	Total consumed 301 000 kwh
	Results:
	ABC (Pty) Ltd will complete a DA66 claim form and submit it at the Doringkloof office or using the electronic channels and indicate the applicable office. The claim amounts will be calculated as follows:
	April 2023 $Ratio = \frac{total\ energy\ used\ minus\ non -\ qualifying\ activity\ energy\ used}{total\ energy\ used} \times 100$ $Ratio = \frac{301000 - 200000}{301000} \times 100$ $Ratio = 33.55\%$
	Diesel actually used 1000 litres RAF rate @ 80% (R2.18) R1.744 Diesel used total amount R1 744 Eligible claim @ 33.55% R585.11

5 FIXED GENERATORS VS PORTABLE GENERATORS

Claims are allowed for diesel used to power fixed generators at the premises and not for mobile generators. Fixed generators are those fixed to the premises and not easily moved around whilst mobile portable generators refer to generators designed to be easily moved from one (1) place to another with little to no difficulty.

Example 1:



Would be regarded as a fixed generator

Example 2:



Would be regarded as a mobile portable generator

Example 3:



Would be regarded as a mobile portable generator