

Diesel Refund for Foodstuff Manufacturers

South African Revenue Service



Purpose and SARS Vision 2024

Purpose:

- This presentation is to provide information in an easily understandable format and is intended to make the provisions of the legislation more accessible
- The information, therefore, has no binding legal effect, and the relevant legislation must be consulted in the event of any doubt as to the meaning or application of any provision

SARS Vision

To build a smart modern SARS with unquestionable integrity, trusted and admired by Government, the public, as well as our international peers.

We focus on the following strategic intents:

**MAKE IT EASY &
SIMPLE TO
COMPLY**

**MODERNISE
SYSTEMS TO PROVIDE
DIGITAL & STREAMED
ONLINE SERVICES**

**PROVIDE CLARITY
& CERTAINTY**

**WORK WITH, AND
THROUGH
STAKEHOLDERS TO
IMPROVE THE TAX
ECO SYSTEM**

Points of Discussion

Overview

Legislation

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Qualifying Activities

Registration, Application & Claiming of the Diesel Refund

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Overview



Government implemented the current Diesel Refund System in 2000, to provide full or partial relief for the general fuel levy and the Road Accident Fund (RAF) levy to primary sectors such as farming, forestry, fishing and mining sectors.

Due to the current electricity crisis, a similar refund on the RAF levy for diesel used in the food manufacturing process (such as for generators) was extended to the manufacturers of foodstuffs.



This new refund scheme came into effect as from 1 April 2023, and will be in place for two years until 31 March 2025.

Overview

Diesel Refund for Food Manufacturers Scheme (DRFMS) was introduced as a tax relief to ease the impact of the electricity crisis on food prices, by refunding manufacturers a portion of the RAF for diesel used in the food manufacturing process.

The DRFMS will be administered through the Excise DA 66 Refund System, which is a system separate from the current Diesel Refund Scheme for primary producers administered on the VAT system.

Governing Legislation

The legislation for the administration of the DRFMS is contained in Section 75 of the Customs and Excise Act No. 91 of 1964 (the C&E Act).

The applicable refund provision is reflected in rebate item 670.05 of Part 3 of Schedule No. 6, Note 14 of the C&E Act.



Definition

Logbooks

- Are systematic, written records that are regularly kept to document all activities relating to the eligibility of refund claims.
- A complete audit trail of the diesel for which refunds are requested must be reflected in the logbooks.
- Receipt, storage, removal, disposal, and loss of diesel must be recorded in storage logbooks.
- Usage logbooks must include information about the source and use of diesel expended for manufacturing or other purposes.

Definitions

Distillate fuel



- Is distillate fuel and biodiesel in respect of which a fuel levy and RAF levy is prescribed in Part 5A and Part 5B of Schedule No. 1 respectively, and which has been duly entered for or which is deemed to have been duly entered for home consumption but excludes "smokeless diesel"; diesel mixed with kerosene or any other substance except biodiesel; and any diesel entered for export or ships stores or any diesel on which the levies are not paid.

Electricity generation



- Is when electricity is generated by stationary fixed, electric power generators using diesel and excludes mobile portable electric power generators.

Foodstuffs



- Are goods for human consumption, classifiable in Chapters 2 to 21 of Part 1 to Schedule No. 1, excluding goods for making beverages classifiable as the health promotion levy items and any goods under Chapters 5, 6, 13 and 14.

Definitions

Manufacture means execution of operations at a manufacturing facility that result in the production of foodstuff for profit, which includes, but is not limited to the following activities:

- Slaughtering of animals in an abattoir;
- Mixing, forming or producing foodstuffs;
- Processing, converting or extracting foodstuffs;
- Handling, storing or preserving foodstuffs;
- Conveying or transferring foodstuffs;
- Packing or measuring off foodstuffs;
- Lighting or air-conditioning for such manufacture;
- Waste management as the result of manufacture; or
- Electricity generation for such manufacture.

And excludes any primary activities specified in Note 6 of Part 3, Schedule 6, which are eligible for a refund contemplated in item 670.04 and administered under the current VAT system.

Definitions

Manufacturing Premises are business premises where manufacturing of foodstuffs takes place but excludes:

- any business premises at which the floor surface of the publicly accessible portion of the trading area for wholesale or retail sales outlet activities comprises more than 10 per cent of the total floor surface of the business premises, or
- Where only the wholesale or retail distribution or sales of goods takes place.



Definitions

Refund

- is limited to 80% of the RAF levy on the diesel purchased and used for generating electricity for the manufacturing of foodstuffs as defined.

Definition

Tax invoice means an invoice containing the following:

- the words "Tax Invoice";
- the name, address and VAT number (a 10-digit number starting with 4) of the supplier;
- the name and address of the purchaser (if the invoice value is over R500);
- date of the transaction;
- description of the goods (being diesel or distillate fuel);
- quantity delivered or purchased;
- value of the supply;
- the amount of VAT, which must be shown as 0% since VAT is not levied on diesel or distillate fuel.

Qualifying Activities

ONLY manufacturers of foodstuffs classifiable under Chapter 2 to 21 of Schedule No.1 , Part 1 (with exclusions) are eligible to register and apply for diesel refunds under this Scheme.

The manufacturers of any products contained in these chapters under Schedule No. 1, Part 1, are **EXCLUDED** from the Scheme.

Any products and preparation for making of any beverages classifiable under Schedule No. 1, Part 7, Section A.

Any items listed under Chapter 5,6,13 and 14.

Any items listed from Chapter 22 to 99.

Any process which already qualifies for the refund item 670.04 (The current Diesel Refund System for primary producers).

Registration



The applicant must be registered for VAT.



Complete and submit the DA185 form and Annexure DA185.4A3, which are available on www.sars.gov.za and any SARS office.



Applications must be made per person/entity and information in respect of each manufacturing premises must be supplied separately on an addendum attached to the DA185.4A3.



The completed application must be submitted digitally using the SARS Online Query System (SOQS), which will be live from **29 September 2023**.

Registration



Approved registration applications will be effective from **1 April 2023** as the date that the user became eligible for claiming refunds.



Applications will be approved based on the submission(s) made by the applicant.



Where the user is found to be non-qualifying after an audit is conducted by SARS, their registration will be cancelled.

Application for Diesel Refund

The following documents will be required for each application:

All documents referred to on paragraph 14 of the DA 185 application form.

Detailed floor plan according to scale for all the buildings on the premises which indicates the purpose and use of all areas therein.

Application for Diesel Refund

Where the entity owns multiple manufacturing facilities, information in respect of each manufacturing premises must be furnished separately for each premises on an Addendum which must be attached to form DA185.4A3.

Documents Required

Details of the generators and equipment used in the food manufacturing process.

Department of Trade and Industry permit (if applicable).

Claiming the Refund

Refund of levies shall be considered only when the refund user and the manufacturing premises are registered.

A claim for a refund must be submitted on a DA66 form per period (monthly) accompanied by the necessary supporting documents, at the SARS Excise office nearest to the manufacturing premises.

Refunds can only be claimed for duty-paid diesel that was purchased and used in South Africa.

Ensure that all the necessary supporting documents are attached.

Claiming the Refund

Any diesel purchased shall be deemed to have been used in the order of the dates of such purchases.

Any return for a diesel refund claim must be submitted within two (2) years from the date of purchase and use of the diesel.

Refund claims must be allocated to the month of actual usage, even if claimed at a later stage.



It is illegal to use the current Diesel Refund Scheme administered on the VAT system to claim the Diesel Refund for Foodstuff Manufacturers Scheme.

Claiming the Refund

Example

ABC (Pty) Ltd is a registered refund user for the purpose of refund item 670.05 and their facility based in Pretoria, is also registered with SARS. During the period of April 2023, the generator used 1000 litres of diesel to generate electricity used for manufacturing qualifying foodstuffs. In May 2023, 500 litres were used for the same activities.

Results

ABC (Pty) Ltd will complete two DA66s refund claim forms, one for April 2023 and another for May 2023. Both the claims will be submitted at the Doringkloof office as that is the nearest SARS Customs office closest to their manufacturing facility.

The refund claim amounts will be calculated as follows:

April 2023

Diesel actually used 1 000 litres

Limited to 80% of RAF @ R 2.18

R1.744

Refund claim Amount (1 000 ℓ x R 1.744)

R 1 744

May 2023

Diesel actually used 500 litres

Limited to 80% of RAF @ R 2.18

R1.744

Refund claim Amount (500 ℓ x R 1.744)

R 872

Supporting Documents



Records for substantiating a refund claim include:

- Storage logbooks where applicable
- Usage logbooks
- Delivery notes etc.
- Purchase invoices

The records must show the full audit trail of the diesel refund claim.

Storage Logbook

Where there is a storage tank:

Each storage tank must have a logbook reflecting the following:

Capacity of the tank(s)

Dates and quantities of diesel received, removed, disposed or lost from the tank(s)

Details of the machinery/equipment into which diesel was dispensed

Purpose of the removal or details of disposal or loss


The monthly opening and closing balances of storage levels

These records must be kept for each storage tank.

Usage Logbook

A logbook must be substantiated by source documents and other additional information used to complete such logbooks.


The usage logbook must indicate the following:



- The tank from which the diesel was received
- Date of receipt
- Serial number or identifying marking of the machinery/equipment
- Manufacturer specifications of the machinery/equipment

Usage Logbook

The usage logbook must indicate the following (cont....)



- Diesel or power usage rate of the machinery/equipment
- Function and place of such machinery/equipment in the overall process flow
- Any other incidents, facts and observations relevant to the measurement of the diesel usage

Tax Invoice

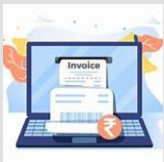
A valid tax invoice must contain the following information:

TAX INVOICE		Words "Tax Invoice"	
From: Customer Care Fuels Tzaneen Road Tzaneen 2023		Tax Invoice No.	
VAT No: 412345678		INVOICE No: 2023/1234	
Name, address and VAT number of the supplier		To: Foodstuff Manufacturers Lion Drive Whiteriver 2023	
		Name, address and VAT number of the purchaser	
		Date of transaction	
		Date: 04/07/2023	
		VAT No: 432156789	
Description Diesel 50ppm	QTY 1000 Litres	Unit Price 30	Subtotal R30 000
Description of the goods	Quantity delivered or purchased		Value
			VAT @ 0%
			VAT not levied
			Total
			R30 000

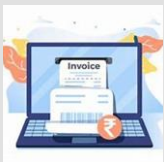
Tax Invoice



Each invoice used to prove the purchase of diesel must meet the requirements of a tax invoice as defined in Note 14.



Invoices that have been tampered with will not be accepted.



Invoices issued as a copy must clearly be indicated as such when issued by the supplier of the diesel.

Dual Manufacturing Processes

In a facility where the diesel is used to power multiple machinery/equipment, used for both the manufacture of foodstuffs and non-foodstuffs;

The user must:



- Apportion the volume of diesel based on the ratio used for the manufacture of foodstuffs relative to overall diesel usage.
- Where the volume of diesel used in any activity cannot with reasonable certainty be gauged, the volume used must be determined based on the average rate of diesel consumption of the equipment concerned over the total time period of the usage thereof.

Books, accounts or other documents regarding each of the foodstuff and non-foodstuff manufacturing activities must be kept separately.

Sale or Loss of Diesel

A valid tax invoice must be issued to account for the sale of diesel by the registrant and it must be recorded as such in the records.

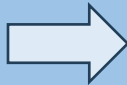
The user must keep records of any diesel lost.

These transactions will form part of the non-claimable usage.

Loss of Diesel

Fuel lost through accident, theft or any other reason, such as a leak from the storage facility is regarded as non-eligible.

The following records should be kept:



- The date the loss occurred, or the date the loss was detected
- Where the loss occurred and the circumstances surrounding the incident
- The quantity of diesel lost and how the quantity was calculated
- A copy of the police report, where appropriate, or insurance claim details can provide the information necessary to substantiate the particulars of the loss

Failure to keep the required records and substantiating evidence for any diesel purchased, sold, disposed or lost, will lead to the rejection of the claim.

Record Keeping

Records kept must include:

Area of the manufacturing premises where the activity takes place

Details of the activity (methods or elements) and the applicable stage in the manufacturing process flow

Ratio of the diesel used for the qualifying activity relative to the total diesel used.

Records showing the quantity of diesel used for each refund claim was calculated.

Any such books, accounts or other documents and invoices must be produced for inspection to any officer in accordance with the provisions of Section 4 of the C&E Act.

Record Keeping



Where the user qualifies for Diesel Refund for the Foodstuff Manufacturer of as well as diesel rebate item 670.04, i.e., for on land (mining, forestry and farming); offshore; harbour and rail, the logbooks regarding each activity must be kept separate.



All records, books, accounts or any other document used to substantiate the refund claim must be retained for a minimum of five (5) years from the date of purchase, use, disposal or loss of the diesel or the refund claim, whichever occurs last.

Assessments



SARS reserves the right to subject any refund claim to an audit and may undertake a field audit and request further information to substantiate the refund claim.

An assessment will be issued if:

- Any person has claimed a refund of levies which he is not entitled to.
- The Commissioner may issue an assessment of the amount of tax, levy and/or duty for which the person is liable and the amount so assessed shall be paid by the person to the Commissioner on demand.

Internal Administrative Appeal (IAA)

Internal Administrative Appeal (IAA) - Section 77A to H of the C&E Act

- A user has the right to request reasons for the assessment raised after being issued with the Letter of Demand/Rejection.
- This should be done in writing within 30 business days from the issuing of such letter.
- In a case where a user is not satisfied with an assessment raised by SARS or a decision to suspend or deregister them from the system and/or the timeframe of suspension, a formal appeal using a DA 51 form, with the grounds of appeal stated, must be lodged within 30 business days with the SARS office which issued the decision who will register it with the Internal Administrative Appeals Committee (IAAC).
- The outcome of the appeal will be communicated by the IAAC.

Alternative Dispute Resolution (ADR)



Should a user be dissatisfied with the decision of the Internal Administrative Appeals Committee (IAAC), the next recourse will be to lodge an Application for Alternative Dispute Resolution (ADR), using form DA 52.



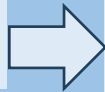
The dispute will be reviewed by the ADR Committee.



The appellant will be notified of the outcome.

Deregistration

De-registration
will happen when:



- A registrant has ceased trading; or
- A registrant has disposed of the eligible enterprise; or
- There is a change in trade activity to a non-qualifying activity; or
- The entity did not qualify for the DRFMS because they are performing non-qualifying activities.



Go Digital

Remember our Digital Channels

▪ We've made it easier for you - Go Digital!

- Download the SARS MobiApp via your app store
- Register for eFiling
- SARS Online Query System

▪ Visit us on our Social Media platforms

- LinkedIn
- Facebook
- Twitter



For more information, visit:

- ❑ SARS YouTube channel: www.youtube.com/sarstv
- ❑ SARS website [Excise | South African Revenue Service \(sars.gov.za\)](http://www.sars.gov.za)
- ❑ SARS Contact Centre on 0800 00 SARS (7277)

Thank you
Re a leboha
Re a leboga
Ndza Khensa
Dankie
Ndi a livhuwa
Ngiyabonga
Enkosi
Ngiyathokoza