

**Office of the  
Commissioner**



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**Date**  
13 February 2013

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**South African Revenue Service**

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Dear Sir

**RE: AGRICULTURAL DIESEL REFUND SYSTEM - KEEPING  
LOGBOOKS OF FUEL USED**

Your letter dated 1 June 2012 to Mr Cecil Morden of the National Treasury and subsequent communication with SARS have reference. Please note that this response is also on behalf of the National Treasury.

The enforcement by SARS auditors of the logbook requirements in the administration of the diesel fuel tax refund scheme has led to audited farmers who failed to keep logbooks or similar information being denied their diesel refund claims. Grain SA has subsequently lobbied SARS and the National Treasury extensively on behalf of these affected farmers.

The legal requirement for logbooks is clear and the onus is on diesel refund beneficiaries to ensure that they are compliant with the administrative obligations of the diesel refund system. However, SARS is sensitive to the detrimental impact that the large-scale denial of refunds due to logbook infringements would have on the farming community. SARS has internally analysed the logbook-related diesel refund cases that are under dispute and has come to the conclusion that an exception should be made to accommodate affected taxpayers. Such an allowance would also support the broad policy objective of the diesel refund scheme to assist South Africa's primary production sectors to be more internationally competitive.


SARS therefore intends to amend the relevant segments of Schedule 6 to the Customs and Excise Act, No.91 of 1964, retrospectively for two years to accommodate the diesel refund claims under dispute. The retrospective amendment will maintain logbooks as the primary proof of eligible diesel use, but will allow alternative substantiating methods to be considered in the absence of logbook information. The alternative methodology would be based on a range of prescribed criteria that would include: the nature of the agricultural activity, size of the farm, number of hectares under cultivation,

levels of mechanisation applied, volumes of output produced, and typical diesel use required under these circumstances considering both national and geographical industry averages.

It should be noted that the retrospective amendment is a compromise solution to assist affected farmers without reneging on the logbook requirements for diesel refund claims. Hence, the alternative methodology will typically not provide for the full diesel refunds that would have been allowed if adequate logbook information had been kept. Logbooks will remain the preferred proof of eligible consumption and, importantly, only logbooks will be accepted as evidence of diesel use going forward. The amendment will therefore also prescribe minimum information that should in future be captured in a logbook format, similar to an example of a logbook layout that will be provided to registered claimants.

In view of the current distress of affected taxpayers, SARS will aim to conclude these retrospective changes as soon as possible and hopes to publish the draft legal amendment for public comment by the end of March 2013. In addition to the logbooks issue that is essentially an administrative and enforcement concern, other aspects of the diesel refund system may need revisiting. SARS will therefore over the next few months conduct outreach workshops to improve taxpayer understanding of the compliance requirements of the diesel refund scheme.

Kind regards



**ROSIE LOUW**

**CHIEF OFFICER: LEGAL AND POLICY**

**DATE:** *14 February 2013*

CC: Cecil Morden  
Mpho Legote  
National Treasury