

# 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

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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.





# Definitions











# 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](http://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 **26 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

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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 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.

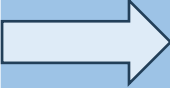
The usage logbook must indicate the following:



- 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 Name, address and VAT number of the supplier

VAT No: 412345678

To: Foodstuff Manufacturers  
Lion Drive  
Whiteriver  
2023 Name, address and VAT number of the purchaser

VAT No: 432156789 Date of transaction

**Date: 04/07/2023**

Description	QTY	Unit Price	Subtotal	VAT
Diesel 50ppm	1000 Litres	30	R30 000	R0.00
			VAT @ 0%	R0.00
			<b>Total</b>	<b>R30 000</b>

Description of the goods Quantity delivered or purchased Value VAT not levied

# 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.

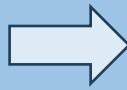
The user must keep records of any diesel lost.

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.



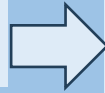
The dispute will be reviewed by the ADR Committee.



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](http://www.youtube.com/sarstv)
  - ❑ SARS website [Excise | South African Revenue Service \(sars.gov.za\)](http://Excise | South African Revenue Service (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*