# Swaziland Revenue Authority

## Annual Report 2012

*"Raising the Standard"*

"Raising the Standard"

# SWAZILAND REVENUE AUTHORITY

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Ref: SRA\CG\C\MF\01

Letter of Transmittal

29 June 2012

The Honourable Mr. Majozi V. Sithole
Minister of Finance
P.O. Box 443
Mbabane

Dear Honourable Minister,

In accordance with Section 25 of the Revenue Authority Act, 2008 I humbly present to you the 2nd Annual Report covering the Financial Year 2011/12.

This Report has been prepared in accordance with the requirements of the Revenue Authority Act, 2008 and Public Enterprises (Control & Monitoring) Act No. 8 of 1989.

Yours Sincerely,

**AMBROSE DLAMINI**
*Chairman of the SRA Governing Board*

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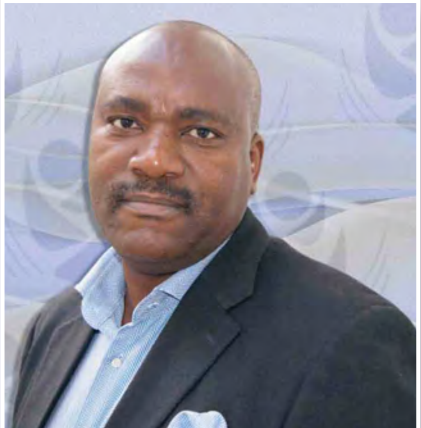
|---|---|
| APS | Analysis, Planning and Statistics |
| ASYCUDA++ | Automated System for Customs Data |
| CANGO | Coordinating Assembly of Non-Governmental Organisations |
| CRP | Common Revenue Pool |
| DMS | Document Management System |
| FDI | Foreign Direct Investment |
| FESBC | Federation of the Swazi Business Community |
| FSE&CC | Federation of Swaziland Employers and Chamber of Commerce |
| FY | Fiscal Year |
| GDP | Gross Domestic Product |
| HNWI | High Net Worth Individuals |
| HR | Human Resources |
| ICT | Information and Communication Technology |
| IFMS | Integrated Financial Management System |
| IMF | International Monetary Fund |
| IRAS | Integrated Revenue Administration System |
| IT | Information Technology |
| LMIC | Lower Middle Income Country |
| M&E | Monitoring and Evaluation |
| MICs | Middle Income Countries |
| MIS | Management Information System |
| PEU | Public Enterprise Unit |
| PPCU | Public Policy Co-ordinating Unit |
| SACU | Southern African Customs Union |
| SADC | Southern African Development Community |
| SARS | South African Revenue Service |
| SASCCO | Swaziland Association of Savings and Credit Cooperatives |
| SBIS | Swaziland Broadcasting and Information Service |
| SEDCO | Small Enterprises Development Company |
| SOPs | Standard Operating Procedures |
| SRA | Swaziland Revenue Authority |
| STR | Sales Tax Registration |
| SUSAH | Swaziland Uniformed Services Against HIV |
| TIN | Taxpayer Identification Number |
| TTR | Tax Type Registration |
| USA | United States of America |
| VAT | Value Added Tax |
| WEF | With Effect From |
| ZIMRA | Zimbabwe Revenue Authority |

The Swaziland Revenue Authority (SRA) is a semi-autonomous agency which is responsible for assessment and collection of revenue on behalf of the Swaziland Government. SRA came into effect through the Revenue Authority Act of 2008 and formally took over the responsibility of revenue administration on 1st January 2011, initially taking over Tax and Customs administration from the Government Departments previously responsible for this. SRA administers a wide range of legislation related to tax and customs administration.

During the reporting period there were three operational departments: Income Tax, Sales Tax and Customs and Excise with support from Information and Communication Technology; Human Resources; Legal Services; Internal Audit; Analysis, Planning and Statistics; Finance; Internal Affairs; Public Relations; and, Estates and Administration.

The operations of SRA are overseen by a Governing Board which comprises of: a Chairman; the Principal Secretary in the Ministry of Finance; the Principal Secretary in the Ministry of Commerce, Industry and Trade; the Governor of the Central Bank of Swaziland; three other members appointed by the Minister and the Commissioner General. The Governing Board has three (3) subcommittees: Audit, Human Resources and Ethics, Finance and Tender. The Chairman of the Governing Board is appointed by the Minister of Finance. The Governing Board elects a Vice-Chairman among its members. and currently Mr. Sthofeni Ginindza holds this position. The Commissioner General is appointed through a recommendation of the Governing Board by the Minister of Finance. The Secretary to the Governing Board is appointed by the Governing Board and is the Chief Legal Officer of SRA.


**Mr. Ambrose Dlamini**
**Chairman**


**Mr. Sthofeni Ginindza**
**Vice Chairman**


**Mr. Dumisani Masilela**
Member


**Mr. Martin Dlamini**
Member


**Ms. Khabonina Mabuza**
Member


**Ms. Phumelele Dlamini**
Member


**Mr. Mhlabuhlangene Dlamini** - Member


**Mr. Jobe Mashwama**
Member

**Mr. Dumisani Masilela**
**Commissioner General**

**Ms. Faith Mazani**
Commissioner of Sales Tax / VAT

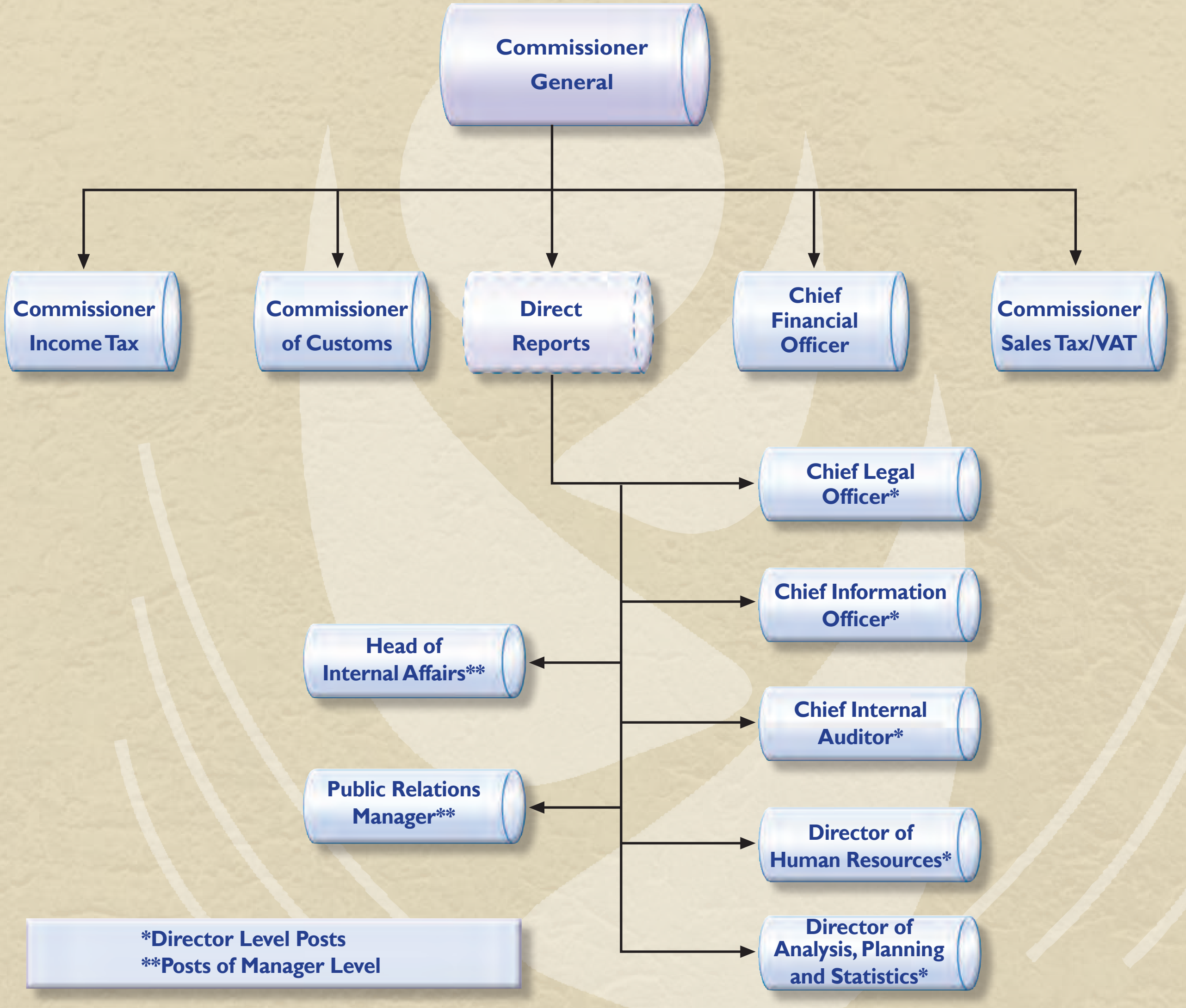
**Mr. Maxwell Lukhele**
Commissioner of Income Tax

**Mr. Isheunesu Mazorodze**
Commisioner of Customs

**Ms. Nompumelelo Dlamini**
Chief Financial Officer

**Ms. Nomcebo Marrengane**
Chief Legal Officer

**Mr. Antony Nxumalo**
Director of Human Resources




During the course of the year, the positions of Head of Internal Affairs and Public Relations Manager were upgraded to be headed by Directors.

NB: A new organisational structure will be adopted commencing 1st April 2012, with four Commissioners

(Domestic Taxes, Customs, Modernisation, and Financial and Corporate Services)

## VISION

*SRA's vision is "to be a modernised, credible and customer centric Revenue Authority."*

## MISSION

*SRA's mission is "to provide an efficient and effective revenue and customs administration, driven by professional and motivated staff, that promotes compliance through fair, transparent and equitable application of the law."*

## VALUES

### Courtesy

We will treat all taxpayers and members of the public who we have dealings with, as well as our colleagues, with courtesy and respect being sensitive to their rights, expectations and responsibilities.

### Equity and Fairness

We will apply the provisions of the Tax and Customs laws in an even handed manner, free of personal, political, religious or other prejudices, and work to produce a level playing field for commercial competition.

### Honesty and Integrity

The management and all staff of the Authority will act and take decisions in good faith, and in the best interests of the Authority and its stakeholders at all times. Staff will be expected to adhere to the SRA Code of Ethics and Conduct and exhibit high standards of personal probity at all times.

### Transparency and Accountability

The SRA will ensure the full disclosure of information as required by law, and, whilst respecting the confidentiality of taxpayer information, explain clearly the reasons for decisions and actions taken. We will ensure that appropriate mechanisms exist to provide accountability for the decisions and actions of staff and managers.

### Value for Money

We will use the resources at our disposal wisely, avoiding waste and extravagance.

### Professionalism

We will invest in staff and encourage them to achieve their potential. In return we expect that they will perform their duties with skill, care and diligence and provide taxpayers and the public with advice and service in a consistent and professional manner.

### Team Spirit

We will work as a team and support each other and build mutual trust and confidence to achieve the Authority's goals.

### Social Responsibility

The Authority will strive to be a model of ethical business behaviour and will respect the legal rights of all taxpayers and uphold the obligations on us contained in the Taxpayer Charter.

The responsibilities of SRA are to:

i) Assess and collect all revenue on behalf of the Government;
ii) Administer and give effect to the laws or the specified provisions of the laws set out in the Schedule and account for all revenue to which those laws apply;
iii) Study the revenue laws and identify amendments which may be made to any revenue law for the purposes of improving the administration of, and compliance with, revenue laws;
iv) Educate the taxpayer on taxation and the value of voluntary compliance;
v) Put in place effective internal control systems that promote efficiency and effectiveness in the collection of revenue whilst minimising the risk of error and fraud;
vi) Take measures as may be required to counteract tax or revenue fraud and other forms of tax or revenue evasion;
vii) Facilitate trade.

## Revenue laws to be administered by the Swaziland Revenue Authority

The Revenue Authority Act, 2008 gives the Swaziland Revenue Authority the responsibility to administer the following revenue laws:

i) The Transfer Duty Act, 1902;
ii) The Companies Act, 1912;
iii) The Customs and Excise Act, 1971;
iv) The Lotteries Act, 1943;
v) The Registration of Dogs Act, 1953;
vi) The Road Transportation Act, 1963;
vii) The Liquor Licence Act, 1964;
viii) The Cattle Export and Slaughter Tax Act, 1968;
ix) The Graded Tax Act, 1968;
x) The Income Tax Order, 1975;
xi) The Stamp Duties Act, 1970;
xii) The Trading Licences Order, 1975;
xiii) The Fuel Oil Levy Act, 1980;
xiv) The Sales Tax Act, 1983;
xv) The Sugar Export Levy Act, 1997;
xvi) The Value Added Tax Act, 2011;
xvii) Such other law as may be enacted from time to time for the purpose of mobilisation and collection of revenue.
However, some of these laws are still being administered by the relevant government institutions as delegated by the SRA.

# 1. CHAIRMAN'S STATEMENT

> **We must however emphasise that we will not tolerate corruption and will root it out at all cost. The Swaziland Revenue Authority is at the service of the people and institutions of Swaziland and we are resolute to this end. We will undertake our work with diligence and skill, and look forward to contributing to the growth and development of this great country.**
>
> **AMBROSE DLAMINI**
> CHAIRMAN

On the 11th March 2011 the Swaziland Revenue Authority was officially launched by His Majesty the King. At that event we laid out our plans towards the realisation of our dual mandate of modernising revenue administration and increasing tax and customs compliance. It was also at this event that we assured His Majesty's Government and the Swazi Nation that we were equal to the task before us and resolute in our conviction to implementing our mandate without fear or favour. We aimed to be a modernised, credible and customer centric revenue authority whilst providing an efficient and effective tax and customs administration. At the time we were conscious of the challenges that lay ahead and were equally aware of the need to tackle these challenges with skill and passion.

In its first year of existence the Swaziland Revenue Authority has taken significant strides towards modernising: (i) the manner in which we collect public funds; (ii) the manner in which we interact with the taxpaying community, and; finally (iii), the manner in which we enforce laws that govern taxes and duties in Swaziland. Technological advancements and the streamlining of internal processes have been at the forefront of the modernisation agenda of the Swaziland Revenue Authority, with world class IT-based systems being put in place to ensure the efficiency of our revenue collection and cost-cutting initiatives. Although many of the IT-based systems have only been partially implemented, the benefits have already been realised as evidenced by the attainment of the 2011/12 revenue collection targets and the identification of revenue leakages.

We are working tirelessly to ensure that our people are well equipped and adequately motivated to undertake the arduous task before them, and we have every confidence in their ability to do so.

During the period under review significant progress and milestones were achieved in developing processes towards the implementation of Value Added Tax (VAT) on 1st April 2012 and the start of the migration to a

**We are also grateful to our Government and in particular to the Ministry of Finance in facilitating the assistance required to meet our objectives. We wish to pledge our commitment to contributing towards the implementation of programmes to ensure sustainability of the fiscus and to being a key partner in the realisation of our national goals and visions.**

single Taxpayer Identification Number. This brings us closer to the attainment of our goal of providing modern solutions to the taxpaying community.

Activities to engage with our counterparts in the region to simplify cross border trade processes and to curb cross border misconduct, especially with South Africa and Mozambique were intensified during the period under review, culminating in formal cooperation agreements with our South African counterparts and the resuscitation of discussions towards formal agreements with Mozambique. We are all in agreement that our border processes need to be simplified and harmonised. Increased cooperation with our neighbours will significantly contribute to decreasing the cost of compliance for businesses and individuals alike. Our international reach has been augmented by an agreement entered into with the World Customs Organisation and the Swedish Customs.

We are grateful to our regional and international partners most notably the World Customs Organisation, the United Nations Development Programme Swaziland Country Office, the International Monetary Fund, the South African Revenue Services, the Lesotho Revenue Authority, the Zimbabwe Revenue Authority, the SADC Secretariat, the World Bank, the Southern African Trade Hub and many other friends of the Swaziland Revenue Authority who have assisted us in building the necessary expertise to put these grand schemes into motion.

We are also grateful to our Government and in particular to the Ministry of Finance in facilitating the assistance required to meet our objectives. We wish to pledge our commitment to contributing towards the implementation of programmes to ensure sustainability of the fiscus and to being a key partner in the realisation of our national goals and visions. The Swaziland Revenue Authority is aware that achieving these goals will take a collective effort.

To the Nation, Business, Labour and the Residents of Swaziland we wish to assure you of our commitment to our guiding principles of transparency, accountability and equity. The Swaziland Revenue Authority ushers in a new era in the way things are done and we ask for your support.

We are also cognisant of the fact that revenue and customs administration cannot be conducted in a manner that diminishes the competitiveness of local business, and as we develop our ability we will be continuously interrogating the associated 'cost' to both ourselves and the business community of various taxes, duties, levies and the like. We must however emphasise that we will not tolerate corruption and will root it out at all cost. The Swaziland Revenue Authority is at the service of the people and institutions of Swaziland and we are resolute to this end. We will undertake our work with diligence and skill, and look forward to contributing to the growth and development of this great country.

**AMBROSE DLAMINI**
CHAIRMAN

**"This year also saw an intensive effort in the SRA in the preparations for the launch of the Value Added Tax by 1st April 2012. We were actively involved in supporting the Ministry in the piloting of the VAT legislation through Parliament and in drafting the regulations underpinning VAT, which were promulgated in March 2012."**

**DUMISANI E. MASILELA**
COMMISSIONER GENERAL

In accordance with Section 25 of the Revenue Authority Act, 2008 I humbly present to you the 2nd Annual Report, covering the financial year 2011/12.

This Report has been prepared in accordance with the requirements of the Revenue Authority Act, 2008 and Public Enterprises (Control & Monitoring) Act No. 8 of 1989.

I recognise the Management and Staff of the SRA, who despite numerous challenges and resource constraints faced during the period under review, have successfully delivered on the goals we had set for ourselves in 2011/12. I wish to applaud the team for responding to the call for sacrifice and intensified commitment and dedication during this period. Without this support we would not have achieved our objectives in the period under review.

We conducted a review of the strategic direction and organisational development of the SRA. This resulted in a document that is cast in the Balanced Score Card framework which restates our strategic objectives. We are currently working on an implementation framework with the view to make sure that the Strategy is understood and owned by all in the organisation.

This year also saw an intensive effort in the SRA in the preparations for the launch of the Value Added Tax by 1st April 2012. We were actively involved in supporting the Ministry in the piloting of the VAT legislation through Parliament and in drafting the regulations underpinning VAT, which were promulgated in March 2012. We also mounted an intensive effort in ensuring that not only the SRA but our taxpayers are ready for VAT. This was done through a number of workshops and interactive radio and television programmes.

Our development and regional partners have also played a pivotal role in the success of the SRA during the period under review. I wish to acknowledge, with appreciation, the assistance received from the following entities:

i) The International Monetary Fund;
ii) The World Bank;
iii) The African Development Bank;
iv) South African Revenue Services;
v) Lesotho Revenue Authority;
vi) Swedish Customs;
vii) The World Customs Organisation;
viii) Zimbabwe Revenue Authority;
ix) African Tax Administration Forum;
x) United Nations Development Programme - Swaziland Country Office;
xi) The Southern African Customs Union;
xii) The Southern Africa Development Community; and,
xiii) The Common Market for Eastern and Southern Africa.

As we reflect on the achievements of the past and the challenges before us we take heed of the fact that the success of the Authority in 2012/13 will be based on the following critical success factors:

i) A highly skilled and motivated workforce;
ii) Effective and efficient business processes; and,
iii) Strong management and leadership capability.

These are factors that are within the control of the SRA. There are factors that are exogenous to SRA, which are equally important for the success of the organisation. Key among these is the information technology infrastructure as we roll out our modernisation initiatives.

It is my pleasure to present the 2012 Annual Report of the Swaziland Revenue Authority.

**DUMISANI E. MASILELA**
COMMISSIONER GENERAL

### 3.1 Global Developments

The recovery of the global economy from the 2008 economic crises continues to be sluggish and risks remain high due to intensifying strains in the Eurozone and fragilities elsewhere. Economic growth, both in the Eurozone and United States of America (USA), has been very slow, with a mild recession predicted for Europe in mid-2012.

Global activity has weakened and become more uneven. Confidence of the world economy has fallen sharply recently and downside risks are growing mostly due to the Eurozone economic crisis and weakening internal demand in growing and emerging economies. Global economic growth reached 3.8% in 2011 compared to 5.2% in 2010. The world economy is projected to expand by 3.3% in 2012, a 0.7% downward revision from an earlier forecast; and is only expected to reach 3.9% in 2013. Real Gross Domestic Product (GDP) in the advanced economies is projected to expand at an anaemic pace of about 1.5% in 2011 and 2% in 2012 and in developing economies it is estimated to be 5.4% in 2012 and 5.9% in 2013.

Estimated at 12.7% in 2010 and 6.9% in 2011, world trade growth is predicted to be even slower in 2012 as import and export growth slows down in advanced economies. Monetary policy remains highly accommodative in many advanced economies notwithstanding the end of the second round of quantitative easing in the USA and rate hikes in a number of advanced economies, including the Eurozone. In advanced economies, headline inflation averaged 2.5% in 2011, but it is expected to recede to close to 1.5% in 2012, assuming that energy and food prices evolve as the markets expect.

### 3.2 Developing and Emerging Economies

At the same time, emerging and developing economies performed fairly well as predicted, with considerable variation across regions. Economic activities began to rebound fairly strongly in the crisis-hit economies. Output in emerging and developing economies is expected to decelerate in the face of capacity constraints, worsening external environment, a weakening of internal demand and tightening policies, settling at a rate of about 5.4% in 2012 from about 7.3% in 2011. Growth is expected to remain at these high rates in emerging Asia, notably in China and India, followed by sub-Saharan Africa.

In emerging and developing economies, headline inflation is expected to settle at about 6% in 2012, down from over 7.5% in 2011 as energy and food prices stabilise. However, demand pressures are expected to exert upward pressure on core inflation.

### 3.3 Sub-Saharan Economies

The Sub-Saharan region is showing solid macro-economic performance, with many economies already growing at rates close to their pre-crisis averages thus far, but downside risks have risen. Economic performance in Sub-Saharan Africa was strong, at an estimated 4.9% in 2011 and a projected 5.5% in 2012. Robust private and public consumption underpinned this strength, as many countries used available macro-economic policy room to help speed up the recovery from the crisis-induced slowdown.

Middle Income Countries (MICs), whose greater integration with global markets made them more vulnerable to the crisis, have yet to fully recover from its impact. A surge in unemployment, high household debt, low capacity utilisation, the slowdown in advanced economies, and substantial real exchange rate appreciation are making for a slow recovery in South Africa, the largest economy in the region. The International Monetary Fund (IMF) estimates growth for South Africa at 3.1% in 2011, and have revised the forecast for 2012 downward, from 3.6% to 2.5%.

### 3.4 Domestic Economy

The effects of the global economic crisis, slow growth in the major trading partners including South Africa and the decline in SACU receipts which led to fiscal challenges have slowed the recovery of the domestic economy. Global demand for domestic products has fallen as a result of the global crisis. In comparison to the year 2010/11, the country's exports (excluding South Africa and Mozambique) showed a decline of 27% in the year 2011/12. Domestic demand weakened (notably in the wholesale and retail component of GDP which fell by 2% in 2011), mainly driven by the lack of Foreign Direct Investment (FDI) and lowered public investment due to constraints arising from the fiscal crisis. The global and domestic challenges have led to downsizing and closure of some companies.

Domestic output is expected to be boosted as government makes payment on domestic arrears and the global economy recovers, however this will be countered by government's fiscal tightening. Output growth is expected to slow to about 0.8% in 2012 from an estimated 1.3% in 2011 and 2.0% in 2010.

Inflation pressures faced by most of the economies in the region were contained in the domestic economy mainly owing to the strength of the domestic currency, allowing an accommodative monetary policy. Still sensitive to South Africa's price movements, inflation pressures were looming in the latter part of 2011 as a result of rising food and fuel prices but inflation rates remained within the single digit level. The annualised figure for inflation as at March 2012 was 8.76% while the annual rate for 2011 stood at 6.01%. Inflation pressures are expected to remain contained within the single digit level in 2012 despite possible pressures from the external shocks.

The higher effective exchange rate has led to lower demand for domestic products and reduced export earnings in 2011. The Lilangeni remained at 6.9 against the US dollar in March 2011 and was at 7.6 during March 2012. In comparison to the year 2010 the Lilangeni got stronger against the US dollar reaching an average of 7.26 in 2011 compared to 7.32 in 2010.

### 3.4.1 International Merchandise Trade

The total value of exports recorded by Swaziland is E12,679,774,664 for financial year 2011/12 while imports were recorded as E13,147,493,580[1]. The country's trade is still dominated by South Africa and Mozambique with them jointly accounting for over 85% of 2011/12 exports. In comparison to the year 2010/11, imports and exports recorded a growth of 5% and 13% respectively. This growth is lower than it would have been without the already mentioned domestic and global challenges.

[1]*This is a preliminary figure, which is subject to confirmation through audit processes.*

**Table 1: Exports Values for 2010/11 and Exports Values for 2011/12**

| Country 2010/11 | Exports Values for 2010/11 (E) | Rank | Country 2011/12 | Exports Values for 2011/12 (E) |
|---|---|---|---|---|
| ZA: Republic of South Africa | 6,661,413,377 | 1 | ZA: Republic of South Africa | 9,026,287,209 |
| MZ: Mozambique | 433,874,954 | 2 | MZ: Mozambique | 676,379,202 |
| AU: Australia | 416,437,689 | 3 | IT: Italy | 452,425,557 |
| NG: Nigeria | 413,136,922 | 4 | ES: Spain | 244,845,327 |
| KE: Kenya | 400,365,882 | 5 | KE: Kenya | 208,556,374 |
| GB: Great Britain | 369,701,550 | 6 | PL: Poland | 205,831,980 |
| AO: Angola | 296,833,666 | 7 | NG: Nigeria | 170,989,218 |
| IT: Italy | 231,839,171 | 8 | TZ: United Republic of Tanzania | 159,148,973 |
| TZ: United Republic of Tanzania | 203,725,151 | 9 | UG: Uganda | 137,817,710 |
| US: United States | 172,220,867 | 10 | PT: Portugal | 121,510,793 |
| Rest of the World (Various countries) | 1,613,467,784 | | Rest of the World (Various countries) | 1,275,982,321 |
| **TOTAL** | **11,213,017,013** | | **TOTAL** | **12,679,774,664** |

South Africa remains the country's major trading partner, accounting for 71% of total exports during the financial year 2011/12. Exports to South Africa increased by 35% while Mozambique still ranks second, as trade increased by 55%. There was a sharp decline in trade with East African countries like Kenya recording a decline of 47% and Tanzania a decline of 22%. On West African states, exports to Nigeria dropped by 59% due to the falling growth and in turn the demand for the country's exports in these countries. Amongst European Union (EU) countries, trade with Italy decreased by 31% between the two financial years.

As shown in table 2 below, the country's exports are dominated by primary products. Concentrates, sugar and sugar confectionery formed the key components of domestic exports. The closure of the SAPPI pulp mill has resulted in wood and articles of wood decreasing as a major export. Swaziland's imports are mainly from South Africa, with a share of 76%. The country's major imports in the period under review included mineral fuels (petrol, diesel and paraffin), processed sugar and motor vehicles. Boilers for the manufacturing sector also formed a significant amount of our imports as well as electrical machinery like televisions.

**Table 2: Major imports and exports for the period 2011/12**

| Import Commodities | Imports Values for 2011/12 (E) | Export Commodities | Exports Values for 2011/12 (E) |
|---|---|---|---|
| Mineral fuels, mineral oils and products of their distillation; bituminous substances; mineral waxes | 1,512,003,366 | Essential oils and resinoids; perfumery, cosmetic or toilet preparations | 3,353,196,396 |
| Sugar and sugar confectionery | 1,200,273,373 | Sugar and sugar confectionery | 2,919,378,131 |
| Vehicles others than railway or tram-way rolling-stock, and parts and accessories | 954,905,067 | Miscellaneous chemical products | 2,098,970,410 |
| Boilers, machinery and mechanical appliances | 884,083,211 | Printed books, newspapers, pictures and other products of the printing industry; manuscripts, typescripts and plans | 576,772,288 |
| Electrical machinery and equipment and parts thereof; sound recorders and reproducers, television image and sound recorders and reproducers, and parts and accessories of such articles | 659,916,765 | Articles of apparel and clothing accessories, not knitted or crocheted | 505,844,227 |
| Plastics and articles thereof | 488,342,913 | Wood and articles of wood; wood charcoal | 434,626,999 |
| Cereals | 419,320,502 | Beverages, spirits and vinegar | 362,622,170 |
| Paper or paperboard; articles of paper pulp, of paper or paperboard | 394,448,177 | Organic chemicals | 294,950,935 |
| Essential oils and resinoids; perfumery, cosmetic or toilet preparations | 367,203,539 | Articles of apparel and clothing accessories, knitted or crocheted | 287,216,714 |
| Articles of iron or steel | 358,484,324 | Nuclear reactors, boilers, machinery and mechanical appliances; parts thereof | 244,560,685.25 |
| Pharmaceutical products | 292,447,363 | Preparation of vegetables, fruit, nuts or other parts of plants | 222,842,891 |
| Other Products | 5,616,064,979 | | 1,622,353,486 |
| **TOTAL** | **13,147,493,580** | **TOTAL** | **12,679,774,664** |

### 4.1 Tax Policy Framework

The financial year 2011/12 saw several amendments proposed to revenue laws. These covered the Income Tax Order, 1975, the Sales Tax Act, 1983 and Customs and Excise Act, 1971. However, amendments that had significant revenue implications were contained in the Sales Tax (Amendment) Act, 2011. The amendment sought to broaden the sales tax base, taking into consideration goods and services that were not on the schedule of taxable supplies. The Sales Tax (Amendment) Act, 2011 also sought to increase the sales tax rate on the imported alcoholic beverages and tobacco products. These amendments, which were eventually effected in December 2011, had implications on the revenue targets set earlier in the year.

### 4.2 Revenue Collections

Into the second financial year of operation, having taken over revenue administration in the last quarter of the previous financial year, the SRA recorded a robust performance and continued to strive for the attainment of the revenue targets set by the government. This was manifest in the performance in terms of attainment of the targets. Table 3 below shows revenue targets and actual collections for 2011/12 against actual collections for 2009/10 and 2010/11.

The target for the year 2011/12 was set at E4,251,073,442 which was later revised to E3,770,091,400 following the change in overly optimistic assumptions which were based on enactment of some legislations and projected economic growth. The earlier revenue target was partly based on anticipated policy changes, as discussed in Section 4.1. Collections against the revenue target were E4,085,653,814 exceeding the target by 8%. An increase of 7% has been observed for total revenues in 2011/12 when compared to 2010/11 showing an improved revenue performance. The major source of domestic revenue was income taxes accounting for 66% of total revenue, while Sales Tax collections were 33% of total revenue in 2012 being the second largest contributor.

**Table 3: Revenue collections for the period 2009/10 to 2011/12 (E'000)**

| REVENUES FOR THE PERIOD 2009/10 TO 2011/12 (E'000) | | | | | | |
|---|---|---|---|---|---|---|
| **REVENUE HEADING** | **2009/10** | **2010/11** | **2011/12** | | **VARIANCE 2011/12** | |
| | **Actual** | **Actual** | **Target** | **Actual** | **Actual - Target** | **2010/11 - 2011/12** |
| Company Tax | 707,838 | 763,224 | 806,611 | 827,634 | 3% | 8% |
| Individuals | 1,330,116 | 1,447,948 | 1,413,967 | 1,568,554 | 11% | 8% |
| Other Income Tax | 268,726 | 308,188 | 307,887 | 301,635 | -2% | -2% |
| Graded Tax | 3,089 | 4,100 | 4,523 | 3,416 | -24% | -17% |
| TOTAL | 2,309,769 | 2,523,459 | 2,532,988 | 2,701,238 | 7% | 7% |
| | | | | | | |
| **SALES TAX** | 997,644 | 1,255,389 | 1,189,798 | 1,338,190 | 12% | 7% |
| | | | | | | |
| **OTHER TAXES** | | | | | | |
| Sugar Export Levy | 17,462 | | | | | |
| Road Toll | 24,691 | 24,200 | 26,985 | 28,090 | 4% | 16% |
| Lotteries and Gaming | 20,651 | 18,123 | 20,320 | 18,135 | -11% | 0% |
| TOTAL | 62,804 | 42,323 | 47,305 | 46,225 | -2% | 9% |
| **GRAND TOTAL** | **3,370,217** | **3,821,171** | **3,770,091** | **4,085,654** | 8% | 7% |

As shown in figure 1 above, the domestic tax to GDP ratio remained constant in the year 2008/09 when compared to 2007/08 and the same holds for 2009/10 when compared to the year 2010/11. An improvement in revenue collection efficiencies is observed in the year 2011/12 shown by increasing domestic tax revenue to GDP ratio when compared to the year 2010/11.

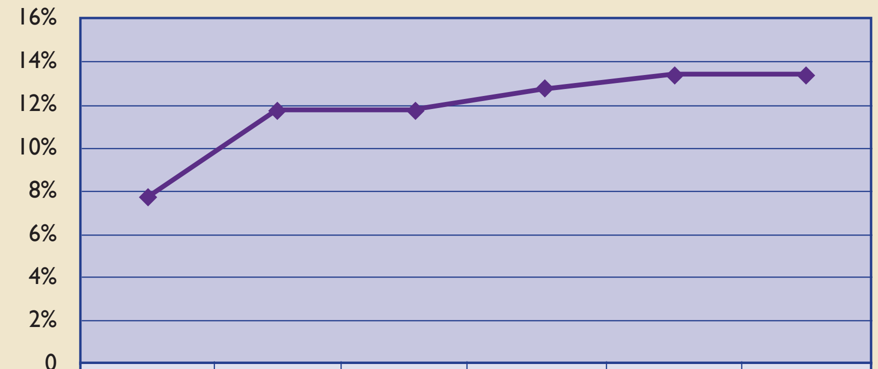
### 4.3 Income Tax

Income taxes reflected a healthy increase despite the economic growth challenges, given that income tax collections are closely correlated to changes in output. Figure 2 below indicates income tax revenues collected by tax type.

The gross income tax collection stood at E2,703,503,890, while refunds for the year totalled E2,265,888 resulting in a net collection of E2,701,238,002 against a revised target of E2,532,988,400. This is above the set target by 7% as can be seen in table 4 below. In comparison to the financial year 2010/11 where collections for income taxes totalled E2,523,459,391, an improvement of 7% was observed in collections for the year 2011/12, in spite of the harsh economic climate experienced.

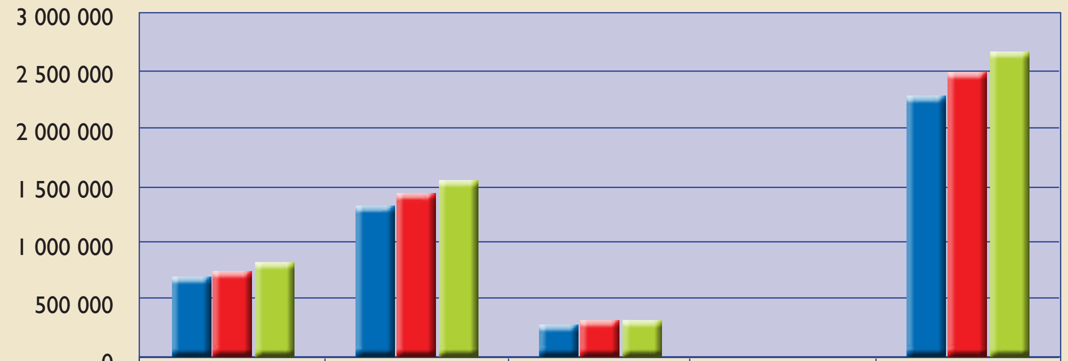
Collections from company profits, individuals earnings (and Pay As You Earn), graded tax (collected from all male citizens of the country above 18 years and employed female citizens) and other income taxes (including other provisional and withholding taxes) are components of income taxes. The largest contribution to income taxes comes from individuals, accounting for about 58.1% of income taxes in the year 2011/12, a higher contribution when compared to the 57.4% observed in 2010/11. However, the highest

**Figure 1: Domestic tax revenue collected to GDP ratio**




| | 2006/07 | 2007/08 | 2008/09 | 2009/10 | 2010/11 | 2011/12 |
|---|---|---|---|---|---|---|
| Tax to GDP Ratio | 8% | 12% | 12% | 13% | 13% | 14% |

**Figure 2: Income Tax revenue collections by tax type for the period 2009/10 to 2011/12**




| | Company Tax | Individuals | Other Income Tax | Graded Tax | TOTAL |
|---|---|---|---|---|---|
| 2009/10 | 707 838 | 1 330 116 | 268 726 | 3 089 | 2 309 769 |
| 2010/11 | 763 224 | 1 447 948 | 308 188 | 4 100 | 2 523 459 |
| 2011/12 | 827 963 | 1 568 224 | 301 635 | 3 416 | 2 701 238 |

**Table 4: Income Tax items as a proportion of total Income Taxes (in E'000)**

| Revenue Heading | Revenue – 2010/11 | Revenue – 2011/12 | As a proportion of Income Taxes | Growth compared to 2010/11 |
|---|---|---|---|---|
| Company Tax | 763,224 | 827,634 | 30.7% | 8.5% |
| Individuals | 1,447,948 | 1,568,554 | 58.1% | 8.3% |
| Other Income Tax | 308,188 | 301,635 | 11.2% | -2.1% |
| Graded Tax | 4,100 | 3,416 | 0.1% | -16.7% |
| **TOTAL** | **2,523,459** | **2,701,238** | **100%** | **7%** |

growth in revenues when compared to 2010/11 was attributed to company taxes which grew by 8.5%, while the least performing tax was Graded Tax which recorded a decline of 16.7% from E4,100,007 in 2010/11 to E3,415,862 in 2011/12. This decline is attributed to the assumed low demand of Government services which required graded tax clearances as there are no compliance activities within the SRA to actively collect this tax due to its small yield.

The performance of other income taxes showed a drop in 2011/12 as compared to 2010/11 mainly due to slowed business operations that required the engagement of non-resident services translating to lower withholding taxes. Income Tax arrears stood at E458,459,033 as at 31st March 2012 which is 17% of the total collections. While some of the outstanding arrears included debts from prior years, there was a fair amount resulting from the fiscal challenges that government went through this financial year, which resulted in them failing to meet their financial obligations to suppliers.

### 4.3.1 Taxpayers Registration

During the period under review a total of 6,547 new taxpayers were registered for income tax purposes, dominated by individuals and companies at 65% and 14% respectively.

### 4.3.2 Filing of Returns and Assessments

This year saw the introduction of a re-designed Income Tax return form with the objective to simplifying it for the taxpayer. The number of returns received amounted to 31,750. It has to be noted that the returns include those for previous years of assessment. A total of 26,346 assessments were raised during this period, covering tax years prior to 2011. This resulted in tax payable amounting to E1,812,832,612 after deducting the tax rebates. This performance is attributable to the rationalisation of the operations of the Income Tax Department and the segmentation of the taxpaying population. In addition, the SRA is implementing a strategy aimed at improving the turn-around time in the processing of income tax returns.

### 4.3.3 Introduction of Self-assessment

The Authority made significant strides towards intro-ducing self-assessments for Income Tax. The provisions to introduce self-assessment are contained in the recently promulgated Income Tax (Amendment) Act, 2011. The self-assessment will be introduced for large taxpayers in the financial year 2012/2013, proceeding to medium and small taxpayers in 2013/14 and 2014/15 respectively.

### 4.3.4 Audits and Investigations

A total of 2,103 audits and investigations were completed as at 31st March 2012. This resulted in additional revenue assessed of E413,472,456, with large taxpayers accounting for 80%. Audits accounted for 96% of overall cases with the remaining 4% being investigations.

### 4.3.5 Database Cleansing

A comprehensive data cleansing and migration strategy was developed and implementation is on-going. The activities involved include masterfile, assessing, PAYE, refunds and returns filing. Thereafter, clean data will be migrated into the Integrated Revenue Administration System (IRAS).

### 4.4 Sales Tax

From a total collection of E1,255,389,000 in 2010/11 an improvement of 7% was recorded on Sales Tax collections in 2011/12 as indicated in figure 3 below.

Collections from imports (border collections, motor vehicles and statements) totalled E1,159,917,405, while collections from domestic activities (including interest charges) totalled E182,320,784 to make a total gross collection of E1,342,238,189 as indicated in table 5 below. Sales Tax refunds for the year totalled E4,047,745 (inclusive of E52,001 from closure of bonds) resulting in net collections of E1,338,190,444.

The revised target for the year 2011/12 for Sales Tax was E1,189,798,000. The actual collection figures indicate that this target was exceeded by E152,440,189 which is 12% of the target. The increases in revenues under this item can partly be attributed to amendments to the Sales Tax Act extending the services subject to Sales Tax. This resulted in domestic collections increasing by the year-end to almost double the level applicable at the start of the year. This collection rate indicates that it would have been possible to meet the original target of E4,251,073,442 had the amendments been approved timeously. There were also increases in collections from alcoholic and tobacco products resulting from the higher tax rates imposed through the amendment. Arrears and low domestic compliance have however continued to affect Sales Tax collections.

**Figure 3: Sales Tax Collections for the period 2009/10 to 2011/12 (E'000)**

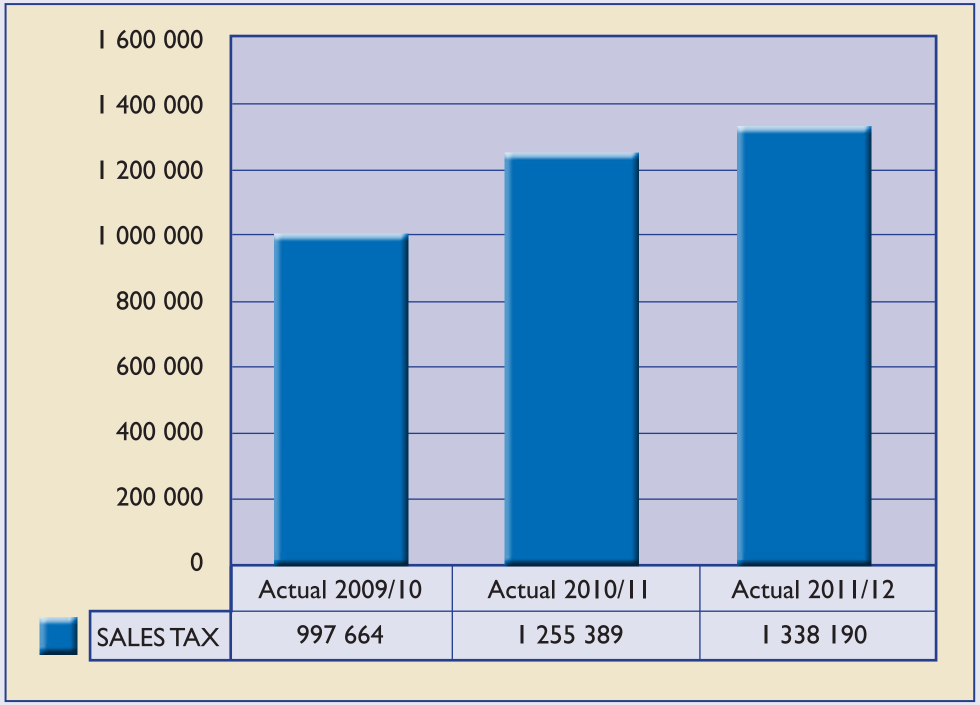



**Table 5: Sales Tax collections by revenue source (E)**

| Revenue Item | Revenue (E) | As a % of Total Collections |
|---|---|---|
| Collections from Imports | 1,155,921,661 | 86% |
| Collections from Domestic Activities | 182,320,784 | 14% |
| Liquidation of Sales Tax bonds | (52,001) | - |
| **TOTAL** | **1,338,190,444** | |

Sales Tax arrears stood at E119,525,744 as at 31st March 2012 which is 9% of the total collections.

### 4.4.1 Voluntary Compliance

Compliance with the filing of returns for domestic Sales Tax was very low at commencement of operations in 2011. This was estimated at 12% of the registered domestic sales taxpayers who were submitting returns on time. However, a number of these were not making payment with the returns. After data cleansing of registered taxpayers that commenced in October 2011 the compliance improved in October to 28%. After coming into force of the Sales Tax (Amendment) Act in December 2011 an improved compliance rate of 51% was recorded. By February 2012 the compliance rate improved to 69%.

### 4.4.2 Introduction of Value Added Tax

The Value Added Tax (VAT) legislation was passed by Parliament and assented to on the 26th October 2011. VAT regulations supporting the implementation were then passed in March 2012. Awareness raising on VAT issues commenced in May 2011 with the general public and covered various stakeholders including Federation of Swaziland Employers and Chamber of Commerce (FSE&CC), Federation of the Swazi Business Community (FESBC) and the Swaziland Institute of Accountants. There were also some sector specific consultations designed to address issues peculiar to those sectors. These include the financial sector, the construction industry and exporters to name a few. These engagements were conducted in different regions throughout the year. More workshops and in-house training was offered on request by companies such as Coca Cola, Pick'n Pay, Standard Bank and Financial Services providers, Swaziland Electricity Company (SEC), Swaziland Post and Telecommunications Corporation (SPTC) and MTN Swaziland among many. The VAT registration campaign was launched on 1st February 2012 and included posting of billboards, use of print and electronic media and technical workshops. By 31st March 2012 a total of 1,620 taxpayers had registered for VAT. More workshops and public engagements are scheduled as more taxpayers continue to register. SRA also engaged in public awareness through the electronic media. The most effective of these platforms seems to be the radio, which is interactive and is run every Wednesday and have apparently generated a lot of interest in the public.

### 4.4.3 Customer Service Improvement

All SRA staff members were trained on both VAT and Sales Tax to improve the level of service to taxpayers. Various fora were used to educate the public and the business community on the Sales Tax (Amendment) Act, 2011 and later on VAT. A VAT guide was produced and published on the SRA website. Sales Tax procedures were documented and process flows designed by May 2011 and all Sales Tax staff trained on them. These included: registration of taxpayers for TIN/VAT; VAT returns and refunds processing; taxpayer accounting and revenue accounting procedures, refunds for diplomats, stock verification and inspections procedures and the VAT deferred payment system procedure. A helpdesk facility was created to facilitate quick resolution of queries from the public on both the Sales Tax (Amendment) Act and the VAT Act.

### 4.4.4 Business Consultative Forum

The SRA, in its commitment to consult with commercial stakeholders in Swaziland on its strategies, policies, operational programmes and administrative procedures that govern and affect Swaziland's commercial trade, facilitated the establishment of the Business Consultative Committee (BCC). The purpose of this committee is to promote mutually beneficial collaboration between the SRA and the commercial trade community on customs and tax administration matters to the benefit of the country's economy, in particular the trade sector. The BCC therefore provides a mechanism for representatives of business to discuss operational aspects of the tax and customs systems with the SRA. The role of the BCC is to foster a stronger relationship and greater understanding between businesses and the SRA.

The BCC comprises of a number of members drawn from the business community including some nominated by the FSE&CC, FESBC and Swaziland Commercial Amadoda. It also has the Swaziland Institute of Accountants and the Law Society, which represent professionals that frequently interact with tax and customs issues. SIPA and SEDCO complete the membership as entities that deal with investment promotion in the country and are often the recipients of complaints from members of the business community that may not be represented in the other organisations.

Recommendations or matters that arise from the BCC forum, particularly those that are of a policy nature, are reported to the Minister of Finance. Issues from the forum are given three months to be dealt with and any exceptions are fully reported in the quarterly meetings. The BCC was formally launched on 06 February 2012.

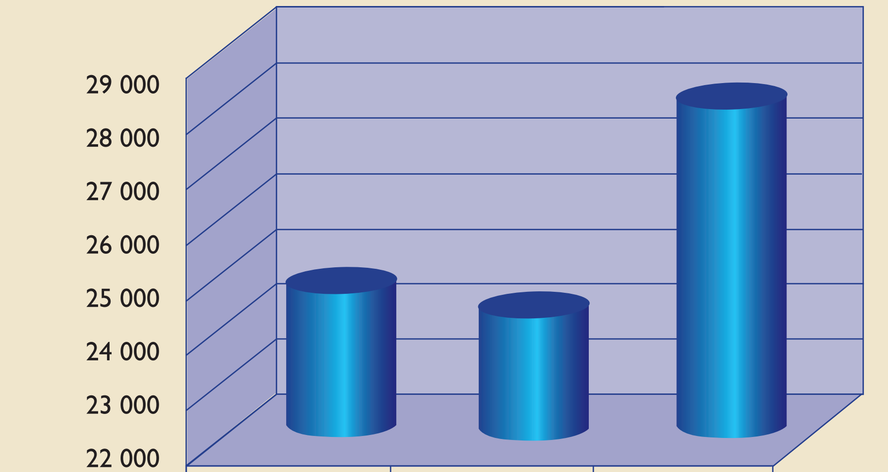
## 4.5 Road Toll

Collections of the Road Toll are made at the country's borders from foreign registered vehicles that enter the country by road and domestic commercial vehicles. The amounts paid per category are E15, E50 and E80 for domestic commercial vehicles, private foreign registered and foreign commercial vehicles, respectively. A collection of E28,088,630 was made in 2011/12 compared to E24,199,550 collected in 2010/11, which represents a 16% increase in performance (see figure 4 below). This is the highest year to year increase since 2009/10 where an increase of 7% was observed while a decline of 2% was observed in 2010/11. This revenue item is obviously dependant on tourist traffic, mainly from the Republic of South Africa.

## 4.6 Customs and Excise

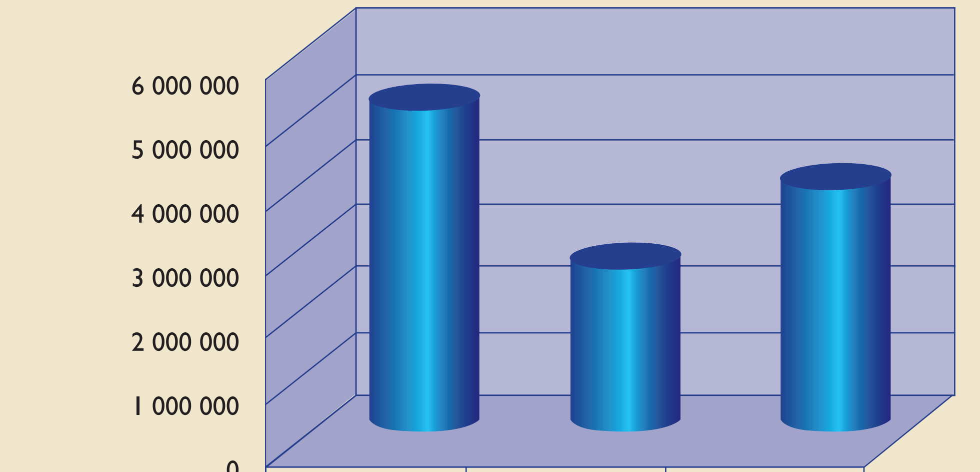
As part of the Customs Union Agreement, Customs and Excise collections are remitted to the SACU Common Revenue Pool (CRP). They do not form part of domestic revenue: instead the country receives annual revenue transfers from the SACU Revenue Pool, calculated in accordance with the agreed revenue sharing formula. If Swaziland was not part of SACU these remittances to the Pool would have been part of the country's revenue from import duties and taxes. Total transfers to the CRP amounted to E113,735,162 in the year 2011/12, an increase of 26% over the 2010/11 remittances. A total of E2,881,093,000 was received as a share for 2011/12, a growth of 10% from the E2,630,019,250 received in 2010/11. Despite positive year-to-year growth, SACU

**Figure 4: Road Toll collection since 2009/10 (E'000)**




| | 2009/10 | 2010/11 | 2011/12 |
|---|---|---|---|
| Road Toll | 24 691 | 24 200 | 28 090 |

**Figure 5: SACU receipts for the period 2009/10 to 2011/12 (E'000)**




| | 2009/10 | 2010/11 | 2011/12 |
|---|---|---|---|
| SACU RECEIPTS | 5 191 517 | 2 630 019 | 2 881 093 |

*Customs Anti-Smuggling Team*

receipts remained at a good 37% below their previous three year average (2010/11, 2009/10 and 2008/09) as shown in figure 5.

### 4.6.1 Enforcement Capability

SRA established fully operational teams instituted to deal with issues pertaining to risk management, anti-smuggling techniques and post clearance audits. This was aimed at better positioning the organisation to adopt new approaches in Customs administration which underpin the objective of trade facilitation. There was a clear need to build capacity among members of the team to deliver on this objective, which effort unfortunately struggled due to the poor state of the fiscus that resulted in only 57.6% of the budgeted resources being transferred to the SRA for its programmes.

### 4.6.2 Improvement of Trade Data

The SRA embarked on an exercise to capture all customs declaration forms which were not previously recorded in the customs systems (CCA1 and ASYCUDA) to update the database for the 2009/10 year. This exercise yielded good results and significantly improved SACU revenue shares for 2012/13.

### 4.6.3 Voluntary Compliance

As a sub-committee of the SRA to Business Consultative Committee, which meets quarterly, the Customs-to-Business Forum was resuscitated. It brings together various trade groups and associations to discuss operational issues and resolve bottlenecks that may adversely impact the movement of goods through our borders. A policy of zero-tolerance on non-compliance has been adopted and penalties are meted out in all instances where importers and exporters are found to have knowingly done anything to defraud the fiscus. In the reporting period, a total of seventy two (72) seizures of goods were recorded. These were mainly cars and alcoholic beverages.

### 4.6.4 Time Release Study

Supported by the World Bank, the Authority commissioned a Time Release Study. The objectives of the study include:

i) To provide guidance to the SRA, other Government agencies and the private sector, by identifying problem areas and potential corrective actions required to increase their efficiency;

ii) To better assess the country's relative competitiveness in international trade;

iii) To develop a prioritised action plan on measures to enhance trade competitiveness based on improvements in trade and transport facilitation.

The study was conducted at Ngwenya, Lavumisa and Lomahasha border posts as part of a strategy to re-engineer customs procedures and processes to achieve maximum trade facilitation and optimise international trade flows at the country's borders. A National Working Group comprising representative from all government entities involved in international trade and private stakeholders was created to spearhead the study. The findings of this study due at the end of May 2012 will be analysed and used to inform on-going efforts to streamline and modernise Customs procedures.

## 5.1 Information and Communication Technology

Cognisant of the impact that technology can have on its efficeincy, various information technology initiatives were undertaken in the year 2011/12 as means to support the organisation in its Information, Communication and Technology (ICT) needs. These centred on systems development and infrastructure improvement.

### 5.1.1 Integrated Revenue Administration System

The modernisation of tax administration is under-pinned by, among other things, a robust Information Technology (IT) system. Significant progress was made towards the implementation of the Integrated Revenue Administration System (IRAS). A New Zealand based company, Data Torque, was contracted with the responsibility of supplying and implementing IRAS for SRA. The contract award included supporting the system for the first five years up to 2017. Data Torque has implemented these IT systems in a number of revenue administrations around the South Pacific region. They commenced their engagement in Swaziland on 15th November 2011.

The IRAS development project is divided into six (6) stages namely: Stage 1 (TIN/VAT Registration); Stage 2 (VAT Returns Processing, VAT Cashiering, VAT Taxpayer Accounting, VAT Revenue Accounting, Refunds); Stage 3 (Revenue Management System Common Cashiering, Taxpayer Accounting, Revenue Accounting, Compliance Activities); Stage 4 (Taxpayer Enquiries, VAT Audit/Investigation Tools, VAT E-Tax, Document Location); Stage 5 (Income Tax/PAYE returns processing, E-Tax (Income Taxes)); Stage 6 (Electronic Payment, Objections and Appeals, Advanced Auditing Tools). A deliberate decision was taken to prioritise activities that were essential to support VAT implementation, which will commence on 1st April 2012. As at the end of the year, the project had delivered the registration module.

A further development of IRAS was the development of the Taxpayer Identification Number (TIN). The TIN Registration Form was completed in the financial year under review and made accessible to taxpayers via the SRA website by any taxpayer for registration. The TIN is a number that will be allocated to a taxpayer and is used on any official documents relating to the taxpayer on all associated tax obligations. The TIN will enhance the administration of all tax types in a cost-effective manner under a 360 degrees view of a single taxpayer.

### 5.1.2 ICT Network

The roll-out of the SRA ICT network in major offices in the Manzini/Mbabane corridor and some distant sites was done successfully. A Microsoft-based converged communication tool (Microsoft Lync) was rolled out in all SRA-networked sites. This tool allows access to corporate email with presence alert, direct document sharing and collaboration, chat and phone functionality linked to email. The tool also facilitated a reduction of communication costs in the organisation.

### 5.1.3 Automated System for Customs Data

The roll-out of the Automated System for Customs Data (ASYCUDA++) at all the commercial sites and five of the non-commercial sites was achieved. The focus was on minimising leakages by comparing data with our trade partners. The development to align the systems to permit data exchange for reconciliation purposes is on-going. Technical assistance has been secured to support the operationalisation of all modules of this system.

### 5.1.4 Integrated Finance Management System

AccTech Systems, a South African based vendor, was approved as the supplier for the Integrated Finance Management System (IFMS). All core modules have been installed and the project included installation and training on e-Workflow which enabled users at their workstations to place purchase requisitions on-line. This is envisaged to streamline procurement procedures and greatly improve management of assets. Some of the main modules that the IFMS is delivering include the following: General Ledger (GL); Accounts Receivable; Accounts Payable; Cashbook for Banking; Electronic Fund Transfer; Fixed Asset Register; Requisitions and Purchase Orders (with self-service); Inventory Control; Budgeting and Forecasting; Reporting; and, Project Job Costing.

The ACCTECH Micro Strategy (Business Intelligence) facilitates rapid report creation by converting information already in ACCPAC (accounting system) or any other related application, into a single data warehousing system. It helps employees in remote offices and different departments to manage, distribute and collaborate on data from a single unified source. The reports are deployed over the web to key personnel throughout the organisation or sent as a Microsoft Excel file that can be reviewed on demand. The planned go live date for this module will occur in the next financial year.

### 5.1.5 Human Resource Integrated System

All processes regarding the procurement of service providers for setting up the Human Resource Integrated System (HRIS) were concluded and a vendor selected. An engagement letter was signed with the vendor. However, due to shortage of funds the project was deferred for implementation in the subsequent financial year and is expected to be fully operational by October 2012.

## 5.2 Analysis, Planning and Statistics

The Authority produced various reports, both for internal and external reporting requirements. SRA participated in the discussions with the Ministry of Finance on the development of revenue forecasts and internally determined monthly revenue targets. SRA also participated in the on-going discussions on the review of the SACU Revenue Sharing Formula. Trade statistics were produced in collaboration with other government agencies such as the Central Statistics Office (CSO) of the Ministry of Economic Planning and Development.

Specific milestone activities achieved include the following activities:

i) Developed a monitoring and evaluation (M&E) framework to assess the performance of Business Units against plans. This facilitated the production of the quarterly SRA monitoring and evaluation report and M&E dashboard.
ii) Reviewed and repackaged the Strategic Plan. The exercise also entailed the development of departmental and divisional business plans.
iii) Production of quarterly statutory Public Enterprise Unit (PEU) reports and the reports on performance targets coordinated by Public Policy Co-ordinating Unit (PPCU) in the Prime Minister's Office.
iv) Produced monthly Management Information Systems (MIS) analysis reports.
v) Engaged periodically with the Ministry of Finance on the discussions of revenue forecasting and eventual target setting for budget 2012/13.
vi) Compilation and submission of the country's trade statistics reconciliations to SACU Secretariat and other stakeholders.

## 5.3 Estates and Administration

The Authority acquired and secured required additional offices. Security measures were also put in place in order to ensure safe operations including installation of access controls, alarm systems, and enclosing cash collection points in key strategic offices.

The tracking, fleet management and fuel card systems were fully functional on the fleet of SRA vehicles. The fleet management system was implemented by EQSTRA. Under this arrangement SRA has leased fourteen (14) vehicles which are maintained by EQSTRA. As at year-end, the organisation had thirty two (32) running vehicles and six (6) at the state warehouse due for disposal. Police escort was secured to provide protection to SRA vehicles doing banking activities.

The Motor Vehicle Transport and Procurement Policies of the organisation were reviewed and approved to be aligned with other policies of the organisation. A contract register was developed to ensure timeous renewal and termination.

The Document Management System (DMS) project commenced and Phase 1 was completed in the period under review. This was the diagnostic phase that revealed the five (5) phases of the project. These include: Phase 1 (Project initiation and solution conceptualisation); Phase 2 (Define stage); Phase 3 (Detailed technical design of the proposed solution); Phase 4 (Develop, install and configure the solution); Phase 5 (Implement the solution, go live and training). Phase 2 is in progress and going through internal approval processes by Executive Management. Phase 3-5 will follow to cover the setting-up of the system by the selected vendor. The first two phases were supported by the UNDP while the other phases will be supported by the Republic of China on Taiwan to the tune of US$ 1 million.

## 5.4 Human Resources

### 5.4.1 Performance Management System

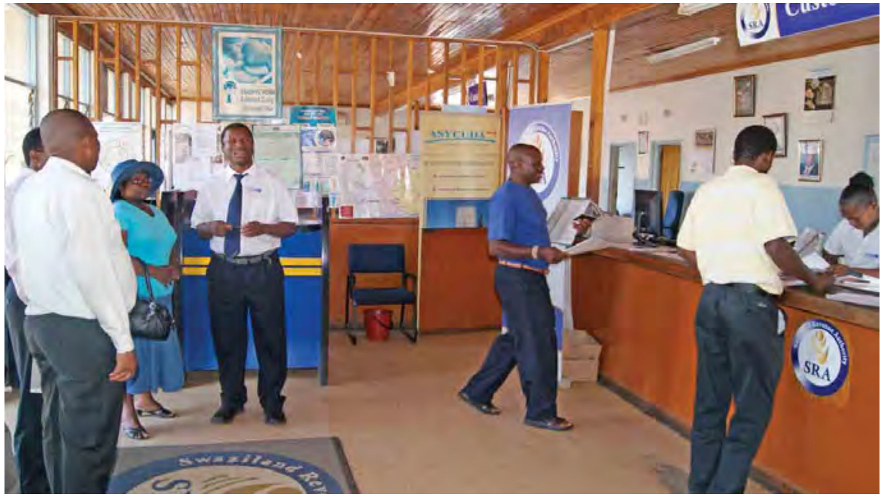
In support of its desire to promote a strong performance culture, SRA designed a robust Performance Management System (PMS). It is intended to be rolled out next financial year, starting with Senior Management. This will continue until June 2012 and thereafter rolled out to the rest of SRA staff. Training on the PMS has been conducted, while training on job descriptions is on-going and in-line with restructuring of the organisation.

### 5.4.2 Training

SRA has conducted various training activities for its staff across the different Departments and Divisions as indicated in table 6 below. These include: Induction of newly recruited staff; Customs (Survival Kit, Management Training on Customs Business Plan; Risk Management); Senior Management Development Programme; Performance Management System Training; E-Learning; Managing Discipline in the Workplace; Sales Tax processes and procedures; Income Tax (various topics covered); Training on VAT/ Sales Tax. Intensive training activities were mainly around the VAT awareness and implementation exercises. A Risk Management workshop for Customs Officers was conducted locally and attended by sixteen (16) Customs Officers, with facilitation by IMF experts. Two external attachments were made to ZIMRA and SARS.

**Table 6: SRA 2011/12 Staff Trainings**

| TARGET GROUP TRAINED | TRAINING TOPICS COVERED | NUMBER OF PERSONNEL TRAINED |
|---|---|---|
| 1. Income Tax Personnel | Management of new Income Tax Return Forms; Analysing and Understanding Financial Statements; Refresher course for field inspections; Punching in New Income Tax Return Forms; Training of Trainers in Money Laundering and bribery awareness for Tax Officials; Withholding Taxes; Conducting Audits and Investigation in Law firms. | 306 |
| 2. Customs Personnel | Survival Kit; Management Training on Customs Business Plan; Enforcement Workshop Programme; Developing the Risk Management function in Customs; VAT Training for Cashiers and Customs Officers; Rules of Origin. | 413 |
| 3. Sales Tax/VAT Personnel and other staff | Sales Tax Processes and Procedures; VAT Awareness for SRA Staff; VAT Registration; Debt Collection; Post Interim Registration Standard Operating Procedures (SOPs); General Principles of VAT. | 535 |
| 4. Senior Management (Commissioners, Directors, Managers) | Senior Management Development Programme; Performance Management System. | 178 |
| 5. IRAS Staff | Interim VAT Registration System; E-learning Project; Revenue Management System (RMS) and Simulation; Training of Trainers TIN Training. | 76 |
| 6. Cross-cutting Trainings | First Aid; E-Learning; Microsoft Excel Training ; Train-the-Trainer; Managing Discipline at the Workplace; Induction Course; IFMS e-Workflow. | 553 |
| 7. VAT and Customs Personnel External Attachments | ZIMRA VAT attachment; Regional Integration in Africa and the Role of Customs; SARS VAT attachment; Tripartite workshop. | 26 |




*SRA officials at Mahamba Border Post*

*Future potential taxpayers*

### 5.4.3 Staff Complement

SRA's staff complement grew steadily from 520 in April 2011 to 563 in March 2012. The new structure, which is effective 1st April, 2012, has a staff complement of 650. The plan is to recruit incrementally until the complement is met. There were thirteen (13) resignations during the course of the reporting year. As part of enforcing the organisation's disciplinary code, ten (10) cases were handled and concluded. Seven (7) resulted in dismissals while three (3) resulted in written warnings. Staff attrition due to both resignations and dismissals was 4%.

### 5.4.4 Staff Wellness Programme

The development of a staff wellness programme commenced with a budgetary allocation (of E3m) for utilisation in the coming year together with the recruitment of a Wellness Coordinator. SRA has maintained membership to the Swaziland Uniformed Services Against HIV (SUSAH).

## 6.1 Internal Affairs

While there is significant improvement, there are indications that the SRA still has pockets within it where there continues to be lapses in integrity among members of staff. One hundred and twenty six (126) complaints were received. Thirty two (32) were investigated and concluded including those that were transferred to other law enforcement agencies and those closed for lack of evidence. The remaining ninety four (94) are still being investigated. A target of finishing 80% of initiated investigations within six months was achieved. Seven (7) employees were found guilty of various acts of misconduct and dishonesty and were dismissed; one (1) was on suspension at the end of the period under review while one (1) was going through a disciplinary hearing.

Regular staff education and awareness programmes on the Employee Code of Ethics and Conduct were conducted in an effort to prevent fraud and corruption in the organisation. Eight (8) suggestion boxes were installed in the main service centres of the SRA for collecting public complaints and compliments.

Staff checks were carried out on every officer implicated in any investigation conducted or as per request from the HR Department. Out of a staff complement of five hundred and sixty three (563), there are (219) staff members that were vetted in the reporting period.

There was also a review of the asset declarations to detect issues of conflict of interest and lapses in integrity. A total of two hundred and nineteen (219) out of five hundred and sixty three (563) staff asset declarations were reviewed which translates to 39%, and exceeded the target of 33%.

## 6.2 Internal Audit

The Internal Audit function planned for twelve (12) audit projects made up of risk based audits, compliance audits, information communications audits, and financial audits. At the end of the financial year, completed audits included the following:

i) Five (5) risk based audits on High Net Wealth Individuals, document management, debt collection and management, and customer operations.
ii) Four (4) ad hoc audits on Control Environment, Procurement, Matsapha Tax Office Investigation and Organisational Establishment.

Audits commenced in the year under review but due for completion in the subsequent year include:

i) Three (3) risk based audits (security of information, customer services and Sales Tax collections).
ii) One (1) on information, communication and technology.

The status of internal controls as defined by the Internal Audit function was that the internal controls currently within the organisation are partially adequate, but require improvement to ensure risks are minimised and to provide reasonable assurance that the organisational objectives will be met. Furthermore, a three year Risk Based Strategic Rolling Plan and an Annual Risk Based Plan were developed. An Audit Committee Charter, Risk Management Policy Framework and Internal Audit Charter were developed and approved by the Board. Road-shows were conducted across the whole organisation to explain the role of the Internal Audit Division.


*Workshop for Law Society of Swaziland*

SRA conducted a number of engagements to enhance understanding of tax issues for the various categories of taxpayers. These included:

i) The development of a Taxpayer Engagement Communication Strategy (working document) that provides a roadmap in the implementation of taxpayer engagement initiatives to foster voluntary compliance amongst all segments of taxpayers.

ii) Implementation of Taxpayer Engagement Initiatives targeting different categories of taxpayers ranging from large taxpayers to small and medium entities. A total of fifty two (52) taxpayer engagements were conducted in all the country's regions. The focus was on the different tax types and customs, Income Tax Returns, Sales Tax and introduction of VAT. Table 7 below indicates the various types of engagements with taxpayers.

**Table 7: Engagements Workshops for the period April 2011 to March 2012**

| MAIN THEME | TOPICS COVERED | TARGET AUDIENCE | COVERAGE AREA | NUMBER OF PEOPLE REACHED | PARTNER ORGANISATION/ CONSTITUENCY |
|---|---|---|---|---|---|
| 1. SRA Mandate | Income Tax; Customs; Sales Tax including Sales Tax Amendment Bill; The VAT Bill. | Women In Business, Textile Industry, Large Taxpayers, Lawyers, Small and Medium Enterprises, Parliamentarians (MPs and Senators). | Manzini, Matsapha, Mbabane, Pigg's Peak, Nhlangano, Siteki, Simunye, Mhlume, Various Constituencies (MPs). | 530 | FSE&CC Women in Business Forum, SIPA, SRA organised, Swaziland Law Society, FESBC, Parliament. |
| 2. Customs | Declaration of 2nd Hand Motor Vehicles (Outside SACU); Customs Procedures. | 2nd Hand Motor Vehicle Dealers, Freight and Courier Companies | Matsapha; Mbabane; Manzini | 140 | SRA organised, Swaziland Freight Forwarders Association. |
| 3. Income Tax | Income Tax Returns Submission. | Large Taxpayers, Accountants and Auditors, Rural based businesses, Churches, Small and Medium Enterprises | Manzini, Matsapha, Mbabane, Pigg's Peak, Nhlangano, Siteki, Simunye, Mhlume, Buhleni, Madlangempisi, Sihlutse | 740 | SRA organised, Swaziland Institute of Accountants, Swaziland Commercial Amadoda, Swaziland Conference of Churches, FESBC. |
| 4. Sales Tax | Sales Tax (Amendment) Act, 2011. | New Service Providers & Restaurants, Textile Industry. | Manzini, Matsapha, Nhlangano, Siteki, Mbabane. | 270 | SRA organised, SIPA. |
| 5. Value Added Tax | Value Added Tax Act, 2011; Value Added Tax-Registration and New Customs Procedures. | Services, Construction Sector, Retail Sector, Importers and Exporters, Motor Dealers, Textile Industry, Manufacturers, Small and Medium Enterprises, Non-Governmental Organisations, General Public, VAT Taxable businesses making E500,000 and above. | Manzini; Matsapha, Nhlangano; Siteki; Mbabane, Pigg's Peak, Dvokodvweni, Kwaluseni, Mhlume, Simunye, Ezulwini. | 1,940 | Swaziland Bankers Association, FSE&CC, SIPA, FESBC, CANGO, SRA Organised, Members of Parliament. |

All engagements were organised in liaison with different stakeholders such as the FSE&CC; FESBC; Swazi Commercial Amadoda; Swaziland Investment Promotions Authority, Small Enterprise Development Company (SEDCO), Coordinating Assembly of Non-Governmental Organisations (CANGO), Swaziland Association of Savings and Credit Cooperatives (SASSCO), League of Churches, Swaziland Conference of Churches, farmers associations, independent contractors and agents, and professional bodies including Law Society of Swaziland, Swaziland Dental and Medical Practitioners and the Swaziland Institute of Accountants. Furthermore, seventy (70) staff members from the Income Tax and Customs and Excise Departments were trained on Customer Service as well as inducted on SRA operations.

iii) Launch of the SRA Website and two Publicity Campaigns to promote submission of Income Tax Returns and to support the roll-out of VAT Registration and subsequently raise awareness.

iv) Launch of the SRA Radio Talk-Show on 10th August 2011 on the SiSwati Channel of the Swaziland Broadcasting and Information Services (SBIS). The thirty four (34) radio shows hosted covered different topics on Income Taxes, Customs and VAT as well as such issues under the SRA Corporate Services.

v) Redesigning and development of forms and fliers – a total of sixteen (16) types of fliers were redesigned and developed during the year, focusing on Income Tax, Sales Tax, VAT, Customs and Revenue Treasury issues.

vi) Eleven (11) mall exhibitions in the country's major towns and also maiden exhibition in the 2011 Swaziland International Trade Fair.

vii) Commenced the development of a draft Taxpayer Service Strategy to guide the implementation of customer services within the entire SRA.


*HRH Inkhosikati LaMatsebula at the SRA stand at the 2011 Trade Fair*


*Honourable Minister of Finance Majozi Sithole making his address at the launch of VAT.*

## 8.1 Corporate Governance

SRA facilitated meetings of the Governing Board. Sixteen (16) Board sessions were conducted in the period under review, including those of the various committees of the Governing Board. These are summarised in table 8 below. The Governing Board also held a session on the review and repackaging of the Strategic Plan.

**Table 8: Governing Board Sessions in 2011/12**

| Governing Board sub-Committee | 2011/12 Governing Board meeting sessions undertaken | | | |
|---|---|---|---|---|
| | Quarter 1 | Quarter 2 | Quarter 3 | Quarter 4 |
| Finance and Tender Committee | X | X | X | X |
| Human Resource and Ethics Committee | X | - | X X | X |
| Audit Committee | X | X | X | X |
| Main Board | X | X | X | X |

## 8.2 Tax Legislation

Table 9 presents pieces of legislation relevant to the operations of the SRA that were processed and either approved or in the process of being considered by Parliament in the reporting period.

**Table 9: Revenue related legislation passed by Parliament in 2011/12**

| NAME OF LEGISLATION | STATUS OF LEGISLATION | PURPOSE |
|---|---|---|
| 1. The Sales Tax (Amendment) Act, 2011 | • Published: 11th November 2011<br>• Commenced:<br>o 14th November 2011 (partial effect insofar as liquor)<br>o 1st December 2011 (rest of amendment)<br>• Repealed: 1st April 2012 by the VAT Act | The amendment of the Sales Tax Act, 1983 brought more services into the tax net, increased rates on imported alcohol and tobacco, increased penalties on evasion of the tax; and introduced the Reverse Charge Mechanism. |
| 2. The Income Tax (Amendment) Act, 2011 | • Published: 11th November 2011<br>• To commence: 1st July 2012 | Introduction of self-assessment. |
| 3. The Customs and Excise (Amendment) Act, 2011 | • Published: 11th November 2011<br>• Commenced: 1st January 2012 | To provide for electronic declaration of goods in support of implementation of ASYCUDA. |
| 4. The Value Added Tax Act, 2011 | • Published: 11th November 2011<br>• Commenced: 1st April 2012 | Introduction of the Value Added Tax and replacement of the Sales Tax Act, 1983. |
| 5. The Alcohol and Tobacco Levy Bill, 2012 | • Gazetted: 13th March 2012<br>• (Pending Parliament approval) | This will introduce a sin tax to be charged over and above VAT on alcohol and tobacco products. |

## 8.3 Memoranda and International Agreements

To further enhance the SRA's administration of the legislation for which it is responsible, agreements were successfully negotiated with other countries, and are pending ratification, as indicated in table 10 below. Furthermore, agreements were reached with local institutions on exchange of information and cooperation on anti-corruption.

**Table 10: Memoranda of Agreement and International Agreements facilitated in the period 2011/12**

| TYPE OF AGREEMENT | 3rd PARTY |
|---|---|
| Double Taxation Avoidance Agreement | Republic of Seychelles |
| Tax Information Exchange Agreement | States of Guernsey |
| Tax Information Exchange Agreement | Isle of Man |
| Co-operation Agreement | South African Revenue Service |
| VAT Refund Agreement | South African Revenue Service |
| Co-operation Agreement | Anti-Corruption Commission |
| Exchange of Information Agreement | Central Statistics Office |

## 8.4 Litigation Matters

Litigation matters attended in the ending year are indicated in table 11 below.

**Table 11: Litigations matters attended during 2011/12**

| DEPARTMENT | NO. OF CASES | NATURE OF CLAIM | REMARKS | STATUS OF CASES |
|---|---|---|---|---|
| CUSTOMS | 9 | Challenging customs laws / tax evasion | • 2 cases withdrawn<br>• 6 cases pending<br>• 1 case concluded | 3 concluded (2 negotiated with Operations, 1 court order) |
| INCOME TAX | 2 | Challenging tax law | 1 concluded in favour of SRA, 1 pending | - |
| SALES TAX | 14 | Recovery of tax | • 6 concluded in favour of SRA<br>• 6 pending<br>• 2 withdrawn.<br>• A total of E479,787 has been recovered, against a total of E26,286,296 being owed. | • 2 withdrawn<br>• 6 concluded (4 by court order, 2 by agreement between parties) |
| HUMAN RESOURCES | 1 | Challenging dismissal | Concluded against SRA | 1 concluded |
| SRA | 1 | Challenging the RA Act | Pending | N/A |
| **TOTALS** | **27** | | | |

Challenges that adversely impacted the operations of SRA include the following:

i) Inadequate funding (financial constraints) from Government which necessitated scaling down most of the planned activities, mainly training, attachments, taxpayer education, publicity campaigns and rehabilitation of SRA infrastructure. This impacted negatively on the operations of SRA.

ii) Delays in the passing of the Sales Tax (Amendment) Act and the VAT Act which were only passed in October 2011. This provided a handicap to achieving set revenue targets and SRA was left with very little time to utilise the Act to improve revenue collections. Instead of the recommended eighteen months, the VAT implementation team only had five months to prepare for the implementation of VAT in April 2012.


*SRA stand at the 2011 Swaziland International Trade Fair*

# ANNUAL FINANCIAL STATEMENTS (OWN ACCOUNTS)

for the year ended 31 March 2012

## CONTENTS

The Board Members are responsible for the preparation, integrity and fair presentation of the financial statements of the Swaziland Revenue Authority. The financial statements presented on pages 39 to 68 have been prepared in accordance with Swaziland and International Financial Reporting Standards, and include amounts based on judgements and estimates made by management. The Board Members also prepared the other information included in the annual report and are responsible for both its accuracy and its consistency with the financial statements.

The Board Members are also responsible for the Swaziland Revenue Authority's internal financial controls. These are designed to provide reasonable, but not absolute assurance as to the reliability of the financial statements, and to adequately safeguard, verify and maintain accountability of the assets, and to prevent and detect misstatement and loss. Nothing has come to the attention of the Board Members to indicate that any material breakdown in the functioning of these controls, procedures and any system has occurred during the year under review.

The going concern basis has been adopted in preparing the financial statements. The Board Members have no reason to believe that the Swaziland Revenue Authority will not be a going concern in the foreseeable future based on forecasts and available cash resources. These financial statements support the viability of the Swaziland Revenue Authority.

The financial statements have been audited by the independent accounting firm, PricewaterhouseCoopers, which was given unrestricted access to all financial records and related data, including minutes of the Board Members and Committees of the Authority. The Board Members believe that all representations made to the independent auditors during their audit are valid and appropriate. PricewaterhouseCoopers' audit report is presented on page 38.

The annual financial statements which appear on pages 39 to 68 have been approved by the Board Members and are signed on its behalf by:

| | |
|---|---|
| **BOARD CHAIRPERSON** | **COMMISSIONER GENERAL** |
| 20th June 2012 | 15 June 2012. |

We have audited the accompanying financial statements of Swaziland Revenue Authority, which comprise the Board Members' report, the statement of financial position as of 31 March 2012, the statement of comprehensive income, the statement of changes in equity and statement of cash flows for the year then ended and a summary of significant accounting policies and other explanatory notes, as set out on pages 39 to 68.

*Board Members' Responsibility for the financial statements*

The Authority's Board Members are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and in the manner required by the Revenue Authority Act, 2008. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

*Auditor's Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board Members, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

*Opinion*

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Authority as of 31 March 2012 and of its financial performance and its cash flows for the year then ended in accordance with Swaziland and International Financial Reporting Standards, and in the manner required by the Revenue Authority Act, 2008.

PricewaterhouseCoopers

PricewaterhouseCoopers
Partner: Paul Lewis
Chartered Accountant (Swaziland)
Date: 26 June 2012
Mbabane

## 1. Nature of business

Swaziland Revenue Authority (SRA) is a semi-autonomous statutory body established by an Act of Parliament (Revenue Authority Act, 2008) as part of the Government's reform strategy for revenue administration. SRA is charged with the mandate of a) assessing and collecting tax on behalf of the Government, and b) administering and enforcing the revenue laws, which include the Customs and Excise, Income Tax, Value Added Tax and the Sales Tax Act, respectively. The Sales Tax Act has since been repealed with the coming into force of the Value Added Tax Act.

For financial reporting purposes, the financial statements of the Revenue Authority are reported as: Administered Government Revenue Accounts and SRA Own Accounts. The Administered Government Revenue Accounts cover transactions relating to the revenue collected on behalf of the Government. The SRA Own Accounts cover those operational revenues, such as funding received from Government, which are managed by SRA and utilised in running the organisation. The purpose of the distinction between the two sets of financial statements is to facilitate, among other things, the assessment of the administrative efficiency of SRA in achieving its mandate. The financial statements are reported in Emalangeni. The administered Government Revenue accounts are audited by the Auditor General.

## 2. Financial performance

The recurring expenditure for the year amounted to E174 984 147 (2011: E48 639 820). The Authority incurred capital expenditure of E17 057 465 (2011: E5 966 922) on property plant and equipment and intangible assets. Full details of the financial results are set out on pages 42 to 68.

## 3. Cashflow for the year

Cash and cash equivalents at the end of the financial year were E48.221 million (2011: E41.903 million). A detailed statement of cash flows is on page 45.

## 4. Transfer of Fixed Assets to the Authority by Government

In terms of the Memorandum of Agreement between the Government of Swaziland and the Swaziland Revenue Authority, the former is supposed to transfer all assets occupied and utilised by the Department of Customs and Excise and the Department of Taxes in accordance with any legal requirement that pertains to ceding associated property rights by the Government to the Revenue Authority. Even though these assets were being utilised by the Revenue Authority at 31 March 2012, the formal transfer process had not been undertaken by Government. These have however been capitalised on the basis of the right of use granted in terms of the Memorandum of Agreement and the Revenue Authority Act, 2008.

## 5. Corporate governance issues

### Corporate Governance:

In compliance with good corporate governance principles, the Authority has operated and maintained the following Board Committees: Audit Committee, Finance and Tender Committee, Human Resource and Ethics Committees remained effective throughout the accounting period.

## 5. Corporate governance issues *(continued)*

### Social Responsibility:

The Authority is fully committed to minimize the impact of HIV/AIDS on its staff in order to save lives and ensure long term sustainability of the Authority. In spite of the financial hardships experienced by the Authority, the Authority has continued to support initiatives by charity and similar organisations in their quest to eliminate poverty and the HIV/AIDS impact on Authority in general.

## 6. Board Members

The Board Members are appointed by the Minister of Finance. The following members served on the Board during period under review:

### Non-executive Board Members

### Chairperson

Mr. Ambrose Dlamini

### Board Members

| | | |
|---|---|---|
| Mr. Sthofeni Ginindza | - | Vice Chairperson |
| Mr. Martin Dlamini | - | Member |
| Ms. Khabonina Mabuza | - | Member |
| Mr. Jobe Mashwama | - | Member |
| Mr. Mhlabuhlangene Dlamini | - | Member |
| Ms. Phumelele Dlamini | - | Member |

### Executive Member

| | | |
|---|---|---|
| Mr. Dumisani Masilela | - | Commissioner General |

## 7. Bankers

The following financial institution was the banker of the Authority during the year:

Nedbank Swaziland Limited
P O Box 70
Mbabane

## 8. Investment Managers

The following financial institution was the investment manager of the Authority during the year:

African Alliance
P O Box 5727
Mbabane

## 9. Business and postal address of the Authority

**Business address**
Imfumbe Building
MBABANE
Swaziland

**Postal address**
P O Box 5628
MBABANE
H100
Swaziland

## 10. Auditors

The auditors of the Authority are:

**Business address**
PricewaterhouseCoopers
MTN Office Park
Karl Grant
Street
MBABANE
Swaziland

**Postal address**
PricewaterhouseCoopers
P O Box 569
MBABANE
H100
Swaziland

| | Note | 2012 E | 2011 E |
|---|---|---|---|
| **Revenue** | | | |
| Government funding for recurring expenditure | | 174 984 147 | 48 639 820 |
| Other income | 1 | 486 817 | 31 200 |
| **Total revenue** | | 175 470 964 | 48 671 020 |
| **Expenses** | | | |
| Administrative expenses | | (41 705 243) | (15 101 980) |
| Staff costs | | (133 278 904) | (33 860 111) |
| **Operating profit/(deficit)** | 2 | 486 817 | (291 071) |
| Finance income | 3 | 2 052 780 | 1 724 428 |
| Finance cost | 3 | (68 421) | - |
| **Surplus for the year** | | 2 471 176 | 1 433 357 |
| **Total comprehensive income for the year** | | 2 471 176 | 1 433 357 |

| | Note | 2012 E | 2011 E |
|---|---|---|---|
| **Assets** | | | |
| **Noncurrent assets** | | | |
| Property, plant and equipment | 5 | 93 769 939 | 5 703 981 |
| Intangible assets | 6 | 35 367 | 13 200 |
| | | 93 805 306 | 5 717 181 |
| **Current assets** | | | |
| Other Assets | 7 | 2 576 140 | 491 059 |
| Cash and cash equivalents | 8 | 48 221 178 | 41 902 707 |
| | | 50 797 318 | 42 393 766 |
| **Total assets** | | 144 602 624 | 48 110 947 |
| **Reserves** | | | |
| Accumulated surplus | | 7 400 269 | 4 929 093 |
| | | 7 400 269 | 4 929 093 |
| **Non current liabilities** | | | |
| Employee benefits provision | 9 | 25 561 828 | 4 519 257 |
| Borrowings | 12 | 2 891 784 | - |
| Deferred grant income | 10 | 93 917 666 | 5 717 181 |
| **Total Noncurrent liabilities** | | 122 371 278 | 10 236 438 |
| **Current liabilities** | | | |
| Deferred grant income | 10 | 1 203 889 | 21 261 810 |
| Other payables | 11 | 9 441 221 | 9 891 128 |
| Employee benefits provision | 9 | 3 566 695 | 1 792 478 |
| Borrowings | 12 | 619 272 | - |
| **Total current liabilities** | | 14 831 077 | 32 945 416 |
| **Total liabilities** | | 137 202 355 | 43 181 854 |
| **Total reserves and liabilities** | | 144 602 624 | 48 110 947 |

# STATEMENT OF CHANGES IN EQUITY
for the year ended 31 March 2012

| | Notes | Accumulated Surplus E | Total E |
|---|---|---|---|
| **Balance at 01 April 2011** | | 4 929 093 | 4 929 093 |
| Total comprehensive income for the year | | 2 471 176 | 2 471 176 |
| **Balance at 31 March 2012** | | 7 400 269 | 7 400 269 |
| **Balance at 01 April 2010** | | 3 173 465 | 3 173 465 |
| Transfer of depreciation on funded assets | 5,6 | 322 271 | 322 271 |
| Total comprehensive income for the year | | 1 433 357 | 1 433 357 |
| **Balance at 31 March 2011** | | 4 929 093 | 4 929 093 |

| | Note | 2012<br>E | 2011<br>E |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Cash utilised by operations | 13 | (147 862 341) | (31 229 809) |
| *Net cash utilised in operating activities* | | (147 862 341) | (31 229 809) |
| **Cash flows from investing activities** | | | |
| Acquisition of property, plant and equipment | 5 | (17 026 231) | (5 953 722) |
| Acquisition of intangible assets | 6 | (31 232) | (13 200) |
| Proceeds from sale of property, plant and equipment | | 545 219 | - |
| *Net cash utilised in investing activities* | | (16 512 244) | (5 966 922) |
| **Cash flows from financing activities** | | | |
| Net grant funding received from the Government | 10 | 167 182 000 | 27 000 000 |
| Increase in finance lease liability | | 3 511 056 | - |
| *Net cash generated from financing activities* | | 170 693 056 | 27 000 000 |
| Net (decrease)/ increase in cash and cash equivalents and bank overdrafts | | 6 318 471 | (10 196 731) |
| Cash and cash equivalents at beginning of the year | | 41 902 707 | 52 099 438 |
| Cash and cash equivalents and bank overdrafts at end of the year | 8 | 48 221 178 | 41 902 707 |

## 1 General information

Swaziland Revenue Authority (SRA) is a semi-autonomous statutory body established by an Act of Parliament (Revenue Authority Act, 2008) as part of the Government's reform strategy for revenue administration. SRA is charged with the mandate of a) assessing and collecting tax on behalf of the Government, and b) administering and enforcing the revenue laws, which include the Customs and Excise, Income Tax, and the Sales Tax Act, respectively.

For financial reporting purposes, the financial statements of the Revenue Authority are reported as: Administered Government Revenue Accounts and SRA Own Accounts. The Administered Government Revenue Accounts cover transactions relating to the revenue collected on behalf of the Government. The SRA Own Accounts cover those operational revenues, such as funding received from Government, which are managed by SRA and utilised in running the organisation. The purpose of the distinction between the two sets of financial statements is to facilitate, among other things, the assessment of the administrative efficiency of SRA in achieving its mandate. The financial statements are reported in Emalangeni. The administered Government Revenue accounts are audited by the Auditor General.

## 2. Basis of preparation

The financial statements of Swaziland Revenue Authority have been prepared in accordance with International Financial Reporting Standards, IFRIC Interpretations, and in compliance with the Revenue Authority Act of 2008. The financial statements have been prepared under the historical cost convention, as modified by the revaluation of land and buildings, available-for-sale financial assets, and financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Authority's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed.

The accounting policies have been consistently applied to all years presented and all amounts are shown in Emalangeni unless otherwise stated.

### 2.1 Changes in accounting policy and disclosures

*(a) New and amended standards adopted by the Authority*

There are no IFRSs or IFRIC interpretations that are effective for the first time for the financial year beginning on or after 1 April 2011 that would be expected to have a material impact on the Authority.

### 2.1 Changes in accounting policy and disclosures (continued)

*(b) New standards, amendments and interpretations issued but not effective for the financial year beginning 1 April 2011 and not early adopted*

- Amendments to IFRS 7, 'Financial instruments: Disclosures' on transfers of financial assets, promote transparency in the reporting of transfer transactions and improves users' understanding of the risk exposures relating to transfers of financial assets and the effect of those risks on an entity's financial position, particularly those involving securitisation of financial assets. The Authority is yet to assess the full impact of the amendments and intends to adopt IFRS 7 no later than the accounting period beginning on or after 1 January 2012.

- IFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. IFRS 9 was issued in November 2009 and October 2010. It replaces the parts of IAS 39 that relate to the classification and measurement of financial instruments. IFRS 9 requires financial assets to be classified into two measurement categories: those measured as at fair value and those measured at amortised cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch. The Authority is yet to assess IFRS 9's full impact and intends to adopt IFRS 9 no later than the accounting period beginning on or after 1 January 2013.

- IFRS 13, 'Fair value measurement', aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements, which are largely aligned between IFRSs and US GAAP, do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs or US GAAP. The Authority is yet to assess IFRS 13's full impact and intends to adopt IFRS 13 no later than the accounting period beginning on or after 1 January 2013.

  IAS 19, 'Employee benefits', was amended in June 2011. The impact on the Authority will be as follows: to eliminate the corridor approach and recognise all actuarial gains and losses in OCI as they occur; to immediately recognise all past service costs; and to replace interest cost and expected return on plan assets with a net interest amount that is calculated by applying the discount rate to the net defined benefit liability (asset). The Authority is yet to assess the full impact of the amendments and intends to adopt IAS 12 no later than the accounting period beginning on or after 1 January 2013.

## 3 Property, plant and equipment

Items of property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

Office furniture and equipment, computer equipment and motor vehicles are depreciated on a straight line basis over their current anticipated useful lives.

The rates of depreciation used are based on the following estimated current useful lives:

| | |
|---|---|
| Computer equipment | 3 years |
| Motor vehicles | 5 years |
| Office furniture and equipment | 10 years |
| Buildings | 50 years |

The basis of depreciation, useful lives and residual values are assessed annually.

The office furniture and equipment, computer equipment and motor vehicles are stated after deducting government grants.

The cost of self-constructed assets includes the cost of materials, direct labour and an appropriate proportion of construction overheads of normal capacity.

The Authority recognises in the carrying amount of an item of property, plant and equipment the cost of replacing part of such an item when that cost is incurred if it is probable that the future economic benefits embodied with the item will flow to the Authority and the cost of the item can be measured reliably. All other costs are recognised in the statement of comprehensive income as an expense.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the statement of comprehensive income within other income.

## 4 Capitalisation of borrowing costs

Borrowing costs attributable to the construction of qualifying assets less all investment income on the borrowings are capitalised as part of the cost of those assets over the period of construction to the extent that the assets are financed by financial instruments. The capitalisation rate applied is the weighted average of the net borrowing costs applicable to the net borrowings of the Authority. Where active development is interrupted for extended periods, capitalisation is suspended. All other borrowing costs are recognised as an expense in the statement of comprehensive income in the period in which they are incurred.

## 5 Impairment of assets

The carrying amounts of assets stated in the statement of financial position, other than inventories and deferred tax assets, are reviewed at each statement of financial position date to determine whether there is any indication of impairment. If any such indication exists, the recoverable amount of the asset is estimated as the higher of the fair value less costs to sell and its value in use. An impairment loss is recognised in the statement of comprehensive income whenever the carrying amount exceeds the recoverable amount.

## 5 Impairment of assets (continued)

In assessing value in use, the expected future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs. A cash generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups. Impairment losses are recognised in profit or loss. Impairment losses in respect of cash-generating units are allocated to assets in the cash-generating unit on a pro rata basis.

A previously recognised impairment loss is only reversed if there has been a change in the estimates used to determine the recoverable amount and if there is an indication that the impairment loss may have been reversed. The reversal is limited to an amount equal to the carrying amount that would have been determined, net of depreciation and amortisation, had no impairment loss been recognised in previous years.

## 6 Financial assets

The Authority classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables, and available for sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term.

### *A Financial assets at fair value through profit or loss*

Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets.

### *B Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the statement of financial position date. These are classified as non-current assets. The Authority's loans and receivables comprise 'trade and other receivables' and cash and cash equivalents in the statement of financial position.

### *C Held-to-maturity investments*

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Authority's management has the positive intention and ability to hold to maturity.

These assets are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method less any required impairment.

## 6 Financial assets (continued)

### D Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the statement of financial position date.

The translation differences on monetary securities are recognised in profit or loss; translation differences on non-monetary securities are recognised in equity. Changes in the fair value of monetary and non-monetary securities classified as available for sale are recognised in equity.

When securities classified as available for sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the statement of comprehensive income as 'gains and losses from investment securities'.

## 7 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for services in the ordinary course of the Authority's activities.

The Authority recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Authority's activities as described below. The amount of revenue is not considered to be reliably measured until all contingencies relating to the transaction have been resolved. The Authority bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Revenue is recognised as follows:

(i) *Government funding*

a) SRA is funded through funds appropriated by Parliament on an annual basis and disbursed by the Ministry of Finance.

b) Government funding relating to the recurrent expenditure of SRA, disbursed for the purpose of giving immediate financial support to SRA with no future related costs, are recognised in the Statement of Comprehensive Income in the period in which they become receivable.

c) Capital and development funds, whose primary purpose is to construct, or otherwise acquire non-current assets, are recognised in the statement of changes in reserves and an amount equivalent to the depreciation determined on a historical cost basis is transferred from capital reserve to the accumulated surplus/(deficit).

*(ii) Interest income*

Interest income includes interest on bank deposits and is recognised in the Statement of Comprehensive Income on an accrual basis using effective interest method.

*(iii) Commissions, auction sale proceeds, and other income earned*

Commissions, auction sale proceeds and all other incomes are recognised on an accrual basis when it is probable that SRA will receive the income and the income can be measured reliably.

## 8 Finance income

Finance income comprises interest receivable on loans, advances, trade receivables and income from financial market investments. Interest is only recognised where it is probable that the economic benefits associated with the transaction will flow to the Authority. Finance income is recognised on a time-proportionate basis that takes into account the effective yield on assets. Finance income on impaired loans is recognised using the original effective interest rate.

## 9 Finance cost

Finance cost comprises interest payable on borrowings calculated using the effective interest rate method as well as interest resulting from the unwinding of discount on provisions.

## 10 Financial risk management

The Authority's activities expose it to a variety of financial risks including currency risk, fair value interest risk and price risk. The Authority's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Authority.

### 10.1 Currency Risk

Currency risk is the risk that the value of a financial instrument will fluctuate because of changes in foreign exchange rates. The Authority may utilise foreign currencies in its operations and consequently may be exposed to exchange rate fluctuations that have an impact on cash flows and financing activities. However, at year-end there were no significant foreign currency exposures.

### 10.2 Interest rate risk

Financial Instruments that are sensitive to interest rate risk are bank balances and cash. A 1% increase in interest rates would result in an additional surplus for the year of E40 880 while a decrease in interest rates by a similar margin would result in an equal opposite effect.

### 10.3 Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. SRA is exposed to credit-related losses in the event of non-performance by counterparties to financial instruments as follows:

(i) Cash and cash equivalents - all deposits and cash balances are placed with reputable financial institutions.

ii) Staff debts are recovered in terms of the applicable policy and procedures directly from the employee's salary.

## 10 Financial risk management (continued)

### 10.4 Liquidity Risk

Liquidity risk is the risk that an entity will encounter difficulty in raising funds to meet commitments associated with financial instruments. SRA manages its liquidity to ensure it is able to meet expenditure requirements. This is achieved through prudent liquidity risk management which includes maintaining sufficient cash resources. Since SRA is funded through Government subvention, it does not regard the liquidity risk to be high. Borrowings due over 1 year have been discounted using 12% which is the rate implicit in the lease agreement and was taken as a market rate.

| | Less than 1 year E | Between 2 and 5 years E | Over 5 years E | Total E |
|---|---|---|---|---|
| 31 March 2012 | | | | |
| Financial Liabilities: | | | | |
| Other payables(note 11) | 9 441 221 | - | - | 9 441 221 |
| Borrowings | 619 272 | 1 975 210 | - | 2 594 482 |
| | 10 060 493 | 1 975 210 | - | 12 035 703 |

## 11 Provisions

Provisions are recognised when the Authority has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. Where the Authority expects a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

The Authority recognises a provision for onerous contracts when the expected benefits to be derived from a contract are less than the unavoidable costs of meeting the obligations under the contract.

Restructuring provisions comprise lease termination penalties and employee termination payments, and are recognised in the period in which the Authority becomes legally or constructively committed to payment. Costs related to the ongoing activities of the Authority are not provided in advance.

## 12 Cash and cash equivalents

Cash and cash equivalents are carried in the statement of financial position at cost. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held with banks, other short term high liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are included within borrowings in current liabilities on the statement of financial position.

## 13 Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Authority will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the statement of comprehensive income.

## 14 Borrowings

Borrowings are recognised initially at the fair value of proceeds received, net of transaction costs incurred, when they become party to the contractual provisions. Borrowings are subsequently stated at amortised cost using the effective interest rate method; any difference between the proceed (net of transaction value) and the redemption value is recognised in the statement of comprehensive income over the period of the borrowings.

## 15 Employee benefits

### *Short-term employee benefits*

The cost of all short-term employee benefits is recognised during the period in which the employee renders the related service. The provision for employee entitlements to salaries, gratuity and annual leave represent the amount that the Authority has a present obligation to pay, as a result of employees' services provided up to the statement of financial position date. The provision has been calculated at undiscounted amounts based on current salary rates.

### *Termination benefits*

Termination benefits are payable whenever an employee's employment is terminated before the normal retirement date or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Authority recognises termination benefits when it is demonstrably committed either to terminate the employment of current employees according to a detailed formal plan without possibility of withdrawal, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy.

### *Pension obligation*

The Authority has a pension scheme in accordance with the local conditions and practices. The scheme is a defined contribution plan.

For the defined contribution plan, the Authority pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

Contributions to the defined contribution plan are expensed when incurred.

*Statutory obligations*

Provision is not made for statutory termination obligations in terms of the Employment Act, 1980. It is considered that the Authority's contribution to the pension fund exceeds the contributions required by the employment act which can be recovered against such statutory obligations, at present.

## 16 Grants received

Grants, including non-monetary grants at fair value, are recognised when there is reasonable assurance that the Authority will comply with the conditions attached to the grant and that the grant will be received.

Property, plant and equipment acquired from the proceeds of grants is depreciated in accordance with the Authority's property, plant and equipment accounting policy. Grants utilised to acquire property, plant and equipment are initially recognised as deferred income and subsequently recognised as in the statement of comprehensive income on a systematic and rational basis over the useful lives of the assets. Grants received to defray operating expenditure are recognised in the statement of comprehensive income when the expenditure has been incurred.

## 17 Derecognition of financial assets and liabilities

Financial assets are derecognised when the contractual right to receive cash flows from the assets has expired; or when the Authority has transferred its contractual right to receive the cash flows of the financial assets, and either:

– Substantially all the risks and rewards of ownership have been transferred; or
– The Authority has neither retained nor transferred substantially all the risks and rewards, but has not retained control.

Financial liabilities are derecognised when they are extinguished, that is when the obligation is discharged, cancelled or expires.

## 18 Offsetting financial assets and financial liabilities

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

## 19 Critical accounting estimates and judgements

The Authority makes estimates and assumptions that affect the reported amounts of assets and liabilities within the financial year. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The major area where management has used its judgment and accounting estimates are with regards to depreciation, amortisation of intangible assets and provisions. These are disclosed in notes 5,6 and 9.

## 20 Foreign Currencies

The financial statements of SRA are prepared and presented in Emalangeni(E), the currency of the primary economic environment in which SRA operates and the functional currency. Transactions in currencies other than Emalangeni are recorded at functional currency rate ruling at the date of the transaction.

Monetary items denominated in foreign currencies are translated at the rates prevailing at the statement of financial position date. All differences are taken to the statement of comprehensive income. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are retranslated.

## 21 Terminal gratuities

Employees on contract employment terms receive terminal gratuities in accordance with their contracts of employment. An accrual is made for estimated liability towards such employees up to the statement of financial position date. For employees on a daily rate terms, an accrual is made for the severance benefits.

## 22 Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all risks and rewards of ownership to lessee. All other leases are classified leases.

(a) Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

(b) Operating lease payments as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

(c) Deposits and advance payments of operating leases are recognised in the statement of financial position under trade and other receivables.

## 23 Comparative Figures

Where necessary, comparative figures have been adjusted to conform with changes in presentation in the current year.

| | | 2012<br>E | 2011<br>E |
|---|---|---|---|
| 1 | **Other income** | | |
| | Receipts from approved suppliers | 53 957 | 31 200 |
| | Gain on disposal of assets | 432 860 | - |
| | | 486 817 | 31 200 |
| 2 | **Operating surplus** | | |
| | The operating surplus is arrived at after taking into account the following items: | | |
| | Amortisation of intangible assets (note 6) | 9 065 | - |
| | Auditors' remuneration | | |
| | Current year fees-interim audit fees provision | 128 893 | - |
| | Prior year fees | 216 670 | 97 777 |
| | | 345 563 | 97 777 |
| | Depreciation on property, plant and equipment (note 5) | 4 792 626 | 322 271 |
| | Board Member expenses | 234 751 | 234 068 |
| | General Expenses | 5 466 | 9 314 |
| | Professional fees and consultancy | 6 374 668 | 4 172 438 |
| | Staff salaries and benefits (note 4) | 133 278 904 | 33 860 111 |
| 3 | **Finance income** | | |
| | Interest received – Nedbank Swaziland Limited | 793 710 | 1 724 428 |
| | Interest received – African Alliance | 1 259 070 | - |
| | | 2 052 780 | 1 724 478 |
| | Finance cost | | |
| | Interest charged – Nedbank Swaziland Limited | 31 731 | - |
| | Finance lease charges | 36 690 | - |
| | | 68 421 | - |

| | 2012 E | 2011 E |
|---|---|---|
| **4 Staff salaries and benefits** | | |
| Salaries and wages and other allowances | 97 860 188 | 24 547 773 |
| Medical aid contribution | 8 721 907 | 3 000 603 |
| Special award bonus | 4 448 150 | - |
| Other employee costs: | | |
| - Gratuity | 17 669 522 | 4 519 257 |
| - Pension | 2 709 574 | - |
| - Leave | 1 869 563 | 1 792 478 |
| | 133 278 904 | 33 860 111 |

The average number of employees during the year was 543 (2011:520)

## 5 Property, plant and equipment

| | Land and buildings E | Containers E | Office equipment E | Furniture and fittings E | Motor vehicles E | Leased Motor vehicles E | IT infra-structure E | Leasehold improvements E | Work in progress E | Total E |
|---|---|---|---|---|---|---|---|---|---|---|
| **Year ended 31 March 2012** | | | | | | | | | | |
| **Cost or valuation** | | | | | | | | | | |
| At 1 April 2011 | - | 21 800 | 2 003 019 | 1 640 229 | 2 099 491 | - | 166 740 | 95 583 | - | 6 026 862 |
| Additions | 73 739 900 | 44 892 | 1 087 800 | 317 056 | 2 694 813 | 3 559 288 | 4 020 989 | 41 905 | 7 464 301 | 92 970 944 |
| Disposals | - | - | - | - | (771 712) | - | - | - | - | (771 712) |
| **At 31 March 2012** | 73 739 900 | 66 692 | 3 090 819 | 1 957 285 | 4 022 592 | 3 559 288 | 4 187 729 | 137 488 | 7 464 301 | 98 226 094 |
| **Accumulated depreciation** | | | | | | | | | | |
| At 1 April 2011 | - | (726) | (214 661) | (44 989) | (45 007) | - | (4 585) | (12 913) | - | (322 881) |
| Charge for the year | (1 336 328) | (6 376) | (856 418) | (157 432) | (2 018 408) | (64 514) | (275 520) | (77 630) | - | (4 792 626) |
| Disposals | - | - | - | - | 659 352 | - | - | - | - | 659 352 |
| **At 31 March 2012** | (1 336 328) | (7 102) | (1 071 079) | (202 421) | (1 404 063) | (64 514) | (280 105) | (90 543) | - | (4 456 155) |
| **Net carrying amount** | 72 403 572 | 59 590 | 2 019 740 | 1 754 864 | 2 618 529 | 3 494 774 | 3 907 624 | 46 945 | 7 464 301 | 93 769 939 |

The additions amount of E73,249,900 on land and buildings represents assets owned by the Government of Swaziland which are being utilised and maintained by the Authority in terms of a Memorandum of Agreement signed between the two parties as well as the requirements of the Revenue Authority Act, 2008. Even though legal ownership has not been transferred to the Authority, the intention to do so exists and therefore the assets have been capitalised as a grant during the year.

## 5 Property, plant and equipment (continued)

| | Land and buildings E | Containers E | Office equipment E | Furniture and fittings E | Motor vehicles E | Leased Motor vehicles E | IT infra-structure E | Leasehold improvements E | Work in progress E | Total E |
|---|---|---|---|---|---|---|---|---|---|---|
| **Year ended 31 March 2011** | | | | | | | | | | |
| **Cost or valuation** | | | | | | | | | | |
| At 1 April 2010 | - | - | - | 73 140 | - | - | - | - | - | 73 140 |
| Additions | - | 21 800 | 2 003 019 | 1 567 089 | 2 099 491 | - | 166 740 | 95 583 | - | 5 953 722 |
| **At 31 March 2011** | - | 21 800 | 2 003 019 | 1 640 229 | 2 099 491 | - | 166 740 | 95 583 | - | 6 026 862 |
| **Accumulated depreciation** | | | | | | | | | | |
| At 1 April 2010 | - | - | - | (610) | - | - | - | - | - | (610) |
| Charge for the year | - | (726) | (214 661) | (44 379) | (45 007) | - | (4 585) | (12 913) | - | (322 271) |
| **At 31 March 2011** | - | (726) | (214 661) | (44 989) | (45 007) | - | (4 585) | (12 913) | - | (322 881) |
| **Net carrying amount** | - | 21 074 | 1 788 358 | 1 595 240 | 2 054 484 | - | 162 155 | 82 670 | - | 5 703 981 |

| | 2012 E | 2011 E |
|---|---|---|
| **6 Intangible assets** | | |
| Capitalised computer software costs for the year ended 31 March 2012: | | |
| Cost | | |
| At the beginning of the year | 13 200 | - |
| Additions | 31 232 | 13 200 |
| At the end of the year | 44 432 | 13 200 |
| **Accumulated amortisation** | | |
| At the beginning of the year | - | - |
| Charge for the year | (9 065) | - |
| At the end of the year | (9 065) | - |
| **Net carrying amount** | 35 367 | 13 200 |
| **7 Other assets** | | |
| Due from Swaziland Government | 50 000 | 50 000 |
| Rental prepayment and deposits | 335 702 | 268 142 |
| Consultancy fees prepayment | 201 811 | 172 917 |
| Group Life Assurance expenses paid on behalf of SRA pension fund | 1 851 100 | - |
| World Customs Organisation | 97 981 | - |
| IT Licence | 38 646 | - |
| Other | 900 | - |
| | 2 576 140 | 491 059 |
| **8 Cash and cash equivalents** | | |
| Nedbank Swaziland Limited | 4 088 008 | 41 902 707 |
| African Alliance | 44 133 170 | - |
| | 48 221 178 | 41 902 707 |

Available cash is invested in interest generating bank accounts.

|  |  | 2012 E | 2011 E |
|---|---|---|---|
| **9** | **Employee Benefits Provisions** | | |
| | Short term provisions: | | |
| | Leave pay | 3 566 695 | 1 792 478 |
| | Long term provisions: | | |
| | Gratuity | 22 142 154 | 4 519 257 |
| | Pension | 3 419 674 | - |
| | **Total** | 29 128 523 | 6 311 735 |

|  |  | Gratuity | Pension | Leave pay | Total |
|---|---|---|---|---|---|
| **9.1** | **31 March 2012** | | | | |
| | At the beginning of the year | 4 519 257 | - | 1 792 478 | 6 311 735 |
| | Charged in the statement of comprehensive income | 17 622 897 | 3 419 674 | 1 774 217 | 22 816 788 |
| | At the end of the year | 22 142 154 | 3 419 674 | 3 566 695 | 29 128 523 |
| | 31 March 2011 | | | | |
| | At the beginning of the year | - | - | - | - |
| | Charged in the statement of comprehensive income | 4 519 257 | - | 1 792 478 | 6 311 735 |
| | At the end of the year | 4 519 257 | - | 1 792 478 | 6 311 735 |

### Leave pay provision

This provision is for employees' entitlements to annual leave recognised when it accrues to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date. The provision is calculated on the number of days that the employees have not taken in respect of their leave entitlement. The anticipated utilisation of the amount is in the near future. The leave policy dictates that only five days may be carried over to the new financial year. There are however, exceptions allowed due to work related pressures.

### Gratuity provision

This provision is made for payments in accordance with the contract basis renewable at expiry of each contract period.The provision is calculated at the rate of 25% of the value of total annual remuneration package of the contractor as at terminal date multiplied by the number of completed years of service.

### Pension Liability

The permanent staff of the authority qualifies for membership of the authority's pension fund which did not exist at year end. A liability has been recognised based on the agreement with the employees (15% contributions by the employer and 5% contributions by the employee).These funds will be transferred to the defined contribution fund as soon as it is established.

| | 2012<br>E | 2011<br>E |
|---|---|---|
| **10 Deferred grant income** | 95 121 555 | 26 978 991 |
| ***10.1 Current*** | | |
| Balance at beginning of year | 21 261 810 | 48 868 552 |
| Received from Government - cash | 167 182 000 | 27 000 000 |
| Received from Government – assets | 75 944 711 | - |
| Grants realised in statement of comprehensive income for funding recurring expenditure excluding depreciation and amortisation | (170 182 456) | (48 639 820) |
| Grants utilised to defray capital expenditure (Note 5,6) | (93 002 176) | (5 966 922) |
| | 1 203 889 | 21 261 810 |
| ***10.2 Non - current*** | | |
| Balance at beginning of year | 5 717 181 | 72 530 |
| Grants utilised to defray capital expenditure (Note 5,6) | 93 002 176 | 5 966 922 |
| Transfer of depreciation and amortisation on funded assets (Note 5,6) | (4 801 691) | (322 271) |
| | 93 917 666 | 5 717 181 |

The authority received a grant amounting to E167 182 000 in cash and E75 944 711 in the form of assets from the Government of Swaziland to facilitate the funding of recurring & capital expenditure incurred and for its daily operations.

## 11 Other payables

| | 2012<br>E | 2011<br>E |
|---|---|---|
| Accruals | 9 441 221 | 9 891 128 |

| | | | 2012<br>E | 2011<br>E |
|---|---|---|---|---|
| **12** | **Borrowings** | | | |
| | **Current** | | | |
| | Finance lease liabilities | | 619 272 | - |
| | **Non current** | | | |
| | Finance lease liabilities | | 2 891 784 | - |
| | **Total borrowings** | | 3 511 056 | - |
| | *Finance lease liabilities – minimum lease payments:* | | | |
| | Not later than 1 year | | 1 019 065 | - |
| | Later than 1 year but not later than 5 years | | 3 590 340 | - |
| | | | 4 609 405 | - |
| | Future finance charges on finance leases | | (1 098 349) | - |
| | **Total minimum lease payments** | | 3 511 056 | - |
| | *The present value of the finance lease liabilities is as follows:* | | | |
| | Not later than 1 year | | 619 272 | - |
| | Later than 1 year but not later than 5 years | | 2 891 784 | - |
| | **Present value of finance lease liabilities** | | 3 511 056 | - |
| **13** | **Cash flow from operating activities** | Notes | | |
| | **Surplus for the year** | | 2 471 176 | 1 433 357 |
| | **Adjustment for non-cash items:** | | | |
| | Depreciation and amortisation | 5,6 | 4 801 691 | 322 271 |
| | Gains of disposal of assets | | (432 860) | - |
| | Amortisation of Government grant | | (174 984 147) | (48 639 820) |
| | | | (168 144 140) | (46 884 192) |
| | **Changes in working capital:** | | 20 281 799 | 15 654 383 |
| | (Decrease)/increase in payables and provisions | | (449 908) | 9 720 897 |
| | Increase in provisions | | 22 816 788 | 6 311 735 |
| | Increase in other assets | | (2 085 081) | (378 249) |
| | Net cash outflows from operating activities | | (147 862 341) | (31 229 809) |

## 14 Analysis of financial assets and liabilities by measurement basis

Financial assets and financial liabilities are measured on an ongoing basis either at fair value or at amortised cost. The summary of significant accounting policies describes how the classes of financial instruments are measured, and how income and expenses, including fair value gains and losses, are recognised. The following table analyses the carrying amounts of the financial assets and liabilities by category as defined in IAS 39 and by statement of financial position heading.

| | Loans, receivables and other assets E | Financial ad asset liabilities at amortised cost E | Available for sale Investment E | Total |
|---|---|---|---|---|
| **As at 31 March 2012** | | | | |
| **Financial assets** | | | | |
| Cash and cash equivalents | - | - | 48 221 178 | 48 221 178 |
| Other assets | 2 576 140 | - | - | 2 576 140 |
| | 2 576 140 | - | 48 221 178 | 50 797 318 |
| **Financial liabilities** | | | | |
| Other payables | - | 9 441 221 | - | 9 441 221 |
| Borrowings | - | 3 511 056 | - | 3 511 056 |
| Deferred grant income | - | 1 203 889 | - | 1 203 889 |
| | - | 14 156 166 | - | 14 156 166 |

| | Loans, receivables and other assets E | Financial ad asset liabilities at amortised cost E | Available for sale Investment E | Total |
|---|---|---|---|---|
| **As at 31 March 2011** | | | | |
| **Financial assets** | | | | |
| Cash and cash equivalents | - | - | 41 902 707 | 41 902 707 |
| Other receivables | 491 059 | - | - | 491 059 |
| | 491 059 | - | 41 902 707 | 42 393 766 |
| **Financial liabilities** | | | | |
| Other payables | - | 9 891 128 | - | 9 891 128 |
| Deferred grant liability | - | 21 261 810 | - | 21 261 810 |
| | - | 31 152 938 | - | 31 152 938 |

## 15 Financial instruments – maturity analysis

The Authority's financial instruments are made up of the following financial assets and liabilities classified by maturity dates:

| | Less than 1 year E | Between 2 and 5 years E | Over 5 years E | Total E |
|---|---|---|---|---|
| **31 March 2012** | | | | |
| **Financial assets:** | | | | |
| Other assets | 2 576 140 | - | - | 2 576 140 |
| Cash and bank | 48 221 178 | - | - | 48 221 178 |
| | 50 797 318 | - | - | 50 797 318 |
| **Financial liabilities:** | | | | |
| Borrowings | 619 272 | 2 891 784 | - | 3 511 056 |
| Other payables | 9 441 221 | - | - | 9 441 221 |
| Deferred grant income | 1 203 889 | - | - | 1 203 889 |
| | 11 264 382 | 2 891 784 | - | 14 156 166 |

| | Less than 1 year E | Between 2 and 5 years E | Over 5 years E | Total E |
|---|---|---|---|---|
| **31 March 2011** | | | | |
| **Financial assets:** | | | | |
| Other assets | 491 059 | - | - | 491 059 |
| Cash and bank | 41 902 707 | - | - | 41 902 707 |
| | 42 393 766 | - | - | 42 393 766 |
| **Financial liabilities:** | | | | |
| Other payables | 9 891 128 | - | - | 9 891 128 |
| Deferred grant income | 21 261 810 | - | - | 21 261 810 |
| | 31 152 938 | - | - | 31 152 938 |

## 16 Related party transactions

The Authority is wholly owned and controlled by the Swaziland Government.

The related party disclosure is required in terms of IAS 24, Related Parties Disclosures.

The related parties of Swaziland Revenue Authority consist mainly of government departments, state-owned enterprises, as well as key management personnel and members of board of members of Swaziland Revenue Authority and close family members of these related parties.

The following transactions were carried out with related parties:-

| | 2012<br>E | 2011<br>E |
|---|---|---|
| **16.1 Government of Swaziland** | | |
| Grant Received - Cash | 167 182 000 | 27 000 000 |
| Grant Received - Assets | 75 944 711 | - |
| | 243 126 711 | 27 000 000 |
| **16.2 Board members fees** | | |
| Board Members fees | 234 751 | 234 068 |

## 17 Commitments

### 17.1 Operating lease commitments- company lessee

The Authority entered into the following lease agreements:

- Lease agreement with the Paramount Holdings Limited in which the Paramount Holdings Limited rented out the Paramount Building to the Authority. The agreement commenced 1 January 2011, and is for duration of one and a half years. The monthly rental amount is E18 200 which increased to E19 747 from January 2012.

## 17 Commitments (continued)

### 17.1 Operating lease commitments- company lessee (continued)

- Lease agreement with Bremersdorp Wholesalers (Pty) Ltd in which Bremersdorp Wholesalers rented out office blocks to the Authority. The agreement commences 1 April 2012, and is for duration of 9 months. The monthly rental is E45 596.

- Lease agreement with Leites Motors (Pty) Ltd in which Leites Motors rented offices to the Authority. The agreement was renewed in 1 May 2011, and is for duration of 1 year. The monthly rental is E22 000.

- Lease agreement with AIDA Swaziland (Pty) Ltd in which AIDA Swaziland rented offices to the Authority. The agreement commenced in 1 October 2011, and is for duration of 3 years. The monthly rental is E84 700 with an annual escalation of 10%.

- Lease agreement with AIDA Swaziland (Pty) Ltd in which AIDA Swaziland rented offices to the Authority. The agreement commenced in 1 June 2011, and is for duration of 1 year. The monthly rental is E25 000.

- Lease agreement with MBI Estates Agents in which MBI Estates Agents rented offices to the Authority. The agreement commenced in 1 October 2011, and is for duration of 3 years. The monthly rental is E38 520 with an annual escalation of 8%.

- Lease agreement with MBI Estates Agents in which MBI Estates Agents rented offices to the Authority. The agreement commenced in 1 May 2011, and is for duration of 1 year. The monthly rental is E7 500.

- Lease agreement ceded by the Government of Swaziland to the Authority whereby Phangothi Investment (Pty) Ltd rented offices to the Government of Swaziland. The agreement commenced in 1 January 2004, and is for duration of 9 years. The monthly rental is E32 575.50 with an annual escalation of 10%.

- Lease agreement with the Central Bank of Swaziland in which the Central Bank of Swaziland rented out offices to the Authority. The agreement was renewed in 1 June 2011, and is for duration of 1 year. The monthly rental is E41 043.

- Lease agreement with J & E Construction (Pty) Ltd in which J & E Construction rented out offices to the Authority. The agreement commenced in 1 April 2011, and is for duration of 3 years. The monthly rental is E8 784.60 with an annual escalation of 10%.

- Lease agreement with Muir Towers (Pty) Ltd in which Muir Towers rented out offices to the Authority. The agreement commenced in 1 May 2011, and is for duration of 1 year. The monthly rental is E43 500.

## 17 Commitments *(continued)*

### 17.1 Operating lease commitments- company lessee *(continued)*

- Lease agreement with the Estate of the Late Calvin Ndlovu in which the Estate of the Late Calvin Ndlovu rented offices to the Authority. The agreement commenced in 1 May 2011, and is for duration of 1 year.

  The monthly rental is E6 000.

| | 2012<br>E | 2011<br>E |
|---|---|---|
| *The future aggregate minimum lease payments under non-cancellable operating lease are as follows:* | | |
| Due within one year | 3 215 842 | 419 041 |
| Due between 1 and 5 years | 2 705 183 | 59 241 |
| | 5 921 025 | 478 282 |

## 18 Events after the reporting period

Events since the reporting period:

(a) have been fully taken into account insofar as they have a bearing on the amounts attributable to assets and/or liabilities at that date;
(b) apart from changes in the ordinary course of business, have not made the present financial position substantially different from that shown by the statement of financial position;
(c) have not required adjustments to the fair value measurements and disclosures included in the financial statements.

| | 2012<br>E | 2011<br>E |
|---|---|---|
| **Revenue** | | |
| **Government funding:** | | |
| Funding for recurring expenditure | 192 041 390 | 54 606 742 |
| Less :utilised for capital expenditure | (17 057 465) | (5 966 922) |
| Funding utilised for recurrent expenditure | 174 984 147 | 48 639 820 |
| Other income | 486 817 | 31 200 |
| Finance income | 2 052 780 | 1 724 428 |
| Finance cost | (68 421) | - |
| | 177 455 323 | 50 395 448 |
| **Administration Expenses** | | |
| Advertising | 752 198 | 485 460 |
| Amortisation expense | 9 065 | - |
| Audit fees | 345 563 | 97 777 |
| Bank charges | 247 676 | 33 044 |
| Board member fees | 234 751 | 234 068 |
| Car hire | - | 166 279 |
| Cleaning | 1 772 047 | 367 584 |
| Conferences and meetings | 1 185 715 | 42 357 |
| Consultancy fees | 4 779 053 | 2 097 679 |
| Depreciation | 4 792 627 | 322 271 |
| Electricity | 1 162 086 | 261 563 |
| Entertainment | 47 948 | 9 280 |
| Forms | 608 040 | - |
| Insurance | 1 530 768 | - |
| Internet & telephone and other communication costs | 2 991 920 | 699 651 |
| IT licence & consumables | 1 006 576 | 452 973 |
| Kitchen consumables and refreshments | 132 351 | 59 346 |
| Library | 1 700 | 8 000 |
| Magazines and periodicals | 30 676 | 12 540 |
| Media and branding | 905 874 | 275 607 |
| Membership fees | 392 992 | 72 776 |
| Motor vehicle expenses | 1 198 286 | 266 883 |
| Office equipment rental | 587 475 | 88 591 |
| Office stationery and consumables | 3 719 077 | 3 274 121 |
| Other expenses | 5 466 | 9 314 |
| Postage and courier | 118 899 | 19 141 |
| Professional fees | 1 595 615 | 2 074 759 |
| Recruitment | 1 250 | 186 553 |
| Rent | 4 567 910 | 1 178 001 |
| Repairs and maintenance | 1 705 786 | 93 695 |
| **Balance carried forward** | 36 429 390 | 12 889 313 |

These schedules do not form part of the financial statements and are unaudited.

| | 2012<br>E | 2011<br>E |
|---|---|---|
| **Balance brought forward** | 36 429 390 | 12 889 313 |
| Security | 2 875 613 | 590 011 |
| SRA launch | - | 681 579 |
| Taxpayer education costs | 176 873 | 28 057 |
| Team building workshop | 126 632 | 14 394 |
| Training costs | 1 027 067 | 301 360 |
| Travelling expenses | 167 461 | 402 490 |
| Uniform and other tools | 124 007 | 50 259 |
| Vat implementation | 348 210 | 3 150 |
| Water & sewer | 429 990 | 141 367 |
| **Total administrative expenses** | 41 705 243 | 15 101 980 |
| **Staff salaries and benefits** | | |
| Salaries & wages and other allowances | 97 860 188 | 24 547 773 |
| Medical aid contribution | 8 721 907 | 3 000 603 |
| Special award bonus | 4 448 150 | - |
| Other employee costs: | | |
| - Gratuity | 17 669 522 | 4 519 257 |
| - Pension | 2 709 574 | - |
| - Leave | 1 869 563 | 1 792 478 |
| **Total staff salaries and benefits** | 133 278 904 | 33 860 111 |
| **Total costs** | 174 984 147 | 48 962 091 |
| **SURPLUS FOR THE YEAR** | 2 471 176 | 1 433 357 |

These schedules do not form part of the financial statements and are unaudited.

# SWAZILAND REVENUE AUTHORITY


**HEAD OFFICE**

2nd Floor, Imfumbe Building, Mahlokohla Street

P.O. Box 5628, Mbabane

Tel: +268 2406 4000 Fax: +268 2406 4001

E-mail: info@sra.org.sz Website: www.sra.org.sz

**Customs and Excise Department**

Inter-Ministerial Building,
Mhlambanyatsi Road, Mbabane
Tel: +268 2404 5371
Fax: +268 2404 0774

**Domestic Taxes**

Income Tax Building, Inter-Ministerial Building,
Mhlambanyatsi Road, Mbabane
Tel: +268 2404 5370 / 3
Fax: +268 2404 7191

**Manzini Regional Office**

Regional Administrator's Offices,
MANZINI
Tel: +268 2505 8433

**Matsapha Office**

Matsamo Shopping Complex *(kaMahhala)*,
MATSAPHA
Tel: +268 2518 6413

**Manzini Registration Office**

Estel House, Cnr Ngwane and
Masalesikhundleni Str.
MANZINI
Tel: +268 2505 9733/9229

**Nhlangano Offices**

Old Skonkwane Complex
Corner of 6th Street and 3rd Avenue,
NHLANGANO
Tel: +268 2207 5045



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Swaziland Revenue Authority

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