

Strict stance on diesel rebates imperils farmers and food security

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FOLLOWING devastating successive droughts over the past three years, more than 42% of SA's commercial farmers reportedly "have their backs to the wall" and are considering selling their farms. This would lead to huge job losses and would have an enormous effect on food security.

It would also retard the industry's efforts to assist emerging black farmers, as many potential mentors and facilitators would be forced to close shop. AgriSA, an industry organisation representing commercial farmers, is calling for immediate intervention from the

government and banks until farmers can generate profits again.

From a customs and excise perspective, the government has an immediate and obvious avenue to ease the burden of farmers and help their cash-flow and profit generation. To encourage primary production, such as farming, the South African Revenue Service (SARS) provides a refund to qualifying farmers on the fuel and Road Accident Fund levies charged on diesel.

The diesel rebate is extremely important for the viability of commercial farming. Earlier in 2016 Grain SA, which represents almost 10,000 farmers, briefed the Department of Agriculture, Forestry

and Fisheries on the effect of the drought. The organisation said the issue of diesel rebates was "a sore point", and emphasised the importance to food security of ironing out administrative issues holding up the payment of rebates in some provinces.

For farmers to be eligible for the rebate, SARS insists on onerous record-keeping including purchase and sales invoices and comprehensive logbooks for the storage and use of fuel for each vehicle and piece of equipment.

The level of detail required in the logbook includes the source of the diesel; date of purchase, storage and use; capacity of diesel storage tanks; opening and closing balance in the

tanks; specifics of the equipment; opening and closing meter readings of distance, duration, or speed; the activity the diesel was used for and the location of the activity; and details of any noneligible operations performed by the equipment.

Unsurprisingly, farmers struggle

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to comply with this level of detail, and many have had their diesel rebates reversed when audited by SARS and have been issued with penalties and interest.

Before April 2013, SARS could allow 80% of the diesel rebate when records were not sufficiently kept by a farmer, which was deemed sufficient to cover any potential noneligible activities for which the fuel may have been used.

This was a more practical and flexible system that took account of the real-world difficulties facing farmers, such as the impracticalities of ascertaining exact usage figures for each activity; legacy equipment not fitted with gauges to record the required information;

and the training needed to fully understand and comply with the recording requirements.

The government amended the applicable schedule and from April 2013 no discretion was allowed. If a logbook does not comply strictly with all the requirements it is disregarded and the rebate denied, irrespective of the efforts of the farmer to comply in good faith.

The government seems to have recognised the value of the previous discretion, as it amended the schedule governing the rebates on May 26 to support small-scale sugarcane growers by reintroducing the 80% eligibility for certain farmers who failed to keep logbooks. But many of the growers

will be unable to take advantage of this due to other technicalities.

Swift legislative reform is required that introduces a pragmatic and more lenient approach to diesel rebates so that farmers and other primary industries can fully benefit.

As Grain SA put it in its briefing: "It is not fair that the people who have the biggest effect on the country's food security are having to finance SARS." Fairness aside, it is neither sustainable nor economically prudent.

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