

2014/15 - 2018/19

# STRATEGIC PLAN

SOUTH AFRICAN REVENUE SERVICE



*South African Revenue Service*



2014/15 – 2018/19  
**STRATEGIC PLAN**  
SOUTH AFRICAN REVENUE SERVICE

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# Contents

<b>ABBREVIATIONS</b> .....	<b>2</b>
<b>1. FOREWORD BY THE MINISTER OF FINANCE</b> .....	<b>4</b>
<b>2. MESSAGE FROM THE ACTING COMMISSIONER</b> .....	<b>7</b>
<b>3. WHO WE ARE</b> .....	<b>10</b>
<b>4. SARS'S OPERATING ENVIRONMENT</b> .....	<b>12</b>
<b>5. SARS'S STRATEGY FOR THE NEXT FIVE YEARS</b> .....	<b>17</b>
<b>6. SARS'S FIVE-YEAR PRIORITY INITIATIVES TO ACHIEVE ITS FOUR CORE OUTCOMES</b> .....	<b>26</b>
OUTCOME 1: INCREASED CUSTOMS COMPLIANCE.....	26
OUTCOME 2: INCREASED TAX COMPLIANCE .....	28
OUTCOME 3: INCREASED EASE AND FAIRNESS OF DOING BUSINESS WITH SARS .....	30
OUTCOME 4: INCREASED COST EFFECTIVENESS, INTERNAL EFFICIENCIES AND INSTITUTIONAL RESPECTABILITY .....	33
<b>7. MEASURING SARS'S DELIVERY</b> .....	<b>36</b>
<b>8. SARS'S RESOURCE PLAN</b> .....	<b>42</b>
<b>9. REFERENCES</b> .....	<b>44</b>
<b>10. ANNEXURES</b> .....	<b>46</b>
ANNEXURE A: MATERIALITY FRAMEWORK .....	46
ANNEXURE B: SIGNIFICANT FRAMEWORK .....	46

# Abbreviations

ACM	Automated Cargo Management
AEO	Accredited Economic Operator
AEOI	Automatic Exchange of Information
BEPS	Base Erosion and Profit Shifting
BMA	Border Management Agency
CIPC	Companies and Intellectual Property Commission
CIT	Corporate Income Tax
DHA	Department of Home Affairs
DTA	Double Taxation Agreement
DTI	Department of Trade and Industry
ETI	Employment Tax Incentive
FATCA	Foreign Account Tax Compliance Act
FATF	Financial Action Task Force
FIC	Financial Intelligence Centre
GDP	Gross Domestic Product
GPAA	Government Pension Administration Agency
GRAP	Generally Recognised Accounting Practice
HNWI	High Net Worth Individual
HR	Human Resources
IVR	Interactive Voice Response
MAAA	Mutual Administrative Assistance Agreement
MAWG	Multi-Agency Working Group
MTU	Mobile Tax Unit
NDP	National Development Plan
NPA	National Prosecuting Authority
NT	National Treasury
OECD	Organisation for Economic Cooperation and Development
OSBP	One Stop Border Post
PAYE	Pay As You Earn
PFMA	Public Finance Management Act
PIT	Personal Income Tax
POS	Point of Service
PPS	Passenger Processing System
PTP	Preferred Trader Programme
SACU	Southern African Customs Union
SARS	South African Revenue Service
SAS	Suspicious Activity System
SEDA	Small Enterprise Development Agency
TCC	Tax Clearance Certificate
TCS	Tax Clearance Status
UK	United Kingdom
USA	United States of America
VAT	Value-Added Tax
WCO	World Customs Organisation
WTO	World Trade Organisation



Foreword by  
the Minister of Finance

01



## 01 | Foreword by the Minister of Finance

The South African economy is growing at a moderate pace, but continues to perform below its potential. Our projections at the beginning of 2014 were that GDP would increase from a 1.8 percent growth rate in 2013 to 3.5 percent in 2016.

President Jacob Zuma has set a more ambitious target for GDP growth of 5 percent by 2019 in his State of the Nation Address in June this year. Attaining the desired levels of growth over the medium term is an important collective responsibility, which calls for far better synergy and co-operation than we have experienced during the past two decades of freedom.

Within a sound institutional framework established by the Constitution, state institutions, businesses, organised labour and civil society, have to contribute more constructively towards the most crucial national objective of accelerated and inclusive economic growth. Hard work and decisive action are required to diversify the economy, raise export competitiveness and to instil confidence in our growth potential, our fiscal management and our public investment programmes.

As the 2014 Budget Review asserts, “Partnerships are needed to overcome entrenched structural unemployment...” To grow our economy at a faster rate that can measurably reduce unemployment and poverty requires bold decisions to increase competitiveness and innovation in the context of a fast-changing global economy. Protracted strikes in the mining industry in particular, pose significant risks to both our growth outlook and revenue collection from corporate profitability. We need a more rapid and peaceful resolution of labour disputes in mining and we need to build consensus around the future development of the mining sector. This approach must include addressing gaps in social wages as well as the working conditions that contribute to lengthy labour disputes.

Government has adopted the National Development Plan (NDP) as the country’s framework for economic and social transformation to accelerate growth, eliminate poverty and reduce inequality by 2030. Together with the New Growth Path and the Industrial Policy Action Plan, the NDP lays the basis for economic transformation, stressing that change is required on many fronts to modernise the economy, address development challenges and improve the lives of South Africans.

As we stated in the 2014 Budget Review, *“The NDP’s integrated approach increasingly guides the allocation of public resources within a sustainable framework...”*

*“The country now enters a new 20-year phase of development,” the NDP argues, “focused principally on the economic advancement of the poorest South Africans... Most critically, to eliminate poverty, South Africa has to raise employment. This can happen only if the economy grows faster and in ways that draw in the historically disadvantage.”*

Over the medium term, new power plants and transport infrastructure will lift some of the constraints to GDP growth, a stronger global recovery will support exports, and the growth in sub-Saharan Africa will promote expanded trade and investment opportunities.

South Africa faces a challenging fiscal outlook for the years ahead. The 2014 Budget states government’s commitment to maintain the value of core social expenditure programmes, while increasing public investment in infrastructure within a sustainable framework for the medium term. South Africa’s fiscal framework will



continue to be grounded in a realistic, countercyclical approach to managing revenue and expenditure. A clear articulation of a credible growth strategy for our country and effective implementation of programmes to broaden participation and reduce inequality, are important foundations of both domestic confidence and continued financial stability.

Over the medium term, improving global conditions and stronger regional growth should support moderately higher demand for South African exports. The stronger global recovery presents new opportunities, provided that the domestic economy can raise its productivity and competitiveness. The longer-term trend remains a shift in the world economy as developing countries account for a growing share of global trade and investment.

The SARS Strategic Plan for the period 2014/15 – 2018/19, was developed within the context of a better global outlook, government's determination to expand and improve the delivery of vital services to all South Africans and to enhance the productive base of the country through continued infrastructure investment.

South Africa's tax system forms part of the foundation of the country's public finances. The tax system raises revenue to deliver public services without placing too high a burden on businesses and individuals. It plays an important role in addressing market failures as governments around the world look for a more effective combination of interventions, particularly in dealing with the challenges arising from the 2009 financial crisis.

Our tax policy framework has proven resilient throughout this period of global contagion. The balance between the three major tax types – Personal Income Tax, Value-Added Tax and Corporate Income Tax – has provided a strong basis for our tax system to respond flexibly and sustainably to shifts in economic cycles.

Over the past two decades, South Africa has built a progressive tax system founded on the principles of equity, efficiency, simplicity, transparency and certainty. The tax proposals in the 2014 Budget continue to prioritise economic growth, job creation and generating sufficient revenue to finance government spending in line with NDP objectives of expanding our economy. While nominal tax revenues have declined to 24.4 percent of GDP in 2009/10 as a result of the global recession, it is anticipated that tax revenues will recover to grow at an average of 10.4 percent per year over the medium term.

This prospect bodes well for our own fiscal expectations to ensure a sustainable fiscal framework. The SARS Strategic Plan that I have the privilege of tabling to this, our fifth democratically elected Parliament, outlines the four core Outcomes that continue to direct the institution's efforts to become operationally efficient, respond to both global and domestic risks to compliance, and execute its mandate under very tight fiscal and economic conditions. It is worth emphasising that the demands of revenue collection for SARS will exceed R1 trillion by 2015.

I want to wish SARS, its Acting Commissioner, the SARS Executive and management team well for the formidable challenges they will encounter over the next five years in their efforts to strengthen our country's fiscal independence.

I also trust that SARS will continue to have the support of Parliament and its members.



**NM Nene**  
Minister of Finance



Message from the  
Acting Commissioner

02



## 02 | Message from the Acting Commissioner

Over the last five years, SARS has achieved remarkable performance gains. We managed to achieve steady year-on-year increases in revenue collections as well as significant improvements in the overall compliance of taxpayers and traders. We have also seen a dramatic increase in the use of SARS's electronic service channels by taxpayers and traders. We now receive over 90 percent of returns through our electronic channels. SARS's turnaround and processing times have also increased significantly because of our modernisation activities. SARS is now able to process over 90 percent of returns on average within 20 hours.



We are aware however, that we still need to do a considerable amount of work to improve compliance amongst all taxpayers and traders, improve our services and become far more accessible to a greater majority of the country's citizens and communities. In the previous two versions of the SARS Strategic Plan, the SARS leadership identified and presented four core outcomes and eight fundamental strategies for the organisation as the overarching framework to guide and steer organisational efforts in the short to medium term. These have helped us focus our efforts over the last few years and will continue to inform the strategic direction and priority initiatives presented in this document.

To preserve the trust and confidence of all our stakeholders, we are committed to becoming even more effective, even-handed and cost efficient in carrying out SARS's mandate through better use of our human, financial and technology resources. We acknowledge that the vast majority of taxpayers and traders do comply with their customs and tax obligations. We will continue to apply risk management principles to focus our efforts on areas where we will have the biggest effect on compliance. Two years ago we launched the SARS Compliance Programme that identifies and communicates to the public, taxpayers and traders, those areas and taxpayer groups where we believe there is a high risks of non-compliance. This Programme also communicates what we seek to achieve with our compliance efforts. We will continue with this programme and seek to increase voluntary compliance amongst these groups of taxpayers. In particular (and amongst others), we plan to have an accurate picture of the tax affairs of high-net-worth individual (HNWI) taxpayers and their related trusts and to target potential rule-breakers. We also plan to put in place a range of interventions to support small businesses that are willing to comply, by making it easier for them to understand and fulfil their obligations. We will help them improve their interactions with SARS through targeted education initiatives and providing more channels through which they can access SARS products and services. In supporting the government-wide agenda for small businesses, our planned work will also take into consideration the recommendations of the Davis Tax Committee.

Agreements with other international tax and customs jurisdictions to share information on offshore tax activities of multinational entities and individuals will enhance our ability to pursue tax cheats and level the playing field for all taxpayers and traders. To this effect, South Africa agreed to participate together with the United Kingdom, France, Spain, Germany and Italy in a pilot scheme for the automatic exchange of information to address offshore tax evasion. SARS also participates in OECD's Base Erosion and Profit Shifting initiatives.

Over the next five years, we have set ourselves challenging targets to reduce debt owed by taxpayers and traders. To do this, we need an accurate picture of the taxes, duties and levies owed by taxpayers and traders, including their information. Over the next five years we will develop and implement a new debt management system. This will yield significant benefits for taxpayers and traders, the fiscus and SARS. Taxpayers and traders will have the certainty of accurate accounts and will be able to manage their compliance with tax and customs



obligations better. SARS will be able to reduce errors, minimise the scope for corrupt practices and focus its collection efforts better. This will also facilitate our planned migration towards full Generally Recognised Accounting Practice (GRAP) compliance.

We know that our complaints management process needs improvement. We will be working with the office of the newly appointed Tax Ombud to transform the way deal with taxpayer and trader complaints and queries. We also commit to improve the overall governance and transparency of our processes and we will further improve our governance of case selection, audit and investigation processes.

We continue to carry our mandate under very tight fiscal conditions. Our funding continues to diminish as National Treasury expects us to do more with less. We must therefore ensure that we continue to make better use of our most critical resources. We will continue to strengthen our financial management and spending to ensure that SARS's business areas spend their budgets more prudently. We aim to review our spending in non-direct overhead areas (administration and support areas) and we will use process redesign and automation (where we can) to divert resources towards compliance activities. We will also continue to review our operating model to eliminate duplications and savings from this exercise will be diverted towards compliance activities.

We want our employees to be highly skilled at addressing and resolving taxpayer and trader queries and disciplined in maintaining organisational processes. Over the next five years, we will ensure that we retain the right employees to maintain excellence in our operations and enable the implementation of future strategies. We will have a significant number of our employees dealing with and assisting taxpayers and traders in the "front-office" on a day-to-day basis. This will mean continuing to automate internal processes and transactions that do not require much human intervention, thus releasing employees to fulfil front-facing and compliance-enhancing roles in the organisation. We aim to launch a new human resources framework underpinned by a set of new values and code of conduct to reinforce the key character traits expected from all SARS employees.

We face many challenges as we publish this plan and the actions contained herein are not without risk. The continuation of negative global and domestic economic conditions will continue to put SARS's compliance and revenue targets at risk. We are also seeing our mandate widening as the implementation of the National Development Plan begins to take effect. Government expects SARS to take a more active role in the creation of employment opportunities for the vast majority of our unemployed youth. The implementation the Employment Tax Incentive (ETI) therefore adds to an already widening SARS mandate.

We clearly have a lot to do and overcome in order to achieve the outcomes we seek. We are confident that we have the skills and resolve to successfully pursue the actions in this plan and deliver on our mandate.



**Ivan Pillay**  
Acting SARS Commissioner



Who we are

03



**Our Mandate:** To collect all revenues due; ensure optimal compliance with tax and customs legislation and provide a customs service that will optimise revenue collection, protect our borders and facilitate trade.

**Our Vision:** To become an innovative revenue and customs agency that enhances economic growth and social development, and supports our integration into the global economy in a way that benefits all South Africans.

**Our Mission:** To optimise revenue yield, facilitate trade and enlist new tax contributors by promoting awareness of the obligation to comply with South African tax and customs laws, and to provide quality and responsive service to the public.

**Our Values:**

- Mutual respect and trust
- Equity and fairness
- Integrity and honesty
- Transparency and openness
- Courtesy and commitment



SARS'S Operating  
Environment

04



### National Policy Direction

The National Development Plan (NDP) 2030 remains the primary policy framework for government and all its related entities. The direction and outcomes pursued by the South African government in the NDP affect how SARS carries out its mandate. As one of the critical organs of state, we will continue to effectively and efficiently carry out our mandate to collect the revenue required by government to fund critical government programmes. We will diligently play our role to facilitate legitimate trade and travel through the country's borders to help grow the economy and protect it from harmful illicit trade activities.

Our mandate is becoming wider, as we are required to further support critical government efforts to increase employment opportunities, improve conditions for small businesses and help improve government performance across the whole of government. Recently we have been tasked with the implementation of important pieces of legislation such as the National Health Insurance and the Employment Tax Incentive Scheme. These will be administered through the tax system. It is certainly a testament to our capability that government entrusts us with the implementation of these important initiatives. However, we are mindful that these additional responsibilities may begin to strain our already limited leadership and technical capability and may affect delivery on our core tax and customs mandate.

We acknowledge in this plan that our efforts to carry out the SARS mandate and to contribute to critical government programmes will not be successful if we work in isolation from our key government partners. The work of the following government departments and entities affect our mandate directly: Department of Home Affairs (DHA), Companies Intellectual Property Commission (CIPC), Department of Trade and Industry (DTI), National Treasury, Department of Justice and Constitutional Development, National Prosecuting Authority (NPA) and the newly established Office of the Tax Ombud. These departments are important to the overall effectiveness of SARS operations. Together with these agencies, we will be able to exchange taxpayer and trader information, negotiate better tax and customs treaties and achieve effective prosecution of serious tax and customs offenders. SARS will continue to work with these and other government departments and agencies on many fronts, to improve the overall efficiency and effectiveness of government and promote a whole of government view of its value chain. We also acknowledge that we all operate under increasing fiscal/resource constraints and that this could affect the progress of our collaborative efforts.

### Economic developments

Global Gross Domestic Product (GDP) growth is expected to be around 3.5 percent by 2016, mainly reflecting a slow but steady improvement in economic environment among high-income economies.

After years of declining economic conditions, advanced economies are slowly recovering, with the United States of America's GDP showing positive growth for 10 consecutive quarters. Japan is expected to grow nearly 2 percent for the second year in a row. The Growth in the Eurozone finally turned positive in the second quarter of 2013 after six consecutive quarters of decline. Three of the five economies at the heart of the Eurozone crisis (Ireland, Portugal and Spain) have now exited the recession, while in the other two (Italy and Greece) the recession is easing.

The GDP of developing countries is expected to accelerate modestly, from an estimated 4.8 percent in 2013, to 5.3 percent in 2014 and about 5.7 percent in 2016. This growth is mostly led by rebounds in China and India. China's growth accelerated to 9.3 percent in quarter three of 2013 which was due to the fiscal stimulus earlier in the year.



Domestic factors such as labour unrests, particularly in the mining sector, and growing service delivery protests continue to weigh on the recovery of the South African economy and offset the benefits of improved external conditions. Real GDP growth is projected to be 2.7 percent in 2014 and accelerate to 3.4 percent in 2015. South Africa's growth performance since the crisis has generally been weaker than that of the other BRICS countries. Unemployment remains high at around 24 percent. The newly implemented ETI is a welcome development that will provide greater incentives for employers to hire new inexperienced entrants and the unemployed. Despite revisions to South Africa's international trade statistics to include Botswana, Lesotho, Namibia and Swaziland, the trade deficit widened to 3.2 percent of GDP in 2013, as imports continue to outpace exports.

The prevailing negative domestic and global economic conditions will continue to put our compliance and revenue targets at risk. Like the rest of government, we will continue to carry out the SARS mandate under these very tight fiscal and economic conditions. We need therefore to manage our resources more prudently to build resilience into SARS systems and processes to mitigate the adverse consequences of such an environment on taxpayer and trader compliance and revenue collection.

## **Developments in the global tax and customs environment**

### **Tax developments**

SARS is conscious of prevailing global tax concerns, many of which also affect South Africa's tax environment. According to a recent Organisation for Economic Cooperation and Development (OECD) report (Addressing Base Erosion and Profit Shifting: 2013), multinational corporations continue to use sophisticated schemes (use of cross-border structures, intragroup transactions, hybrid mismatches etc.) to exploit loopholes in local tax codes, double taxation agreements (DTAs) and tax treaties to avoid or significantly minimise their tax obligations in countries where they operate and make profits.

In 2013 the Group of Eight (G8) committed themselves to the automatic exchange of information (AEOI) between their tax authorities as the new global standard, and to work with the OECD to develop a multilateral model which will make it easier for governments to find and punish tax evaders. On tax avoidance, they agreed to support the OECD's work to tackle base erosion and profit shifting. They also agreed to support developing countries to collect the taxes owed to them, with access to the global tax information they need.

We will support and participate in many other multi-country initiatives for the automatic exchange of information to counter the negative consequences of this threat to the South African fiscus. We will invest a significant portion of our resources to develop the skills and capability to identify and deal with tax avoidance and evasion schemes employed by multinational enterprises.

### **Customs developments**

At the Ninth World Trade Organisation (WTO) Ministerial Conference, held in Bali, Indonesia, in December 2013, ministers representing various member countries adopted the "Bali Package", a series of decisions to streamline and open up trade. We take note of this very important development and will begin work to fully understand the implications on our customs processes and procedures.

Closer to our borders we are witnessing increased cooperation between SARS and various customs jurisdictions on issues of joint customs control, streamlined border processes and risk management to reduce delays (for legitimate traders and travellers) through customs and improve the efficiency of trade in the region. The creation of a "One-Stop Border Post" (OSBP) between South Africa and Mozambique took a big step forward



in 2013 when the South African Parliament formally adopted the bilateral agreement between these two countries on the matter. We are also working with our Zimbabwean partners to finalise the adoption of the Mutual Administrative Assistance Agreement (MAAA) for the establishment of South Africa-Zimbabwe OSBP.

In March 2014, the South African Parliament approved the adoption of the new Customs and Excise Amendment Bill, Customs Duty Bill and Customs Control Bill. The Customs Control Act, 31 of 2014 is intended to replace the provisions of the current Customs and Excise Act, 1964 ("The Act") relating to customs control of all means of transport, goods and persons entering or leaving South Africa. The new Acts are intended to improve customs control over the movement of goods and people. We will begin our preparations during 2014/15 to ensure effective implementation of these new Acts.

## Risks facing SARS

Risks facing SARS stem from its exposure to the local and global economic climate, the compliance behaviour of taxpayers and traders in response to this climate and the risks coming from SARS's own operations. SARS has introduced several measures to mitigate these risks and will continue to monitor their impact on SARS's performance over the next five years.

STRATEGIC RISKS FACING SARS	
The risks we need to manage	How we will manage these risks
<p><b>Revenue collection pressure</b> The prevailing global and local economic uncertainties place increasing pressure on SARS's ability to collect revenue. Ongoing labour strikes, especially in the mining sector, and service delivery protests domestically add to this already gloomy environment.</p>	<ul style="list-style-type: none"> <li>• Improve initiatives to expand the revenue base through our education and outreach programme</li> <li>• Continue to expand our footprint through physical infrastructure, mobile tax units and mobile registration kits</li> <li>• Increase compliance activities through increased and targeted audit and enforcement activities, as well as proper debt management</li> <li>• Increase the use of administrative penalties</li> </ul>
<p><b>The threat of the illicit economy</b> The illicit economy, especially illicit cigarette and tobacco, continues to pose a serious threat to South Africa's economic growth, legitimate formal businesses, financial activity and the potential growth of the tax base from which SARS collects revenue.</p>	<ul style="list-style-type: none"> <li>• Continue to target the entire supply chain of illicit cigarette and tobacco trade, through better control of our warehouses, modernisation of our excise systems to improve risk detection, and increase our collaborations with key stakeholders</li> </ul>
<p><b>Unfavourable public perception of poor state delivery and corruption</b> Research and empirical evidence show that taxpayer's attitude towards compliance and their willingness to comply is influenced by how they perceive taxes to be utilised. Concerns about corruption in the public sector and poor service delivery remain an issue. This has the potential to affect SARS's ability to achieve compliance due to loss of public confidence in government.</p>	<ul style="list-style-type: none"> <li>• Continue to collaborate with a broad range of key stakeholders and government partners to develop and implement platforms to improve efficiency and effectiveness of operations across the whole of government</li> </ul>
<p><b>Potential widening of SARS mandate</b> The SARS mandate is widening as the organisation is required to support critical government efforts to increase employment opportunities, improve conditions for small businesses and help improve government performance across the whole of government.</p>	<ul style="list-style-type: none"> <li>• Continue with SARS's whole of government view of services. However, we will prioritise each partnership or assistance, to ensure that SARS resources are not strained beyond their capacity</li> </ul>



<p><b>Complex financial schemes used by large businesses to evade tax</b></p> <p>SARS has detected an evolution from businesses, especially multinational enterprises, whereby they utilise domestic and international loopholes to evade tax, take advantage of cross-border structuring and transfer pricing manipulations.</p>	<ul style="list-style-type: none"> <li>• Improve the skills and professionalism of our auditors to ensure that employees dealing with large business taxpayers are equipped to engage and deal with the complexities in this segment and facilitate quicker resolution of issues</li> <li>• Continue to improve relationships between SARS and large business taxpayers through the implementation of the cooperative compliance approach.</li> <li>• Continue to recruit highly skilled auditors and finance specialists to identify and close existing loopholes in our processes</li> </ul>
<p><b>Non-compliance of High-Net-Worth Individuals (HNWI) and the use of trusts to conceal their income</b></p> <p>Analysis shows that a significant number of high-net-worth individuals choose to remain under the SARS radar and continue to either under-declare, not file or underpay/ not pay their fair share of taxes.</p>	<ul style="list-style-type: none"> <li>• Develop an accurate database of HNWIs</li> <li>• Modernise the trust system to accurately reflect the income of HNWI concealed under trusts</li> <li>• Improve the skills of our current auditors and recruit skilled auditors who can deal with issues of HNWI and their trusts</li> <li>• Continue our partnerships with other countries for automatic exchange of information on offshore accounts</li> </ul>
<p><b>Value-Added Tax (VAT) refund fraud</b></p> <p>The SARS VAT systems and processes continue to be placed under pressure as businesses respond to the slow economic recovery and the impact on their businesses. There is thus an increased chance of tax fraud, especially VAT whereby businesses will be over-claiming inputs and expenses or under-declaring and/or not declaring outputs and income to protect their profits.</p>	<ul style="list-style-type: none"> <li>• Enhance our risk engines to ensure only legitimate refunds are processed</li> <li>• Increase enforcement activities to address fraudulent claims</li> <li>• Improve registration process, especially for VAT to ensure accurate taxpayer accounts, including bank account details</li> </ul>
<p><b>Continued growth in taxpayer's overdue debt</b></p> <p>Growth of the debt book is mainly due to less than optimal maintenance of taxpayers' accounts in SARS, taxpayer errors and the impact of the slow economic recovery on taxpayers' ability and willingness to pay. While part of the growth is attributable to the slow economic recovery, manual paper-based processes pose challenges to the integrity of taxpayer accounts and thus the accuracy of the debt book.</p>	<ul style="list-style-type: none"> <li>• Modernise debt systems and ensure accurate capturing of taxpayer accounts</li> <li>• Continue with administrative penalties to discourage non-compliance</li> <li>• Enhance the customs and excise risk engines to improve risk detection and enforcement capabilities</li> <li>• Increase and improve debt collection capabilities in other divisions (audit)</li> </ul>
<p><b>Succession risk</b></p> <p>Delivery of the SARS strategy is heavily contingent on the continuity and stability of organisational leadership. Much of SARS's success in the past has been a result of the relatively long tenures of the senior leadership team, some of whom could be leaving in the next few years. Addressing the leadership challenge will therefore require a carefully planned transition through the identification of potential successors and ensuring an adequate grooming and handover process. SARS also faces a big challenge of the employment equity imbalance in its leadership, which poses a threat in terms of government's employment equity objectives.</p>	<ul style="list-style-type: none"> <li>• Facilitate succession planning for all leadership roles to close the leadership gap</li> <li>• Implement a Leadership Development Programme to ensure growth of the leadership pool</li> <li>• Implement a skills pipeline for critical roles for development of our employees</li> <li>• Address the employment equity imbalance in our leadership</li> </ul>

Table 1: Strategic risks facing SARS



SARS'S strategy for  
the next five years

05



### SARS's Four Core Outcomes

The South African government aims to build a faster and high growth economy that supports more job creation and addresses income inequality in the country as set out in the National Development Plan. SARS supports these goals by providing more than 90 percent of the revenue required by government to meet its objectives. We contribute to five of these objectives namely:

- Raising employment through faster economic growth
- Building the capability of the state to play a developmental, transformative role
- Improving economic policy coordination and implementation
- Building partnerships between the public sector, business and labour to facilitate and promote investment in labour intensive areas
- Raising competitiveness and export earnings through improved trade facilitation, better infrastructure and public services, lowering the cost of doing business, improving skills and innovation, and targeting state support to specific sectors

SARS's mandate is to ensure optimal compliance with all the laws that SARS administers, to ensure a sustainable revenue stream for government and a controlled and safe flow of goods across the country's borders. SARS must achieve compliance in a manner that does not impede trade, economic growth and development, by imposing an excessive and unfair administrative compliance burden on taxpayers, traders and businesses. In addition, SARS must achieve compliance in the most efficient and cost-effective manner, and in a context of building institutional respectability for SARS.

Given this mandate, SARS established four enduring core outcomes that continue to guide and inform current and future strategies. These four core outcomes are to: (1) Increase customs compliance; (2) Increase tax compliance; (3) Increase ease and fairness of doing business with SARS; (4) Increase cost effectiveness and institutional respectability. These four outcomes are interdependent and mutually reinforcing, as the pursuit of one outcome frequently enables the achievement of another outcome. For example, increasing cost effectiveness, internal efficiency and institutional respectability builds trust and confidence, which may result in increased compliance, and ultimately lead to greater revenue collection. Similarly, increasing the ease and fairness of doing business with SARS may encourages growth in the tax register, and as the register grows, with adequate and accessible processes and systems, tax compliance may increase, ultimately leading to greater revenue collection.

SARS ensures its accountability by measuring performance against targets set for each of the outcomes. We track progress through our annual strategic outcome measures presented in the SARS Annual Performance Plan. We report our progress on these measures and key achievements against our annual performance plan activities in the SARS Annual Report. We use this information to re-evaluate our planned strategies and future priorities.

#### OUTCOME 1: Increased Customs Compliance

Apart from Customs administration, SARS provides policy advice to the Department of Trade and Industry and enforces the laws on importation and exportation of goods. We also support the economic protection and security goals of other government agencies and provide vital trade statistics that support the interests of government and businesses operating in South Africa.



We seek to further government's aim of growing the economy and creating employment through effective and efficient trade and travel facilitation and effectively combating illicit trade activities. Our objectives and initiatives support these aims and seek to:

- Streamline trade facilitation and promote efficient trade (in partnership with other agencies) to promote the economic competitiveness of the country through secure and efficient processes at our ports of entry
- Deliver an efficient and streamlined passenger travel facilitation process to support the country's travel and tourism sector
- Protect the country and its citizens by disrupting organised crime and reducing the illicit economy
- Effectively and efficiently collect the customs revenue required to fund government programmes
- Facilitate a more effective coordination of border activities with other border management agencies to build effective and efficient border control
- Provide input to trade agreements and deliver the customs aspects of those agreements
- Develop partnerships with all supply chain stakeholders and facilitate legitimate trade, while combating illicit trade

### **OUTCOME 2: Increased Tax Compliance**

SARS seeks to increase voluntary compliance across a broader taxpayer base. In this regard, SARS wants taxpayers to: calculate their tax liabilities correctly, file their returns on time, declare to SARS what their income is and duly pay what is due.

SARS will realise these compliance objectives through better understanding of taxpayer circumstances, needs, attitudes, abilities and behaviours. We will use our understanding of the different taxpayers to inform and focus our efforts where we can have the biggest effect on compliance. This means that we will create a good balance between our education, service and enforcement interventions. We will make it easier for taxpayers to meet their compliance obligations, by simplifying the tax code and tax return forms, simplifying our internal processes, and making more efficient and cheaper service channels available.

For those taxpayers who choose not to comply we will invest in effective deterrence tools and tighten our enforcement capabilities. We will strengthen our enforcement capabilities through the use of our penalty regime to address those taxpayers and traders who persistently and deliberately do not comply. Enforcement is called for in the interest of ensuring equitable treatment of all taxpayers and traders. Through our Compliance Programme we will strive to encourage and influence voluntary compliance in the segments we have selected.

### **OUTCOME 3: Increased Ease and Fairness of Doing Business with SARS**

SARS seeks to make it as straightforward as possible for taxpayers and traders to register, file their returns, calculate their tax liability and pay the correct taxes and duties that are due. We want to reduce the cost of compliance for taxpayers and traders by simplifying our processes and requirements, improving the accuracy of taxpayer and trader information and by being easily accessible to taxpayers and traders when they want to engage with us.

We will continue our progress in offering cheaper and more convenient service channels, particularly with simplified online and mobile channels to ensure SARS services and products are easily accessible to taxpayers and traders and other potential clients. This will reduce the need for them to visit a SARS branch and will give them more control over their tax affairs. Taxpayers and traders will be able to meet their obligations at



their convenience and at their leisure. We will however continue to provide support and education to those taxpayers that need help, through our call centres and through proactive and visible engagements via our mobile tax units and field tax officers.

We will also reach out to young and newly employed people and newly established businesses to form a relationship with them even before their obligations to register/file/pay tax commence. We will increase our education, outreach and engagements with key stakeholders (tax practitioner bodies, schools, universities, government departments, business forums etc.) to promote tax compliance. As part of our efforts to be more accessible, we will explore further collaborations with other government departments and private institutions to co-locate our offices on their premises or as part of a shared infrastructure.

#### **OUTCOME 4: Increased the Cost Effectiveness, Internal Efficiency and Institutional Respectability**

SARS seeks to maximise its performance through prudent and ethical management of its resources. In this regard we will:

- Identify, recruit and retain the right people (diverse, engaged and highly skilled) to maintain excellence in our operations and to enable implementation of future strategies. We want our employees to be highly skilled at addressing and resolving taxpayer and trader queries and disciplined in maintaining organisational processes. We will build and maintain a work environment that supports employee growth and development by providing employees with the skills and tools they need to perform their jobs. We will have a significant majority of our employees dealing with and assisting taxpayers and traders in the “front-office” on a day-to-day basis
- Practice prudent financial management to ensure that SARS divisions use resources efficiently and operate with fiscal responsibility and discipline. We will monitor our spending (look for savings and eliminate waste) to meet National Treasury budget conditions and requirements
- Continue to redesign and refocus our operating model to eliminate duplication in our functions and to achieve efficiency improvements. We will design and build business processes and systems that are modern and efficient. We will continue to automate routine and high volume processes and functions to release resources for use in our compliance or taxpayer and trader facing roles
- Continue to build an organisation that is performance and result driven, adheres to good governance and is guided by an explicit ethics/values/integrity framework throughout all its actions and interactions. We will improve our internal systems of accounting and the way we report our performance to comply with GRAP. We will continue to implement and streamline our governance processes to increase transparency and accountability in our key decision making processes and structures
- Continue to promote a collaborative approach in and out of SARS to achieve value chain efficiencies throughout our operations and throughout government

### **SARS’s over-arching strategic shifts to achieve the four core outcomes**

Since the establishment of SARS, we have focused our efforts on how we can transform the way SARS operates to fulfil its mandate in the most efficient and effective manner possible. When we adopted our Modernisation Program in 2007, as the key driving force to the successful transformation of SARS, we also agreed to change the way we work and interact with taxpayers and traders to achieve the outcomes we seek. In this regard, we adopted eight crosscutting fundamental strategic shifts in the manner in which SARS carries out its business. These strategies as outlined in the table below, focus on how we intend working differently to achieve SARS’s four core outcomes.



SHIFTING THEMES		
	FROM	TO
1	Targeting eligible taxpayers	Building fiscal citizenship among all South Africans to contribute to nation building and institutional sustainability
2	Gate keeper	Risk management approach
3	Entity and product approach	Integrated economic view (multi-product and transactional value chain)
4	Uniform service offering	Differentiated service offering (based on compliance behaviour and segment)
5	Manual	Automated/digital/self-service
6	Isolated departmental view of SARS efficiency	Whole of government view with enhancement of value chain activities before and after they enter the SARS domain in order to build a chain of institutional respectability in the pursuit of service delivery excellence for SARS and its other government partners
7	High administrative burden due to multiple registrations, multiple channels and manual forms	Reduced administrative burden through, for example, single registration, integrated channels and dynamic forms
8	People performing below potential due to non-standardised internal processes, no value alignment and low skill/low value add	People performing at their peak through, for example, values alignment and high skill/high value add

Table 2: SARS's eight strategic shifts

For each of these strategic shifts, we will develop initiatives and actions plans to be incorporated into our Strategic Plan and Annual Performance Plan. These strategic shifts will inform the work of every detailed strategy, programmes and initiative carried out in the organisation.

### Key strategic shift 1: Moving from targeting eligible taxpayers to building the reality of fiscal citizenship among all South Africans

The concept of active citizenry underpins the goals of the National Development Plan. According to the NDP, citizens have the right to expect government to deliver certain basic services and to hold leaders accountable for their actions. They also have responsibilities to other citizens, including mutual respect, tolerance and abiding by the laws of the land.

We intend to make fiscal citizenship a reality for all South Africans and businesses operating in South Africa. We will increase our engagements with all South Africans even if they are not eligible to remit any tax. This includes building a relationship with all South Africans to educate them on the importance of their tax contribution.

We will continue our collaborations with other state entities, including the Department of Home Affairs and the Companies Intellectual Property Commission, to continue registration of all South African citizens and businesses operating in South Africa. We also intend to use these collaborations to register all migrant businesses with SARS. We will increase our engagements with all citizens even if they are not yet eligible to remit any taxes. We will review our footprint and identify areas in the country that require new SARS Points of Service (POS) to increase our accessibility and facilitate delivery of this strategy.



## Key strategic shift 2: Moving from a gatekeeper to a risk management approach

Our taxpayer and trader compliance strategy is predicated on our ability to segment taxpayers and traders on the basis of our understanding of their circumstances, their behaviours and attitudes they exhibit and the risks (and impact thereof) they pose to SARS's administration of the tax and customs Acts. This approach allows us to focus our efforts to where we will have the biggest impact on non-compliance. Adopting a risk management approach also gives us the opportunity to tailor the taxpayer and trader experience in terms of their interactions with SARS on the basis of their assessed risks. The vast majority of individuals and businesses want to do the right thing, and by focusing our efforts to where the greatest risk of non-compliance lies, we are able to reduce costs and improve our services for the vast majority of compliant taxpayers and traders.

We will continue to facilitate our move from gatekeeper to risk manager approach in the way we work through continued enhancements to our risk engines and incorporation of new and better administrative systems. The automation of our systems has enabled us to receive, review and process large volumes of taxpayer and trader data and/or information. We have an opportunity to improve our analytical capability to manage compliance risks more intelligently by predicting for example taxpayers/traders' propensity to file their returns on time or to declare and pay what they owe fully. This will give us the ability to intervene much earlier if required and with the right kind of compliance intervention.

We intend to improve our analytical capability by introducing new functionalities to our existing risk engines and introducing new risk engines for travellers, trusts, estates, exempt institutions and in our debt management processes. We will continue to make use of the information we already have (and the information we receive from third parties) about taxpayer and trader affairs to inform our risk assessment and reduce the administrative burden for the majority of compliant taxpayers.

We will augment our activities in this regard by making use of third-party data to validate taxpayer and trader declarations. Through the pre-population of returns and declaration documents with data from our own systems and third party sources, it is possible to reduce the opportunity (risk) for false or inaccurate declarations. It is our intention in the future to start sending pre-populated returns to the vast majority of taxpayers and request them to confirm the information we send them instead of the current approach of asking them to populate the returns they submit to SARS. This will further reduce their compliance costs and will lead to administration that is more efficient.

## Key strategic shift 3: Moving from entity and product approach to integrated economic view

We receive, process and hold large quantities of taxpayer and trader data in our data warehouse from multiple sources. This presents us with an opportunity to improve our analytical capability to manage compliance risks more intelligently and use our resources more efficiently.

By increasing and integrating data from multiple sources, we will be able to gain a complete economic understanding of taxpayers and traders across all tax types and in all areas of economic activity. Moreover, by moving from a transactional to an economic view of taxpayers and traders, SARS will be able to provide a more appropriate service and detect inaccuracies in declarations as well as identify those who have attempted to stay outside the tax net. Over the next five years we will ensure that the design and development of our new systems and processes take into account our intentions to have a complete and dynamic economic view of taxpayers and traders at all times, and not just when they submit a return or clear an import transaction.



To facilitate the realisation of this strategy, we will, over the next five years implement a single taxpayer and trader registration process and system. This process will consolidate all taxpayer and trader information (registration information, debt information etc.) at SARS's disposal under one account for the taxpayer or trader. This will improve the accuracy of taxpayer and trader information, improve the ease with which SARS and the taxpayer and trader access this information, reduce the administrative burden of the taxpayer and trader, and improve the effectiveness and efficiency of SARS's interventions.

#### **Key strategic shift 4: Moving from uniform service offering to differentiated service offering**

We understand that not all taxpayers are the same. Taxpayers have different characteristics and different behaviours and attitudes towards complying with their tax and customs obligations. Each taxpayer and trader therefore presents different risks to the administration and calls for the adoption of different compliance interventions. To maximise compliance in each segment requires a different set of compliance strategies and interventions that are appropriate to the risk and compliance issues posed by those different segments.

Segmenting specific categories of taxpayers and traders in order to provide a service appropriate to taxpayer or trader needs will enable SARS to work efficiently based on a taxpayer or trader's compliance status. The application of risk based processing avoids the need to examine every taxpayer or trader or every transaction in favour of those where a high risk of non-compliance is detected. This speeds up service delivery to 90-plus percentage of taxpayers and traders that we identify as minimal or low risk.

We will continue to re-organise ourselves to take into account the different sizes and segments of the taxpayer and trader population we serve. We will restructure our operations and organisational design around our key taxpayer and trader segments.

For large business taxpayers, we will seek to build a better understanding and management of the relationship between them and SARS through open and transparent interactions. We will have open and honest engagements around tax and customs issues affecting this group through the implementation of the cooperative compliance approach. We believe that this approach will increase certainty and reduce compliance costs for large business taxpayers and SARS. We will also improve the skills and professionalism of our auditors to equip them with the skills and knowledge to service this taxpayer segment.

We will implement a range of interventions to support the vast majority of small business taxpayers that are willing to comply by making it easier for them to understand and fulfil their obligations. For tax practitioners and trade intermediaries, SARS will continue to work with the relevant recognised controlling bodies and associations to develop improved tax practitioner and agent standards and deliver more responsive services to improve compliance of this segment and the taxpayers and traders they serve. During 2013, Parliament passed legislation to regulate the affairs of tax practitioners, advisers and agents. The new legislation gives SARS the power to authorise the appointment of tax practitioners and associated controlling bodies as defined. We will continue to implement the provisions of the law relating to the regulation of tax practitioners.

#### **Key strategic shift 5: Moving from manual to automated/digital/self service**

Reducing manual paper-based processes to electronic, digital and self-service channels will result in quicker processing times, fewer errors and increase the speed with which SARS interacts with taxpayers and vice versa. SARS is now able to provide real time assessment of individual tax submissions when submitted electronically via eFiling.



Moving from a manual and paper environment to an electronic environment will increase the efficiency and effectiveness of managing taxpayer and trader interactions and their compliance. The accessibility and accuracy of taxpayer and trader information will increase, resulting in better management of their compliance. Taxpayers and traders on the other hand will be able to manage their tax affairs with ease, thereby improving their compliance.

Consistent with our intentions to continue digitising the processes and systems we use to interact with taxpayers and traders, SARS is also moving forward to adopt eCentral to modernise internal business practices to increase efficiency, effectiveness and improve accessibility. This will help release some of our resources in the support functions to be redeployed in external focused or compliance enhancing roles.

### **Key strategic shift 6: Moving from isolated departmental view of SARS efficiency to a whole of government view**

SARS aims to move from an isolated departmental view of SARS efficiency to a whole of government view. We will continue to advance a whole of government view approach to achieve efficiencies and effectiveness by collaborating with a broad range of stakeholders (and other government departments) to advance SARS's compliance efforts and improve government performance and coordination. During the course of this planning horizon, we plan to continue working with the DHA, CIPC, Government Pension Administration Agency (GPAA), and Office of the Tax Ombud, to develop and implement platforms to improve efficiency and effectiveness of operations across the whole of government. As examples of our continuing collaborative efforts, we are currently working with 1) the DHA to facilitate the establishment of the Border Management Agency (BMA) and 2) with the CIPC to facilitate the implementation of a single registration process and system for taxpayers and traders. We will also facilitate and participate in several private and public sector forums to promote compliance across the board.

### **Key strategic shift 7: Move from high administrative burden due to multiple registrations, multiple channels and manual forms to reduced administrative burden through, for example, single registration, integrated channels and dynamic forms**

SARS aims to reduce long and complex forms into dynamic flexible forms suitable to the specific requirements of the individual taxpayer and trader. We also aim to reduce multiple forms and applications into single forms/applications (e.g. registration). We will reduce errors and the administrative burden on taxpayers and traders, by pre-population of forms using data that we already have on our systems and third party data resulting in quicker processing times. We will also automate queue management at our branch offices, to optimise taxpayer and trader contact and to assist more taxpayers and traders without increasing the number of personnel.

### **Key strategic shift 8: Move from people performing below potential due to non-standardised internal processes, no value alignment and low skill/low value-add to people performing at their peak through, for example, values alignment and high skill/high value-adding activities**

SARS seeks to maximise its performance through prudent and ethical management of its resources. We want our employees to be highly skilled at addressing and resolving taxpayer and trader queries and disciplined in maintaining organisational processes. We will continue to build and maintain a working environment that supports employee growth and development by providing employees with the tools and skills they need to do their jobs. We will identify, recruit and retain the right people (diverse, engaged and highly skilled) to



maintain excellence in our operations and to enable implementation of future strategies. SARS will practice prudent financial management to ensure that SARS divisions use resources efficiently and operate with fiscal responsibility and discipline. We will monitor our spending (look for savings and eliminate waste) to meet National Treasury budget conditions and requirements.

## SARS's philosophy on taxpayer and trader compliance

Compliance refers to the degree to which taxpayers and traders meet their obligations in terms of the legislation administered by SARS and this must manifest along the entire value chain, which includes 'on-time registration', 'on-time filing', 'full and honest disclosure', and 'on-time payment'.

SARS understands compliance ranges from conscious and determined non-compliance through 'grudging' compliance to unwitting non-compliance (due to a lack of knowledge of legal requirements) and finally to willing and purposeful compliance. We also accept that a certain number of people will always do the right thing, others will always do the wrong thing and some people fit between these two extremes, i.e. they will do the right thing if the circumstances are right for them.

An intersection of individual and societal values and norms, affects compliance behaviour. Therefore, to ensure compliance, SARS must design, implement and manage a system that enhances perceptions of fairness (e.g. "everyone pays their share"), reduces administrative burden, and acts against infringements accurately and speedily. Historical factors, particularly the past political environment, fostered a legacy of widespread non-compliance, which SARS now seeks to address. The growing public perception of government inefficiency and corruption also affects our compliance efforts.

We will utilise our understanding of the behaviour and reasons (root causes) that affect compliance, to inculcate a behavioural norm in which taxpayers and traders perceive compliance to legislation as a positive social value. Because our resources are limited, we will focus our efforts to where we can have the biggest effect on non-compliance and tailor our services and interventions to the needs, abilities and behaviours of taxpayers and traders. This means that we will ensure that those taxpayers and traders who willfully comply can look forward to speedy services, quick turnaround times, and quick payment of refunds legitimately due to them and ease of trade for them and their trade partners. We will also ensure that all taxpayers and traders are aware of their legal obligations (education), that it is reasonably easy to meet these obligations (service).

For those taxpayers and traders who choose not to comply we will always have a credible deterrent and consequences for their actions. We will focus more resources on identifying and tackling deliberate non-compliance (fraud, evasion and avoidance). In carrying out enforcement or deterrence measures, we will apply a principle of proportionality, which matches the severity of the enforcement or deterrent action to the nature of the non-compliance. In other words, enforcement moves along a continuum from soft enforcement (for unwitting non-compliance and for lesser degrees of non-compliance, first offences, etc.) to hard enforcement (for conscious, deliberate non-compliance, e.g. multiple offenders, recalcitrant non-compliers, deliberate tax avoidance etc.). SARS's coverage strategy therefore remains a combination of **width** (the need to ensure sufficient likelihood of detection of non-compliance), **depth** (sufficient thoroughness where it is necessary) and **leverage** (combined activities to have broad impact on a segment).



SARS'S five-year priority  
initiatives to achieve its  
four core outcomes

06



# 06 | SARS'S five-year priority initiatives to achieve its four core outcomes

## OUTCOME 1: Increased Customs Compliance

### What SARS will do to achieve this outcome

- Continue to offer a differentiated service offering in the customs environment
- Continue to automate and digitise the customs environment in order to improve efficiencies and turnaround times
- Continue to adopt a whole of government view in managing the customs border environment
- Continue to strengthen our risk management capabilities
- Continue to strengthen international agreements and links with other jurisdictions
- Effectively and efficiently collect all Customs revenue due
- Improve capturing of trade statistics

### Key priority initiatives

**Continue to offer a differentiated service offering in the customs environment by rolling out a preferred trader programme to cover both imports and exports as well as excise traders.**

SARS has been operating a Preferred Trader Programme (PTP) for at least two years now, and aims to continue with the roll-out of this programme, which will now also include Excise traders. The current PTP will be enhanced to operate as an Authorised Economic Operator (AEO) Programme to incorporate the supply chain safety and security issues in terms of the World Customs Organisation (WCO) Safe Framework of Standards. We will also continue to support the Southern African Customs Union (SACU) member states to develop their own PTP to ensure trade data and process standardisation in the region.

**SARS will automate and digitise the customs environment in order to improve efficiencies and turnaround times by implementing the following:**

**Customs Automated Cargo Management (ACM) system:** The purpose of the initiative is to replace the current Customs legacy back-end operational system by the implementation of a new integrated Customs Management System which will allow combined cargo and goods declaration, risk analysis and enforcement intervention. This project will follow a phased approach for delivering an enhanced tariff engine including the Prohibited and Restricted list as well as tariff web services.

**Electronic Bond Stores:** SARS will continue to review the control of the different types of Bond stores and introduce new electronic-based solutions that can simplify compliance for all qualifying traders. We will deliver new operational policies and business processes and provide system connectivity for bond stores to electronically interface with SARS systems in order to report on movements into and out of the warehouses. Furthermore, we will provide a web enabled or stand-alone product for traders who wish to utilise software provided by SARS.

**SARS will adopt a whole of government view in managing the customs border environment through:**

**One Stop Border Post (OSBP):** The essential feature of an OSBP is that all cross-border movements (both goods and travellers) are only completed once, in order to conclude all required border control formalities for both countries. This significantly streamlines operations at border posts and saves travellers and traders time. South Africa and Mozambique have signed an agreement to implement such a border post between the two



countries at Lebombo and Ressano-Garcia. SARS is also in the process of finalising a similar arrangement with the Zimbabwean Revenue Authority which will facilitate an OSBP between South Africa and Zimbabwe at Beit Bridge. The South African government through the National Treasury is also in the process of developing a policy which will govern the establishment of all OSBPs. This policy will guide SARS in its agreements and implementation of future OSBPs.

**Border Management Agency:** Progress has been made since the announcement to establish the BMA in 2010 and the DHA has been appointed as the leader of the project. The BMA aims to address the current fragmented and departmental silo approach to border security, without detracting from the line functions of individual departments involved in the safety and security cluster.

**Collaboration with other government agencies:** SARS collaborates with other government agencies in order to improve government's overall value chain. SARS is currently in negotiations with the Department of Agriculture, Forestry and Fisheries regarding the possibility of an integrated border process that includes management of the department's regulatory requirements utilising the SARS declaration and inspection workflow. We will continue to partner with DHA and CIPC to enhance our operations at our ports of entry.

**SARS will strengthen its risk management capabilities in customs by implementing the following initiatives:**

**Cargo, container and baggage scanners:** In support of SARS's strategy of increasing security at the country's ports of entry as well as to facilitate efficient trade, SARS will deploy a batch of baggage and cargo scanners in Cape Town and Durban and relocate the existing Durban cargo scanner to Beit Bridge. We will also commission and deploy back scatter van scanners at all land borders.

**Contraband Detector Unit (dogs and boats):** SARS is responsible for the regulation of movement of legal goods and services through all ports of entry into and out of South Africa. We will work tirelessly to prevent and detect contraband substances through the use of our detector dogs and water surveillance units. We will phase in 500 dogs over four years, as well as five patrol boats and backup units to cover the five main ports of entry into the country. We will also establish a specialised Customs Water Wing Unit which will be based at the Cape Town port.

**Passenger Processing System (PPS):** We will continue to make enhancements to the traveller experience when entering or leaving the country, as well as ensuring improved security and data exchange between the different border agencies. We will improve the PPS system to allow for the automated risk management of travellers, which will simplify traveller processing through user friendly interfaces and enhanced traveller data management, especially for frequent travellers.

**SARS will continue strengthening international agreements and links with other jurisdictions.**

Given the level of interconnectivity in global trade, it is important to build and maintain good relations with other tax and customs jurisdictions. SARS will collaborate with the Financial Action Task Force (FATF) to support its mandate in implementing global safeguards to protect the integrity of the financial system, in order to meet the objectives of tackling money laundering. This is particularly relevant to SARS as tax crime is considered as a base to money laundering and smuggling. Customs and Excise duties offences are also included in this exercise. Furthermore, SARS will seek to strengthen and leverage South Africa's international treaty networks to co-operate and exchange information with other tax and customs jurisdictions.



**SARS will effectively and efficiently collect customs revenue required to fund government expenditure.**

SARS will monitor domestic and international trade trends to identify areas of contraction/expansion, as well as risks associated with these. We will improve our risk analysis and intelligence information gathering. We strive to ensure that all customs declarations are accurate and that all traders pay the correct duties and taxes.

**SARS will improve the capturing of trade statistics.**

As we consider the expansion of the type of information we provide for trade statistics, we will ensure that we capture our trade statistics accurately to improve trade analysis and reporting.

## **OUTCOME 2: Increased Tax Compliance**

### **What SARS will do to achieve this outcome**

- Conduct targeted compliance interventions in high-risk areas
- Strengthen its risk management in core taxes
- Strengthen risk management in taxpayer and trader debt
- Continue to work with other tax jurisdictions and countries to collaborate on global compliance and enforcement issues to protect erosion of South Africa's tax base

### **Key priority initiatives**

**SARS will conduct targeted compliance interventions in high-risk areas:**

The SARS Compliance Programme is entering its third year of operation. The Compliance Programme is a set of compliance-improvement strategies that aim to increase the compliance of target taxpayer groups, processes and tax products in a systematic manner over a multi-year period. It carefully balances the need to achieve revenue targets (which would encourage targeting of high-revenue generating taxpayer groups) with the principle of equity (which means that even the smallest taxpayer is treated fairly and appropriately). The following seven priority areas will continue to be the focus of the programme over the next five years;

**Large Businesses:** In SARS large businesses (includes multi-national enterprises) are defined as those businesses whose turnover is in excess of R1 billion. Large business taxpayers pose two main risks to SARS: tax avoidance and interpretation of the Income Tax laws. To address the challenges posed by these large businesses we will continue to work in accordance with the OECD's Base Erosion and Profit Shifting action plan and leverage on the experience of the OECD countries to address our skills gap. We aim to improve the skills and professionalism of our auditors to ensure that they are able to deal with the challenges posed by this taxpayer segment. Our graduate programme will also be tailor-made to equip newly recruited graduates with the right skills to tackle the challenges posed by this segment.

**High-Net-Worth Individuals and their associated trusts:** The compliance issues faced in this area are the large number of High-Net-Worth Individuals who are under-declaring their income and their use of trusts as a means to evade tax. SARS's interventions will focus on auditing and risk profiling of individuals and associated companies together. We also aim to expand the use of third party data to identify individuals with disproportionately expensive assets. In this strategic period we will prioritise the modernisation of trust return



forms which requires that all information relating to trustees and beneficiaries of a trust be provided to SARS. We will also develop an accurate database of HNWI taxpayers to ensure that they are all included in the tax base.

**Small Businesses:** SARS supports government's objective of boosting the economy through the creation of jobs, and small businesses have been identified as a segment that can create employment and drive growth in South Africa. We will put in place interventions that support small business growth and make it easy for them to comply with their tax obligation, by targeting and tailor-making our education and support for small businesses. We will establish a small business desk in our branch offices in an effort to make it easier for them to comply. We will also enhance our systems to include dedicated tailor-made services and processes which will be aligned to small business specific requirements. In line with the Finance Minister's 2014 Budget Speech, we will amend our systems and processes to cater for the proposed amendments to the tax turnover regime, the venture capital regime, intellectual property rules as well as the provision of tax relief to organisations that provide grants to small businesses.

**Tax practitioners and trade intermediaries:** Analysis shows that the compliance of tax practitioners is low. Furthermore, tax practitioners who are not registered with a professional body have worse compliance levels than those that are registered. For example, the average debt per case for a non-registered tax practitioner is four times higher than that of registered tax practitioner. SARS will develop an accreditation scheme that will acknowledge the low risk practitioners, reframe tax practitioners as 'ethical go-between' between SARS and the taxpayer and pursue automation of typical queries that are frequently received from tax practitioners. We will continue to strengthen our audit and investigations capabilities in order to tackle the non-compliance of tax practitioners and their related clients. We will also continue to work with tax practitioner bodies to encourage reporting of unethical conduct to SARS and other relevant associations. In order to reduce the administrative burden of having to log-on to eFiling to submit individual returns for each of their clients, SARS will implement an e@syFile solution to allow tax practitioners to work on multiple returns offline and only log-on when they submit these multiple returns simultaneously.

**Illicit cigarettes:** The smuggling of illicit cigarettes into the domestic market remains a threat. This market is becoming very lucrative with a relatively low risk to smugglers, given that legislative recourse is less stringent than it is for other types of smuggling. SARS's compliance efforts in this area are focusing on modernising the warehousing management and acquittal systems together with complementary changes to imports and export risk processes. We will continue to target the entire supply chain of illicit cigarettes and tobacco trade, through improved control of our warehouses, modernisation of our excise system and processes, increased collaborations with key stakeholders and better detection capabilities.

**Construction Industry:** The construction industry has one of the lowest compliance rates of all industries. This industry is also a major beneficiary of government spending on planned infrastructure programmes. We will continue to strengthen and dedicate audit focus in selected regions where the highest risk is indicated in this segment. We will also enhance our risk engines and processes to ensure accurate and timeous detection of risks and enforcement.

**Clothing and Textiles Industry:** Recent statistics indicate that the continued undervaluation of imports of clothing and textiles continues to cause major damage to the South African economy. To improve the compliance levels in this segment we will continue to strengthen and enhance our inspection process and systems. We will also continue to strengthen our audit and enforcement intervention in identified high risk regions.



### **SARS will strengthen its risk management in Trusts, Personal Income Tax (PIT), Corporate Income Tax (CIT), Value-Added Tax (VAT) and Pay As You Earn (PAYE).**

SARS will continue to make enhancements to its risk engines to improve the risk detection capabilities of the PIT, PAYE, CIT, VAT and Trusts systems, to better identify and manage risks of non-compliance. We will continue to make use of third-party data by maintaining and establishing new links with third party data suppliers. We will also amend our systems and processes to accommodate the new provisions in the VAT Act which requires that foreign suppliers of electronic services in South Africa register for VAT.

### **SARS will strengthen risk management in taxpayer and trader debt.**

We aim to reduce our debt book and benchmark against a globally acceptable level. In this regard, SARS will modernise its internal systems and processes in debt management to ensure a holistic taxpayer and trader account. The implementation of single registration will play a critical role in debt management in ensuring the accuracy of taxpayers and traders' account information. We will also provide an integrated self-service solution whereby taxpayers and traders get electronic debt notification that offers the ability to make payment arrangements on the system. However, should they choose not to participate in this option, taxpayers and traders will still have the option to negotiate payment terms within the realms of the current policies and procedures. We will continue to improve the productivity and competency of our employees through better training and performance management.

### **SARS will continue to work with other tax jurisdictions and countries to collaborate on global compliance and enforcement issues to protect erosion of South Africa's tax base.**

SARS will continue to provide assistance to the South African government to increase effectiveness of treaties and agreements with other nations, tax jurisdictions and international organisations. We have also joined the OECD countries to address issues of base erosion and profit shifting by multi-national enterprises. SARS through our government will participate in a pilot scheme for the automatic exchange of tax information launched by the UK along with France, Germany, Italy and Spain as part of efforts to address offshore tax evasion.

## **OUTCOME 3: Increased Ease and Fairness of Doing Business with SARS**

### **What SARS will do to achieve this outcome**

- Continue to strengthen the risk management processes
- Continue to expand the SARS footprint
- Continue to simplify, improve requirements, processes and systems used to service small businesses
- Transform the process of issuing Tax Clearance Certificates
- Continue with outreach programmes in order to build a culture of fiscal citizenship
- Continue to improve accessibility and performance of taxpayers and traders' service channels
- Implement a single registration or know your client process
- Maintain an accurate and active database of taxpayers and traders



## Key priority initiatives

### **SARS will strengthen its risk management processes by:**

**Reviewing SARS's complaints management process for taxpayers and traders:** SARS will improve its systems and processes used to receive and resolve taxpayer and trader complaints and queries. We will provide taxpayers and traders with multiple dedicated channels through which they can lodge their complaints with SARS. We will also work with the newly established Office of the Tax Ombud to ensure efficient and effective resolution of taxpayer and trader complaints.

**Continuing with its drive for the "right from the start" principle:** The main objective of this initiative remains to broaden the tax base, by ensuring that all young and newly employed South Africans are registered even before their tax obligations come into effect. SARS will streamline its internal processes and procedures in order to remove bottlenecks and red tape. We will also continue to simplify forms and requirements and evaluate the use of alternative languages in order to improve correspondence with taxpayers and traders.

**Continue with its campaign for cooperative compliance:** SARS wishes to develop formal professional relationships with large businesses in order to improve voluntary compliance. We believe that the cooperative compliance approach will reduce compliance costs and increase certainty regarding tax and customs obligations for large businesses. We believe that developing formal professional relationships with large businesses will improve voluntary compliance and facilitate a move towards self-regulation of their tax affairs.

### **SARS will continue to expand its footprint with the aims of building service delivery excellence and to be more accessible to South Africans.**

Our long-term goal is for SARS services, processes and products to be easily accessible and affordable to taxpayers and traders. In this regard, we will expand our footprint through the establishment of new branch offices, refurbishment of the old branches, the use and promotion of Mobile Tax Units (MTUs) and co-location through the DHA's Thusong Centres. We aim to broaden tax education by proposing for tax education policy to be included into school curriculum. We will continue with our outreach and education campaigns at all places of public interest in an effort to bring services to the people of South Africa. As tax practitioners play a major role in tax administration through their assistance to taxpayers, SARS will open new tax practitioners offices in the metropolitan areas, which will create a more conducive and practical environment for this segment.

### **SARS will continue to simplify and improve requirements, processes and systems used to service the small business segment in order to reduce the compliance burden and costs to a point where these are no longer inhibiting factors to their compliance and growth.**

SARS aims to assist the growth and development of small business through simplified and improved processes and systems. We will provide specialised services for small businesses through a tailored call centre capability, which will include a dedicated queue in the Interactive Voice Response (IVR) for small businesses. We will also align our processes, tools and organisational structure to specifically address the needs of small business. SARS will also implement the recommendations of the Davis Tax Committee relevant to our operations.

### **SARS will transform its processes in issuing Electronic Tax Clearance Certificates (TCC).**

SARS will transform the current TCC process from a predominantly manual process to a more taxpayer driven, self-help, and electronic process. This process will leverage on the single registration system, whereby both SARS and taxpayers will be able to have a single view of a taxpayer's integrated account. This function will enable taxpayers and approved third parties to view a taxpayer or trader's tax compliance status (TCS) by means of an electronic dashboard, and to facilitate electronic verification of TCCs.

### **SARS will continue outreach programmes to all South Africans in order to build a culture of greater fiscal citizenship.**

The concept of fiscal citizenship rests on the premise of a good relationship, which SARS aims to build with all South Africans. We will continue to register all South African citizens and businesses, including foreign migrant businesses operating in South Africa with SARS, by collaborating with the DHA, CIPC and municipalities. We will intensify deployment of our mobile registration teams to all areas of economic activity and increase engagements with all citizens even if they are not yet eligible to remit any tax. We will continue to review our footprint and identify areas in the country that require new or additional points of service to increase reach and enable SARS to better service and educate taxpayers and traders, existing and potential alike.

### **SARS will improve accessibility and performance of taxpayer and trader service channels through implementation of the following initiatives:**

**Contact Centre Services:** SARS will introduce a single view of the taxpayer/trader functionality. This functionality will provide our call centre agent with one consolidated view of a taxpayer/trader's account showing the status of any outstanding queries, cases, payments and refunds. We will make enhancements to our systems in order to improve the quality of our services. In this strategic period we will implement a process that will provide a higher ranking official (higher than the call centre agent) with the ability to assist agents during an active call through a conferencing process. In addition we will enhance the IVR to provide self-help services.

**Go Green:** We will continue, where possible, with the "go green" initiative whereby our branch offices will have dedicated printing facilities and we will send electronic outcomes to taxpayers instead of manual printed ones. All our branches will also have scanning facilities.

**Same "Look and Feel":** We will continue to drive the same "Look and Feel" campaign in our footprint expansion and refurbishment initiatives in order to improve the working environment for both taxpayer and SARS employee.

### **SARS will implement a single registration process and system.**

SARS will implement the single registration process as a basis for a simplified manner for businesses to register with SARS and to facilitate the move to a consolidated view of a taxpayer and trader's tax affairs. This will reduce the unnecessary administrative burden on taxpayers and traders. We will collaborate with key external stakeholders [DHA, CIPC, Municipalities and Small Enterprise Development Agency - (SEDA)] in this regard to leverage the investment made by SARS to provide a single registration point for businesses across the whole of government. This process is critical for SARS as it also forms a basis for other capabilities such as improved debt management and the online tax compliance status.



**SARS will ensure that it maintains an accurate and active taxpayer database.**

SARS still has a few areas where we are still dealing with high volumes of manual processes, particularly in the areas of deregistration of taxpayers and traders, and estates. SARS aims to design and modernise these processes, which are likely to rely on direct interfaces with DHA, CIPC and the Master of the High Court, as these institutions mostly trigger events that require the deactivation of taxpayers. We will ensure that deactivation of inactive taxpayers and traders is dealt with timeously.

## **OUTCOME 4: Increased Cost Effectiveness, Internal Efficiencies and Institutional Respectability**

### **What SARS will do to achieve this outcome**

- Continue to adopt a whole government view of its operations
- Continue to improve its governance structures, frameworks and processes
- Continue to encourage a strong performance culture, accountability, reporting and internal control
- Continue to attract, train and retain its employees
- Continue to fight fraud and corruption

### **Key priority initiatives**

**SARS will continue to adopt a whole of government view to achieve value chain efficiencies.**

SARS will continue to optimise its entire value chain to get greater operational and systems integration between its own activities and those of its state partners. We will continue to collaborate with a broad range of stakeholders to advance SARS's compliance efforts and to improve government performance and coordination. We will continue our collaboration with FIC as part of the Multi-Agency Working Group (MAWG), to improve the integrity of the state procurement system. We will also continue our work with DHA, CIPC and now GPAA and the Office of Tax Ombud to develop and implement common platforms to improve efficiency and effectiveness of operations across the whole government.

**SARS will continue to improve its enterprise governance structures, frameworks and processes in order to improve effectiveness of internal decisions through:**

**GRAP23:** Over the next six years, SARS will migrate to a generally accepted Accounting Standards and Account Management Reform. Our focus will be the progressive replacement of the legacy accounting systems and processes with the new SAP consolidated account management solution, developed in accordance with the Revenue Management framework and in alignment with the implementation of the Tax Administration provisions and GRAP23.

**eCentral:** We will continue to modernise our internal systems through the eCentral solution. This solution will integrate Finance and Human Resource (HR) processes for the majority (80/20) of activities performed by SARS management, while supporting the gradual migration to a paperless environment with increased control. Through this platform we will be able to increase internal organisational accessibility, efficiency and responsiveness.

**Case governance framework and guidelines:** We will develop case governance framework and guidelines, which will outline the processes for case selection and case execution, and establish clear lines of responsibility. This framework will also make use of the suspicious activity system (SAS) whereby both employees and members of the public can inform SARS of any tax and/or customs non-compliance.

**Code of Conduct/Ethics/Integrity:** We will implement a new ethics framework by producing a new SARS Code of Conduct/Ethics/Integrity. We will socialise this revised code through guidelines and training workshops to all stakeholders to facilitate smooth and successful implementation. We will continue to promote the SARS values to all employees and ensure that they are clear and understandable.

**SARS will continue to encourage a strong performance culture, accountability, reporting, internal control environment as well as accountability reports.**

We will continue to maintain a strong internal control environment and accountability. Our employees will continue to evaluate and strengthen SARS's internal control posture to address operational risks in a proactive manner and to support unqualified audit opinions and strong financial discipline. In addition, we will look at ways to enhance our management information to gain insight, explain anomalies and help with future planning.

**SARS will continue to attract, train and retain its employees.**

SARS understands that changes in the operating model and the modernisation of its systems have impacted the manner in which the organisation performs certain business functions. In this regard, we will build and maintain a work environment that supports employee growth and development by providing our employees with the right skills and tools they need to perform at their peak. We will develop a Human Resource framework that will address employee development, succession and training. This framework will provide a strategy to identify, attract and retain the right people for SARS. We will also implement a new model for the SARS Academy to provide quality technical skills and competencies to our employees. Through our graduate programme, we will develop a skills pipeline which will also supplement the organisation's future skills requirements.

**SARS will continue to fight fraud and corruption to ensure improved efficiency and good governance.**

We continue to face many attempts by criminal syndicates to steal money from the fiscus through unscrupulous activities. Over this strategic period, we will implement a new process to improve refund processing (refunds engine), which will reduce the amount of fraudulent refunds claimed by taxpayers and criminals. We will focus on securing internet access channels, web-enabled and internet connected services against threats. The suspicious activity reporting system, which allows both members of the public and employees to inform SARS of any tax and customs non-compliance by individuals or entities, will be integrated with the Criminal Investigation workflows. Our Voluntary Disclosure Programme (VDP) will continue to be available to those taxpayers who wish to disclose previously undisclosed income. We will continue to run campaigns to educate and deter those taxpayers/ traders/ public/employees thinking about or presently committing tax and customs fraud or corruption. We will also increase the number of investigations, audits and criminal prosecution of serious tax and customs fraud and corruption related offences. We will continue collaborations with other key stakeholders involved in anti-corruption activities and strengthen our capabilities to recover monies stolen by criminals. We will therefore strengthen our physical and information security systems to improve control and protection of taxpayer and trader information.



Measuring SARS'S delivery

07



### Aligning our performance with the government-wide performance measurement framework

We seek to align SARS's performance management and reporting processes with the South African Government's outcome-based approach to measuring and assessing the performance of government entities. The SARS Strategic Plan 2014/15 – 2018/19 provides the basis for the organisation's outcomes-based performance management and planning processes. This Strategic Plan describes our long-term objectives and actions that describe the measurable outcomes we seek to achieve over the next five years. From the Strategic Plan, we develop our annual business plans, annual budgets and annual performance measures which are presented in this SARS 2014/15 Annual Performance Plan. We report on the performance of SARS in the Annual Report and we use this performance information to track our progress towards achieving the long-term goals as set out in the Strategic Plan.

In developing and setting out our performance measures, we continue to look for new ways to better reflect and report our performance in a more meaningful way. We rely on accurate data, including efficient and effective systems of gathering and analysing data. In this regard, we have updated some of our strategic outcome measures to reflect appropriate targets and baselines for this planning period. This also reflects our measured approach to how we are transitioning the organisation to the desired end state which is ultimately outcomes based performance measurement and reporting. We also continue to focus on creating the fewest and most meaningful set of strategic outcome measures that we can use as a tool to better measure and report our performance.

### Changes in the presentation of strategic measures in the SARS Strategic Plan and Annual Performance Plan

In previous versions of both the Strategic Plan and Annual Performance Plan, we presented all SARS strategic outcome measures under a single table of performance information, irrespective of their status or stage of development. On the advice of the Auditor-General, we resolved to present developed SARS strategic outcome measures separately from those that are still in a developmental stage. This separation will be explicitly reflected in the 2014/15 – 2018/19 SARS Strategic Plan and 2014/15 Annual Performance Plan.



## SARS's outcome measures and five-year targets

**Increased Customs Compliance:** SARS seeks to further government's aim of growing the economy and creating employment through effective and efficient trade and travel facilitation and effectively combating illicit trade activities.

Strategic Outcome	Measures	Baseline	Targets				
			2014/15	2015/16	2016/17	2017/18	2018/19
Increased Customs Compliance	Customs revenue collected (R billion)	R176.0 billion (unaudited)	As agreed with Minister of Finance	As agreed with Minister of Finance	As agreed with Minister of Finance	As agreed with Minister of Finance	As agreed with Minister of Finance
	% of trade that have been audited with a view to obtaining Preferred Trader status	25.04%	26.00%	30.00%	35.00%	35.00%	35.00%
	% Of cargo declarations targeted	14.50%	11.00%	11.00%	11.00%	11.00%	11.00%
	% increase in electronic manifest submissions	25.58%	1.00%	1.00%	1.00%	1.00%	1.00%
	Interfront Governance -Unqualified report by Auditor-General	Unqualified Audit report	Unqualified Audit Report				

Note: Baselines are 2013/14 FYE actuals, unless otherwise stated

**Increased Tax Compliance:** SARS seeks to increase voluntary compliance across a broader taxpayer base. In this regard, SARS wants taxpayers to: calculate their tax liabilities correctly, file their returns on time, report their income freely and declare to SARS their accurate income and duly pay what is due.

Strategic Outcome	Measures	Baseline	Targets				
			2014/15	2015/16	2016/17	2017/18	2018/19
Increased Tax Compliance	Total revenue (excluding Customs revenue) collected (R billion)	R723.8 billion (unaudited)	As agreed with Minister of Finance	As agreed with Minister of Finance	As agreed with Minister of Finance	As agreed with Minister of Finance	As agreed with Minister of Finance
	Debt Book as a % of tax revenue	9.18%	9.00%	8.00%	7.00%	6.00%	6.00%
	% PIT filing compliance	91.53%	91.60%	92.00%	92.30%	92.50%	92.50%
	% Audit coverage of registered taxpayers (PIT, CIT, VAT/Excise and PAYE)	10.57%	11.00%	11.50%	12.00%	12.50%	12.50%
	% In-depth audit coverage of registered taxpayers (PIT, CIT, VAT/Excise & PAYE)	0.26%	0.07%*	0.075%*	0.08%*	0.085%*	0.085%*

Note: Baselines are 2013/14 FYE actuals, unless otherwise stated

\*Measure calculated on total tax register

**Increased ease and fairness of doing business with SARS:** SARS seeks to make it as straightforward as possible for taxpayers and traders to register, file their returns, calculate their tax liability and pay the correct taxes and duties due. We want to reduce costs of compliance for taxpayers and traders by simplifying processes and requirements to improve our data accuracy and by being easily accessible to taxpayers and traders when they want to contact us.

Strategic Outcome	Measures	Baseline	Targets				
			2014/15	2015/16	2016/17	2017/18	2018/19
Increased ease and fairness of doing business with SARS	% Uptake in electronic filing, declaration and payment submissions for all tax products	96.18%	98.00%	98.00%	98.00%	98.00%	99.00%
	% Uptake in electronic customs bills/ declarations (EDI)	99.97%	99.98%	99.99%	99.99%	99.99%	99.99%
	Average processing turnaround time for PIT returns (working days)	0.16 days	30 minutes	30 minutes	30 minutes	30 minutes	30 minutes
	Average processing turnaround time for CIT returns (working days)	0.47 days	Less than 1 day	Less than 1 day	Less than 1 day	Less than 1 day	Less than 1 day
	Average processing turnaround time for VAT refunds (working days)	32.1 days	21 days	21 days	21 days	21 days	21 days
	% VAT refunds processed within 14 days	69.60%	71.00%	74.00%	75.00%	76.00%	77.00%

Note: Baselines are 2013/14 FYE actuals, unless otherwise stated



**Increased cost effectiveness, internal efficiencies and institutional respectability:** SARS seeks to maximise its performance through prudent and ethical management of its resources, modernised systems, good governance, as well as to minimise the incidence of corruption and fraud within and against the organisation.

Strategic Outcome	Measures	Baseline	Targets				
			2014/15	2015/16	2016/17	2017/18	2018/19
Increased cost effectiveness, internal efficiency and institutional respectability	Employee Engagement (%)	64.09%	64.25%	64.50%	64.75%	65.00%	65.25%
	Leadership Effectiveness Index (%)	85.27%	87.50%	87.70%	88.00%	88.00%	88.00%
	Employment Equity: Demographics (%)	71.26%	71.50%	72.00%	72.00%	72.00%	72.00%
	Employment Equity: Gender on management level (%)	40.63%	47.00%**	47.20%**	47.40%**	47.55%**	49.00%**
	Employment Equity: Disability (%)	1.99%	2.02%	2.06%	2.10%	2.15%	2.30%
	Treasury allocation to revenue percentage	0.98% (unaudited)	Between 1 and 1.2				
	Unqualified report by Auditor-General	Unqualified audit report	Unqualified Audit Report				

Note: Baselines are 2013/14 FYE actuals, unless otherwise stated

\*\*Measure now based on Grade 6-9B

### SARS measures in development stage

Strategic Outcome	Measures	Baseline	Targets				
			2014/15	2015/16	2016/17	2017/18	2018/19
Increased Customs Compliance	% Increase in Customs compliance index	In progress	Track against baseline	Track against baseline	Introduce into SARS performance management		
	% Decrease in size of illicit economy	In progress	Track against baseline	Track against baseline	Track against baseline	Track against baseline	Track against baseline

Increased Tax Compliance	Measures	Baseline	Targets				
			2014/15	2015/16	2016/17	2017/18	2018/19
	% Increase in the Small Business register	In progress	Track against baseline	Introduce into SARS performance management			
% CIT filing compliance	In progress	Track against baseline	Introduce into SARS performance management				
Tax compliance index for each tax product	In progress	Track against baseline	Track against baseline	Track against baseline	Introduce into SARS performance management		
% VAT filing compliance	In progress	Track against baseline	Introduce into SARS performance management				

Increased ease and fairness of doing business with SARS	Measures	Baseline	Targets				
			2014/15	2015/16	2016/17	2017/18	2018/19
	Average processing time for VAT registrations (working days)	Not defined	Track against baseline	Track against baseline	Introduce into SARS performance management		
% First contact resolution in contact centres and branches	Measure and baseline developed	Track against baseline	Introduce into SARS performance management				
Taxpayer and trader compliance burden	In progress	Develop measure and baseline for medium business	Develop measure and baseline for large business	Track against baseline for small business	Track against baseline for small business	Track against baseline for small business	
Increased cost effectiveness, internal efficiency and institutional respectability	Measures	Baseline	Targets				
			2014/15	2015/16	2016/17	2018/19	
	Unit cost per process	In progress	Track against baseline	Introduce into SARS performance management			
Productivity per employee	In progress	Track against baseline	Introduce into SARS performance management				



# SARS'S resource plan

08



## Expenditure estimates over the medium-term

SARS's projected revenue and expenditure for 2014/15 to 2016/17 is presented in Table 3 below.

Expenditure Estimates (Rm)	2014/15	2015/16	2016/17
<b>National Treasury Grant</b>	<b>9 440</b>	<b>9 899</b>	<b>10 509</b>
Interest income	60	60	60
Other Income	250	250	250
Roll-over funding	-	-	-
<b>Total Funds Available</b>	<b>9 750</b>	<b>10 209</b>	<b>10 819</b>
<b>Funding Allocation</b>			
Baseline Expenditure (BAU)	9 030	9 753	10 472
Modernisation	562	347	265
LBC Audit capacitation	34	34	32
Footprint Expansion	124	75	50
<b>Total Allocation (Budget)</b>	<b>9 750</b>	<b>10 209</b>	<b>10 819</b>

Table 3: SARS's expenditure estimates

## Projected human resources capacity

The SARS headcount is envisaged to remain fairly stable, during this period. The strategy is to replace the required capabilities with skills from the SARS Skills Pipeline Programme. Table 4 below shows SARS's projected headcount over the medium term.

	2013/14 (Actual)	2014/15	2015/16	2016/17
Permanent employees	14 137	13 650	13 400	13 150
Temporary employees	30	55	52	50
<b>Total Headcount</b>	<b>14 167</b>	<b>13 705</b>	<b>13 452</b>	<b>13 200</b>
% net growth (total head count)		-3.26%	-1.85%	-1.87%

Table 4: SARS's projected headcount



References

09



## 09 | References

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## ANNEXURE A: MATERIALITY FRAMEWORK

MATERIALITY FRAMEWORK: OWN ACCOUNTS		
Section 55(2)(b) PFMA- "The annual report and financial statements must include particulars of-		
PFMA Subsections	Qualitative	Quantitative
(i) Any material losses through criminal conduct	Consolidated losses attributable to criminal conduct relating to own accounts.	100% of the monetary value of identified criminal cases during the financial year
(ii) Any irregular expenditure and fruitless and wasteful expenditure that occurred during the financial year	Consolidated irregular expenditure and fruitless and wasteful expenditure.	100% of the monetary value of irregular expenditure and fruitless and wasteful expenditure.
(iii) Any criminal or disciplinary steps taken as a consequence of such losses or irregular expenditure or fruitless and wasteful expenditure	Disciplinary steps taken and/or criminal charges laid as a result of material losses through criminal conduct.	100% : Number of: <ul style="list-style-type: none"> <li>disciplinary cases opened</li> <li>disciplinary cases concluded</li> <li>criminal cases opened</li> <li>criminal cases concluded</li> </ul> during the financial year
(iv) Any losses recovered or written off	Losses written off or recovered as a result of criminal conduct.	100% of the monetary value of losses written off or recovered during the financial year

## ANNEXURE B: SIGNIFICANT FRAMEWORK

SIGNIFICANT FRAMEWORK		
Section 54(2) PFMA- "Before a public entity concludes any of the following transactions, the accounting authority for the public entity must promptly and in writing inform the relevant treasury of the transaction and submit relevant particulars to its executive authority for approval of the transactions:		
PFMA Subsection	Qualitative	Quantitative
a) Establishment or participation in the establishment of a company;	All transactions or actions entered in relation to section 54(2)(a) to (c) of the PFMA.	100%- as it is not normal business of SARS
b) Participation in a significant partnership, trust, unincorporated joint venture or similar arrangement;		
c) Acquisition or disposal of a significant shareholding in a company;		
d) Acquisition or disposal of a significant asset;	Any acquisition or disposal in relation to section 54(d) of the PFMA.	<ul style="list-style-type: none"> <li>Acquisition of a single tangible or intangible asset to the value of 15% of the cost of the total fixed assets for the financial year prior to the year in which the acquisition takes place.</li> <li>Disposal of tangible assets individually or cumulatively to the value of 10% or more of the cost price of total tangible assets for the financial year prior to the year in which the disposal takes place.</li> <li>Scrapping of intangible assets, individually or cumulatively to the value of 10% or more of the cost price of total intangible assets for the financial year prior to the year in which the scrapping took place.</li> </ul>
e) Commencement or cessation of a significant business activity; and	Any commencement or cessation of business activity outside of SARS' core business in relation to section 54(2)(e) of the PFMA.	100%- as it is not normal business of SARS
f) A significant change in the nature or extent of its interest in a significant partnership, trust, unincorporated joint venture or similar arrangement.	Any change in nature or extent of interest in relation to section 54(2)(f).	100%- as it is not normal business of SARS















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