

South African Revenue Service
Strategic Plan
2009/10 – 2011/12



**Presented by Act. Commissioner:
Oupa Magashula
23 June 2009**

Agenda

1. Overview
2. Performance Highlights 2008 / 09
3. Strategic Plan Update
4. Impact of current crisis
5. SARS response

“In the face of the economic downturn, we will have to act prudently - no wastage, no roll-overs of funds - every cent must be spent wisely and fruitfully. The economic downturn will affect the pace at which our country is able to address the social and economic challenges it faces. But it will not alter the direction of our development.”

“We shall not rest, and we dare not falter, in our drive to eradicate poverty.”

*President of the Republic of South Africa : Jacob Gedleyihlekisa Zuma -
State of the Nation Address June 2009*

SARS Overview

SARS Mandate

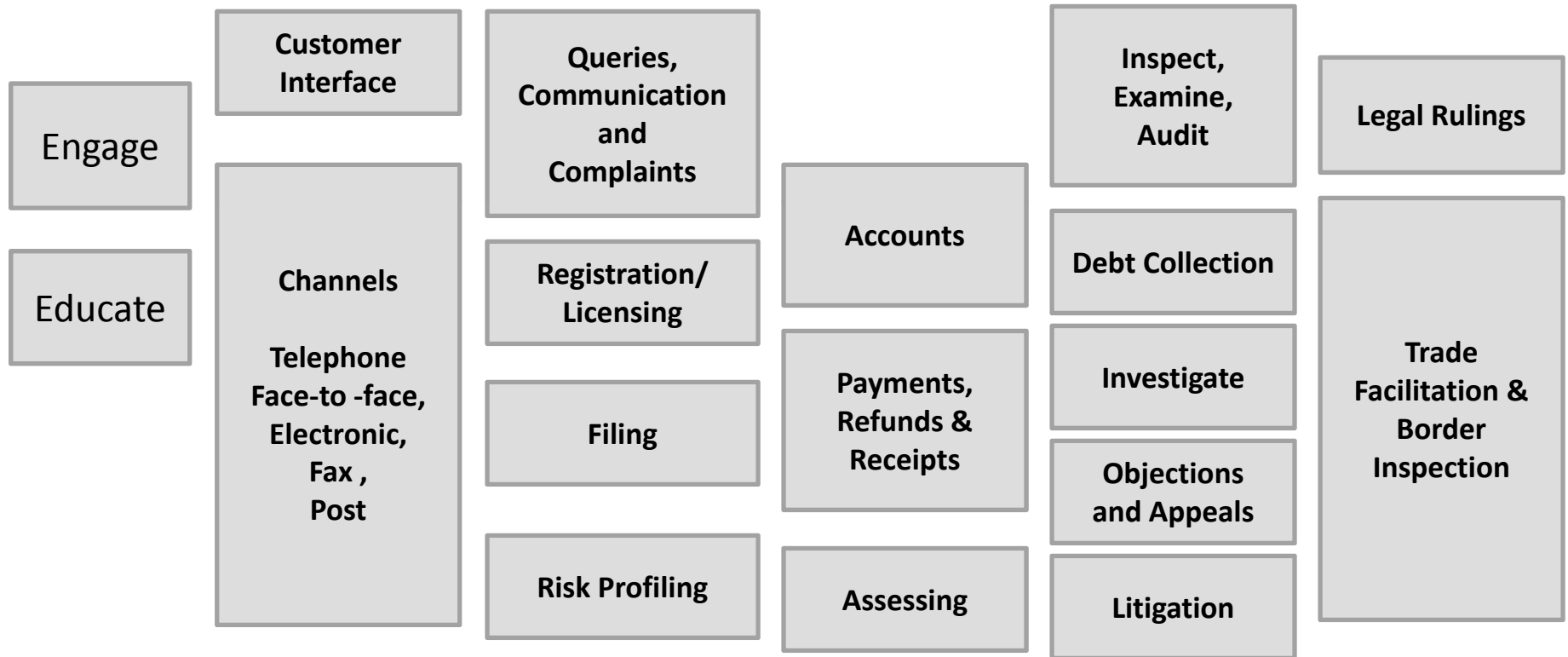
In terms of the South African Revenue Service (SARS) Act (no. 34 of 1997), SARS is mandated to:

- Collect all revenues due
- Ensure compliance with tax and customs legislation
- Protect our borders and facilitate trade

Main Tax Types

- Personal Income Tax
- Corporate Income Tax
- Provisional tax
- Secondary Tax on Companies
- Turnover Tax
- Value Added Tax
- Excise Duties
- Customs Duties

Elements of SARS Functions



Performance Highlights 2008/09

Revenue

- Revenue growth from R184b to R625b over past 10 years (CAGR ~ 13%)
- Revenue increased from R572.8b (07/08) to R625 b (08/09)

Modernisation Highlights

- Modernized personal income tax
- Employer filing season implemented and linked with individual filing
- Introduced new risk engine and automated case management system
- Initiated Customs modernisation programme

Impact of Modernisation on Process Efficiency

Metric	2004 – 2006 (1 st 3 years)	2007 – 2009 (2 nd 3 years)
Registered users	±500k	±5m
Number of returns	±1.5m p.a.	±7m p.a.
% of eFiled returns to total returns	±8%	±44%
Value of Assessment processed via eFiling	±R100bn	±R382bn
Payments processed via eFiling	±R55bn	±R343bn
% Payments to Total Revenue	±13%	±55%

Impact of Modernisation on Service

- Pre-populated PIT form achieved Customer satisfaction rating of 86.9%
- Paper return volumes declined by 74%
- Average turnaround of PIT assessments from 1% within 48 hours to 63% within 24 hours

Improved Compliance

- 31% improvement on PAYE submissions
- 518 guilty verdicts attained
- 73k audits - average yield of ~ R70k per case
- R13.4b debt collected

Customs

- 7 951 anti-smuggling seizures
- 731 counterfeit goods seizures to the value of R379 million
- R 2bn value of illicit tobacco and cigarettes out of economy
- Mobile X-ray container scanner deployed at the Durban Container Terminal

In 2007/08 SARS submitted a new
5- 7 year Strategic Plan that:

- Reconfirmed our seven strategic objectives
- Introduced a modernization agenda

Our Philosophy

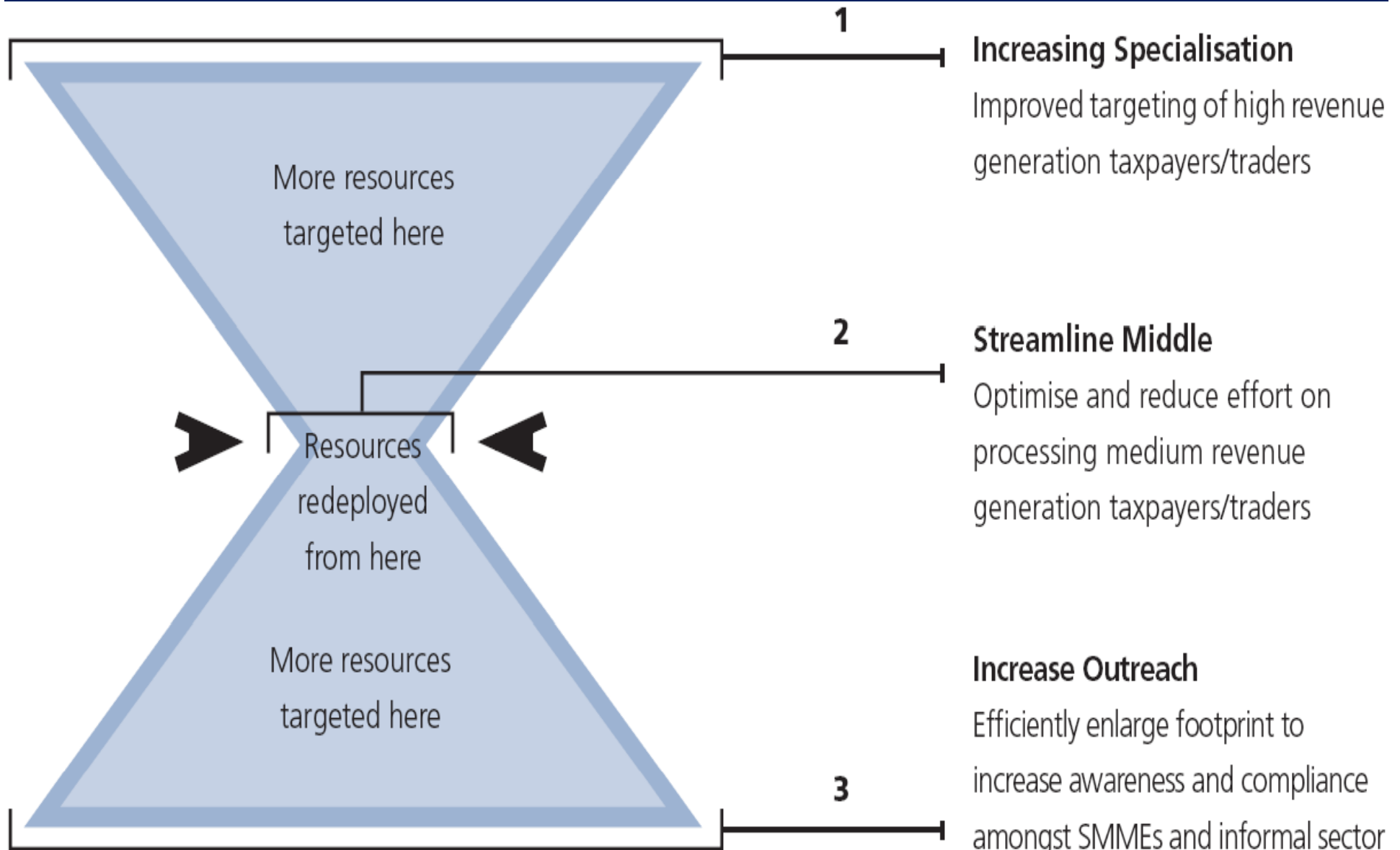
Slim the middle

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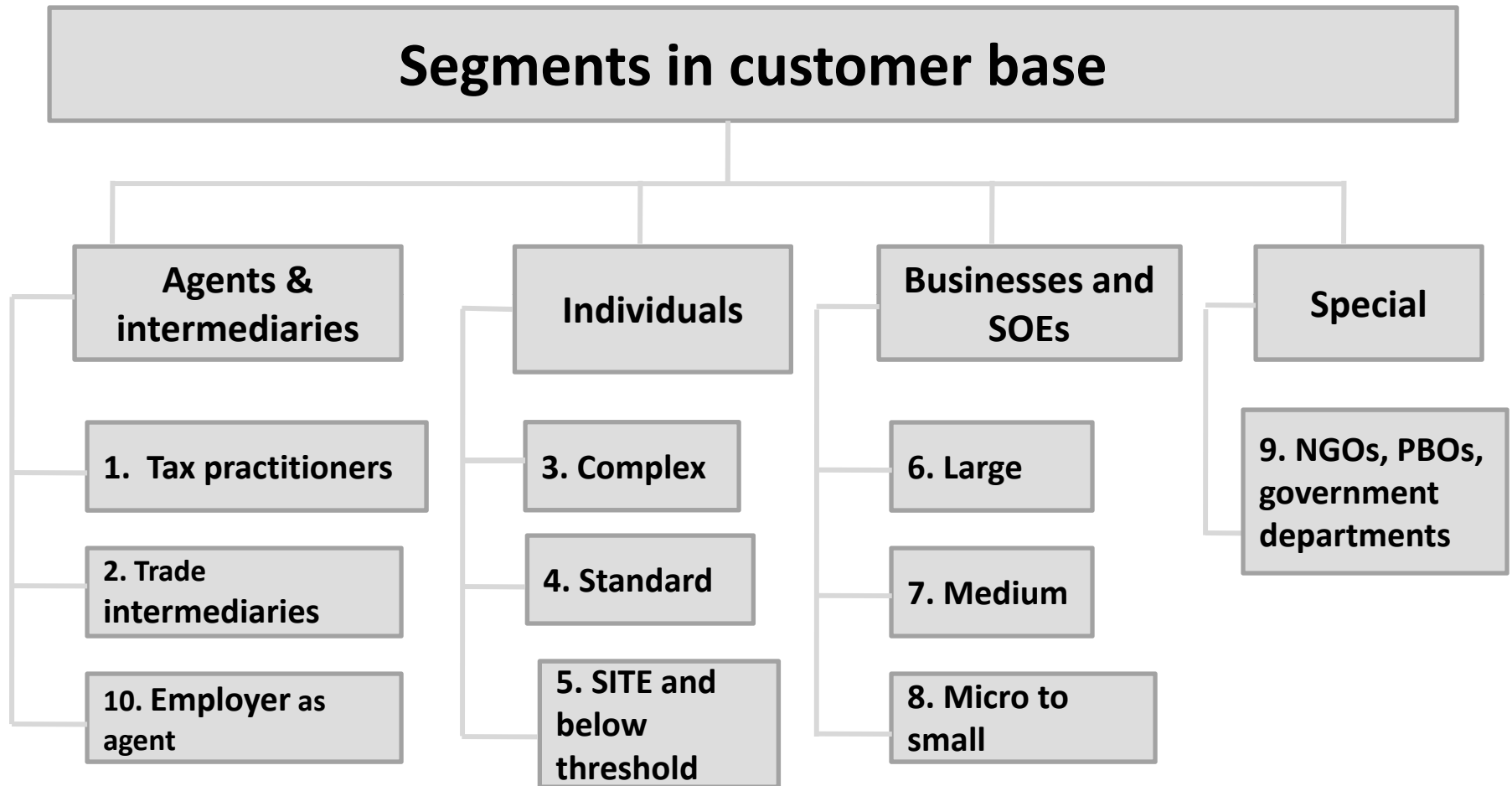
Segmentation

Underpinned by our leadership Model

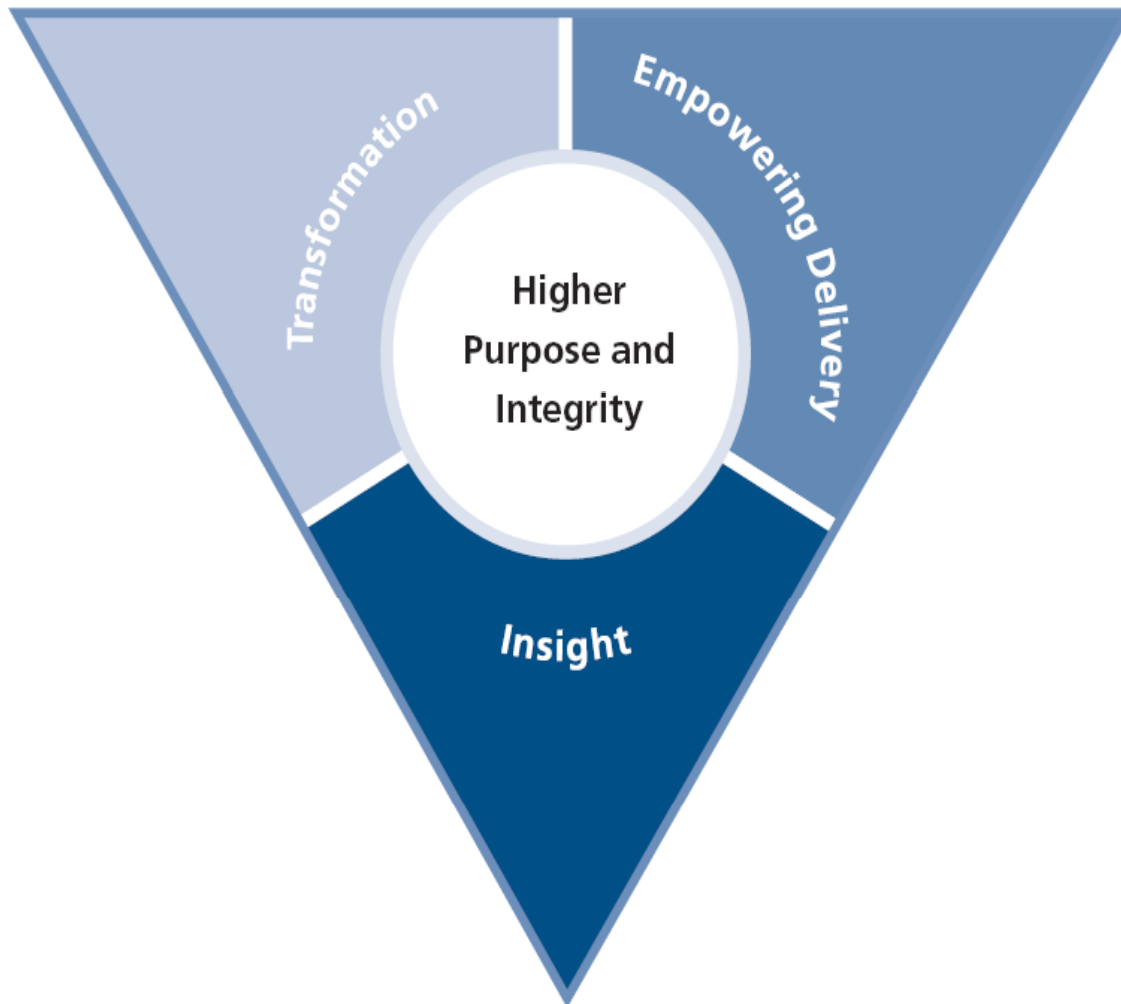
Strategic Approach informing Modernisation



Segmentation of Taxpayer and Trader Base



Leadership Model



Higher Purpose and Integrity

- Championing the Mandate
- Responsibility for Social Impact

Empowering Delivery

- Driving Excellence
- Mobilizing Teams

Transformation

- Developing others
- Building Sustainability
- Leveraging Diversity
- Influencing Others

Insight

- Conceptual Thinking
- Accurate Understanding
- Humility

Strategic Objectives

1. Optimising revenue and compliance
2. Better taxpayer and trader experience
3. Compliance and reducing risks
4. Enhance human capacity
5. Trader facilitation and border security
6. Operational efficiency
7. Good governance

Initial Modernisation Focus Areas

Service – improving customer service, outreach

Risk – developing an integrated risk management and enforcement system

Operations – enhancing core operations and building capabilities

Customs – strengthening border control at ports of entry

Support - support initiatives that reinforce core support systems

Since formulating the Strategic Plan South Africa is in a recession therefore we have developed new responses

- The extent of the current financial crisis has been more severe than initially anticipated
- Collecting the R659 billion tax revenues will be significantly affected

RESPONSE TO DECLINING REVENUES

International responses

- USA – 10 000 extra auditors
- Ireland & UK - hiring merchant bankers who have become surplus
- France & Belgium – accelerate VAT refunds
- Malaysia – measures to bolster capacity
- OECD – strong focus on tax havens

SARS Response

- Strengthen our enterprise-wide revenue management capability and develop initiatives to yield additional revenue
- Strengthen our risk management and audit capacity
- Intensified focus and audit on high-net worth individuals
- Large businesses Centre to focus on aspects such as aggressive tax planning, transfer pricing, off-shore arrangements & trusts
- Employ additional experts to unravel tax schemes
- Provide voluntary disclosure opportunity for non-compliant tax entities

Priorities and deliverables

- SARS table new Chapter 6 to reflect above priorities and deliverables
- 11 Priorities with specific deliverables set out in Chapter 6

Resource Plan

Projected revenue and expenditure from 2009/10 to 2011/12

SARS RESOURCE PLAN				
	2009/10	2010/11	2011/12	3 year total
	R millions			
Tax revenue target	659,304	720,935	793,667	2,173,906
Funds allocated				
Business as usual funding allocated	6,445	6,768	7,153	20,366
BCOCC				-
Initiatives funding allocated	940	850	910	2,700
Total funds allocated	7,385	7,618	8,063	23,066
Key ratios	Percentages			
Business as usual increase on previous year	7.9	5.0	5.7	
Total increase on previous year	4.2	3.1	5.8	
Business as usual costs/revenue (%)	0.98	0.94	0.90	
Total costs/revenue (%)	1.1	1.1	1.0	

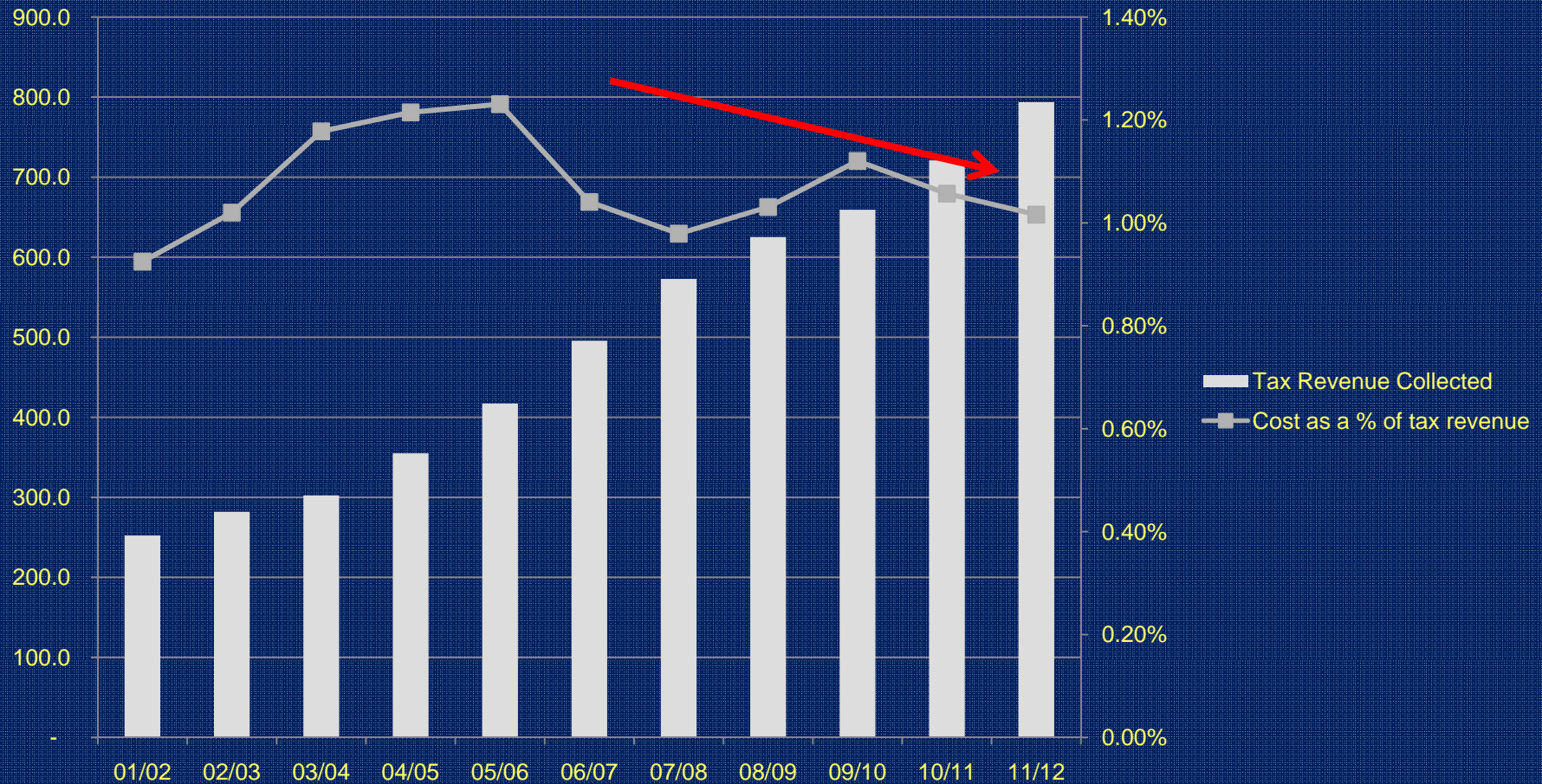
2011/12
South African Revenue Service Strategic Plan 2009/10 -

Resource Plan Continued...

	2007-2008	2008-2009	2009-2010	2010-2011
Actual headcount as at	Mar 2008	Mar 2009	Mar 2010	Mar 2011
Total number of employees (incl. temps)	15,044	15,307	15,719	16,312
Permanent	14,548	14,751	15,414	16,107
Temporary staff	496	556	305	205
Attrition rate (%)		6.68	6.76	6.76
Movement in staff numbers		263	412	593
Permanent staff		203	663	693
Temporary staff		60	-251	-100

South African Revenue Service Strategic Plan 2009/10 - 2011/12

Cost as a percentage of Tax Revenue Collected



Thank you

Questions

Back-up slides

Corporate strategic priorities 2009/10

1. Secure the revenue

Activities supporting Priority 1:

In 2009/10 SARS will:

- Define a specific revenue management programme
- Enhance understanding of compliance gap
- Focus on provisional payments of medium businesses
- Implementation of Turnover (Presumptive) tax for micro businesses
- Develop legislation to enhance SARS administrative capabilities and collection mechanisms
- Scale up electronic payments systems
- Ensure enhancement of SARS reputation as a tax and customs administration

Corporate strategic priorities 2009/10

2. Strengthen Compliance

Activities supporting Priority 2:

In 2009/10 SARS will:

- Develop a compliance programme
- Work on compliance risk rules and engines
- Improve the completeness, currency and integrity of the tax and trader register
- Simplify registration and facilitate single registration
- Focus on repositioning and equipping the Large Business Centre
- Tighten VAT registration
- Encourage compliance through implementing systems for administrative penalties
- Focus on the management of debt and the reduction of outstanding returns
- Develop and implement integrated enforcement case management and tracking
- Improve detection of and enhance response to commercial fraud

Corporate strategic priorities 2009/10

3. Improve border protection and management

Activities supporting Priority 3:

In 2009/10 SARS will:

- Contribute towards government's strategy for a border management agency
- Prepare and implement measure for the Confederations Cup in 2009
- Prepare for World Cup 2010
- Modernise customs' business processes and technology systems
- Enhance human capacity
- Streamline customs operations
- Address accreditation and trader registration

Corporate strategic priorities 2009/10

4. Improve operations management and productivity

Activities supporting Priority 4:

In 2009/10 SARS will:

- Develop a standard measurement and monitoring backbone
- Promote the use of electronic channels for all interactions with taxpayers
- Develop tools enabling efficiency gains

Corporate strategic priorities 2009/10

5. Ensure improved service

Activities supporting Priority 5:

In 2009/10 SARS will:

- Work together with other government role players towards a single integrated business registration system
- Revise SARS service and channel strategy
- Continue focus on service delivery through improved contact centre facilities
- Update SARS service standards
- Develop differentiated service offerings
- Speed up resolution of service queries and complaints
- Enhance skill level of staff

Corporate strategic priorities 2009/10

6. Fix the basic legacy systems

Activities supporting Priority 6:

In 2009/10 SARS will:

- Clean existing records in taxpayer and trader register
- Develop new processes and systems for registration
- Clean taxpayer account information
- Develop an account management system

Corporate strategic priorities 2009/10

7. Improve governance

Activities supporting Priority 7:

In 2009/10 SARS will:

- Implement an early warning system for governance risk and compliance
- Extend implementation of Enterprise Risk Management
- Enhance regulatory and business compliance
- Improve information security
- Improve physical security
- Prepare for the implementation of Generally Recognised Accounting Principles (GRAP)
- Develop an integrity promotion framework and plan

Corporate strategic priorities 2009/10

8. Develop human capability

Activities supporting Priority 8:

In 2009/10 SARS will:

- Implement a Human Capital Planning System and process
- Implement a Learning and Development Strategy
- Implement a focused Leadership Development process
- Implement an Inclusive Employer Value Proposition
- Transform culture by embedding SARS values
- Enhance Human Resource Information Systems

Corporate strategic priorities 2009/10

9. Proceed with modernisation

Activities supporting Priority 9:

In 2009/10 SARS will:

- Further improve both PAYE and PIT systems
- Continue to focus on service delivery through improved contact centre facilities
- Commence the multi- year customs modernisation programme
- Build on successes achieved over the last two years in the Risk Programme
- Increase use of third party data
- Develop systems for more effective management of taxpayer and trader accounts and payments
- Modernise other business tax systems

Corporate strategic priorities 2009/10

10. Pursue segmentation strategy

Activities supporting Priority 10:

In 2009/10 SARS will:

- Continue segmentation research
- Develop more focused enforcement interventions
- Establish customer segment units
- A new business model for the Large Business Centre
- Develop and launch focused compliance programme for High Net Worth Individuals in a dedicated unit

Corporate strategic priorities 2009/10

11. Consolidate the new operating model

Activities supporting Priority 11:

In 2009/10 SARS will:

- Develop a standard measurement and monitoring backbone
- Continue to institutionalise the new operating model
- Complete people placement against the leadership model in alignment with new operating model