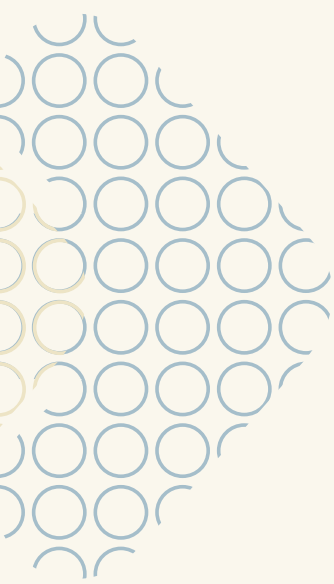


SOUTH AFRICAN REVENUE SERVICE

Strategic Plan

2010/11 - 2012/13



SOUTH AFRICAN REVENUE SERVICE
STRATEGIC PLAN

2010/11 – 2012/13

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Foreword by
the Minister of Finance

Pravin Gordhan, Minister of Finance

FOREWORD BY THE MINISTER OF FINANCE

A well-functioning, efficient and effective revenue administration is a pre-requisite for a well-functioning, efficient and effective government administration. Indeed, a revenue administration which is able to ensure compliance by a broad spectrum of society is a cornerstone of democracy as it both embodies and enables the social contract between states and their citizens.



Over the past 14 years of its existence, the South African Revenue Service has provided this sure foundation to our country and our people at a time when we were emerging from oppression and inequality, allowing government to expand and accelerate growth and development on behalf of an ever-wider citizenry.

SARS was able to make this transformation into a cohesive, energetic, passionate and proud people who earned the respect, trust and faith of all stakeholders. That is the essence of compliance and has paid rich dividends in securing the revenue required to fund South Africa's development while at the same time allowing for tax relief as a stimulus for growth.

Now as the world emerges from the deepest recession in 70 years, that foundation must continue to support both the green shoots of economic recovery while at the same time providing a safety net for those left vulnerable by the global crisis.

The effects of the economic crisis are both wide and deep, and it is becoming increasingly apparent that the economic order which emerges from the ruins of the recession will be substantially different from anything that has come before. Financial controls and regulations are already being reviewed across the globe in the aftermath of the collapse sparked by failing financial institutions. But post-recession introspection will go way beyond financial regulations and credit control, affecting the very fundamentals of economic models which have proved inadequate to respond in a sustainable way to the wider needs of societies, especially those most vulnerable and exposed.

It is not going to be business as usual, not for South Africa and not for the world. This means that we must all review our strategic priorities in the medium term, to not only take cognisance of and respond to the changes around us, but equally, as government, to inform and guide those changes to ensure that we are best able to meet the needs of our people now and in the future.

The challenge for our country and the world is to ensure that the economic order which emerges does not emulate the fractures of the past which gave rise to failure. Broader based economic growth which has as its foundation job creation and wider participation will provide a more robust model to not only withstand future shocks but also to meet all our people's needs.

Our response as government to the changing environment has been to focus on government's key priority areas to not only address the current challenges facing us, but to lay a foundation for growth, development and prosperity in the years ahead. These priority areas of improving the quality of basic education, enhancing the health of our people, making our communities safer, fostering rural development, and creating jobs and investing in local government and human settlements are not the sole responsibility of the Ministers and Departments tasked with the primary administration of these functions.

They are the priorities of government and South Africa as a whole. Together we must seek ways to support and drive these priorities if we are to succeed as a nation.

Once again SARS will be called on to provide the fuel to fund these ambitions. It too must seek a broader based participation of our people to ensure the sustainability of our progress. This will come in part from more rapid economic growth. It will come in part from job creation and entrepreneurship. And it will come in part from the virtuous cycle of the social contract.

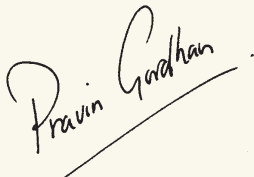
A core component of this social contract is value for money. As with all public institutions, SARS must seek to create maximum value from each rand which is provided by taxpayers for the public good. Any perception of waste or inefficiency undermines our contract and threatens support for our developmental priorities.

This drive for efficiency and productivity is a core feature of our new government and was a central theme of President Zuma's State-of-the-Nation Address. It has been concretised in a new performance monitoring and evaluation approach throughout government in which all – from Ministers to messengers – will be judged on the outcomes our actions produce.

SARS also needs to ensure that it has the values, ethics and conduct that will reinforce its position in our society as a credible tax administration that is fair, honest, trustworthy and transparent. How we collect the revenue is just as important as how much we collect.

It also means that SARS employees must be exemplary in government's overall campaign to fight corruption and unethical behaviour by public servants. SARS should embrace this opportunity to play a significant role in taking this campaign forward.

As we enter a new financial year and work towards achieving a new revenue target, I must express my appreciation for the leadership of SARS and the sterling work being done by the many thousands of SARS employees who continue to set an example for responsive and caring service, efficiency, productivity and delivery.



Pravin Gordhan
Minister of Finance



Message from the Commissioner

Oupa Magashula, SARS Commissioner

MESSAGE FROM THE COMMISSIONER

The 2009/10 financial year saw our country go through the worst recession in 17 years, bringing financial hardship to millions of South Africans. As with other revenue agencies in the world, SARS felt the negative impact in its revenue collection efforts. Strategies to mitigate the impact were put in place and thanks to the hard work of all my colleagues, SARS has been able to limit the losses in revenue.



Yet the continuing development challenges that our country faces and the effects of the recession have combined to put even greater pressure on SARS to maximise our performance. This means that SARS has to come up with innovative ways to improve our operations and services, in a sustainable way to meet current and future revenue needs.

As noted by the Minister of Finance in his 2010 Budget Speech, we cannot do the same things and expect different results. The year 2010 must be a year of action. It must be a year of doing things differently in response to a changed and changing world. Our challenge as SARS is to respond swiftly and flexibly to meet our objectives in this rapidly changing environment.

This means not only understanding and responding to the changing global and local economic environment from a compliance and revenue perspective, but also doing our part as a government agency to realise government's key priorities. Tax administration and trade facilitation cannot occur in isolation or be a means unto themselves. Our role is not only to provide the funds to other areas of government to do their work, but simultaneously to do what we can to support the overall objectives of government in other ways.

This means cutting red tape and other barriers to entrepreneurship and economic growth through initiatives such as single registration and more efficient administration, especially for small businesses. It means providing the platforms for smoother and faster movement of goods through our ports to boost trade opportunities. It means focusing on skills development of our own people. It means clamping down on crime and corruption, including the illicit economy and counterfeit and smuggled goods.

In line with this call and government's commitment to improved monitoring and evaluation towards tangible results, SARS has developed this strategic plan, which shows the seven strategic priorities we have identified, the outcomes to be delivered, and the indicators to be used to monitor and measure performance. This strategic plan therefore contains tangible, measurable and very specific outcomes and outputs which we have set ourselves as targets for delivery. These will be reported on in future annual reports for the period ahead.

Such an approach is not new to SARS and we are fortunate to have had a head-start in beginning to implement and refine performance management tied to deliverables within our organisation over the past few years. Yet this public undertaking on which our success will be scrutinised now demands an even greater organisational focus and alignment of divisional, business unit and individual targets and measures with our overall objectives.

The strategic priorities that will guide us over the next three years are:

- Drive revenue realisation to deliver now and ensure sustainability
- Drive productivity, service quality and cost efficiency
- Fully deliver on our Customs mandate in a way that is aligned with government's stated intentions
- Clarify the SARS operating model, streamline governance and strengthen leadership
- Implement segmentation to strengthen our business model
- Enable our people to perform at their peak
- Deepen key external relationships to enhance reputation and results

These priorities have not been developed in a vacuum. They build on the foundation of our compliance model and a deep understanding of what we need to do as a responsive revenue administration to drive human behaviour in the pursuit of compliance within a changing environment.

This means an ever-greater focus on service and efficiency. SARS will match service channels to taxpayer and trader requirements, as well as introduce single registration of taxpayers and traders to eliminate duplication and enable SARS to have a single view of a taxpayer/trader.

It also means a more efficient and effective enforcement capability for those not swayed by service or obligation. We will expand our audit and investigative capabilities and introduce further elements of the administrative penalties regime to detect and deter non-compliance.

Our human resource strategy is essential for SARS to succeed in its mission. We will ensure that the right skills are deployed to where they can be optimally used. In particular, we will pay attention to the need to align our diverse activities across our large and geographically widely spread organisation, to leverage our resources to optimise our anticipated outcomes. We are working towards a better and clearer understanding of our operating model that will raise the productivity, performance and value for money of every aspect of our business.

The people of SARS are its defining feature. They are the embodiment of our values and our culture. They are the drivers of performance and delivery. They are the collectors and custodians of revenue. They are the protectors of our borders and the enablers of our trade.

A feature of this strategic plan is the widespread participation of SARS employees in its development as an integrated roadmap of where we want to go. This participation came in the form of responses to surveys, discussions during management road shows and other forums. I wish to thank all those who have enriched this plan in so many ways.

And I wish to thank each and every member of the SARS family whether in Komatipoort or Kroonstad, Bethlehem or Bellville who each day live out our values in pursuit of our goals.



Oupa Magashula
Commissioner

ABBREVIATIONS

| | |
|---------|---|
| AEO | Accredited economic operator |
| BMA | Border Management Agency |
| CBCU | Customs Border Control Unit |
| CIT | Corporate income tax |
| DDU | Dog Detection Unit |
| eFiling | Electronic filing of returns via the Internet |
| GDP | Gross Domestic Product |
| LBC | Large Business Centre |
| MTEF | Medium-Term Expenditure Framework |
| MTSF | Medium-Term Strategic Framework |
| PAYE | Pay as you earn |
| PIT | Personal income tax |
| SARS | South African Revenue Service |
| SACU | Southern African Customs Union |
| TAT | Turnaround time |
| VAT | Value added tax |



01

SARS's Strategic Journey



1.

SARS'S STRATEGIC JOURNEY

A strategic plan, especially one which is medium term in nature, is less of a moment in time than a progressive journey towards an organisational destination. In this section we explore the overarching objectives of SARS and the strategic context within which it has sought to achieve these objectives over the past decade.

1.1

INTRODUCTION

The South African Revenue Service (SARS) is uniquely placed to contribute to government's plan of action to address socio-economic growth and development, poverty alleviation and job creation. Through the vital role of providing the revenue to fund the full spectrum of initiatives, plans, programmes and strategies of national and provincial government departments, SARS plays a crucial enabling role for government delivery.

Conscious of this onerous responsibility, SARS has grounded its strategy over the past decade or more on its compliance model of service efficiency, effective enforcement and education enhancement. This tried and tested model of compliance has paid rich dividends for South Africa over the past decade through significant revenue gains which have allowed government to accelerate and expand its provision of services to its citizens.

This compliance model continues to anchor the SARS strategic direction. It underpins all our activities from the relentless drive for service delivery and efficiency to the continuous quest for cost-efficiency, and from our constantly evolving enforcement enhancements and compliance risk improvements to our education, outreach and communications initiatives to expand the tax base. And it is the foundation for the entrenchment of our values within our people, for these values are the cornerstone of any fair, just and trust-worthy tax system.

The current economic conditions, in which South Africa – and indeed the world – is tentatively emerging from deep recession, serve to reinforce the need for wider and deeper compliance to sustain and bolster government delivery.

At the same time, through its role in administering tax policy and trade facilitation, SARS is also mindful of the important role it plays, both directly and in support of other elements of government, in fostering economic growth through creating an environment to boost growth and opportunities.

1.2

OUR MANDATE, VISION, MISSION AND VALUES

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

- Collect all revenues due;
- Ensure maximum compliance with tax and customs legislation; and
- Provide a customs service that will maximise revenue collection, protect our borders and facilitate trade.

Our Vision: SARS is an innovative revenue and customs agency that enhances economic growth and social development, and that supports the country's integration into the global economy in a way that benefits all South Africans.

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

Our Values: Mutual respect and trust; equity and fairness; integrity and honesty; transparency and openness; courtesy and commitment.

1.3

OUR STRATEGIC JOURNEY AND SUCCESSES TO DATE

The core and unwavering strategic intent of any revenue administration is driving compliance. This involves influencing human behaviour in two primary ways: the non-compliant must be motivated to become compliant and the already-compliant must be encouraged to remain so.

As simple as this philosophy sounds, it is the complexity of factors affecting human behaviour which pose challenges for revenue agencies around the world. These factors are political, social, economic and moral. They are cognitive and emotional. They are conscious and sub-conscious.

In response to these challenges, most revenue authorities have adopted a similar behavioural model based on service, education and enforcement. This compliance model has as its premise that human behaviour is motivated by two primary forces – the desire for reward or positive reinforcement and its antithesis, the desire to avoid punishment or negative consequences. As such, those who are compliant should receive the positive reinforcement of excellent service and the satisfaction of knowing that they are contributing to the greater good. Those who are not motivated by this “higher purpose” should be deterred from non-compliance by the threat of detection and punishment. Rather than a key motivator, the third factor – education – provides the essential ingredient of knowledge both about one’s obligations and responsibilities, as well as the consequences of one’s behaviour.

Following its inception in 1997, SARS embarked on a strategic journey to build its service, enforcement and education capabilities across the tax and customs spheres. This journey has taken the form of a number of phases.

The first strategic phase was the foundational phase which focused primarily on the internal cultural transformation of SARS from a disjointed – and in some instances dysfunctional – administration, into an energised, service-oriented and performance-driven organisation.

At the same time, this foundational phase included the external transformation of the tax base to instil in stakeholders the motivators of compliance and contribution.

Coupled with the longest uninterrupted period of economic growth in South Africa’s history, this ten-year phase saw massive gains in compliance, including significant increases in tax registrations and ultimately, in revenue generation.

The second broad phase of transformation began in approximately 2006, focusing on the modernisation of the systems and processes of the organisation to provide a platform for sustainable revenue collection. At its core, this phase provided for the automation of key processes to boost productivity and cost efficiency while releasing human resources to focus on value-adding activities including exception handling, enforcement and other tax-base broadening actions.

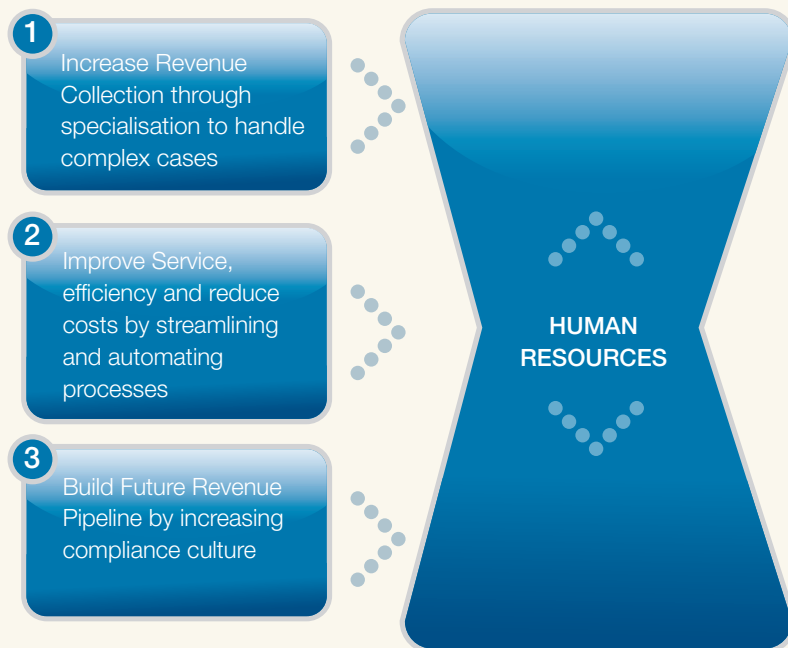
SARS is now three years into its multi-year modernisation programme defined in 2007. Since formulating our strategy to standardise and automate routine processes and simultaneously free up staff to fulfil tasks requiring individual attention, SARS has made enormous strides in:

- increasing the revenue collected;
- improving the efficiency with which it deals with taxpayers;
- improving the quality of service experienced by taxpayers and traders;
- improving its audit, investigative and enforcement capabilities to better detect and deter non-compliance;
- enhancing trade facilitation and customs compliance to keep pace with huge increases in trade volumes;
- expanding the tax base across all tax types; and
- improving voluntary compliance generally.

Over the past six years, the revenue collected by SARS has grown faster than the economy. From 2002/03 to 2007/08 SARS increased collections from 23.6% to 27.7% of Gross Domestic Product (GDP), whilst tax rates were reduced.

By 31 March 2009, SARS had collected R625.10 billion in revenue, which represents a collection outcome of 99.59% against the revised revenue target of R627.60 billion (original estimate R642.27 billion). This occurred against the backdrop of rapidly-deteriorating global economic conditions, in particular during the first quarter of 2009. During this time SARS delivered on its mandate, transformed its public image and is now widely regarded as a top performing government agency.

SARS Strategic Framework (2007)



Examples of Successes

- **Tax revenue** increased by 14% pa between 2005 and 2009 – enhanced by improved revenue management, capabilities and tools
- **Automated flagging** of compliance risks
- **Debt backlog** – significant progress in finalising the largest 5,000 cases
- **eFiling** rate for individuals from 2% to 75% in 4 years – fastest global uptake
- **Refund turnaround** 48 hours – best in class
- **Service charter** – most key metrics above our charter standards
- **Enforcement capacity** effectively increased through relocated compliance activities

These improvements and the release of resources from manual backroom activities into service and enforcement spheres, is having a significant impact not only on compliance, but on the experience of taxpayers and traders.

The results can be seen in the recently concluded 2009 Tax Season which resulted in a number of new records for submissions and processing including:

- The overall number of income tax returns submitted on time (for all tax years for individuals and trusts) exceeded 4 million (4.06 million);
- The number of individual income tax returns submitted via eFiling (for all tax years) exceeded 2 million – more than a 100% increase over 2008;
- The number of individual returns captured electronically at branch offices for all tax years substantially exceeded the 1 million mark (1.43 million);
- Approximately 97% of all individual income tax returns submitted for the 2009 tax year were assessed within 24 hours compared with approximately 66% assessed within 24 hours in 2008; and
- The average Turnaround time (TAT) for processing individual income tax returns improved from 15 days in 2008 to 1.7 days in 2009.

Improvements can also be seen in other areas, which include the electronic submission of over 95% of all PAYE reconciliations by employers over the past two tax years using the free e@syFile software developed by SARS to enable seamless interaction between employers and SARS. It is also evident in the continued adoption of electronic data interchange between traders and SARS in the smoother movement of goods through our ports.

Other areas will soon benefit from modernisation: Customs, VAT, Corporate Income Tax and the audit and enforcement functions are all earmarked for future improvements on the modernisation journey.



02

Understanding
Our Environment



2.

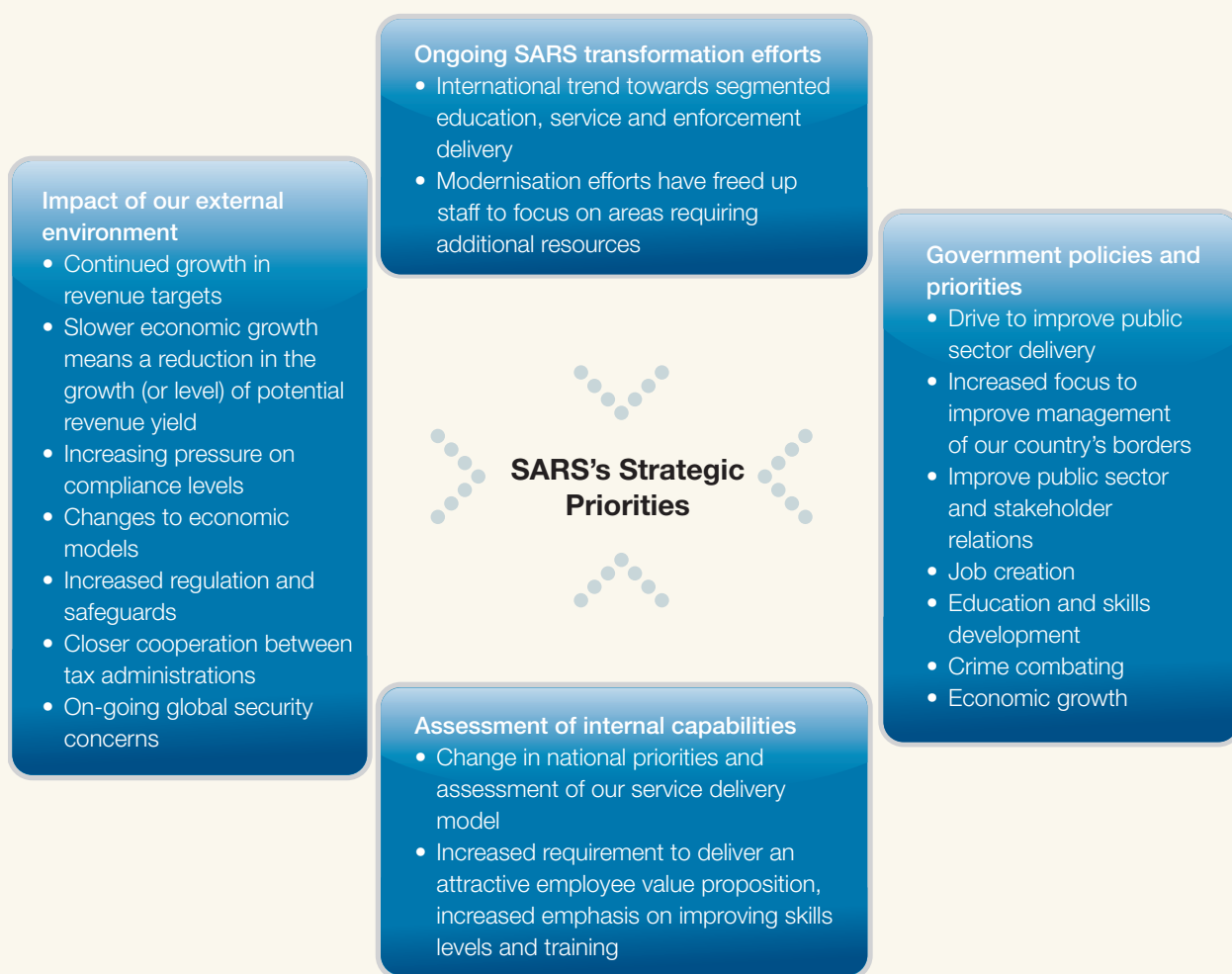
UNDERSTANDING OUR ENVIRONMENT

While an organisation's longer term objectives in pursuit of its vision and mission remain, its short and medium term strategy to achieve these objectives must be flexible enough to adapt to the rapidly changing global, regional and local environment in which it operates.

In this section we assess the current and medium term environmental factors and how these influence the strategic choices of SARS over the medium term.

2.1

OUR ENVIRONMENT AND MAJOR TRENDS IMPACTING SARS



Amidst the worst global recession in 70 years, South Africa is tentatively emerging from the deepest recession in 17 years. While a number of economic indicators are showing signs of recovery and growth prospects, it is clear that the effects of the recession will continue to be felt locally and internationally for many years to come.

An estimated 34 million people have lost their jobs around the world with almost a million South Africans suffering similar fates. Not only has this served to reduce their contribution to revenue collected, but at the same time it has added to the burden of social welfare for a far higher number of people who had relied on their employment income.

These recently workless have joined millions more South Africans who have been unsuccessfully seeking work for some time now. One in four of our workforce is unemployed and almost half of South Africans between the ages of 18 and 24 seeking employment have not found work.

Closely associated with this economic vulnerability, are a number of social challenges including health and welfare challenges, lack of skills and poor education, unacceptable levels of crime and rising dissatisfaction with the pace of service delivery in communities around South Africa.

These challenges are placing increasing pressure on government delivery at a time when revenue is weakened.

Simultaneously, the economic recovery and faster growth required to reduce unemployment and poverty would benefit from lower levels of national debt and lower levels of taxation.

This highlights the very urgent responsibility on SARS to widen compliance at a time when taxpayers are facing their toughest financial circumstances.

While SARS's overall objectives of compliance and trade facilitation may remain, the changing post-recession economic environment will have far-reaching and long-term implications for the way in which SARS must respond to its objectives.

The economic conditions are already placing pressure on compliance around the world, with previously compliant taxpayers more tempted to avoid their obligations through desperation or greed. Such behavioural changes will require revenue administrations to improve their vigilance in enforcement, including better co-operation between countries and security agencies, as well as better use of third party data to verify declarations.

Cross-border crimes are likely to increase and will require additional security of borders and ports of entry, to protect our own people and economy. At the same time, trade facilitation of legitimate goods must be a high priority to help fuel the fledgling economic recovery.

The administrative burden on taxpayers and traders – especially smaller, entrepreneurial enterprises – must be further reduced to encourage both economic growth and job creation.

Modernisation initiatives may require reprioritisation in line with government's priorities to boost job creation, reduce crime and challenge poverty.

Internally, SARS continues to face challenges of skills development and retention, on-going modernisation and transformation, and improved governance and accountability.

In analysing our changing environment, SARS has distilled four key factors that impact on our work, and hence require a specific response. These factors are:

2.1.1

EXTERNAL ENVIRONMENTAL FACTORS

- **Revenue targets are set to grow by 9.7%, 11.4% and 13.4% annually over the period 2009/10 to 2012/13 respectively**

The improvement in the quality and coverage of service delivery by government requires sustainable funding. The South African government is committed to providing quality basic education, health services that ensure a long and healthy life for all, adequate housing and rural development, decent employment opportunities and safety and security for its citizens as outlined in government's priorities. The funding required for these and other priorities has resulted in the growth in revenue targets which significantly exceeds projected economic growth over the same period.

- **Slower economic growth means a reduction in the growth (or level) of potential revenue yield**

Falling employment levels reduce the revenue from Personal Income Tax (PIT). If corporate profits fall, so does Corporate Income Tax (CIT). Lower domestic demand leads to a decline in Value Added Tax (VAT), while a fall in trade reduces customs duties. SARS has witnessed a dramatic reduction in CIT and import VAT in 2009/10.

- **Increasing pressure on compliance levels**

When under financial pressure, taxpayers may delay payments or increase their non-compliance at both corporate and individual level. This requires additional vigilance for non-compliance and measures to better detect and deter this behaviour.

2.1.2

GOVERNMENT PRIORITIES AND POLICY

Government has committed itself to key priority areas over the medium term: improving the quality of basic education, enhancing the health of our people, making our communities safer, fostering rural development, creating jobs and investing in local government and human settlements. A priority for SARS in support of these must firstly be providing the revenue to fund the initiatives, programmes and on-going delivery in these areas. In addition, SARS has a direct role to play in the following areas:

- **Education and skills development**

SARS must expand its focus on skills development of its people both in pursuit of its mandate and as part of the wider public sector skills development programme

- **Growing the economy and creating decent jobs**

Beyond the implementation of the proposed wage subsidy, SARS has a role to play in facilitating the conditions to boost job creation through reducing the administrative burden of taxpayers and traders, most notably small and medium businesses, as well as through measures to enhance trade facilitation and promote economic growth.

- **Fighting crime and corruption**

SARS has both a direct and indirect role to play in supporting this initiative through its enforcement activities relating to cross-border crime and the illicit economy as well as providing key support to the investigative and crime combating activities of other law enforcement agencies

In addition, there are a number of other strategic areas of focus including:

- **An energetic drive to improve public sector service delivery.**

Recent government policy reflects a commitment to meeting specified service standards. All public sector entities are expected to deliver on these standards through a systemic process that measures and tracks performance.

- **An increased focus by government to improve the management of our country's borders**

This is reflected in the government's decision to establish a Border Management Agency (BMA), at a time of debate on trade policy and revenue sharing with neighbouring countries.

- **Government commitment to improving the relationship between the public sector and stakeholders**

Government has stated its intention of reviewing its system of public participation with the aim of strengthening engagement between government and the people.

2.1.3

ONGOING SARS TRANSFORMATION EFFORTS

- **There is a global trend towards dividing up taxpayers into segments and delivering education, services and enforcement activities, tailored to these segments**

Research globally provides evidence that a segmented approach to educating, servicing and enforcing taxpayers based on their needs and behaviours increases taxpayer satisfaction and their compliance levels, while also reducing overall costs.

- **SARS's modernisation efforts have freed up staff to carry out work in areas long identified as needing additional resources**

SARS is now able to address how its human resource base can be more effectively deployed to increase visibility and contact with taxpayers and in areas such as audit and investigations, which will involve the retraining of staff.

2.1.4

ASSESSMENT OF INTERNAL CAPABILITIES

- **Changes in national priorities and an assessment of our service delivery model suggest a need to revisit SARS's operating and governance models**

In addition to a change in the management of our country's borders, other clearly articulated priorities, such as tackling corruption within the public service, should be reflected in SARS's operating and governance models. At the same time a new operating model is required to ensure the resources released through modernisation are optimally deployed to meet our objectives

- **There is an increased requirement to deliver an attractive public sector employee value proposition**

Improving service delivery is predicated on the retention of skilled and positive staff. There is a renewed emphasis on improving the management within the public service, together with the development of human resources.

2.2

OUR STRATEGIC RESPONSE TO THESE TRENDS

In response to these environmental factors, SARS has set out the following seven strategic priorities to guide its future resource allocation and activities:


- 1) The need to grow revenue makes it imperative for SARS to further deepen and widen the tax base and drive compliance leading to **revenue realisation to deliver now and ensure sustainability.**

- 2) Given the emphasis on improving public sector service levels and the gains already made by SARS through automation, SARS needs to continue to **drive productivity, service quality, and cost efficiency.**
- 3) Changes in the requirements for protecting South Africa's borders require us to **fully deliver on our Customs mandate in a way that is aligned with government's stated intentions.**
- 4) Given the changing emphases in government priorities, SARS needs to **clarify the SARS operating model, streamline governance and strengthen leadership** in order to be able to respond effectively to the changing demands.
- 5) The demonstrated benefits of the global trend towards tailoring service delivery to specific taxpayer and trader groups indicate that we should **implement segmentation to strengthen our business model.**
- 6) The imperative to improve service levels and retain skilled staff requires us to **enable our people to perform at their peak.**
- 7) Government's commitment to improving the relationship between the public sector and stakeholders, together with the need to broaden the culture of voluntary compliance, requires that we **deepen key external relationships to enhance reputation and results.**



03

SARS's Strategic Priorities
for the Medium-Term
Expenditure Framework
(2010/11 – 2012/13)



3.

SARS'S STRATEGIC PRIORITIES FOR THE MEDIUM-TERM EXPENDITURE FRAMEWORK (2010/11 – 2012/13)

To build a plan that will be robust to guide us over the next three years, SARS has identified 7 strategic priorities.

These are:

1. Drive revenue realisation to deliver now and ensure sustainability
2. Drive productivity, service quality and cost efficiency
3. Fully deliver on our Customs mandate in a way that is aligned with government's stated intentions
4. Clarify the SARS operating model, streamline governance and strengthen leadership
5. Implement segmentation to strengthen our business model
6. Enable our people to perform at their peak
7. Deepen key external relationships to enhance reputation and results

Our strategic priorities will help us deliver against our overarching mandate and provide the necessary focus for SARS to respond to the current environment that we are facing. Driving revenue realisation to deliver now and ensure sustainability is especially critical given the economic climate that we are currently experiencing and the funding requirements for government to fast-track its delivery priorities. Fully delivering on our Customs mandate in a way that is aligned with government's stated priorities is also a core focus, especially given the need to facilitate regional trade and support the government's stated objective of increasing the levels of employment within SA. The remaining strategic priorities are key enablers for SARS over the next three years to ensure the successful achievement of its overarching objectives.

In this section we describe our seven strategic priorities for the MTEF. For each strategic priority, we articulate our three-year aspiration as well as the key deliverables and activities that will help us achieve our aspiration. We also outline how we will measure our progress and achievements within each priority area.

3.1

DRIVE REVENUE REALISATION TO DELIVER NOW AND ENSURE SUSTAINABILITY

OUR ASPIRATION:

- To consistently increase voluntary compliance across a broader taxpayer/trader base, through institutional insight generation and targeted outreach, education, service and enforcement interventions, to collect all revenues due.
- Enhance focus on enforcement to respond to the increased risk of non-compliance given the current economic climate, to increase revenue flows and further strengthen voluntary compliance in the medium term.

By sustaining revenue collection, we enable the expansion and improvement of service delivery by government as described in the MTSF.

The outcome of compliance by taxpayers and traders with relevant legislation is the payment of revenues due. SARS believes that compliance is promoted and ensured through providing service of high quality to taxpayers and traders, engagement with the emerging tax base and through targeted enforcement actions. Enforcement is called for in the interests of ensuring the equitable treatment of all who pay tax, and to avoid overburdening those who do contribute tax willingly. Our goal is to enhance voluntary compliance, which reduces the burden on SARS in terms of the effort required to collect revenue due, as well as ensuring a consistent and sustainable revenue stream for the delivery of service by government.

In the current economic climate, SARS recognises that extraordinary measures are required to sustain taxpayer and trader compliance levels. The possibility of tax flight and how this can be managed is becoming more important. Compliance management efforts thus need to be strengthened, systematised and become more effective, both in sustaining the behaviour of compliant taxpayers and traders, as well as eliminating pockets of non-compliance. Compliant taxpayers and traders should experience increasing ease in complying, while those who are non-compliant should find it increasingly difficult not to comply. Our compliance actions will be rooted in our understanding of the trends in the macroeconomic environment and demographic shifts, and the interplay between these.

At the same time SARS will identify opportunities to enhance existing revenue streams and to find new revenue streams to supplement shortfalls caused by the current economic crisis.

THREE-YEAR DELIVERABLES INCLUDE:

- Detailed understanding of compliance levels (voluntary and enforced) across the major areas in the taxpayer and trader lifecycles, developed through focussed research and analysis;
- Increased voluntary compliance through implementation of a comprehensive compliance framework of targeted responses in education, service and enforcement, based on insight into taxpayer behaviour and compliance levels;
- Strong central revenue forecasting and management capability built to analyse, identify and manage emerging revenue opportunities consistently, through rigorous processes and tools;
- Streamline audit and Customs inspection processes and strengthen our audit capability to deal with complex cases and serious taxpayer and trader non-compliance;
- Re-engineer our debt collection processes;
- Expand the administration of penalties for non-compliance; and
- Expand the use of third party data, time-series taxpayer history and statistical scoring methodologies to enhance our compliance risk detection and rating capabilities for PIT, PAYE, CIT VAT and Customs.

KEY ACTIVITIES TO ACHIEVE THE ABOVE INCLUDE:

- Analyse and prioritise areas requiring targeted interventions to improve compliance and deliver immediate revenue, with annual piloting of a set of revenue initiatives to improve compliance in targeted areas;
- Enhance skills in revenue analysis, forecasting and management;
- Develop and implement measures of voluntary and enforced compliance; and
- Establish capability to enable voluntary disclosure.

HOW WE WILL MEASURE PROGRESS TOWARDS ACHIEVING OUR ASPIRATION:

We will measure the following outcomes:

- Revenue collected against National Treasury target;
- Voluntary compliance achieved (file and pay on time); and
- Enforced compliance achieved.

The following output measures will be tracked as interim indications of progress against the stated outcomes, whilst they are being developed and implemented:

- Voluntary compliance – we will measure on-time filing for PIT; and
- Enforced compliance – continued focus on the reduction of outstanding returns and streamlined debt collection to increase cash collected from the debt book.

3.2

DRIVE PRODUCTIVITY, SERVICE QUALITY AND COST EFFICIENCY

OUR ASPIRATION:

Deliver cost-efficient, consistent and reliable service to all taxpayers and traders, with top quartile performance against appropriate benchmarks, e.g. tax and customs authorities world-wide.

Our aspiration to improve the quality of services we offer is aligned with the MTSF's objective to improve the quality of public service delivery, and entrench a culture and practice of efficient, transparent, honest and compassionate public service.

SARS recognises the importance of optimising the use of resources allocated to deliver quality service. Our desire to be cost-effective derives from recognising that we are obliged to taxpayers and to use resources allocated to us efficiently and effectively. This becomes especially important in times when taxpayers themselves are experiencing financial pressures due to economic conditions, and when slow growth in revenue yield requires the public sector as a whole to review the application of the resources available to optimise service delivery. Improved productivity requires better management of SARS's operations through working smarter and through streamlining processes.

The streamlining of processes contributes to shorter service turnaround times and better service. As described above, SARS believes that better service encourages voluntary compliance. We aim to reduce compliance barriers for taxpayers and traders, through ensuring greater accessibility to our service points and channels, and providing a range of simpler ways of engaging with the organisation and complying with tax and Customs requirements. In addition, SARS will, in partnership with the dti, National Treasury, Statistics South Africa and other government departments, develop a single business registration process to reduce compliance costs for new businesses.

Through continued modernisation of our processes and systems, SARS is reducing the unit costs associated with the processing of large volumes. Modernisation will continue to free up resources for reallocation to additional or under-resourced functions, such as customised services to various taxpayer and trader segments, and more extensive outreach and education interventions. Weaknesses that currently impact negatively on service provision will be addressed, and service improvements will be based on the requirements of the various taxpayer and trader segments. We believe that empowering our staff to make informed, consistent and fair decisions will improve our response turnaround times and enhance the service experience.

THREE-YEAR DELIVERABLES INCLUDE:

- Fully implemented Enterprise Capability Management System that tracks and drives productivity across all key areas;
- Redefined and implemented service philosophy, service charter and channel strategy that meets taxpayer/trader needs;
- Improved ease and speed of registration and other interactions for businesses supported by a single view of each taxpayer and trader; and
- Improved taxpayer and trader satisfaction as measured by a taxpayer/trader satisfaction index.

KEY ACTIVITIES TO ACHIEVE THE ABOVE INCLUDE:

- Design, build and implement an Enterprise Capability Management System, that focuses on establishing a baseline for productivity, capacity and production management and performance management to support productivity improvements which will also enable ongoing productivity measurements;
- Improve our accessibility to taxpayers through the establishment of new branches and the use of mobile units in line with our channel strategy, as well as the enhancement of self-help facilities;
- Develop an integrated view of each taxpayer and trader, through a single registration system for tax and a consolidated view of all Customs transactions;

- Develop an end-to-end system for resolving taxpayer and trader complaints and escalations where needed, including enhancing our ability to track interactions with taxpayers and traders;
- Improve account management for quicker resolution of account queries, and supporting taxpayer self-service with respect to payment allocation and obtaining statements; and
- Develop and implement a satisfaction index to determine Taxpayer/Trader satisfaction.

HOW WE WILL MEASURE PROGRESS TOWARDS ACHIEVING OUR ASPIRATION:

We will measure the following outcomes:

- Our increase in productivity;
- Revenue collected against staff cost incurred;
- Adherence to Service Charter Standards as a measure of service quality; and
- Tracking Taxpayer/Trader satisfaction through a Taxpayer/Trader Satisfaction Index.

In support of the service outcome measure, we will focus on two interim measures while establishing the capability to measure adherence to the Service Charter Standards:

- Percentage first contact resolution at the Contact Centres; and
- Escalation turnaround time.

3.3

DELIVER ON OUR CUSTOMS MANDATE IN A WAY THAT IS ALIGNED WITH GOVERNMENT'S STATED INTENTIONS

OUR ASPIRATION:

Develop partnerships with all supply chain stakeholders to facilitate legal regional trade to strengthen our economy, and collect all revenues due.

SARS seeks to contribute to government's aim of growing our economy, and the creation of opportunities for decent employment through trade facilitation.

We aim to provide a Customs service that promotes legal trade, while restricting illegal trade. We intend to re-engineer our Customs service to achieve the full benefit of tax and Customs integration and to enhance border security through alignment with other relevant stakeholders.

SARS believes that trade is facilitated through the provision of an excellent Customs service, which expedites legal trade through reducing compliance barriers to facilitate the movement of goods in a far more efficient manner than before, while preventing the movement of illegal goods. Effective risk management and strategies that seek to offer qualifying traders faster and cheaper means to get their goods into the global markets while ensuring an appropriate enforcement response to illicit traders is the key to balancing trade facilitation with border security. We aim to improve information flows relating to trade, that will impact positively on turnaround times experienced by traders, as well as assist us to manage inspections better through more timely and accurate identification of compliance risks. We aim to use our tax information base more effectively, to validate information, as well as reduce the requirements on traders to resupply information already available to us.

In recognition of changing circumstances and requirements, government has decided to create a Border Management Agency (BMA). SARS will actively contribute to the design of the BMA, leveraging its experience in Customs administration to support an optimal design. Close cooperation will be required between SARS and the BMA, to balance the requirements for trade facilitation and security.

SARS remains committed to contributing positively to our country's reputation through the hosting of a successful 2010 World Cup. The requirements associated with the hosting of large international events add to the volumes and complexities of work. Additional personnel will be deployed at points of entry.

THREE-YEAR DELIVERABLES INCLUDE:

- A seamless transition to a Border Management Agency model, developed with other government departments;
- Improved ease and speed of declaration processing and inspections, through modernising processes and systems;
- Rolled-out accreditation programme to qualifying traders;
- A system to prioritise and expedite Customs inspections through use of additional data sources and the continued rollout of non-intrusive inspection capability; and
- Enhanced border control detection capability through the Customs Border Control Unit (CBCU) and the Dog Detection Unit (DDU), thereby improving security at ports of entry for the 2010 World Cup and beyond.

KEY ACTIVITIES TO ACHIEVE THE ABOVE INCLUDE:

- Participate and collaborate in optimising the design of the BMA;
- Implement an integrated technology platform across all core Customs functions, reducing paperwork and streamlining information flows;
- Re-engineer the declaration process using the new Customs and trade administration platform;
- Enforce electronic submission of Manifests to enable risk-based assessments of consignments;
- Develop and implement measures to track the ease and speed of declaration processing and inspections.

HOW WE WILL MEASURE PROGRESS TOWARDS ACHIEVING OUR ASPIRATION:

We will measure the following outcomes:

- The increase in ease and speed of declaration processing;
- Adherence to the Customs Service Charter standards; and
- The increase in ease and speed of inspections.

The following output measures will be tracked as an interim indication of progress against the stated outcomes of ease and speed of declaration processing while the measurements are being developed and implemented:

- The uptake in electronic declarations within the SACU region; and
- Target turnaround time (TAT) for electronic declaration processing.

3.4

CLARIFY OUR OPERATING MODEL, STREAMLINE GOVERNANCE AND STRENGTHEN LEADERSHIP

OUR ASPIRATION:

- An organisation that is clear on its accountabilities and collaborates effectively across internal units;
- Streamlined governance, to shift from a 'gatekeeper' to 'risk manager' approach, but with requisite levels of oversight; and
- An aligned and capable leadership group, that adheres efficiently to all governance requirements.

SARS intends to improve the efficiency and transparency of its operations and service, in line with government's intentions, through clarifying accountabilities, authority and responsibilities within our organisation. At the same time we must ensure that those resources released through automation and other modernisation initiatives are reorganised to meet our objectives optimally.

We seek to optimise our operations through improving our workflow and throughput, eliminating non-value adding processing and ensuring consistency in our processes. Our aspiration is to ensure maximal throughput, with consistently high quality outputs from all our processes.

By improving our internal workflows and with the commensurate and appropriate allocation of resources, we can improve our productivity by eliminating internal delays due to inefficiencies in our processes or mismatches in capacity. This will result in greater efficiency as seen by taxpayers. We believe that eliminating non-value adding steps and ensuring consistency in our own processes will make us more effective in collecting tax and Customs revenue, and in ensuring compliance. SARS will thus review and refine its operating model, clarify accountabilities and group similar functions where appropriate for greater efficiency.

Controls are needed to ensure that standard processes are followed and to eliminate opportunities for circumventing the prescribed procedures and set standards. At the same time, we believe that our system of controls should not introduce unnecessary delays in internal processes. Thus, we aim to streamline our governance procedures, adopting a risk management approach, rather than a 'gatekeeping' approach. A holistic enterprise-wide modelling of risk will inform our risk management and governance approach.

We recognise the importance of strong leadership in ensuring sustainable operational capability. Accordingly, leadership development at various levels within the organisation will continue to feature in our activities. We aim to build leadership throughout the organisation that is able, willing and ready to execute its responsibilities.

In refining its operating model, SARS will take into account its changing role and accountability in relation to the establishment of the BMA.

THREE-YEAR DELIVERABLES INCLUDE:

- A fully implemented new operating model, with integrated capacity plan that makes our workforce empowered, agile and responsive;
- Streamlined governance framework; and
- A fully articulated and embedded SARS leadership model with appropriate resourcing and capabilities.

KEY ACTIVITIES TO ACHIEVE THE ABOVE INCLUDE:

- Design and implement our operating model, including our compliance operating model and a Customs operating model aligned to technology and process modernisation;
- Develop and implement an organisational human capital plan that will inform the strategies that we will follow, to ensure that we have the human capability we need, to sustain revenue collection;
- Develop an Enterprise Risk Architecture, which enables implementation of strategic risk management and standardises operational risk management throughout the organisation;
- Develop and implement the overall SARS Governance Framework;
- Improve internal service through the re-engineering of core processes supported by new IT applications for Human Resource Management, Finance, Procurement and Asset management;
- Continued implementation of our leadership development programme; and
- Develop and implement measures to track the effectiveness of the implemented operating model and a Leadership Index.

HOW WE WILL MEASURE PROGRESS TOWARDS ACHIEVING OUR ASPIRATION:

We will measure the outcomes associated with this priority through the following:

- Effectiveness of the new SARS Operating Model;
- An unqualified report by the Auditor-General; and
- Progress against our Leadership Effectiveness Index.

These outcome measures will be supplemented with the following output measures as an indication of progress of implementation against the operating model:

- Percentage employees with Development Plans linked to Career Model placements; and
- Percentage roles filled with “fit-for-purpose” employees against the design of the new structure.

3.5

IMPLEMENT SEGMENTATION TO STRENGTHEN OUR BUSINESS MODEL

OUR ASPIRATION:

Deliver differentiated products and compliance approaches (i.e. outreach, education, service and enforcement), that meet the needs of taxpayer and trader groups and shape their compliance behaviour.

Improving the compliance levels of taxpayer and trader groups contributes towards building social cohesion which is one of the goals of the MTSF.

Through grouping taxpayers and traders with similar behaviour and service preferences, that is, segmenting the taxpayer and trader base, SARS aims to tailor the products and services it provides to these segments. We aim to provide differentiated outreach, education, service and enforcement approaches to all taxpayer and trader groups.

In line with global best practice, SARS believes that differentiating its service offerings based on the needs and behaviours of various taxpayer and trader groups will enhance its efficiency and effectiveness in revenue collection and improve compliance. In this way SARS can become more ‘taxpayer/trader centric’ in its approach. This is predicated on deepening our understanding of the requirements of various taxpayer and trader groupings, in order to provide them with the appropriate service channels. In refining our service offerings, we will take into account the past compliance behaviour of various segments.

The establishment of the Large Business Centre (LBC) to service our major corporate taxpayers has yielded positive results over the past few years, and SARS will build on this experience. We will engage in specific research into each taxpayer and trader segment, which together with learning from our ongoing engagement with the sector, will inform our approach towards the segment. The redesigning of our tax registers and information systems, will enable us to see the perspective of the taxpayer and/or trader, rather than being limited by the fractured view (of a taxpayer/trader) that emerges from viewing transactions with taxpayers and traders through disparate tax type lenses.

SARS’s Compliance Programme will be refined using a segmented approach. As discussed above, SARS intends to differentiate its approach to traders, based on the level of their trading activities, an assessment of their internal controls and on their past compliance behaviour.

THREE-YEAR DELIVERABLES INCLUDE:

- Holistic segmentation designs developed for all ten taxpayer and trader segments, based on an understanding of the behaviour and needs of each segment;
- Phased implementation and institutionalisation of the operating model for five segments (especially large businesses and ‘standard’ individuals, medium-sized businesses, tax practitioners and traders); and
- Targeted outreach, education, service and enforcement initiatives launched for the other five segments with phased end-to-end implementation soon after 2012/2013.

KEY ACTIVITIES TO ACHIEVE THE ABOVE INCLUDE:

- Implement the recommendations on refining the operating model of the LBC;
- Research and design an enhanced service offering for the medium-sized business segment;
- Segmentation of the trader base through analysis of past activities and compliance behaviour, as a precursor to the Accredited Economic Operator (AEO) programme;
- Improved compliance risk assessment through targeted enforcement and trader segmentation; and
- Develop and implement capability to measure and monitor compliance by priority segments.

HOW WE WILL MEASURE PROGRESS TOWARDS ACHIEVING OUR ASPIRATION:

We will measure the implementation of our segmentation strategy through the following:

- Progress against the design of 10 segments;
- Progress against the implementation of the 5 priority segments; and
- Compliance of these 5 priority segments.

3.6

ENABLE OUR PEOPLE TO PERFORM AT THEIR PEAK

OUR ASPIRATION:

Create a high-performance environment that is values-driven and fosters professional and personal growth at leadership, managerial and technical levels.

Our aim is in line with the MTSF priority to strengthen our country's skills and human resource base.

SARS recognises the need to develop the depth of our people's technical and leadership capability to sustain revenue collection and steadily improve compliance levels. We believe sustained peak performance requires truly engaged employees. Primarily, this requires us to continuously create a positive climate and provide our people with opportunities to develop their skills and competencies in line with the capability needs of our business.

We understand that changes in the operating model and the modernisation of our systems will impact the manner in which we currently perform certain business functions. For instance, we envisage that the elimination of the routine processing of large volumes of work through automation will free up capacity in some areas of the business while new skills sets will emerge for areas where a more 'human' touch is required, such as engagement with potential or new taxpayers/traders.

We will therefore develop and implement an Enterprise Capability Management system that will enable us to determine a corporate capacity plan aligned with the changing needs of our business. A key strategy that we will follow to close the human capability gaps that will emerge, will be the retraining and re-deployment of impacted staff to appropriate areas of the business. In order to offer the specialist training that we believe will be required, we will invest in the development of business specific training programmes which will largely be offered through the SARS Academy. We will also ensure that we effectively equip our managers with change management and communications skills to enable them to effectively manage and support all impacted employees.

We also recognise the importance of strong leadership in ensuring sustainable operational capability and innovation to be effective in a continuously evolving environment. Thus leadership development at all levels within the organisation remains a key priority that will ensure us a sustainable pool of capable successors for key leadership roles. (Note that leadership development is also covered in priority D.)

SARS believes that peak performance requires that staff be fully engaged and that performance be managed effectively across the organisation. We will continuously enhance our Employee Value Proposition to ensure that it enables us to attract, engage and retain competent employees who deliver their best. Critical to SARS's success are staff who adhere to the highest ethical standards. Uprooting corruption and non compliance to organisational policies remains a priority.

THREE-YEAR DELIVERABLES INCLUDE:

- Establishment of a systematic response to train and retrain individuals in line with capacity and capability requirements within SARS and in other government institutions;
- Fully articulated and implemented employee value proposition, to attract and retain the skills we need; and
- Sharpening our performance management processes and empowering our managers to effectively manage employee performance.

KEY ACTIVITIES TO ACHIEVE THE ABOVE INCLUDE:

- Establish a SARS culture that reflects our values;
- Develop and implement a skills development framework to retrain and redeploy staff impacted by the modernisation of our systems;
- Implement focused technical and leadership programmes, to ensure a sustainable inflow of technical and leadership skills as indicated in our career and leadership models;
- Revise and implement a capability and performance aligned employee value proposition, to enhance attraction, engagement and retention of required skills and competencies;
- Aligning the performance management system with our leadership and career model competencies and empowering our leaders to manage performance effectively; and
- Increase campaigns to prevent, detect and combat corruption.

HOW WE WILL MEASURE PROGRESS TOWARDS ACHIEVING OUR ASPIRATION:

We will measure our progress against the following:

- Continuous improvement in levels of employee engagement;
- Increase in the Barrett survey scores as an indicator of values institutionalisation; and
- Increased staff adherence to our performance management practices.

3.7

DEEPEN KEY EXTERNAL RELATIONSHIPS TO ENHANCE REPUTATION AND RESULTS

OUR ASPIRATION:

- Enhance outreach, education, service and enforcement by building collaborative partnerships with private, public and international sector partners and utilising their feedback to improve compliance; and
- Make a broader societal contribution through targeted, high-impact initiatives.

The MTSF advocates enhanced international cooperation, as well as the building of cohesive, caring and sustainable communities.

SARS can work more effectively with the assistance of partners. We believe that there are mutual benefits to be gained by working in a well-targeted manner with our public and private sector partners, communities and organisations to facilitate compliance with tax and Customs legislation, aligning our processes and sharing best practice. For example, employers can assist in the registration of individual taxpayers. There is also synergy to be gained from working closely with other organs of state in the registration of businesses for various purposes. With respect to the processing of the payments and collection of revenue, SARS benefits from close cooperation with banks.

SARS understands that the cooperation of taxpayers and traders depends on the organisation's credibility and service-orientation.

The commitment of SARS's employees to their communities and country is evidenced through voluntary community work. By aligning and focusing the contributions of our employees, SARS seeks to make an even greater societal impact beyond revenue collection, demonstrating how the organisation lives its values outside the work environment. SARS thus encourages South Africans who are touched by the efforts of SARS employees to themselves show greater commitment towards building their communities. This commitment will help to broaden the culture of tax compliance.

THREE-YEAR DELIVERABLES INCLUDE:

- Clearly articulated and implemented broad external relationship/reputation programme through leverage of past and current efforts;
- Implemented set of targeted corporate social investment and stakeholder assistance initiatives; and
- Measurable improvement in stakeholder perceptions through establishment and monitoring of a stakeholder Reputation Index.

KEY ACTIVITIES TO ACHIEVE THE ABOVE INCLUDE:

- Leverage South Africa's national treaty network and cooperation with tax and customs administrations;
- Improve our business stakeholder partnerships;
- Strengthen government partnerships;
- Manage our relationships with the media;
- Engage in community and taxpayer outreach and education;
- Grow and enable broader community contribution of our staff;
- Develop and implement an external stakeholder reputational index and a Corporate Social Investment Index; and
- Develop systems to support implementation of the subsidy to employers to lower the cost of hiring young people without work experience.

WE WILL MEASURE PROGRESS TOWARDS ACHIEVING OUR ASPIRATION:

We will measure the following outcomes once developed and implemented:

- Increase in external Stakeholder Reputation Index; and
- Increase in the external Corporate Social Investment Index.



04

Measuring Our Delivery



4. MEASURING OUR DELIVERY

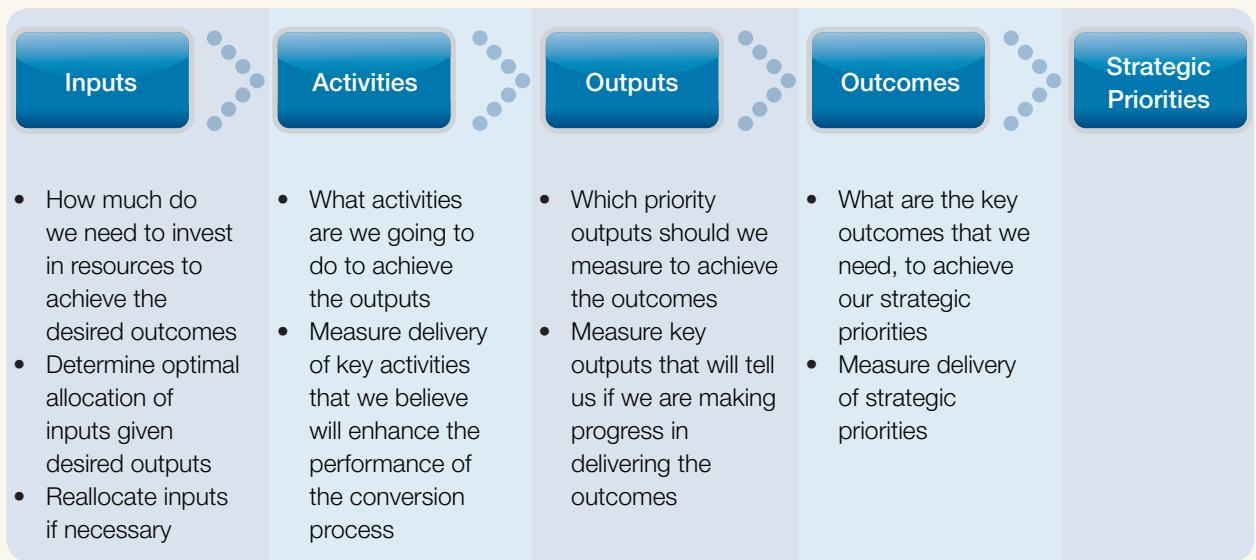
4.1 ALIGNMENT WITH GOVERNMENT’S PLANNING AND PERFORMANCE MANAGEMENT APPROACH

SARS is aligning its strategic plan to that of the government’s planning, performance monitoring and evaluation approach with the emphasis on delivery. This new planning approach emphasises the need to set and achieve clear outcomes associated with each of our strategic priorities.

In this 2010/2011 plan, we define strategic priorities based on our medium-term aspirations and then identify the business operations and innovations required to achieve these priorities . We have ensured that our strategic priorities are aligned with our strategic objectives and priorities laid out in our previous strategic plan, while providing the necessary focus required to adapt to our changing environment. In order to further tightly link our outcomes to our strategic priorities, we have opted to simplify the planning layers by having a “1:1” mapping of outcome measures to strategic priorities as opposed to a dual mapping to strategic objectives and priorities.

Our Enterprise performance reporting is based on an assessment of the outcome and output measurements. The monitoring of inputs and activities generally takes place at a more disaggregated level. The alignment of and linkages between activities outlined in individual work plans, divisional plans and the enterprise business plan ensures consistency of performance reporting at all levels within the organisation. The intention of our performance measurement is to report on our outcomes, in line with government’s approach. As an interim measure, we will measure and report on our performance through a combination of outcomes, outputs and inputs, while developing baseline measures and developing outcome measuring capability.

Measurement Approach



4.2

HOW WE WILL TRACK AND MEASURE OUR PERFORMANCE

| SARS KEY METRICS | | | | | |
|--|--|--------------------------------|---|--|--|
| SARS STRATEGIC PRIORITY | OUTCOME/OUTPUT MEASURE | Baseline (Committed Target) | TARGETS | | |
| | | 09/10 | 10/11 | 11/12 | 12/13 |
| A: DRIVE REVENUE REALISATION TO DELIVER NOW AND ENSURE SUSTAINABILITY | Revenue collected | R 590.4 billion | R 647.850 billion | R 721.477 billion | R 818.298 billion |
| | % Voluntary compliance (File and pay on time) | | Use on time filing on Personal Income Tax as an interim measure whilst developing and implementing voluntary compliance measures (On time filing & payment on all tax types) | Track performance of voluntary compliance against target (File and pay on time) | Track performance of voluntary compliance against target (File and pay on time) |
| | % On time filing (PIT) | 78.6% | 80% | 83% | 85% |
| | % Enforced compliance | | Use reduction in outstanding returns and cash collected from debt book as interim measures whilst developing and implementing enforced compliance measures (Expanded enforcement coverage) | Track performance of enforced compliance measure against target (Expanded enforcement coverage) | Track performance of enforced compliance measure against target (Expanded enforcement coverage) |
| | % Reduction in outstanding returns | 5% | 6% | 7% | 8% |
| | Cash collected from debt book | R 11.4 billion | R 12.4 billion | R 13.4 billion | R 14.4 billion |

| SARS KEY METRICS | | | | TARGETS | | |
|---|--|--|---|--|--|--|
| | | Baseline (Committed Target) | 10/11 | 11/12 | 12/13 | |
| SARS STRATEGIC PRIORITY | OUTCOME/OUTPUT MEASURE | 09/10 | | | | |
| B: DRIVE PRODUCTIVITY, SERVICE QUALITY AND COST EFFICIENCY | % Increase in productivity | | Develop and implement an Enterprise Capability Management System to enable productivity measurement | Track performance of staff productivity measure against target | Track performance of staff productivity measure against target | |
| | Revenue collected against staff cost incurred | 134:1 | 133:1 | 136:1 | 141:1 | |
| | % Adherence to Service Charter Standards | | Use contact centre first call resolution rate and escalation resolution turn around time as interim measures whilst implementing improved Service Charter Standards | Track performance against the targets of the Service Charter Standards | Track performance against the targets of the Service Charter Standards | |
| | % First contact resolution (Contact Centres) | 44% | 50% | 60% | 70% | |
| | Escalation turnaround time | | 15 days | 10 days | 5 days | |
| | Achievement on Taxpayer/Trader Satisfaction Index | | Develop and implement Taxpayer/Trader Satisfaction Index | Track Taxpayer/Trader satisfaction against satisfaction index target | Track Taxpayer/Trader satisfaction against satisfaction index target | |

| SARS KEY METRICS | | | | | |
|---|---|--|--|---|---|
| | | Baseline (Committed Target) | TARGETS | | |
| SARS STRATEGIC PRIORITY | OUTCOME/OUTPUT MEASURE | 09/10 | 10/11 | 11/12 | 12/13 |
| C: DELIVER ON OUR CUSTOMS MANDATE IN A WAY THAT IS ALIGNED WITH GOVERNMENT'S STATED INTENTIONS | Increase in ease and speed of declaration processing | | Use uptake in electronic declarations and adherence to target declaration processing turnaround time as interim measures whilst developing and implementing a metric focused on measuring the increase in ease and speed of overall declaration processing | Track performance on ease and speed of overall declaration processing against target | Track performance on ease and speed of overall declaration processing against target |
| | % Uptake in electronic declarations (SACU) | 36% | 50% | 60% | 70% |
| | % Adherence to turnaround time for electronic declaration processing (Including Imports & Exports, International & SACU, excluding Exceptions) | 72% within 2 hrs | 95% within 2 hrs | 95% in 1.5 hrs | 95% in 1 hr |
| | Increase in ease and speed of inspections | | Develop and implement a metric focused on measuring the increase in ease and speed of overall inspections | Track performance against ease and speed of overall inspections | Track performance against ease and speed of overall inspections |

| SARS KEY METRICS | | | | TARGETS | | |
|---|---|---|--|--|--|--|
| SARS STRATEGIC PRIORITY | OUTCOME/OUTPUT MEASURE | Baseline (Committed Target) | 10/11 | 11/12 | 12/13 | |
| D: CLARIFY OUR OPERATING MODEL, STREAMLINE GOVERNANCE, AND STRENGTHEN LEADERSHIP | Effectiveness of the new SARS Operating Model | | Use percentage employees with Development Plans linked to Career Model and "fit-for-purpose" employees placed as interim measures whilst developing and implementing a measure to determine the effectiveness of the newly implemented Operating Model | Track effectiveness of the Operating Model against target | Track effectiveness of the Operating Model against target | |
| | % Roles filled with "fit-for-purpose" employees against the design of the new structure | 92% of leadership roles, and 0% of identified impacted staff roles filled | 95% of leadership roles, and 45% of identified impacted staff roles filled | 95% of leadership roles, and 60% of identified impacted staff roles filled | 95% of leadership roles, and 75% of identified impacted staff roles filled | |
| | % Employees with Development Plans linked to Career Model placements | 99.6% employees placed with no (0%) Development Plans in place | 100% employees placed with 60% Development Plans in place | 100% employees placed with 70% Development Plans in place | 100% employees placed with 80% Development Plans in place | |
| | Increase in the Leadership Effectiveness Index | | Develop and implement a Leadership Effectiveness Index | Track performance against Leadership Effectiveness Index target | Track performance against Leadership Effectiveness Index target | |
| | Report issued by Auditor General | Unqualified | Unqualified | Unqualified | Unqualified | |

| SARS KEY METRICS | | | |
|---|--|------------------------------------|--|
| SARS STRATEGIC PRIORITY | OUTCOME/OUTPUT MEASURE | Baseline (Committed Target) | TARGETS |
| | | 09/10 | 10/11 11/12 12/13 |
| E: IMPLEMENT SEGMENTATION TO STRENGTHEN OUR BUSINESS MODEL | Progress against the design of the 10 segments | | Design of 5 segments completed (Large, Standard, Medium, Traders, Tax practitioners) Design of further 3 segments completed Design of further 2 segments completed |
| | Progress against implementation of the 5 priority segments | | Implementation of 3 priority segments (Large, Standard, Medium Business) Implementation of 1 priority segment (Traders) Implementation of 1 priority segment (Tax practitioners) |
| | % Compliance of the 5 priority segments | | Develop and implement capability to measure and monitor compliance by priority segments Track performance of segment compliance against target |
| | % Employee Engagement Index achieved | 54% | 55% 56% |
| | % Barrett score achieved | 25% | 20% 17% |
| F: ENABLE OUR PEOPLE TO PERFORM AT THEIR PEAK | % Staff adherence to Performance Management practice | 95% | 95% 95% |
| | Achievement of external Stakeholder Reputational Index | | Develop and implement an external Stakeholder Reputational Index Track performance of external Stakeholder Reputational Index against target |
| G: DEEPEN EXTERNAL RELATIONSHIPS TO ENHANCE REPUTATION AND RESULTS | Achievement of Corporate Social Investment (CSI) Index | | Develop and implement a Corporate Social Investment Index Track performance of Corporate Social Investment target against target |
| | | | Track performance of external Stakeholder Reputational Index against target Track performance of Corporate Social Investment target against target |



05

Our Resource Plan



5. OUR RESOURCE PLAN

5.1 EXPENDITURE ESTIMATES OVER THE MEDIUM-TERM EXPENDITURE FRAMEWORK

Our projected revenue and expenditure for 2010/11 to 2012/13 as provided for in the Estimates of National Expenditure is given below.

| | 2009/10 | 2010/11 | 2011/12 | 2012/13 |
|--|------------------|------------------|------------------|------------------|
| EXPENDITURE | R'000 | R'000 | R'000 | R'000 |
| Personnel Expenditure | 4,393,102 | 4,849,458 | 5,299,540 | 5,773,236 |
| Goods and Services | 1,890,271 | 2,090,684 | 2,286,911 | 2,501,467 |
| Balance Sheet | 23,000 | 19,000 | 19,000 | 19,000 |
| Baseline Capex | 188,363 | 217,730 | 226,190 | 250,163 |
| Business As Usual - Total Expenditure | 6,494,737 | 7,176,873 | 7,831,640 | 8,543,866 |
| Initiatives and Projects | 1,176,015 | 1,154,126 | 1,176,123 | 1,044,698 |
| Total Expenditure | 7,670,752 | 8,331,000 | 9,007,763 | 9,588,564 |
| INCOME | | | | |
| Treasury Allocation | 7,148,446 | 8,066,810 | 8,743,573 | 9,324,374 |
| Interest | 109,000 | 48,000 | 48,000 | 48,000 |
| Other income | 216,054 | 216,190 | 216,190 | 216,190 |
| Rollover cash for initiatives and projects | 197,252 | - | - | - |
| 2010 MTEF and other income | 7,670,752 | 8,331,000 | 9,007,763 | 9,588,564 |
| Total cost/revenue (%) | 1.30 | 1.29 | 1.25 | 1.17 |

5.2 OUR PROJECTED HUMAN RESOURCE CAPACITY

As described in our strategic priority relating to ensuring that our people perform at their peak, we will be investing in training and development and will prioritise the appropriate retraining of our staff to ensure that they are able to fulfil emerging capabilities that will enable our organisation to deliver optimally. The need to focus on developing our people and their capabilities is reinforced by ongoing modernisation, which eliminates the need for the routine processing of large volumes of work, enabling us to re-direct our human resources to more complex, value adding activities and those that require a human touch.

While we may need to invest in critical skills available outside the organisation as well as focus on building a skills inflow through our graduate and youth recruitment programme, we do not envisage that our staff numbers of approximately 15 000 will change significantly over the medium term, as we will primarily seek to develop our existing staff to meet changing business requirements.



Conclusion



6.

CONCLUSION

This plan is developed within the context of government's continuing determination to expand and improve the delivery of vital services to all South Africans and to enhance the productive base of the country through improved infrastructural development. Yet this expansion also takes place in the wake of the worst recession in 17 years.

In order for SARS to provide the means for government to deliver on these goals, the cornerstone of all SARS plans must be to improve the levels of compliance to tax and customs legislation. In order to achieve these higher levels of compliance SARS has, over the past few years, embarked on a sustained programme of improving its services (in order to make compliance easier), educating the public on their obligations and rooting out deliberate non-compliance.

At the heart of these efforts in the last two years has been a modernisation programme which is geared to making SARS data rich in order to have a more detailed knowledge of our taxpayers and traders in order to provide a more appropriate service and in order to detect non-compliance. This path has to date already delivered quicker and easier methods of tax filing, payments and goods clearance.

Additionally, most of these improvements would not have been possible without the development of effective partnerships between SARS and both public sector and private sector institutions.

Nevertheless, while tangible gains have already been achieved, there is considerably more that needs to be done and this plan reflects the continuation of this journey for the next three years.





Annexure



7. ANNEXURE

7.1

MATERIALITY FRAMEWORK

| PFMA SECTION | QUALITATIVE | QUANTITATIVE |
|--|---|---|
| OWN ACCOUNTS | | |
| <p><i>S55 (2)(b)(i-iii)</i></p> <p>a) Any material losses through criminal conduct;</p> <p>b) Disciplinary steps taken and/or criminal charges laid as a result of material losses (refer materiality amounts) through criminal conduct;</p> <p>c) Any irregular, fruitless and wasteful expenditure (as defined);</p> <p>d) Disciplinary steps taken and/or charges laid as a result of any irregular, fruitless and wasteful expenditure;</p> <p>e) Any losses written off or recovered.</p> | <p>All of the qualitative indicators to be subjected to the materiality levels as indicated in the Quantitative measures:</p> <p>a) Losses to be reported when all of the conditions below are satisfied:</p> <ul style="list-style-type: none"> - The loss has been quantified or can be reasonably estimated - A case has been opened with the SAPS when of a criminal nature; <p>b) Disciplinary steps taken and/or criminal charges laid as a result of material losses through criminal conduct</p> <p>c) Confirmed and reported Irregular, fruitless and wasteful expenditure that meets the definition of such expenditure. This will include transactions and contractual arrangements not necessarily incurred but entered into;</p> <p>d) Any Losses written off or recovered that have not specifically been addressed as a result of criminal conduct, irregular expenditure, fruitless and wasteful expenditure. This will include events not falling within the ambit of the above for example, natural disasters, vendor failure, and disaster recovery expenditure.</p> | <p>a) For all losses attributable to criminal conduct, irregular, fruitless and wasteful expenditure as well as other losses the values will be:</p> <ul style="list-style-type: none"> - the individual or cumulative losses of R5 million and above <p>b) Disciplinary steps taken and/ or criminal charges laid with regard to the above incidents.</p> |

| PFMA SECTION | QUALITATIVE | QUANTITATIVE |
|---|--|--|
| OWN ACCOUNTS | | |
| <ul style="list-style-type: none"> a) Any establishment or participation in the establishment of a company; b) Any 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 and or disposal of a significant asset; e) The commencement or cessation of business activity (the commencement or cessation thereof); f) Any significant change in the nature or extent of its interest in a significant partnership, trust, unincorporated joint venture or similar arrangement. | <ul style="list-style-type: none"> a) Any of the transactions or actions to be entered into Par (2) (a)–(c) will qualify to be included as these are not the normal business of SARS; b) Any acquisition or disposal contemplated in Par (2) (d) and approved by the Accounting Authority for the total Fixed asset category; c) Any business activity Par (2) (e) (the commencement or c essation thereof) that would impact on the ability of the Accounting authority to meet his mandate; d) Any significant change, the nature to be defined by the Accounting authority to fall under Par (2) (f). | <p>Unless exempted in terms of Sec 55(4) the following will apply:</p> <ul style="list-style-type: none"> a) Par (2) (a)–(c) – Any activities or transactions that meet the requirements of the said provisions; b) Acquisition and disposal of assets for the value of R250 million; c) Par (2) (e) as defined by the Accounting Authority d) Par (2) (f) any change as defined by the Accounting Authority. |



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