

SOUTH AFRICAN REVENUE SERVICE

STRATEGIC PLAN

2013/14 - 2017/18

ISBN: 978-0-621-41726-5
RP95/2013

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Abbreviations

AEO	Accredited Economic Operator
BCOCC	Border Control Operational Coordinating Committee
BMA	Border Management Agency
CBCU	Customs Border Control Unit
CIPC	Companies and Intellectual Property Commission
CIT	Corporate Income Tax
DHA	Department of Home Affairs
DTI	Department of Trade and Industry
DVD	Digital Video Disk
FATCA	Foreign Account Tax Compliance Act
FATF	Financial Action Task Force
FIC	Financial Intelligence Centre
GDP	Gross Domestic Product
HNWI	High Net Worth Individual
IACF	Inter-Agency Clearing Forum
ICBS	Interfront Customs and Border Solution
IRS	Internal Revenue Service
IT	Information Technology
ITA	Income Tax Act
JSE	Johannesburg Securities Exchange
MAAA	Mutual Administrative Assistance Agreement
MAWG	Multi-Agency Working Group
MTBPS	Medium Term Budget Policy Statement
MTEF	Medium-Term Expenditure Framework
NDP	National Development Plan
NHI	National Health Insurance
OECD	Organisation for Economic Co-operation and Development
OSBP	One Stop Border Post
OTP	One Time Password
PAYE	Pay As You Earn
PFMA	Public Finance Management Act
PIT	Personal Income Tax
PPS	Passenger Processing System
SACU	Southern African Customs Union
SANDF	South African National Defence Force
SAPS	South African Police Service
SARS	South African Revenue Service
SEDA	Small Enterprise Development Agency
SETA	Sector Education and Training Authority
SMS	Short Message Service
SSA	State Security Agency
TAA	Tax Administration Act
TAT	Turnaround Time
TCC	Tax Clearance Certificate
UN	United Nations
USA	United States of America
VAT	Value Added Tax
WCO	World Customs Organisation
XBRL	eXtensible Business Reporting Language

Foreword by
the Minister of Finance

01

01 | Foreword by the Minister of Finance

For the past five years government has been budgeting in the difficult context of the global financial crisis and its long-term consequences. Although there are signs that global growth will begin to accelerate over the medium term, the world economic outlook remains subdued.

It must be acknowledged, as the 2013 Budget does, that the pace of our own economic expansion is inadequate to address our country's needs. Our economy has continued to grow over the past year but growth has been slower than anticipated, as a result of both cyclical and structural factors.

The challenging period in which we find ourselves is apparent - tax revenue is R16.3 billion lower than the projections of the 2012 Budget, while the budget deficit increases to about 5.2% of Gross Domestic Product (GDP) for 2012/13.

South Africa has to give greater impetus to investment and structural reforms that will lead to faster growth, generate jobs, create new opportunities for emerging businesses and yield the revenue needed to meet long-term economic development and social expenditure goals.

The National Development Plan (NDP) proposes a new trajectory for accelerated and inclusive future growth and invites all of us to look beyond the current constraints towards our transformation imperatives for the next twenty to thirty years.

The 2013 Budget was the first to be tabled within the framework of the NDP and it marks the beginning of a process through which government departments and agencies will align their planning and expenditure to the objectives of NDP, the New Growth Path and other strategic government programmes. Over the longer term, the integration of the NDP into government's operational plans will strengthen alignment between the NDP priorities and budgets, and improve coordination across complementary areas of policy and expenditure.

The NDP recognises that we have considerable strengths upon which to build - a well-established legal system, secure property rights, an effective tax system, world-class higher education institutions, established infrastructure networks in transport, energy and communications and a sound macro-economic and fiscal framework.

The strategic programmes that the South African Revenue Service (SARS) presents in this report must be aligned with the NDP's priorities and, as the 2013 Budget Review notes, executive authorities and Parliament must hold departments and ministers accountable to meet these objectives.

GDP growth is a primary indicator of the health of an economy. Strong GDP growth generally indicates an economy where investment is increasing and jobs are being created. Since taxes are levied on economic activity, high GDP growth rates increase the size and value of the tax base that funds public spending.

As we've stated in the 2012 Medium Term Budget Policy Statement (MTBPS), we would have to reconsider our spending and revenue plans if the economic environment were to deteriorate in order to realise government's



fiscal objectives. To ensure that the deficit is narrowed and the fiscus moves towards debt stabilisation, government will now reduce its medium term spending plans by R10.4 billion.

Ours is a commitment to ensure that our national development is financed in a fiscally responsible manner - the level of social spending will continue to grow in real terms over the medium term but we will not introduce austerity measures to contain debt. The fastest growing elements of expenditure for 2013 will continue to be directed towards actions that support economic growth and job creation.

South Africa's fiscal response to the global crisis since 2009 has been larger and sustained for a longer period than the response of similar economies. Despite the narrowing fiscal space, we will continue to support the economic recovery through:

- Increased infrastructure spending, which grows at 3.4 per cent in real terms. The 2013 Budget adds R19.2 billion for key infrastructure projects.
- Job creation programmes also grow very rapidly. For instance, funds allocated to the community work programme will increase by 23 per cent, from R1.3 billion in 2013 to 2.5 billion in 2015/16.
- Supporting manufacturing competitiveness. The Department of Trade and Industry's (DTI) budget grows by 10.9 per cent a year, to reach R11.4 billion. This includes R5.5 billion for the manufacturing competitiveness enhancement programme and R2.1 billion for special economic zones over the medium term.

Government's commitment to restore economic growth is resolute, but the fiscal space available to do so is narrowing. This implies that we will need to do more with less. The key contribution that government will make in the years ahead is through an improvement in the quality of our spending by prioritising capital investment and reducing waste and inefficiency.

We will continue to relentlessly look for opportunities to improve the efficacy of spending and tighten supply chain management, starting with national and provincial government in this constrained fiscal environment. We will maintain firm control over public expenditure to ensure that South Africa's finances remain sustainable so that in 10, 20 or 30 years from now, our children do not have to pay for what we do today through spending cuts and tax increases.

Our national development is a long-term project that must be financed sustainably through the generation of tax revenues. Government needs a fair and equitable tax system that meets its growth and development objectives.

Over the past decade SARS has steadily broadened the tax base, both through policy reforms and improved revenue administration. This has made substantial tax relief possible, contributing both to disposable household income and lowering the cost of doing business for companies. The 2013 Budget announced a review of current tax policies to ensure that future public spending is supported by an appropriate revenue base. Part of this review will evaluate the current mining royalties regime with regard to its ability to suitably serve public finance priorities.

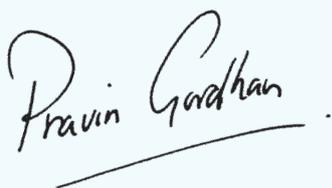
The review of the tax system will have a direct bearing on the work of SARS and its strategic path over the medium term. Millions of honest taxpayers in our country continue to sustain our growth and development and we owe it to this growing body of compliant citizens to ensure that they are not carrying the burden of those who benefit from our country's infrastructure and resources without paying their fair share of the costs.

The SARS Strategic Plan for the period 2013/14 – 2017/18 is being presented to Parliament and the broader public to outline SARS's strategies to sustain revenue yield, protect the tax base against erosion and limit the scope for leakage and avoidance. The strategic outcomes SARS has identified will seek to increase levels of compliance with tax and customs laws, increase the ease and fairness of doing business with SARS and to improve cost effectiveness of the organisation, its internal efficiency and promote institutional respectability for its operations.

As the NDP sets out, if the economy grows by more than 5% per year, government revenue will double in the next 20 years. Without faster growth, South Africa's finances will remain vulnerable to external shock for years to come.

The strategic programmes of SARS in this report will have to take the risks of an uncertain global outlook into account. It is anticipated that the demands on revenue collection growth will be between 10% and 11% per annum to ensure fiscal sustainability for our country. The medium term forecast is that SARS will have to collect R1.09 trillion in revenue by 2015/16!

As overwhelming as these projections may seem at this time, I remain absolutely confident in the ability of the institution and its management team to respond positively to these challenges.

A handwritten signature in black ink that reads "Pravin Gordhan". The signature is written in a cursive style and is positioned above a horizontal line.

Pravin Gordhan
Minister of Finance

Message from the
Commissioner

02

02 | Message from the Commissioner

SARS's core mandate is to ensure maximum compliance to all the laws that SARS administers, in order to ensure a sustainable revenue stream for government, and a controlled and safe flow of goods across the country's borders.

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



Everything the organisation does therefore is with these goals in mind. Since I began my tenure as the Commissioner of the South African Revenue Service, the organisation has had to contend with a challenging and uncertain global economic environment. In addition, as SARS continues to pursue its medium to long-term strategic ambitions, this context continues to cast a dark cloud on the country's economic growth prospects, including company profitability and employment prospects, as well as consumption in general. This of course has a direct bearing on the organisation's ability to collect the revenue required to fund the state's social and development programmes. To fund the state's social and developmental programmes, it is imperative to sustain and grow compliance levels amongst taxpayers and traders in this difficult environment.

In carrying out the SARS mandate, the organisation must also respond to wider government policy intentions and challenges. The Minister of Finance's Medium Term Budget Policy Statement - 2012 and the National Planning Commission's National Development Plan - 2030, both lay bare the challenges confronting South Africans and consequently SARS. SARS's response is not only in terms of the revenue collected for the state, the organisation is also expected to create an enabling tax and customs environment that facilitates faster economic growth, to help reduce the high levels of unemployment and poverty.

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

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

SARS also welcomes the proposed tax policy review as announced by the Minister of Finance in his 2013 Budget Speech and will actively support its successful completion. The review will provide an opportunity to comprehensively rethink tax policy in South Africa, particularly with regards to the taxation of small business, the agricultural industry and mining rights.

In the midst of this however, SARS has continued to perform (given the uncertain conditions) and build resilience into its systems and processes as well as laying the groundwork necessary to sustain the organisation's efforts.

As we march forward, it is important that SARS continues to work harder, smarter and more efficiently and look further ahead to preserve and build on the gains that have been made until now. This Strategic Plan presents SARS's long-term strategy to increase compliance, broaden fiscal citizenship amongst all South

Africans and improve internal governance efficiency and effectiveness of the organisation.

As in the previous Strategic Plan, SARS is again presenting its four core outcomes and key strategic shifts as the overarching framework to steer organisational efforts for the next five years. The key strategies and near-term initiatives that will move the organisation closer to realising these outcomes are outlined further below.

Core Outcomes:

- Increased customs compliance
- Increased tax compliance
- Increased ease and fairness of doing business with SARS
- Increased cost effectiveness, internal efficiencies and institutional respectability

In this strategic plan SARS is committing to:

- even stronger enforcement of the laws SARS administers in order to increase compliance amongst taxpayers and traders
- even more ease and fairness in the manner in which taxpayers and traders interact with SARS and vice versa
- ensure effectiveness and efficiency in the use of its resources

SARS will continue to build on the solid foundation laid down by the Modernisation Programme by further developing and deploying solutions to increase the efficiency and effectiveness of its systems and processes as well as its enterprise risk management capabilities. SARS will also develop and deploy new improved tools to enhance compliance management activities and taxpayer experience.

In his Medium Term Budget Policy Speech – 2012, Minister Gordhan notes:

“We are in this growth and development project together: business, government, workers, and citizens. If we are to reduce poverty, raise investment and create sustainable jobs, then we have to act jointly, on the strength of a shared strategy and common goals.”

In this plan SARS once again acknowledges the importance of securing the support and willing participation of all South Africans in the effective operation of the tax and customs systems. SARS’s aim in this regard is to broaden and grow compliance across the entire citizenry, as well as facilitation of legitimate movement of goods and passengers across the South African borders, the main focus being to reduce the long queues and waiting times at ports of entry. SARS’s attention over the past few years has been to improve services in order to raise compliance levels for the vast majority of taxpayers. SARS will now pay greater attention to those pockets of taxpayers whose compliance is not satisfactory, either because,

- they are unaware of their obligation; or
- SARS has not made it easy for them to comply; or
- they merely wish to behave criminally and evade their obligations.

In respect of the first two of these categories, SARS will ensure that it gets it “right from the start” – by getting to young people and the newly employed, or to newly formed businesses, even before their obligations kick in – and by widening its footprint (both physically and electronically) in order to improve accessibility to SARS’s

processes and services. In respect of corporates, SARS will seek to provide them with greater certainty in their tax affairs, through a more “cooperative compliance” approach and to expand the Preferred Trader Program which already seeks to adopt this approach in customs. With respect to the wilfully non-compliant, SARS will continue to expand both its enforcement capability and its penalties regime platform.

SARS is also quite aware that its success cannot be viewed in isolation to the rest of government. The complexity of the challenges that SARS faces, exceeds the capacity of a SARS viewing and implementing solutions in isolation. SARS believes that its effectiveness in the long-run is dependent on the effective functioning of other spheres of government. In this regard SARS will continue to partner with other government departments in order to improve the state’s overall effectiveness and efficiency.

SARS employees continue to be the heart of the organisation and the ultimate resource for successfully executing its mandate.

Ensuring increased compliance to customs and tax legislation and laws requires certain core capabilities and technical expertise in the interpretation, identification and mitigation of sophisticated schemes employed by certain groups of taxpayers in order to avoid or minimize their tax obligations. Future investment in the SARS workforce will augment the skills and training required for staff to perform at their peak and provide them with the opportunity to engage in challenging and meaningful work. The need to retain core capabilities and technical expertise will increase in importance in line with the complexities of the challenges the organisation faces.

SARS has a clear appreciation of its mandate as a tax and customs administration, but also acknowledges and appreciates its role in advancing the wider social and developmental goals of the state and this strategic plan is testimony to that.

As SARS marches forward once again, I am honoured to represent and provide leadership to the committed and professional workforce stationed at the many border posts, offices and taxpayer service centres around the country. I have great confidence in the talent and spirit of the organisation and its people to continue the good work and I am confident that SARS will meet the challenges it faces.



Oupa Magashula
SARS Commissioner

Values:

- Mutual Respect and Trust
- Equity and Fairness
- Integrity and Honesty
- Transparency and Openness
- Courtesy and Commitment

Background to SARS's
Strategic Plan

03

03 | Background to the SARS Strategic Plan

3.1 National Policy Direction

SARS's vision is informed by its legislative mandate. As an organ of state, its mandate outlines its obligations towards the state and its people. This mandate supports and is directly informed by a higher purpose, namely to contribute directly to the economic and social development of the country in order for government to meet its priorities.

The National Development Plan – 2030 is the primary policy framework for government and provides the first layer of government policy for SARS to carry out its responsibilities and align its plans. The National Development Plan provides a clear account of the challenges that the country is facing as well as the strategic choices that must be made to create a better life for all South Africans.

The nine primary challenges as described in the NDP are:

1. Too few people work
2. The quality of school education for black people is poor
3. Infrastructure is poorly located, inadequate and under-maintained
4. Spatial divides hobble inclusive development
5. The economy is unsustainably resource intensive
6. The public health system cannot meet demand or sustain quality
7. Public services are uneven and often of poor quality
8. Corruption levels are high
9. South Africa remains a divided society

As a response to the above challenges, the NDP aims to eliminate poverty and reduce inequality by 2030 by:

- Raising employment through faster economic growth
- Improving the quality of education, skills development and innovation
- Building the capability of the state to play a developmental, transformative role

It recognises three key capabilities to achieve this: strong leadership, active citizenry and effective government. These are necessary to achieve two primary goals by 2030:

- Eliminate income poverty – reduce the proportion of households with a monthly income below R419 per person (in 2009 prices) from 39% to 0%
- Reduce inequality – reduce the Gini coefficient from 0.69 to 0.60

The NDP states that to do this will require increasing employment from 13 million in 2010 to 24 million in 2030, raising per capita income from R50 000 in 2010 to R120 000 in 2030 and increase the share of national income of the bottom 40% from 6% to 10%.

The National Development Plan – 2030 is the primary policy framework for government and provides the first layer of government policy for SARS to carry out its responsibilities and align its plans.

Creating 11 million additional jobs will require:

- Improving economic policy coordination and implementation
- Building partnerships between the public sector, business and labour to facilitate, direct and promote investment in labour intensive areas
- Raising competitiveness and export earnings through better infrastructure and public services, lowering the cost of doing business, improving skills and innovation, and targeting state support to specific sectors

3.2 The role of SARS in the wider Government and National Agenda

In order to achieve the objectives of the National Development Plan, SARS will continue to effectively collect the revenue required by government to meet its fiscal and policy responsibilities as well as continue to facilitate legitimate trade in order to grow the country's economy. In addition SARS will promote effective government, strong leadership and active citizenry by:

- Continuing to improve service and raising compliance
- Continuing to partner with other government units to improve the state's overall effectiveness and efficiency
- Engaging with other players in tax and customs administration, regionally and internationally
- Reducing the cost of compliance and the cost of doing business in South Africa
- Raising the competitiveness and export earnings of the country through efficient and effective facilitation of legitimate trade
- Ensuring that SARS is corruption free and assisting in anti-corruption measures across government, particularly in procurement processes
- Drawing all citizens and entities into a relationship with SARS

3.3 SARS's Operating Environment

This section identifies several assumptions about the external and internal environments that inform our strategic planning process. Key topics include the Census 2011, trends in the global tax environment, economic trends and key strategic risks facing SARS and what these changes imply about SARS's ability to collect the revenues needed to finance government priorities and increase compliance.

3.3.1 Census 2011

The 2011 Census provides valuable insight on how South Africa has progressed in the last decade. Some of the salient features of the census report indicate the following improvements in the general well-being of the country:

- Over 76% of South Africans live in formal dwellings

- 53% of these dwellings are owner-occupied, with 41% fully paid off
- 91% of South Africans have running water in their houses or yards
- 85% of South Africans have electricity in their homes, 68% have refrigerators and 75% have televisions
- 89% of South Africans have cell phones
- 75% of South Africans have formal education, 41% of which is secondary or higher
- Household income has increased by 113% between 2001 and 2011
- Household sizes are becoming smaller, from 5 to at least 3 people per household
- Median mortality age has increased from 22 to 25 years old
- More people are migrating to urban areas, more to Gauteng (net migration of 4.3 million people, including foreigners)

SARS will utilise the information emanating from the census to further improve and expand its services and compliance message to the rest of the population.

3.3.2 Global economic environment

The SARS Strategic Plan 2013/14-2017/18 is set in the context of continuing financial stability concerns in the Euro zone, with the economic environment characterised by a slow and fragile recovery. In major non-Euro zone economies such as the U.S., there are signs of tentative improvement in growth albeit moderate. In the emerging economies, particularly India and China, there are observable indicators of growth rebound following the restrained pace of growth in 2012. Consistent with global economic activities, world trade has shown gradual acceleration in momentum, with inflation declining in advanced economies, but mixed in emerging economies. Globally, unemployment remains a challenge, with signs of moderation in some major advanced economies. Overall the global economic overview and prospects will remain muted, diverse and challenging for households, businesses and will continue to exert pressure on tax revenues.

3.3.3 Domestic economic environment

The process of economic growth as measured by the rise or decline in real Gross Domestic Product (a comprehensive measure of economic performance activity of a country) invariably affects tax revenue receipts and ultimately affects government's ability to spend and its levels of borrowing. The current global economic environment, which is characterised by slow growth, has produced significant shocks worldwide that have led to drastic changes in tax revenue performances and large swings in government deficits and debts.

South Africa has not been immune from the impact of the slow global economic recovery and from its own internal macroeconomic factors, which in turn have had a negative impact on the performance of tax revenue and level of tax compliance. This will ultimately have a negative impact on government spending and borrowing.

3.3.4 Global tax environment

The proliferation of sophisticated tax avoidance and evasion schemes continues to rise despite efforts to address them, leading to a perceived unfair erosion of the tax base of countries and possibly causing serious risks to the countries' fiscus.

According to a recent Organisation for Economic Co-operation and Development (OECD) report (Addressing Base Erosion and Profit Shifting: 2013), multinational corporations continue to use sophisticated schemes (use of cross-border structures, transfer pricing arrangements, intragroup transactions, hybrid mismatches) to exploit loopholes in local tax codes, double taxation agreements and tax treaties to avoid or significantly minimise their tax obligations in countries where they operate and make profits. The report gives detailed analysis of data on:

- Statutory income tax vs. effective tax rates of multinational companies
- Levels of foreign direct investment in countries – with particular emphasis on foreign direct investment conducted through special purpose entities
- Changes in corporate tax revenues as a percentage of Gross Domestic Product (GDP) over a period of time

The report concludes that based on the analysis (albeit inconclusive) there is an abundance of circumstantial evidence of a rise in base erosion and profit shifting behaviour by multinational companies.

The report also describes the developments in the global economy that have an impact on the way businesses are organised and as a consequence, on the management of their tax affairs. The report cites the following developments as facilitating the development of global business models that shift productive activities to locations that are distant from the location of customers:

- Free movement of capital and labour
- Shift of manufacturing bases from high-cost to low-cost
- Gradual removal of trade barriers
- Technological and telecommunications developments
- The ever growing importance of intellectual capital and digital products

The report also identifies several areas of concern in the international tax system that provides opportunities for base erosion and profit shifting behaviour of multinational entities:

- Differences between the rules in domestic tax systems for the classification of entities and some financial instruments
- Tax treatment of inter-group financial transactions that permit relatively high leveraging of group companies in high-tax jurisdictions
- Transfer pricing rules that permit inappropriate allocation of risk to related parties in low-tax jurisdictions

The introduction of the Foreign Account Tax Compliance Act (FATCA) in the United States of America is an important development in its efforts to improve tax compliance involving foreign financial assets and offshore accounts.

- Anti-avoidance measures such as general anti-avoidance rules, controlled foreign corporation rules, thin capitalisation rules and rules to prevent treaty abuse that are ineffective in preventing tax avoidance
- Existence of harmful preferential tax regimes

The Group of 20 countries (G20 - of which South Africa is a member) has specifically recognised base erosion and profit shifting employing the above schemes as a major area of concern that could threaten stability of countries. The G20 has agreed to adopt the proposals of the OECD report to counter these abusive schemes.

Individual countries are also taking the initiative to introduce regulatory and legislative reforms to counter these schemes. The introduction of the Foreign Account Tax Compliance Act (FATCA) in the United States of America is an important development in its efforts to improve tax compliance involving foreign financial assets and offshore accounts. The South African government, through the SARS, National Treasury and Financial Intelligence Centre (FIC) has begun negotiations regarding unilateral inter-governmental agreement with the United States (US) government on information exchange specifically relating to FATCA. Although this agreement focuses on US citizens, the overall aim is to improve information gathering from financial institutions through improved automatic exchange of information with other treaty partners. South Africa seeks reciprocal multi-lateral agreements on tax matters.

The Global Forum's Mutual Administrative Assistance Agreement (MAAA) should be ratified during the course of this year. Once ratified, it will increase SARS's information exchange scope with jurisdictions that currently do not have bilateral agreements with SARS. This will also facilitate SARS compliance efforts (particularly debt collection efforts) which would not have been possible under existing double taxation agreements.

Developments in the global tax environment have implications for the manner in which SARS collects the revenue required to meet government's fiscal responsibilities. These developments will also affect the perceived fairness of the overall tax system of the country if no action is taken. SARS must keep up with these ever changing schemes and develop the skills and collaborations needed to ensure that erosion of the South African tax base is prevented from happening and that everyone that has the use of the country's public resources pays their fair share of taxes they owe.

3.4 Continuing risks facing SARS

As with the previous strategic plan, this plan assumes key strategic risks for SARS over the next five years. These risks stem from SARS's exposure to the local and global economic climate, the compliance behaviour of taxpayers and traders in response to this climate and the risks stemming from SARS's own operations.

3.4.1 Fiscal pressures exacerbate revenue collection pressure on SARS

Uncertainties in the global economic environment, a widening budget deficit and an increasing public debt-to-GDP ratio place increasing pressure on SARS to meet challenging revenue targets. The existing tax base continues to be placed under pressure to help deliver economic relief, provide assistance to the unemployed and help fund government's expenditure requirements.

The recent strikes in the mining and agricultural sectors have also had a negative impact on the company tax and Value Added Tax (VAT) revenue due to massive losses in these sectors.

3.4.2 The threat of illicit economy is growing and is undermining the formal economy, and will impact negatively on tax revenues

The illicit economy is a serious threat to legitimate forms of business and financial activity and undermines economic growth and the tax revenue base. Illicit economic activities contribute towards many of the social ills currently found in South African society. Some of these activities include smuggling and the sale of contraband cigarettes, drug abuse, wildlife exploitation and illegal immigration. Illicit economic activities also have the effect of eroding the formal tax base from which SARS will collect tax revenue. It is estimated that there is an annual loss of between R4.5 billion and R6 billion to the fiscus due to the smuggling and consumption of contraband cigarettes.

3.4.3 Unfavourable public perception of poor state service delivery and corruption pose the largest compliance risk to SARS

Research and empirical evidence show that taxpayer's attitude towards compliance, and their willingness to comply, is influenced by how they perceive public funds to be utilised. Concerns about corruption in the public sector remains an issue. Recent surveys show that corruption has replaced crime as the number one issue concerning South African citizens.

Perception about the quality of service delivery is equally a serious concern. Recent protests about poor service delivery bear testimony to this. The media has published articles questioning the need for citizens to fulfil their tax obligations, when parts of the State are allegedly corrupt or incompetent. These factors affect SARS's ability to achieve compliance.

3.4.4 Potential widening of SARS mandate as part of Government's efforts to improve service delivery

The government remains committed to improving service delivery to its citizens. In order to achieve this in a cost effective manner, a high degree of coordination and collaboration is required among different state organs, and distinctive capabilities residing within one state organ should be considered, in order to improve the entire state processes or to deliver better services to the South African public.

The SARS mandate may potentially be widened to cater for the following:

- Government aims to balance trade facilitation to enable economic growth with improved border security to combat the illicit movement of goods and people. To achieve effective border security, a Border Management Agency (BMA) model has been proposed to ensure greater operational synergies among the different processes at the border and provide clear delineation of responsibility and accountability for all the required aspects of border management. Under this model, the aspects of SARS's mandate pertaining to the protection of South Africa's borders will be impacted
- The National Health Insurance (NHI) scheme initiated by government aims to ensure that all citizens have access to primary health care through a state-funded health insurance scheme. SARS will need to cater for any additional taxes that may need to be collected to fund this scheme. Furthermore, SARS may be required to administer the payment of claims, through leveraging the risk management principles, platforms and systems it has developed for the tax and customs environment. This would mean a significant shift in SARS's mandate and will require a rethink of how we do business
- In addition, as part of SARS's strategy to pursue a 'whole of government approach', SARS has been involved in collaboration efforts with other government departments [e.g. the Department of Home Affairs – (DHA) and The Companies Intellectual Property Commission – (CIPC)]. SARS is looking to leverage citizens and company data held by these two government departments in order to simplify citizens and companies interaction with government

The risk inherent in the above is that failure to adequately plan and capacitate SARS for the potential widening of the mandate may have an adverse effect on the execution of the current mandate.

3.4.5 Businesses are increasingly using sophisticated and complex financial schemes to evade their tax obligations and minimise the impact of slow economic recovery on profitability

SARS has detected an evolution from businesses utilising domestic and international loopholes to evade tax, take advantage of cross-border structuring and transfer pricing manipulations. Some of the contributing factors are:

- Global economic uncertainty has resulted in multinational companies seeking 'innovative' ways to protect profitability and their returns to shareholders by reducing their tax burden
- Growing presence of multinational corporations in South Africa, which account for nearly 70% of worldwide trade, have the greatest ability to shift profits from high tax jurisdictions to low tax jurisdictions
- Developing countries, such as South Africa, are likely to be the most impacted by transfer pricing manipulations as the current OECD and United Nations (UN) transfer pricing frameworks are seen to favour developed countries (e.g. due to the use of comparable data that is more relevant in developed countries). The relative shortage of transfer pricing skills and expertise in these jurisdictions is another likely factor

3.4.6 Non-compliance of high net worth individuals and the use of trusts to conceal their income

Analysis shows that a significant number of high-net worth individuals (HNWI) are under-declaring their income, resulting in significant revenue losses. SARS's collaboration with banks have indicated that there are between 10 000 to 20 000 individuals that meet the high net worth threshold, i.e. either R7 million in annual income or R75 million in assets. However, a significantly lower number of these have declared their true worth with SARS.

3.4.7 VAT fraud and refund pressures

The VAT systems and processes within SARS will continue to be placed under pressure as businesses respond to the impact of the slow economic recovery on their businesses. There is thus an increased chance of VAT fraud taking place, i.e. over-claiming of input VAT or under-declaration and/or non-declaration of output VAT to protect the profitability of the business concern. In this regard, SARS is looking to be a lot more vigilant at time of vendor registration. SARS will however continue to improve turnaround times (TAT) in processing legitimate refunds to ensure that vendors have liquidity to sustain their businesses during these challenging times.

3.4.8 Continued growth in the taxpayer overdue debt

Growth of the debt book is mainly due to poor accounts maintenance and the impact of the slow economic recovery on taxpayers' ability and willingness to pay. The SARS debt book continues to grow at an undesirable rate. As at 31 March 2012, the debt book (excluding debt not yet due) was R88.6 billion, up from R87.5 billion as at 31 March 2011. While part of the growth is attributable to the slow economic recovery, manual paper-based processes posed challenges to the integrity of taxpayer accounts. The planned modernisation of the debt environment will aid greatly in improving the maintenance of taxpayer accounts and improve debt collection and management efforts.

3.4.9 Succession Risk

Delivery of the SARS strategic plan is heavily contingent on the continuity and stability of organisational leadership. Much of SARS's success in the past has been a result of the relatively long tenures of the senior leadership team. However, approximately 20% of the senior leadership could potentially be leaving in the next four years, due to either retirement or the expiration of contracts. Many of the skills concerned are extremely scarce resources in South Africa and critical to SARS. Addressing this will require a carefully planned transition to the new leadership through identification of potential successors and ensuring an adequate grooming and handover process.

Overview
of SARS's Strategy

04

04 | Overview of SARS's Strategy

4.1 SARS's Enduring Strategic Outcomes

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

Given this objective, SARS has established four enduring core outcomes for the organisation that will serve as the foundation for all current and future strategies. The four core outcomes of SARS are to:

- Increase customs compliance
- Increase tax compliance
- Increase ease and fairness of doing business with SARS and to
- Increase the cost effectiveness, internal efficiency and institutional respectability of its operations

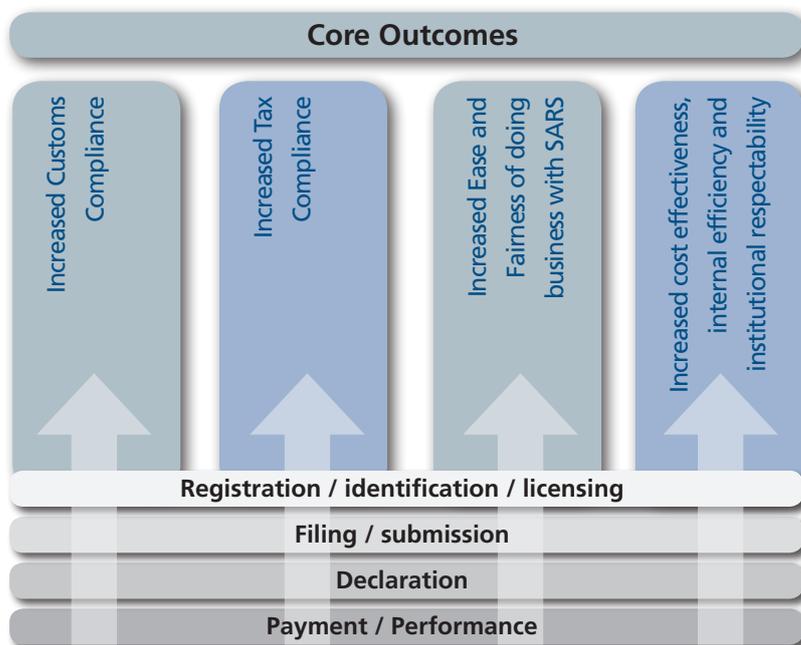


Figure 1: SARS's four strategic outcomes

All four outcomes are interdependent and mutually reinforcing, as the pursuit of one outcome frequently enables the achieving of another outcome. The overall goal of SARS is to optimise these four outcomes with each reinforcing the other so that the overall impact is greater than their sum. Increasing cost effectiveness, internal efficiency and institutional respectability builds trust and confidence, which results in increased compliance and ultimately leads to greater revenue collection. Similarly, increasing the ease and fairness

of doing business with SARS encourages growth in the tax register, and as the register grows, with adequate and accessible processes and systems, tax compliance may increase, ultimately leading to greater revenue collection.

It is SARS's desire to work together with CIPC, Department of Trade and Industry (DTI) and DHA to simplify this process for the benefits of citizens and traders

All four of these outcomes apply equally to all the main steps in the SARS value chain from registration through filing and full declaration to payment. For example, compliance with registration must be achieved in a way that makes compliance easy (not only to achieve greater levels of compliance, but also to make it easier to start a business in South Africa) and this needs to be carried out efficiently and cost effectively. It is SARS's desire to work together with CIPC, Department of Trade and Industry (DTI) and DHA to simplify this process for the benefits of citizens and traders.

These outcomes shape and guide SARS's current and future goals and strategies and results in the short and long-term. SARS ensures its accountability by measuring performance against targets set for each of the outcomes.

4.2 SARS's overarching strategies to achieve the four outcomes

4.2.1 SARS's philosophy on taxpayer and trader compliance

Compliance refers to the degree to which taxpayers and traders meet their obligations in terms of the legislation administered by SARS. This means inculcating a behavioural norm in which compliance to legislation is popularly perceived as a positive social value. Compliance must manifest along the entire value chain, which includes 'on-time registration', 'on-time filing', 'full and honest disclosure' and 'on-time payment'. In turn, taxpayers and traders who comply can look forward to speedy service, quick turnaround times (TAT), quick payment of refunds legitimately due and ease of trade.

Compliance can be achieved by ensuring that all taxpayers are aware of their legal obligations (education), that it is reasonably easy to meet these obligations (service) and by having a credible deterrent and consequence for those who seek to avoid their obligations (enforcement). A range of legislation that covers economic protection (e.g. customs duties), social protection (e.g. taxes on cigarettes) and national security (e.g. customs controls at ports of entry) enables SARS to grow compliance in a newly democratic country.

SARS understands compliance as a continuum that ranges from conscious and determined non-compliance through 'grudging' compliance to unwitting non-compliance (due to a lack of knowledge of legal requirements) and finally to willing and purposeful compliance. A certain number of people will always do the right thing, others will always do the wrong thing and most people fit between these two extremes, i.e. they will do the right thing if the circumstances are right for them. SARS aims to move as much of the population as possible up the continuum into the willing and purposeful compliance range. This is achieved primarily through education of taxpayers and traders, providing a streamlined and

friendly service, as well as by full enforcement of the law against non-compliant taxpayers and traders.



Figure 2: SARS Compliance model

An intersection of individual and societal values and norms affects compliance behaviour. Therefore, to ensure compliance SARS has to design, implement and manage the whole system that enhances perceptions of fairness (e.g. "everyone pays their share"), reduces administrative burden and acts against infringements accurately and speedily.

Historical factors, particularly the past political environment, fostered a legacy of widespread non-compliance. SARS plays an important role in building respect for the law and in creating a culture of compliance in South Africa.

SARS believes that non-compliance is most meaningfully dealt with by addressing the root causes of non-compliance and strengthening the factors that promote compliance. SARS sees a necessary and essential role for taxpayer education, enhancements to taxpayer services and enforcement interventions in mitigating causes of non-compliance and encouraging taxpayer compliance.

Non-compliance may be due to ignorance, inability or intent. Each of these non-compliance elements may have legal, economic, regulatory, system or behavioural drivers. Because of this complexity, it is necessary to determine the root causes of the non-compliance with precision in order to determine the most effective action to address the non-compliance. Inappropriate responses may exacerbate non-compliance rather than reduce it. SARS addresses these challenges through its risk engines and access to other sources of data.

Non-compliance is addressed through a range of educational, service, deterrence or fool-proofing measures. One key element of deterrence is effective detection of non-compliance. SARS does this through its risk engines, as well as increasingly linking up with powerful sources of third party data such as financial institutions, credit bureau and other government departments.

In order to be effective in bringing about greater compliance, SARS focuses on high risk areas with minimal intervention in low risk areas. This means that SARS has to segment the taxpayer population according to the level of risk and service needs and this requires that

SARS activities be data-driven to enable SARS to match its response to the profile of each segment.

In carrying out enforcement or deterrence measures, a principle of proportionality is applied, which matches the severity of the enforcement or deterrent action to the nature of the non-compliance. In other words, enforcement moves along a continuum from soft enforcement (for unwitting non-compliance and for lesser degrees of non-compliance, first offences, etc.) to hard enforcement (for conscious, deliberate non-compliance, e.g. multiple offenders, recalcitrant non-compliers, etc.).

SARS's coverage strategy is a combination of **width** (the need to ensure sufficient likelihood of detection of non-compliance), **depth** (sufficient thoroughness where it is necessary) and **leverage** (combined activities to have broad impact on a segment).

4.2.2 SARS's key strategic shifts

As part of SARS's rolling five year Strategic Plan, the organisation adopted eight cross-cutting fundamental shifts to the manner in which it will go about carrying out its business and thus pursue its four core outcomes. These strategic shifts will inform the work of every detailed strategy, programme and initiative carried out in the organisation. These crosscutting shifts are listed in the table below and a brief explanation of how each shift will help SARS achieve its four core outcomes is provided in the paragraphs that follow.

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

Table 1: SARS's eight key shifts

In order to increase customs and tax compliance:

- SARS is building a reality of fiscal citizenship in which every South African and all businesses operating in South Africa are included in the scope of SARS's view, even if at any particular point in time they are not eligible to pay tax or submit returns. This also includes building a relationship with all South Africans to educate them on the importance of their tax contribution. An ever-increasing collaboration with the Department of Home Affairs and the Company Intellectual Property Commission is critical to facilitating this objective
- SARS has shifted from an ineffectual gate keeping approach to a focused risk management approach to compliance. This involves focusing enforcement activity on areas of highest risk while automating areas of lesser risk. This has been largely achieved by increasing access to third party data and by increasing third party validation of declarations. Through the pre-population of declarations from third party data, it is possible to reduce the opportunity for false or inaccurate declarations. This has been mainly achieved by SARS becoming data and information rich in order to identify trends and specifics of non-compliance
- By increasing and integrating data from multiple sources, SARS will increasingly be able to gain a complete economic understanding of the taxpayer/trader across all tax types and all areas of economic activity. The introduction of withholding tax on dividends and interest is gradually also helping to narrow the tax gap and forces tight exchange of electronic information from financial institutions, insurance companies and pension funds to SARS. And by moving from a transactional to an economic view of the taxpayer/trader SARS will be able to provide a more appropriate service and at the same time detect inaccuracies in declarations as well as identify those who have attempted to stay outside the tax net
- The shifts from gate keeper to risk management as well as from transactional to an economic view enables SARS to focus enforcement activity more effectively on cases of highest risk and to proportion the level of enforcement activity to the scale of the risk. Additional to these compliance strategies and in order to ensure consistency in compliance behaviour – SARS is increasingly using administrative penalties to deter administrative non-compliance (e.g. failing to file on time)

The taxpayer and trader's ease and fairness of doing business with SARS are being addressed by:

- Segmenting specific categories of taxpayers and traders in order to provide a service appropriate to taxpayer/trader needs
- The application of risk based processing which avoids the need to examine every taxpayer/trader or every transaction in favour of those where a high risk of non-compliance is detected. This speeds up service delivery to 90-plus percentage of taxpayers and traders for whom little risk is identified
- Reducing manual paper based processes to electronic digital and self-service channels resulting in quicker processing with fewer errors
- Increasing the speed at which SARS interacts with taxpayers – the example of SARS now providing real time assessment of individual tax submissions when submitted electronically is evidence of this

- Reducing long and complex forms into dynamic flexible forms suitable to the specific requirements of the individual taxpayer/trader
- Reducing multiple forms/applications into single forms/applications (e.g. registration)
- Reducing errors and the administrative burden on taxpayers and traders by pre-population of forms from third party data, resulting in quicker processing with fewer errors
- Expanding the SARS footprint and mobility with the view to further improve service delivery and accessibility to taxpayers and traders in urban and outlying areas
- Modernising the issuing of tax clearance certificates by providing an electronic based system which will do away with the long queues, reduce customer's frustrations and increase the ease of doing business with SARS. The new system will allow taxpayers to check their current compliance and apply for tax clearance online. If compliant, a one-time-password (OTP) will be issued which the taxpayer will make available to the 3rd party who can then use the OTP to check, on a real-time basis, that taxpayer's current compliance status

The cost effectiveness, internal efficiency and institutional respectability of SARS and its related government entities will be increased by:

- Driving values consistent with the objectives/outcomes in order to achieve alignment, eliminate corruption and achieve a commitment to service
- Moving from low skill, low value-adding activity to high skill, high value-adding activity for the majority of SARS personnel
- Moving from an isolated departmental view of SARS efficiency to a whole of government view which sees SARS assisting in the enhancement of value chain activities both before and after it enters SARS's domain in order to build a chain of institutional respectability in the pursuit of service delivery excellence for SARS and its other government partners
- Reducing manual processes and receiving taxpayer/trader data in electronic form, which both speeds up the processing of information and reduces the likelihood of errors and the need for rework
- Moving to standardised internal processes, as well as automating routine activities and moving staff to value adding activities closer to the taxpayer/trader – either in service functions or in enforcement functions
- Automating queue management and reporting in order to optimise taxpayer and trader contact and in order to assist more taxpayers and traders without increasing the number of personnel

SARS's Strategic Journey

05

05 | SARS's Strategic journey

5.1 Amalgamation : 1997 - 2000

The foundation for SARS's reinvention began in 1997 when SARS was established following the amalgamation of the then old Inland Revenue and Customs & Excise Departments (including those under the former homelands jurisdictions) and given administrative autonomy with a new mandate in terms of the SARS Act to:

- collect all revenues due
- ensure optimal compliance with tax and customs legislation and provide a customs service that will optimise revenue collection
- protect our borders and facilitate trade

This resulted in a single tax and customs authority for the entire country that was responsible for tax and customs compliance amongst corporates and individuals. In order to be able to carry out this very challenging task SARS had to embark on a strategy of on-going transformation that has reshaped the organisation in fundamental ways ever since.

The key priority was to bring together in a cohesive manner, separate and disparate entities with fundamentally different cultures and systems. Some of the early priorities arising out of the creation of SARS were: the creation of a single organisational structure the creation of a single operating platform and the creation of a single leadership structure.

During this period, there were notable improvements in taxpayer service as well as operational effectiveness and efficiency as demonstrated by:

- A significant growth in individual and company tax registers from March 1999 onwards, owing to improved capacity to enforce compliance as well as improved debt management
- Revenue growth was exponential owing to partly improved capacity

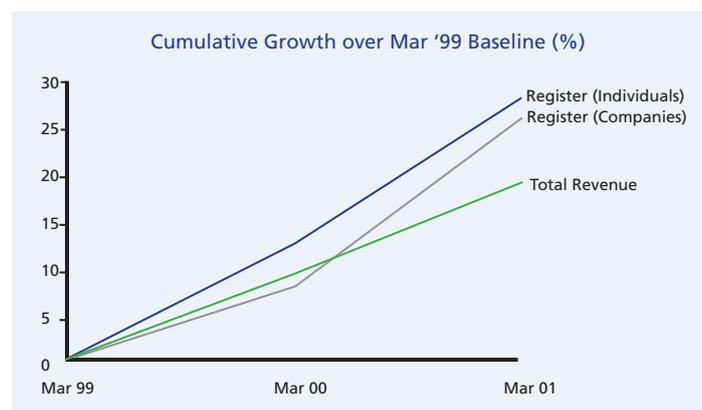


Figure 3: Growth of tax register & revenue

The successful amalgamation of disparate entities under a common mandate resulted in significant gains in revenue and taxpayer and trader compliance as well as staff morale in general. These initial successes helped to build confidence amongst taxpayers and the public in general and enabled the government to have some stability in its fiscal responsibilities. However, (and notwithstanding the early successes), it was always understood and expected that the consolidation process would be quite a challenge. Legacy issues (for example, different and outdated computer systems, duplication of processes, inward facing processes, low staff morale, incompatible staff profiles, inadequate skills) would continue to pose a great challenge and would require more effort and may take much longer to be

successfully addressed. A need therefore arose to embark on a new path to address these shortcomings and to build on the gains arising from the consolidation phase.

5.2 Siyakha – ‘we are building’: 2000 – 2006

In 2000, SARS launched the “Siyakha” programme. This was embarked upon in order to make SARS a more effective and efficient tax and customs administration. The main theme this time was around creating a streamlined process platform as well as setting-up the physical infrastructure required to address the needs of a growing and demanding tax base.

Priority areas for the “Siyakha” phase in the SARS transformation were to: improve effectiveness and efficiency of core business processes through standardisation; improve processing times; eliminate duplications; transform facilities and physical infrastructure; improve taxpayer liaison channels and improve role clarity. Major technology enhancements were deliberately excluded during this phase (process first, technology later).

Priority areas for the “Siyakha” phase in the SARS transformation were to: improve effectiveness and efficiency of core business processes through standardisation

This period was associated with increases in productivity as well as further broadening of the tax base. The tax register grew by 67% during the period from 2001 to 2006. Revenue collection grew cumulatively by 61% in the same period. Overall compliance and processing volumes had grown exponentially by 2006.

At the same time headcount remained fairly stable, growing by 22% over the same period. This growth trajectory highlighted the challenges that SARS would face into the future, if it continued utilising outdated and inward facing processes and legacy systems to service and deal with a rapidly growing number of taxpayers and traders, as well as the increasing volumes of transactions.

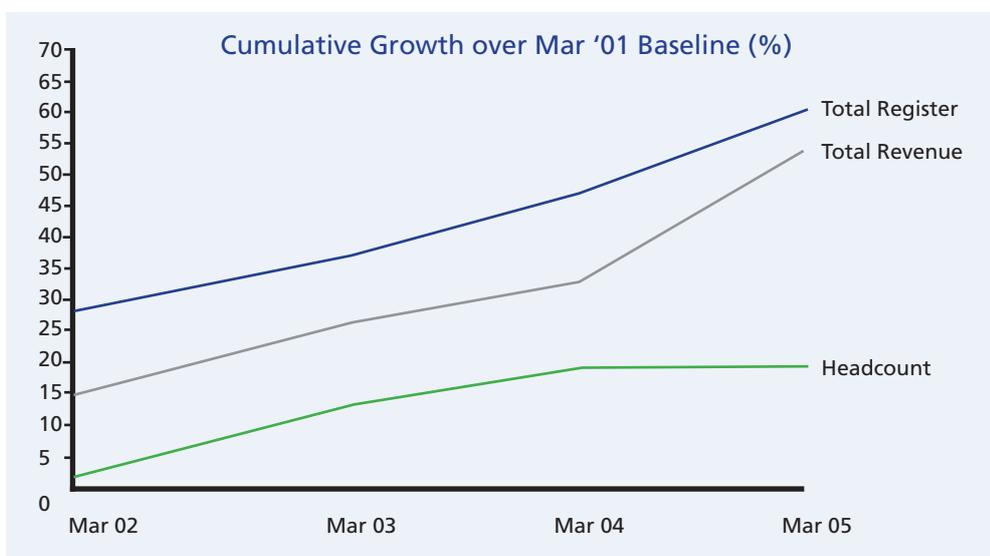


Figure 4: Cumulative growth of revenue, headcount and tax register

5.3 Modernisation: 2007 – 2014

The SARS Modernisation Programme was SARS's strategic response to positioning the organisation to effectively and cost-efficiently meet its mandate

The SARS Modernisation Programme was SARS's strategic response to positioning the organisation to effectively and cost-efficiently meet its mandate. Its broad objectives were to: sustain the momentum of the previous phases and build further capability by improving and introducing new systems capability (by automating where possible) and introducing new and smarter ways of doing business and thereby improving the taxpayer and trader experience of SARS as well as ease the burden of complying with SARS requirements. Key priority areas for the Modernisation Programme were to:

- acquire the relevant human resources skills to deal with high revenue generating taxpayers and traders requiring specialised skills to improve tax and customs compliance
- reduce human effort on processing medium revenue generating taxpayers and traders to increase ease and fairness of doing business with SARS and to become more cost effective and internally efficient
- effectively deploy human resources to broaden engagement with low revenue generation taxpayers and traders to improve tax and customs compliance. Modernisation enables the automation of routine low value adding activities and frees up resources to focus on more complex higher yielding work and provide better customer service

The Modernisation Programme was planned to be carried out in phases over a seven year period and successful completion of the remaining elements of the programme will be a key component of the SARS strategy over the next five years. Some of the key achievements of the Modernisation Programme to date include:

Service Enhancements

- Growth in electronic interaction - Across the board, there has been a significant increase in the use of electronic channels for filing income tax returns. Electronic processing of Personal Income Tax (PIT), Corporate Income Tax (CIT), VAT, Pay-As-You-Earn (PAYE) and Provisional Tax increased by more than 85% over the past 5 years of modernisation. The increase in electronic processing has enabled dramatic improvements in turnaround times, customer service and convenience. Major improvements in processing turnaround times – A reduction in the processing of PIT returns from an average of +55 working days in 2006 to an average of just 1.8 working days in 2011, with 96% of returns processed within 24 hours, compared to less than 2.6% processed in 24 hours in 2006/7
- Real time tax assessments were introduced in 2012

Improved Access

During the past four years, considerable progress has been made in SARS being easily accessible to taxpayers and traders.

- Over 80% of interactions with taxpayers and traders result in their resolution
- The number of calls answered in SARS Contact Centre increased from 3.8 million in 2006/7 to 5 million in 2010/11
- Introduction of mobile application (smart phones and tablets) to enable broader reach

- Introduction of Help-u-eFile capability where a call center agent guides taxpayers remotely

5.4 Cumulative gains and improvements (cost and productivity)

Throughout each phase in the SARS strategic journey, the main objective of each transformation phase has been to create a highly effective and efficient organisation that is able to meet and address the needs of taxpayers and traders in the most cost effective and efficient manner. The tremendous growth in processing volumes between 2005 and 2012 has been achieved with a reasonably constant workforce (14500 in 2005 against 14990 in 2012). This has enabled SARS to meet the growing volumes of work associated with the tax and trader registers without a significant increase in overall costs. This is evidenced by the fact that SARS's cost of revenue collection has remained in a range of between 1.1% and 1.2% even after taking into account the considerable investment in the Modernisation Programme.

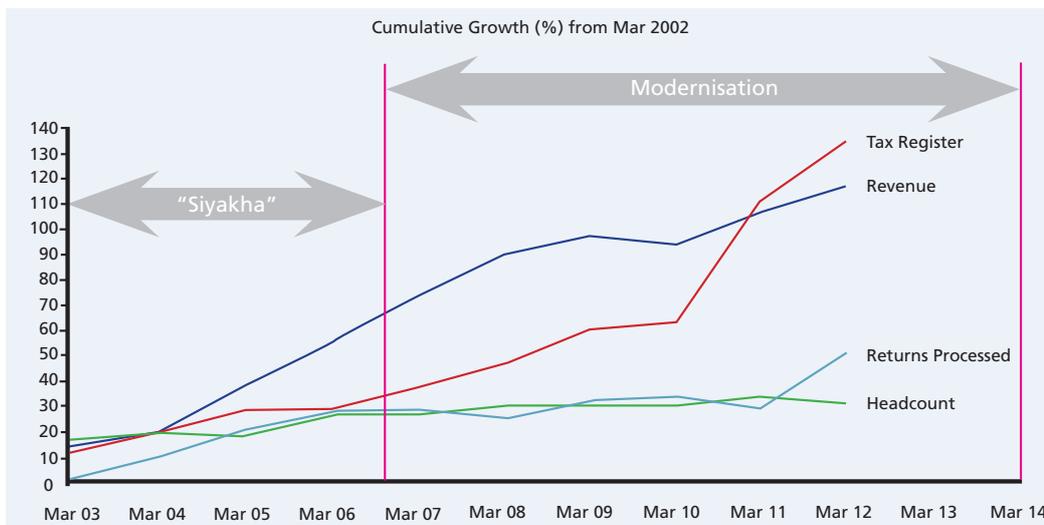


Figure 5: Cumulative growth in key indicators from March 2002/03

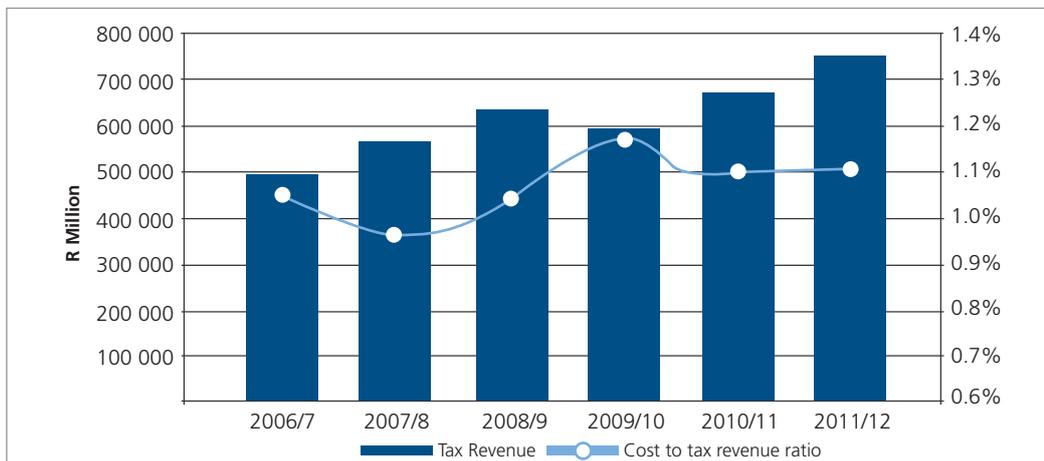


Figure 6: Cost of Revenue collection as a % of Total Revenue from March 2007

5.5 What is next in SARS's strategic journey?

SARS Modernisation Programme is approaching its completion. It will however continue to be the driving force behind the SARS strategy, at least for the next two years. Modernisation of SARS's systems and processes has given SARS a platform and capacity to extend its reach to a much wider tax base and as such, gives it the capacity to broaden and grow compliance across the entire citizenry.

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

SARS's strategy over the next five years and beyond will give meaning to the concept of active citizenry as articulated in the NDP through the concept of fiscal citizenship amongst all South Africans. Fostering an understanding and appreciation of the roles, responsibilities and rights of all South Africans vis-à-vis their contribution to the overall fiscal well-being of the country and state as a whole is fundamental to SARS delivering on its mandate. SARS seeks to build a voluntary fiscal relationship with all South Africans regarding their obligations to comply with the country's tax and customs laws. In this regard SARS will seek to bring every South African (companies and individuals) into a formal economic/fiscal relationship with SARS.

SARS will ensure that the organisation gets it "right from the start" – by getting to young people and newly employed or to newly formed businesses even before their obligations take effect and by widening its footprint (both physically and electronically) in order to improve accessibility to SARS processes and services. In respect of corporates, SARS will seek to provide them with greater certainty in their tax affairs through a more "cooperative compliance" approach and to expand the Preferred Trader Programme, which already seeks to adopt this approach in Customs. Cooperative governance also seeks to position tax compliance as a key corporate governance issue and thus bring tax issues into the boardroom. In addition, with respect to the wilfully non-compliant, SARS will continue to expand its enforcement capability and expand the penalties regime.

In particular, the focus in the next five years will be on ensuring that geography, access to computers and business circumstances do not become impediments to all businesses and potential taxpayers having a relationship with SARS. As with the incorporation of all formally employed persons onto the register, it is SARS's intention that over time all South Africans and all businesses operating in South Africa will be registered with SARS in some form or other. Through this complete inclusion, it will be possible to ensure that all their tax and customs obligations are met.

SARS's strategy over the next five years and beyond will give meaning to the concept of active citizenry as articulated in the NDP through the concept of fiscal citizenship amongst all South Africans

Over the course of this strategic planning cycle, SARS will seek to ensure that the reality of fiscal citizenship is gradually realised through exploring the following initiatives:

- **Improve access and availability of SARS services to the entire citizenry wherever they might be by:**
 - Intensifying deployment of mobile registration teams to areas of economic activity to register businesses and eligible individuals
 - Increasing the use of mobile devices as a way of improving SARS accessibility to taxpayers and traders and potential taxpayers and traders
 - Increasing presence of SARS mobile offices to take services to areas that are geographically remote from current SARS offices
 - Bringing all economic activity within SARS purview even if there is no revenue to be derived from it
 - Bring all informal businesses, including immigrant businesses, into the formal sphere in collaboration with the Department of Home Affairs, Municipalities and CIPC, through a simplified registration process and a single business registration platform
 - Increasing engagement with all citizens even if there is no revenue to be derived from it
 - Increasing collaborations with other government departments including Home Affairs, Social Security Services and the Company Intellectual Property Commission

- **Improve contact by minimizing the distance between SARS and the recipient of SARS services through:**
 - Review of SARS branch footprint and identification of areas in the country that require new points of presence (traditional branches, mobile branches and possible shared locations) to increase reach and enable SARS to better service and educate taxpayers and traders and potential taxpayers and traders. This will be done in order to move towards the goal of having a SARS branch no further than 80km from any taxpayer/trader
 - Entering into strategic collaborations and partnerships with other government departments in order to ensure SARS presence around the country is increased

- **Implement the “right from the start” concepts through ensuring that communication with taxpayers and traders and potential taxpayers and traders is through socially acceptable means and form:**
 - Continue to streamline internal processes and procedures in order to remove bottlenecks and red tape
 - Continue to simplify forms and requirements
 - Evaluate use of alternative languages in order to improve correspondence with taxpayers and traders and potential taxpayers and traders

Review of SARS branch footprint and identification of areas in the country that require new points of presence (traditional branches, mobile branches and possible shared locations) to increase reach and enable SARS to better service and educate taxpayers and traders and potential taxpayers and traders.

- **Continue to implement the principles of a cooperative compliance approach to reduce compliance costs and increase certainty regarding tax and customs obligations for large businesses by:**
 - Developing formal professional relationships with large businesses to improve voluntary compliance and facilitate a move towards self-regulation of their tax affairs
 - Expanding SARS differentiated service programmes to include all large businesses
 - Increasing regular and formal interactions between SARS and the boards of directors of large businesses. The aim of this will be to promote tax and customs compliance as a key corporate governance matter amongst large entities in line with good corporate governance principles

- **Ensure that all SARS employees continue to perform at their peak and build the required skills through:**
 - Developing a skills profile to address challenges brought about by the organisation's modernising activities and to address the needs of evolving taxpayers and traders
 - Retraining, reskilling and redeploying a significant number of SARS employees impacted by the modernisation activities to ensure that they are ready and able to assume new roles
 - Enhancing the capacity and capability of the SARS Training Academy to effectively address and meet the future needs of the organisation
 - Streamlining the recruitment and placement strategy and processes to hire the best staff and reduce hiring times
 - Recruiting and retaining high-end skills to help unravel complex schemes and tax structures that continue to erode the tax base

- **Simplify and improve requirements, processes and systems used to service the small business segment in order to reduce the compliance burden and costs to a point where these are no longer inhibiting factors to their compliance and growth:**
 - Implement the "single registration" process as a basis for a simplified manner for small businesses to register. SARS will also collaborate with CIPC and other key external stakeholders in this regard to leverage SARS investment in this initiative and to provide a single business registration point for businesses across the whole of government. This will eliminate duplication and save unnecessary costs particularly for small businesses
 - Test the viability of issuing a "business licence" to a certain category of qualifying small businesses as a basis for ensuring their participation in the tax system. In terms of this proposal, a business licence tax will be paid annually by all businesses for conducting business in a particular area and depending on the criteria adopted, this will be the only tax paid
 - Re-examine the effectiveness of existing major policy interventions and eliminate those that create additional burdensome costs on small businesses

Simplify and improve requirements, processes and systems used to service the small business segment in order to reduce the compliance burden and costs to a point where these are no longer inhibiting factors to their compliance and growth

- Establish a small business office to champion and coordinate SARS's efforts to make it easier for small businesses to comply with their obligations
- Work with other government departments and key external stakeholders to develop and implement interventions aimed at reducing administrative and regulatory burden on small businesses
- Make SARS forms easier to complete and streamline internal procedures to reduce internal red tape and duplication

SARS's five-year priorities to
achieve its four core outcomes

06

06 | SARS's five-year priorities to achieve its four core outcomes

6.1 Increased customs compliance

ASPIRATION

To develop partnerships with all supply chain stakeholders to facilitate legitimate trade, while combating illicit trade.

SARS seeks to further government's aim of growing the economy and creating employment through trade facilitation and combating illicit trade activities. SARS believes that trade is facilitated through reducing compliance barriers to process the movement of goods in a far more efficient manner than before, while preventing the movement of illegal goods.

SARS also aims to improve the information flow relating to trade, to positively affect turnaround times and assist in managing inspections better through more timely and accurate identification of compliance risks. This will also be done by using SARS's tax information base more effectively, to validate information and to reduce the requirements on traders.

Initiatives:

To accomplish this outcome, SARS plans to implement the following initiatives:

6.1.1 SARS will offer a differentiated service offering in the customs environment by rolling out a Preferred Trader Programme:

- **Roll out Preferred Trader Programme:** The objective of the project remains to complete the roll-out of the importer and exporter solution by building a new relationship management function for clients that are formally awarded Preferred Trader status. This function will provide service oversight, as well as a monitoring functionality for the large trader segment (representing ~50% of volumes) to ensure companies maintain high standards of internal systems and compliance to Customs. Additionally, the Programme will develop and pilot the safety and security requirements that constitute the basis of SARS's Authorised Economic Operator (AEO) programme and enable South Africa's alignment to World Customs Organisation (WCO) SAFE Framework of Standards, support the establishment of Preferred Trader programs in each of the Southern African Customs Union (SACU) countries, and build and pilot Preferred Trader infrastructures for key Excise products, and manufacturing clients. On-going key activities in this regard include:
 - Development of a Relationship Management function to serve and maintain compliance in Preferred Traders
 - Development of the SARS AEO Programme, including Safety and Security standards, and Pilot with key exporters
 - Assisting each SACU country to establish and pilot their own Preferred Trader programme

- Build Preferred Trader infrastructures for Excise products and pilot with key manufacturing clients
- Develop competency testing, with supporting guides for key Customs client types, and perform testing of key client personnel (Importers, Exporters, Warehouse operators, Agents / Brokers)

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

- **Customs cargo and manifest acquittal system changes:** The purpose of this initiative is to ensure the reconciliation / acquittal of all manifests received by Customs and subsequently the introduction of missing-and-mismatch cases on Service Manager through which inspections can be done by staff. This will be enabled through the implementation of a new customs cargo reporting and acquittal system in conjunction with an enhanced risk management and targeting function. SARS will carry out an enhancement to the customs risk management. Cargo related data will be included in the holistic risk analysis of consignments. The consolidated (declaration and manifest) risk analysis will present a single risk outcome for further assessment and examination and will include both revenue and security related risks
- **Customs systems replacement including declaration processing and tariff book:** The purpose of the initiative is to replace the current Customs legacy back-end operational system by the implementation of a new integrated Customs Management System. This project will follow a phased approach for delivering an enhanced tariff engine including the Prohibited and Restricted list as well as tariff web services, thereafter the replacement of the core Customs operational system itself. The end product should be a fully integrated electronic Customs product permitting centralised processing of all clearances – import, export and cross border – channelled through a single declaration processing engine and built on modern technology and architecture, whilst facilitating operational border control activities
- **Implementation of enterprise functions for customs:** At the forefront of this initiative are contact centres, which will present an opportunity for improved service offering and query resolution and the use of electronic forms, which will go a long way in aiding and tracing of declarations whilst enabling effective case management. This modernisation platform, supported by the Customs Risk Engine will be the hub of the internal Customs solution and will allow standardisation across Customs and Revenue. New functions to continually improve trader experience will be introduced. The scope will cover the land border posts and this will greatly improve the land border process where manual declaration is a barrier to trade facilitation
- **Electronic Bond Stores:** The purpose of this initiative is to fundamentally review SARS's control of the different types of Bond stores and introduce new electronic based

solutions that can simplify compliance for all qualifying traders. SARS will deliver new operational policies and business processes and provide system connectivity for bond stores to electronically interface with SARS systems in order to report on movements into and out of their warehouses. Furthermore, it will provide a web enabled or stand-alone product for traders that wish to utilise software provided by SARS

6.1.3 SARS will strengthen external relationships in the customs environment through:

- **Regional processing initiatives:** In support of current and future “country to country” initiatives, SARS will develop a uniform data and information exchange model which can be tailored according to bilateral/multilateral requirements.

According to the WCO Globally Networked Customs strategy, requirements are to:

- Standardised data requirements for export, transit and import and the implementation of the WCO Unique Consignment Reference number as part of a Cross-Border Data Reference Model
- Interconnected systems and aligned Customs databases to enable the electronic exchange of data between Customs administrations as early as possible in the movement of goods
- Mutual recognition and coordination protocols between exporting, transit and importing administrations to eliminate unnecessary duplication of controls in international supply chains
- Standards to enable the development of a system of mutual recognition for AEOs
- A set of rules governing the exchange of information between Customs administrations, including rules on data protection

- **One Stop Border Post (OSBP):** The government of South Africa and Mozambique signed an agreement to implement a combined One Stop Border Post between the two countries at Lebombo and Ressano-Garcia, with the objective to expedite passenger and goods traffic between the two countries. The essential feature of a OSBP is that all procedures related to cross-border movements are only completed once in order to conclude all required border control formalities for both countries. This will significantly streamline operations at the border posts and save travellers and traders much time

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

- **Border Management Agency (BMA):** The progress made by the parties involved since the announcement to establish the BMA in 2010 requires that the process be re-examined. The process should address the current fragmented and departmental silo approach to border security, without detracting from the line functions of individual departments involved in the safety and security cluster, and that the components be re-connected in a cross-cutting manner that includes:

In support of current and future “country to country” initiatives, SARS will develop a uniform data and information exchange model which can be tailored according to bilateral/multilateral requirements

- Integrated safety and security operational response
- The development of cross-cluster and inter-agency intelligence, the sharing thereof within a trusted network and the use thereof to inform a focused operational response
- A command and control capability to prioritise areas of intervention in accordance with Government priorities
- A modernisation and development component to develop the required automation, process re-engineering, legislative reform, facility needs, etc

6.1.5 SARS will minimise the administrative burden in customs for travellers by implementing a new passenger processing system:

- **Passenger Processing System (PPS):** The purpose of this initiative is to enhance the traveller experience when entering or leaving the country as well as ensuring enhanced security and data exchange between the different border agencies. SARS will re-write a new PPS system on the ATP platform and utilise, as input, the newly designed Traveller Card. The Traveller Card is a combination of information required by Department of Home Affairs and SARS and the design is a combined effort between the two departments

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

- **Cargo, container and baggage scanners:** The first scanner was installed, tested and put into operation in Durban and incorporated worldwide developments for detecting illegal imports and contraband. A small number of staff, comprising anti-smuggling officers and graduates from the Customs Border Control Unit (CBCU) were trained in the use and operation of the scanner equipment. The pilot exercise revealed that because the operation of the scanner was not connected to a customs risk engine, the hit rate (success rate) of inspections did not materially improve. With the development of the new Customs Risk Engine, this situation has largely been addressed and SARS believes the time is right to increase the penetration of cargo scanners across the country. In support of SARS's strategy of increasing security at the country's ports of entry, the purpose of the next phase of this initiative is to deploy a batch of baggage scanners as well as a couple of additional cargo scanners at selected ports. The following key milestones are envisaged:
 - The deployment of cargo scanners in Cape Town
 - The deployment of a new cargo scanner in Durban
 - The relocation of the existing Durban cargo scanner to Beitbridge
 - The replacement of baggage scanners at the land borders and airports
 - Deployment and commissioning of back scatter van scanners at all land borders
- **Contraband Detector Unit (dogs and boats):** In line with SARS's on-going modernisation and the newly adopted operating model, Customs Operations is now

In support of SARS's strategy of increasing security at the country's ports of entry, the purpose of the next phase of this initiative is to deploy a batch of baggage scanners as well as a couple of additional cargo scanners at selected ports.

responsible for regulation of all movement of goods through all ports of entry into South Africa. The current Special Dogs Unit is key for the prevention and detection of contraband substances such as narcotics, explosives and fire arms, endangered species, tobacco, cell phones, Digital Video Disks (DVDs) and currency. SARS's current detection and prevention security unit requires a staff complement and equipment adequate to support the following services:

- 24/7 availability of dogs and dog-handlers
- Increased detection capability at high risk ports of entry
- Need to maintain detection and prevention services in-line with increased demand driven by modernisation efficiencies and the growth of trade volumes and traveller movement.

The intention of this initiative is to phase in 500 dogs over a period of four years as well as phasing in of five patrol boats and backup units to cover the five main ports of entry into the country.

The intention of this initiative is to phase in five hundred dogs over a period of four years as well as phasing in of five patrol boats and backup units to cover the five main ports of entry into the country

- **Interfront SOC Ltd:** Interfront was incorporated as a wholly owned subsidiary of SARS to serve as the most efficient and effective approach to building and supporting the new SARS Customs Information Technology (IT) solution. It is an integral part of SARS strategy and accountability processes. The use of a separate entity allows Interfront to continue to service and to seek other customers. This serves to promote customs harmonisation, compliance and security amongst South Africa's neighbours, to leverage on the cost efficiency of having other users, to stay abreast of international developments and to generate a return on its investment in the intellectual property. Interfront is currently installing the Interfront Customs and Border Solution (ICBS) in SARS, which will be its second reference site. The company is maturing simultaneously and seeking entry to new markets. Whilst its performance measures are largely factored into the customs modernisation and other deliverables, those distinct to the entity relate to its success in expanding its offering and market.

Strategic priorities for Interfront of the next five years will be to continue:

- Engaging in the design and development of a customs and border management solution for SARS
- Potentially expanding its African and global footprint
- Improving its business model and governance

6.1.7 SARS will continue strengthening international agreements and links with other jurisdictions:

Given the level of interconnectivity in global trade, it is important to build and maintain good relations with other tax and customs jurisdictions. SARS will collaborate with the Financial Action Task Force (FATF) to support its mandate in implementing global safeguards to protect the integrity of the financial system to meet the objectives of tackling money laundering, for example. This is particularly relevant to SARS as tax crime is considered a predicate offence to money laundering and smuggling. Customs and Excise duties offences are also included.

Furthermore, SARS will seek to strengthen and leverage South Africa's international treaty network to co-operate and exchange information with other tax and customs jurisdictions.

6.2 Increased tax compliance

ASPIRATION

To consistently increase voluntary compliance across a broader taxpayer base through targeted and informed outreach, education, superior service and enforcement interventions.

SARS operates on a principle of voluntary compliance, requiring a balance between service, education and enforcement. SARS believes that compliance is promoted through provision of high quality service to taxpayers and traders and engagement with the emerging tax base and through targeted enforcement actions. Enforcement is called for in the interest of ensuring the equitable treatment of all who pay tax and to simplify the process for those who do contribute willingly.

Initiatives:

To accomplish this outcome, SARS plans to implement the following initiatives:

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

- **SARS Compliance Programme:** The SARS Compliance Programme is entering its second year of operation. The Compliance Programme is a set of compliance-improvement strategies that aims to increase the compliance of target taxpayer groups, processes and tax products in a systematic manner over a multi-year period. It carefully balances the need to achieve revenue targets (which would encourage targeting of high-revenue generating taxpayer groups) with the principle of equity (which means that even the smallest taxpayer is treated fairly and appropriately). A compliance culture cannot be built by focusing on a select few as this will erode the trust placed in the revenue authority by the country's citizens and inhibit fiscal citizenship. The following seven priority areas will continue to be the focus of the programme over the next five years:
 - **Large Business and Transfer Pricing:** Transfer pricing remains a significant tax issue for revenue administrations around the world. The top 500 multinational enterprises account for nearly 70% of worldwide trade and this percentage has increased significantly over the past 20 years. Despite the fact that South Africa was the third country in the world to introduce transfer pricing legislation, SARS has had a limited number of transfer pricing assessments and successes

The Compliance Programme is a set of compliance-improvement strategies that aims to increase the compliance of target taxpayer groups, processes and tax products in a systematic manner over a multi-year period

- **High net worth individuals and their associated trusts:** The compliance issues faced in this area are the large number of high net worth individuals that are under-declaring their income and their use of trusts as a means to evade tax. The interventions will focus SARS's efforts on the auditing and risk profiling of individuals and associated companies together, with expansion of the use of third party data to identify individuals with disproportionately expensive assets and to prioritise trust reform
- **Small Businesses and Cost of Compliance:** Small business data continue to offer mixed signals regarding the success of SARS interventions, as compliance of small businesses with legislation administered by SARS continues to decline. SARS had (as of May 2012) just over 850 000 small businesses on its registers (as per SARS definition of small business). This number differs significantly with the external estimates of the number of small businesses operating in South Africa (formal and informal sector, which is estimated to be about six million). This discrepancy highlights the extent of participation of small businesses in the country's tax system. SARS's own internal indicators of compliance by small businesses also indicate high levels of non-compliance across the entire compliance value chain. Reasons affecting continued decline in compliance by small businesses vary from relatively high cost of compliance to outright disregard for compliance. Failure by SARS to achieve desired compliance outcomes in this segment has the potential to negatively affect the viability of SARS compliance efforts in other segments
- **Tax practitioners and trade intermediaries:** Analysis shows that the compliance of tax practitioners is low. For example, tax practitioners owe more than R260 million of assessments in their own personal capacities. Furthermore, tax practitioners who are not registered with a professional body have worse compliance levels than those that are. For example, the average debt per case for a non-registered tax practitioner is four times higher than for those that are registered. In order to minimise the compliance issues currently being experienced in this area SARS will introduce legislative amendments which will compel all practitioners registered with SARS to belong to a professional organisation. SARS will also aim to develop an accreditation/preferred status scheme that will acknowledge the low risk practitioners, reframe tax practitioners as 'ethical go-between's' between SARS and the taxpayer and pursue automation of typical queries that are frequently received from tax practitioners.
- **Illicit cigarettes:** South Africa is currently experiencing significant losses in excise revenue (estimated to be between R2 billion and R4.5 billion per annum), with over 10 million kilograms of raw tobacco entering SARS controlled warehouses for export, being unaccounted for. SARS's compliance efforts in this area will be to modernise the warehousing management and acquittal systems together with complementary changes to imports and export risk processes
- **Construction Industry:** The construction industry has one of the lowest compliance rates of all industries. This industry is also a major beneficiary of government spending in relation to planned infrastructure programmes. SARS's compliance initiatives in this area will be to strengthen and dedicate audit focus in selected regions where the highest risk is indicated

Small business data continue to offer mixed signals regarding the success of SARS interventions, as compliance of small businesses with legislation administered by SARS continues to decline

South Africa is currently experiencing significant losses in excise revenue (estimated to be between R2 billion and R4.5 billion per annum), with over 10 million kilograms of raw tobacco entering SARS controlled warehouses for export, being unaccounted for

- **Clothing and Textiles Industry:** Recent statistics indicate that the continued undervaluation of imports of clothing and textiles continues to cause major damage to the South African economy. To improve the compliance levels in this area, and to minimise the damage caused to the economy, SARS will implement valuation based targeting, which utilises a reference pricing data base developed together with partners in industry to detect undervalued imports. SARS will also strengthen and enhance its current inspection process and systems, whilst also introducing legislative amendments in the form of the draft Customs Control Bill which will further combat the illicit trade in this sector.

6.2.2 SARS will strengthen its risk management in Personal Income Tax, Pay As You Earn, Company Income Tax and Value-Added Tax through the following initiatives in each of the areas:

- **Personal Income Tax:** Risk management in PIT is fairly advanced and SARS efforts over the next five years will focus on the following enhancements:
 - Incorporation of the compliance history of taxpayers in assessment and audit (to avoid repeat audits where no prior risk is identified)
 - Refinement of the risk engine to perform initial as well as residual risk evaluations to support the automated escalation of cases
 - Potential collaboration with credit bureaus to obtain third party information on taxpayers
 - Design of a system that allows third-party suppliers to register, interact and submit data via secure connections
- **Pay As You Earn:** Over the next five years, SARS will introduce the PAYE risk engine to select cases for follow-up based on Employer PAYE submissions and in addition IRP5 corrections submitted by individuals during PIT filing season. This will replace most of the current follow-up type cases created currently and will take account of SARS available capacity in prioritising cases
- **Corporate Income Tax:** The existing risk engine will be further expanded to include automated ratio analysis for each business sector. The CIT data model will leverage company financial information supplied to SARS in a similar form utilised by the Johannesburg Securities Exchange (JSE) and international stock exchanges for financial result publication and reporting [eXtensible Business Reporting Language (XBRL)].
- **Value-Added Tax:** A new risk identification methodology will be developed to address key risks and gaps in the VAT refund process. This includes a reduction of screening volumes to increase the effectiveness of screeners and the introduction of new criteria in the VAT risk tool to increase the probability of predicting risk

6.2.3 SARS will strengthen risk management in the management of taxpayer and trader debt:

In addition to the risk management work aimed at specific tax types, credit screening will be introduced to address low value, high volume debt. SARS will leverage the credit screening system developed by credit bureaus and other data sources to inform the risk criteria applied in the debt environment.

6.2.4 SARS will continue to make enhancements to the administrative penalty platform through the following additional components:

- Integration of the current monthly “campaign-style” penalty imposition process into a daily process in order to spread system processing times
- Support for additional notification channels such as Short Message Service (sms) and outbound telephone calls to inform taxpayers of penalties that they may have incurred, both as an additional means to alert and as mechanism to establish contact with taxpayers where postal information may be incorrect or obsolete
- Implementation of automated reconciliation of penalty imposition, recurrence and remedy events, as well as generated correspondence between SARS systems involved in the penalty administration processes

6.2.5 SARS will continue outreach programmes to all South Africans in order to build a culture of greater fiscal citizenship through the following initiatives:

- Registering all South African citizens and businesses operating in South Africa with SARS by collaborating with the Department of Home Affairs, CIPC and Municipalities
- Collaborating with the Department of Home Affairs and CIPC to bring all foreign migrant businesses into the SARS net
- Intensifying deployment of mobile registration teams to all areas of economic activity
- Increasing engagement with all citizens even if they are not yet eligible to remit any tax
- Reviewing the SARS footprint and identify areas in the country that require new points of presence to increase reach and enable SARS to better service and educate taxpayers and traders, existing and potential alike
- Reducing the distance between SARS and taxpayers and traders to a distance of not more than 80 kilometres

6.2.6 SARS will continue to work with other tax jurisdictions and countries to collaborate on global compliance and enforcement issues to protect erosion of South Africa’s tax base:

SARS will continue to provide assistance to the South African government to increase effectiveness of treaties and agreements with other nations, tax jurisdictions and international organisations. SARS, together with The Financial Intelligence Centre and National Treasury,

is currently involved in negotiations with the US government on information exchange specifically relating to the Foreign Account Tax Compliance Act. Although this agreement focuses on the US, the aim of SARS is to improve information gathering from financial institutions through improved automatic exchange of information with other treaty partners. In addition, the Global Forum's Mutual Administrative Assistance Agreement should be ratified during the course of this year. Once ratified, it will increase SARS's scope to exchange and request information from jurisdictions that currently do not have bilateral agreements with SARS. Furthermore, the MAAA opens the possibility of SARS to request assistance in tax collection from countries which would not have been possible under existing double taxation agreements to collect from. The agreements will enhance SARS's risk detection and risk profiling capabilities and ultimately growth in revenue collection. From a broader government perspective, these initiatives will improve the levels of compliance as well as reduce the levels of fraud through money laundering.

6.3 Increased ease and fairness of doing business with SARS

ASPIRATION

To deliver cost-efficient, rapid and reliable service to all taxpayers and traders.

Initiatives:

To accomplish this outcome, SARS plans to implement the following initiatives:

6.3.1 SARS will continue to make improvements to its administrative systems and processes in order to reduce the administrative burden on taxpayers and traders through the following interventions:

- **PAYE:** SARS will implement the following amendments:
 - To assist employers in reconciling their submission, SARS will continue to refine the payment allocation through enhanced "reconciliation assist" tools that are made available to Employers, while introducing new system functionality to manage follow-up cases to engage with those Employers with outstanding account related issues
 - In order to enable the gradual phasing out of the existing PAYE legacy system, PAYE accounts will, over time, be migrated to SAP
- **Estates:** The next phase of the overhaul of the estates administration process is envisaged to substantially reduce SARS's turnaround time to finalise the tax administration of these cases. Through collaboration with the Master's Office and by incorporating additional third party data sources SARS will also be better able to focus SARS estates

audit capacity on those cases requiring SARS intervention, while being able to lighten the tax administration burden for those cases where the tax affairs are in order

- **CIT:** The CIT returns process will be streamlined through various interventions which include:
 - Rationalisation of the CIT return forms to minimize the administrative burden on the taxpayer
 - Pre-population of the data using VAT201 information and PAYE reconciliation
 - Single-registration for corporate income tax through collaboration with the Companies and Intellectual Property Commission

- **Tax Administration Act (TAA):** The Act came into law in October 2012. It is intended to simplify and provide greater coherence in South African tax administration law. It eliminates duplication, removes redundant requirements and aligns disparate requirements that currently exist in different tax Acts ranging in age from 4 to 63 years old. It creates a single, modern framework for the common administrative provisions of the tax Acts

- **VAT:** Future modernisation of the VAT system and processes will include amongst other activities:
 - e@syFile Vendor Software to enable VAT vendors to electronically submit invoice information in support of their VAT201 return. The VAT201 enables to reconcile all filed input and output invoices
 - A direct electronic submission channel that will allow business information systems to supply electronic data to SARS automatically, through an iterative request process
 - Enhancements to the Risk Engine – change to risk assessment method to interrogate provided data, assess the need for further corroborating data as necessary, and cross-match invoice information between VAT vendors to identify discrepancies prioritised for compliance and enforcement activities

- **Transfer Duty:** Modernisation of the transfer duty will deliver the following:
 - Fundamental to the modernisation of transfer duty will be the enhancement of the rules within the risk engine to evaluate the transfer duty declarations and identify applications warranting further attention and allowing automated processing of those applications assessed as low risk
 - Migration of transfer duty to a new processing platform
 - Providing a mechanism for independent software vendors to interface electronically with SARS e-Filing in order to submit transfer duty applications

- **Trusts:** SARS will implement the following solution components for Trusts:
 - Introduce the Trusts Risk Engine for primary risk assessment of Trusts
 - Conduct few but more focused audits based on the results of the risk engine

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

Over the next five years, SARS will carry out the following range of interventions and initiatives in this regard:

- Implement the “single registration” process as a basis for a simplified manner for small businesses to register with SARS. SARS will also collaborate with key external stakeholders in this regard to leverage SARS investment in this initiative to provide a single registration point for businesses across the whole of government. This will eliminate duplication and save unnecessary costs for small businesses
- Test the viability of issuing a “business licence” to a certain category of qualifying small businesses as a basis for ensuring their participation in the tax system. In terms of this proposal, a licence tax will be paid annually by small business for conducting business in a particular area and, depending on the criteria adopted, this will be the only tax paid
- Re-examine the effectiveness of existing major policy interventions and eliminate those that create costs on small businesses. Many of the interventions introduced by SARS over the years have not had the desired effect on small businesses compliance. To help increase the uptake of the Turnover Tax product, SARS will review and refine its structure to identify weaknesses and deficiencies. To help provide for further relief for small businesses SARS will review the accelerated wear and tear allowances as well as the tax-free thresholds. To further reduce the administrative burden on small businesses SARS will evaluate and/refine current filing and payment requirements
- Establish a small business office to champion and coordinate SARS’s efforts to make it easier for small businesses to comply with their obligations. This intervention will offer tailored and differentiated service offering for the small business segment. The small business office will also offer better tax information and advice and will be tasked with reducing the tax burden on small businesses
- Work with other government departments and key external stakeholders to develop and implement meaningful burden reduction interventions in the small business segment. The aim of this initiative is to streamline and simplify other regulations and processes having a negative effect on small business growth and compliance
- Make SARS forms easier to complete and streamline internal procedures to reduce internal red tape and duplication. The aim of this initiative is to allow the average small business owner to comply with obligations without having to hire an accountant or a preparer. Initiatives aim at simplifying language used on forms and guidelines are already in progress

SARS will also collaborate with key external stakeholders in this regard to leverage SARS investment in this initiative to provide a single registration point for businesses across the whole of government

6.3.3 SARS will transform its processes in issuing Electronic Tax Clearance Certificates (TCC):

SARS will transform the current TCC process from a predominantly manual process to a more taxpayer driven, self-help, and electronic process.

SARS will implement the following changes in this regard:

- Modernisation of the Tax Clearance Certificate request function on to the SARS e-Filing platform which will include delivery of an Adobe Flex based application form
- Integration of risk screening of tax clearance certificate requests through the Risk Engine to enable identification of anomalous requests, and accommodate minor administrative errors that do not materially affect the taxpayer's compliance status
- Elimination of the printing of TCCs at Branch Offices and allowing the taxpayer to print a TCC off an Adobe based form that will be provided electronically by SARS
- Beginning the migration from printed control documents to an electronic certificate by introducing an online function that will enable taxpayers and approved third parties to electronically view tax compliance status by means of an electronic dashboard and to facilitate electronic verification of TCCs
- Enabling users of TCCs to monitor tax compliance and TCC validity electronically on a continuous and regular basis

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

- **Electronic Channel Services:**
 - SARS will expand its service channels by introducing new mobile channels for taxpayers and traders to easily and conveniently access SARS products and processes. This will significantly advance the service offerings to all the people that need to access SARS for a variety of service offerings
 - The SARS website will be radically enhanced for improved service and communication
- **Contact Centre Services:** SARS will introduce a single view of the taxpayer/trader functionality. This functionality will provide an agent with one consolidated view of taxpayer and trader accounts yielding the status of any outstanding queries, cases, payments and refunds
- **Go Green:** SARS will have dedicated printing and electronic sending of outcomes to taxpayers, as well as branch scanning facilities
- **Same "Look and Feel":** SARS aims to drive the same "Look and Feel" campaign in its footprint expansion and refurbishment to improve the working environment for both the taxpayer and SARS employee

6.3.5 SARS will conduct a business registration reform process incorporating the following initiatives:

- Implement the “single registration” process as a basis for a simplified manner for businesses to register with SARS. SARS will collaborate with key external stakeholders [DHA, CIPC, Municipalities and the Small Enterprise Development Agency - (SEDA)] in this regard to leverage SARS investment in this initiative to provide a single registration point for businesses across the whole of government. This will eliminate duplication and save unnecessary costs, especially for small businesses
- Develop proposals for introduction of legislation that requires all businesses to have an operating licence as a basis for ensuring their participation in the tax system.

6.4 Increased cost effectiveness, internal efficiencies and institutional respectability

ASPIRATION

To exercise maximum prudence with resources made available to SARS and to build service delivery excellence for SARS and its government partners.

Initiatives:

To accomplish this outcome, SARS plans to implement the following initiatives:

6.4.1 SARS will continue to adopt a whole of government view to achieve value chain efficiencies:

Significant efficiency and effectiveness improvements have been gained through addressing SARS's historical operational bottlenecks. To achieve even further improvements, SARS will need to optimize its entire value chain and try to get greater operational and systems integration between its own activities and those of its state partners. Examples of where this collaboration has started to deliver value include the joint effort in the rollout of the movement control system with the Department of Home Affairs, that will enable SARS to better track the length of time that taxpayers spend in the country; the collaboration with SARS, South African National Defence Force (SANDF) and others as part of the BCCOC and the Inter-Agency Clearing Forum (IACF) to improve the security response at the borders and the on-going collaboration with National Treasury's FIC as part of the Multi-Agency Working Group (MAWG) to improve the integrity of the state procurement system.

These collaborations aim to save taxpayer money by leveraging the investments made by the government into SARS's modernisation programme for the interest of the state as a whole.

To achieve even further improvements, SARS will need to optimize its entire value chain and try to get greater operational and systems integration between its own activities and those of its state partners

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

SARS will continue to improve its enterprise-wide governance including risk management through improved oversight functions, clearly defined roles and responsibilities and better segregation of function. Much has been done in the past and there is the opportunity to streamline what has been done, given the experience gained.

6.4.3 SARS will continue to encourage strong performance culture, accountability, reporting, internal control environment as well as accountability reports:

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

6.4.4 SARS will attract, train and retain its employees:

SARS understands that changes in the operating model and the modernisation of its systems will impact the manner in which it currently performs certain business functions. For instance, it envisages 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 and traders. In this regard SARS must ensure that its workforce has the right skills in the right place at the right time.

- To support employees impacted by changes brought about by modernisation activities SARS will reskill, retrain and redeploy employees to enable them to perform at their peak
- SARS will take a proactive approach to succession planning by developing a workforce planning methodology to identify critical skills and expected workforce needs
- To increase retention rates and continue to attract the best and the brightest, SARS will develop an employee value proposition that takes into account employee wellbeing, rigorous performance management, training and development and attractive remuneration practices
- SARS will optimise the work of the SARS Learning Academy to ensure development of the required technical skills to help SARS employees carry out their duties effectively
- SARS will develop skills pipeline to supplement the organisation's future skills requirements
- To promote good employee relations, SARS will pursue progressive employee relations practices underpinned by the South African Constitution

To increase retention rates and continue to attract the best and the brightest, SARS will develop an employee value proposition that takes into account employee wellbeing, rigorous performance management, training and development and attractive remuneration practices

6.4.5 SARS will improve internal processes through the re-engineering of core processes for human resources, procurement and asset management:

- SARS intends to improve the efficiency and transparency of its internal processes, particularly Procurement and Human Resources. SARS will do this by improving the workflow and throughput relating to these processes, eliminating non-value adding processing and ensuring consistency in line with SARS operations. By improving internal workflows and with the appropriate allocation of resources, SARS can improve its productivity by eliminating internal delays due to inefficiencies in processes, or mismatches in capacity.

6.4.6 SARS will fight fraud and corruption to ensure improved efficiency and good governance:

Combating fraud and corruption ensures improved revenue collection, process and systems efficiencies as well as good governance. During the 2012/2013 financial year alone SARS recovered approximately R267 million in revenue lost due to fraud and corruption.

To strengthen its anti-corruption capabilities, SARS will prioritise the following initiatives:

- SARS will introduce a new investigations and prosecutions management system that includes a knowledge management and analysis capability. The system will enable improved data analysis and quick access to information required for management decision making
- SARS will enhance and revise the current vetting process through collaborations with the State Security Agency (SSA), South African National Defence Force and South African Police Service (SAPS). The objective of the project will be to ensure that vetting of state officials is conducted within reduced turnaround times
- To increase awareness around conflict of interest issues, awareness campaigns to empower all SARS employees will be carried out throughout the organisation with the first launch happening during the 2013/2014 fiscal period
- SARS will continue to develop its recovery capabilities by formalising and strengthening its relationships with other agencies involved in anti-corruption activities
- SARS will strengthen its access control systems to protect the confidentiality of SARS as well as taxpayer and trader information

SARS will enhance and revise the current vetting process through collaborations with the State Security Agency (SSA), South African National Defence Force and South African Police Service (SAPS)

Measuring SARS's delivery

07

07 | Measuring SARS's delivery

7.1 Alignment with government and best practice

SARS needs to align its performance management approach to that of the government's new planning, performance monitoring and evaluation approach, with the emphasis on delivery. This new planning approach emphasises the need for SARS to set and achieve against clear outcomes measures for each of the core outcomes.

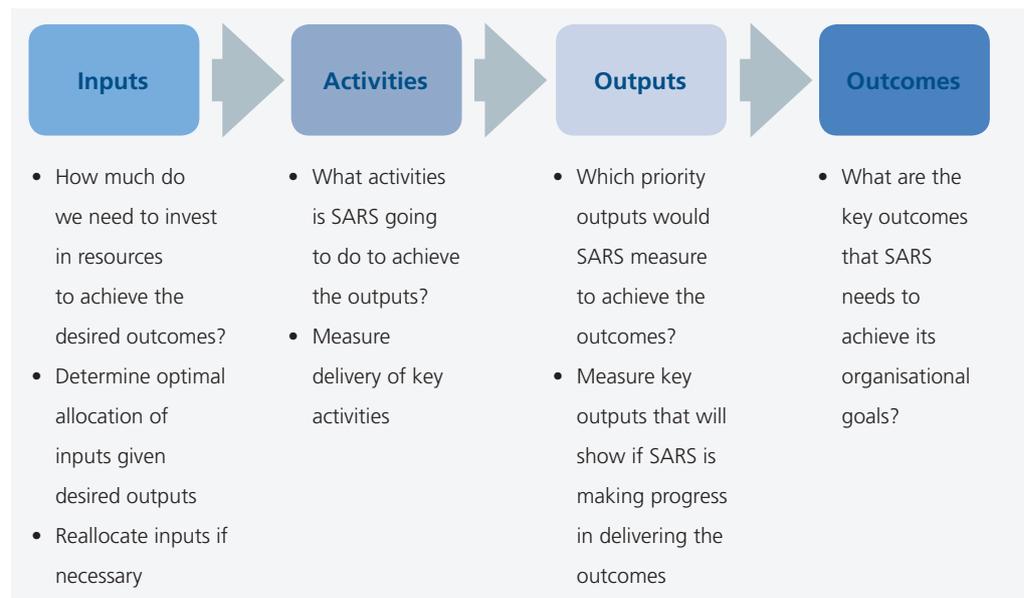


Figure 7: Measurement approach

In addition, SARS has researched the measurement and reporting approaches of global revenue administrations. Lessons from this research were also used to inform the planning and performance management approach.

Key lessons included:

- Historically, revenue administrations have tended to focus their reporting for accountability purposes on 'outputs' (e.g. number of returns filed, audits completed, etc.) more so than 'outcomes'
- For some revenue administrations, this has included the use of direct and indirect measures of taxpayer compliance, measures that reflect the quality of services delivered to the taxpayer and tax professional, reduction in the taxpayer's compliance burden and measures that reflect the taxpayer's satisfaction with, and confidence in, the revenue administration

A number of revenue administrations derive a comprehensive performance management framework that includes the practice of setting 'targets' that focus on the outcomes to be achieved and which are made public, against which progress is reported in annual performance reports

SARS aims to hold itself accountable in the eyes of the government and its people against associated targets. However, moving towards an outcomes-based approach is no easy task.

A recent OECD report (Tax administration in OECD and selected non-OECD countries: 2010) showed that even countries that have been using this approach for over 15 years continue to struggle with issues of measurement and target setting. This is especially the case for 'outcomes'. A key challenge for all countries is obtaining good quality information which is valid, reliable and timely.

Other numerous challenges are also encountered, for example:

Finding accurate measures of performance

Outcome measures are technically more difficult to measure, they are complex and involve the interaction of many factors, planned and unplanned. Also, there are problems with time lag issues and in some cases the results are not completely within the control of the revenue administration. Most countries have adopted a combination of outputs and outcomes

Establishing and maintaining systems of data collection

To ensure quality there needs to be a process by which data is verified and validated. However, setting up and maintaining these systems can be both complex and costly. It is especially challenging to assure the quality of the data when revenue administrations are dependent on third parties to provide the information

Setting and using performance targets

Performance targets help clarify performance expectations for a given time period. Other revenue administrations continue to struggle with the issues of target levels and numbers. There are problems with setting targets too high and/or too low. Setting targets too low means that revenue administrations are not challenged to improve performance. Setting them too high, while it can serve as a motivation, also creates unrealistic expectations and situations where revenue administrations can fail. It takes time to get the right level and to get to the comparative data to realise that targets are set at too high or too low a level. There is also an issue about how many targets to have. Too many targets create information overload and make it difficult to select. Too few targets create distortion effects again. It takes time to achieve the right balance

7.2 SARS's outcome measures and five-year targets

Strategic Outcome	Measures	Baseline	Targets				
			2013/14	2014/15	2015/16	2016/17	2017/18
Increased Customs compliance	Customs revenue collected (R billion)	Actual collections for 2012/13	As per agreed target with Minister of Finance	As per agreed target with Minister of Finance	As per agreed target with Minister of Finance	As per agreed target with Minister of Finance	As per agreed target with Minister of Finance
	% of trade that have been audited with a view to obtaining Preferred Trader status	19.45	20	25	30	35	35
	% Of cargo declarations targeted	12	12	11	11	11	11
	% Uptake in electronic manifest submissions	90	90	95	95	95	95
	Interfront Deliverable	Sales product strategy developed and signed off	Continue to work on sales pitch expansion strategy	Evaluate pitches made and decide whether to pursue sales strategy	Dependent on decision made	Dependent on decision made	Dependent on decision made
	Interfront Governance -Unqualified report by Auditor-General	Unqualified Audit report	Unqualified Audit Report				
	% Increase in Customs compliance index	Track against baseline	Track against baseline	Track against baseline	Track against baseline	Introduce into SARS performance management	
	% Decrease in size of illicit economy	Develop measure and baseline	Develop measure and baseline	Track against baseline	Track against baseline	Track against baseline	Track against baseline

Baselines provided are 2012/13 3rd quarter year to date actuals

Strategic Outcome	Measures	Baseline	Targets				
			2013/14	2014/15	2015/16	2016/17	2017/18
Increased Tax compliance	Total revenue (excluding Customs revenue) collected (R billion)	Actual collections for 2012/13	As per agreed target with Minister of Finance	As per agreed target with Minister of Finance	As per agreed target with Minister of Finance	As per agreed target with Minister of Finance	As per agreed target with Minister of Finance
	Debt Book as a % of tax revenue	11.17	10	9	8	7	6
	% PIT filing compliance	86.05	84	85	85	85	85
	% Audit coverage of registered taxpayers (PIT, CIT, VAT/Excise and PAYE) above the tax threshold	6.9	6	6.5	7	7.5	8
	% In-depth audit coverage of registered taxpayers (PIT, CIT, VAT/Excise & PAYE) above the tax threshold	0.18	0.15	0.18	0.20	0.22	0.22
	% Increase in the Small Business register	Track against baseline	Track against baseline	Introduce into SARS performance management			
	% CIT filing compliance	Track against baseline	Track against baseline	Introduce into SARS performance management			
	Tax compliance index for each tax product	Develop measure and baseline	Develop measure and baseline	Track against baseline	Track against baseline	Track against baseline	Introduce into SARS performance management
	% VAT filing compliance	Track against baseline	Track against baseline	Introduce into SARS performance management			

Baselines provided are 2012/13 3rd quarter year to date actuals

Strategic Outcome	Measures	Baseline	Targets				
			2013/14	2014/15	2015/16	2016/17	2017/18
Increased ease and fairness of doing business with SARS	% Uptake in electronic filing, declaration and payment submissions for all tax products	95.6	95	95	95	95	95
	% Uptake in electronic customs bills/ declarations (EDI)	99.8	100	100	100	100	100
	Average processing turnaround time for PIT returns (working days)	0.16	Less than 1	Less than 1	Less than 1	Less than 1	Less than 1
	Average processing turnaround time for CIT returns (working days)	0.95	Less than 2	Less than 2	Less than 2	Less than 2	Less than 2
	Average processing turnaround time for VAT refunds (working days)	Actual achievement for 2012/13	21	21	21	21	21
	Average processing time for VAT registrations (working days)	Develop measure and baseline	Develop measure and baseline	Track against baseline	Introduce into SARS performance management		
	% First contact resolution in contact centres and branches	Develop measure and baseline	Track against baseline		Introduce into SARS performance management		
	Taxpayer and trader compliance burden	Develop measure and baseline	Develop measure and baseline	Track against baseline	Introduce into SARS performance management		

Baselines provided are 2012/13 3rd quarter year to date actuals

Strategic Outcome	Measures	Baseline	Targets				
			2013/14	2014/15	2015/16	2016/17	2017/18
Increased cost effectiveness, internal efficiency and institutional respectability	Employee Engagement	50.5%	51%	51.2%	51.5%	51.5%	51.5%
	Leadership Effectiveness Index	86.5%	87%	87.5%	87.7%	88%	88%
	Employment Equity: Demographics	70.83%	71%	71.5%	72%	72%	72%
	Employment Equity: Gender on management level	41.09%	42%	43%	44%	45%	45%
	Employment Equity: Disability	2.04%	2.5%	2.7%	3%	3%	3%
	Treasury allocation to revenue percentage	Actual achievement for 2012/13	Between 1 and 1.2				
	Unqualified report by Auditor-General	Unqualified audit report					
	Unit cost per process	Track against baseline	Track against baseline		Introduce into SARS performance management		
	Productivity per employee	Track against baseline	Track against baseline		Introduce into SARS performance management		

Baselines provided are 2012/13 3rd quarter year to date actuals

SARS's Resource plan

08

8.1 Expenditure estimates over the medium-term expenditure framework (MTEF)

SARS's projected revenue and expenditure (without footprint expansion) for 2013/14 to 2015/16 is presented in Table 2 below.

Expenditure Estimates (Rm)	2013/14	2014/15	2015/16
National Treasury Grant	9,534	9,983	10,336
Interest income	60	60	60
Other Income	250	250	250
Roll-over funding	-	119	355
Total Funds Available	9,844	10,412	11,001
Funding Allocation			
Baseline Expenditure (BAU)	9,134	9,851	10,626
Initiatives and Projects	710	561	375
Total Allocation (Budget)	9,844	10,412	11,001

Table 2: SARS's expenditure estimates

8.2 Projected human resources capacity

To deliver on its mandate SARS will require a diverse skill set. A provisional SARS workforce plan which is based upon SARS's strategic aspirations and operating model, indicates a need to build capability in certain core, critical and scarce roles such as in audit, transfer pricing, forensic and investigation, compliance risk analysis, border protection and trade facilitation areas.

SARS has adopted a multipronged sourcing strategy that will support its need for this core, critical and scarce skills and the drive to create employment in the country particularly the youth.

SARS endeavours to:

- build and retain core, critical and scarce skills through recruitment and building a learner pipeline at tertiary institutions
- create opportunities for youth through learnerships and graduate programmes in the identified core, critical and scarce skills categories
- implement learnerships for an external pipeline that will allow learners to exit with portable qualifications in the fields supported by the relevant Sector Education and Training Authorities (SETA) in South Africa
- review SARS's skills mix in line with its changing organisational profile as a result of modernisation and redeploy resources to where they are required

- retrain and redeploy existing employees to areas of the business where new or emerging skills and capabilities are required

The SARS headcount is envisaged to remain fairly stable with a slight decline of between 0.34% and -2.03% over the next three years as reflected in Table 3 below. The trend of temporary employees is also downward over the same period, from 0.54% in 2013/14 to 0.48% in 2015/16.

	2013/14	2014/15	2015/16
Permanent employees	14 800	14 800	14 500
Temporary employees (% of Total Headcount)	0.54%	0.50%	0.48%
Total	14 880	14 875	14 570
% net growth excluding temporary employees	0.34%	0.00%	-2.03%

Table 3: SARS's projected headcount

Conclusion

09

09 | Conclusion

This plan is developed within the context of government's continuing determination to significantly reduce poverty, create more jobs and improve the lives of all South Africans.

The government has carefully evaluated the challenges and strategic imperatives that must be addressed in this regard within a global and local context that remains challenging and uncertain. The SARS strategic plan as presented shows the organisation's unwavering commitment to support the government's policy intentions as articulated in the National Development Plan.

SARS has developed this strategic plan to build resilience into its capabilities in order to continue providing the means for government to deliver on its goals. SARS will develop and deploy new tools and enhance current systems and processes to support this goal. In this strategic plan SARS is also committing itself to:

- even stronger enforcement of the laws SARS administers in order to increase compliance amongst taxpayers and traders
- even more ease and fairness in the manner in which taxpayers and traders interact with SARS and vice versa
- ensure continued effectiveness and efficiency in the use of its resources

Further efforts will ensure that geographic location, access to computers and business circumstances do not become impediments to all businesses, taxpayers and traders and potential taxpayers and traders having a relationship with SARS. Future investment in the SARS workforce will also augment the skills and training required for staff to perform at their peak and provide them with the opportunity to engage in challenging and meaningful work.

SARS has a clear appreciation of its mandate as a tax and customs administration, but also acknowledges and appreciates its role in advancing the wider social and developmental goals of the state and this strategic plan is testimony to that.

References

10

10 | References

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Annexures



ANNEXURE A: MATERIALITY FRAMEWORK

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

ANNEXURE B: SIGNIFICANT FRAMEWORK

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

