

2014/15

ANNUAL PERFORMANCE PLAN
SOUTH AFRICAN REVENUE SERVICE



South African Revenue Service

2014/15

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Abbreviations

ACM	Automated Cargo Manifest
AEO	Accredited Economic Operator
AEOI	Automatic Exchange of Information
APP	Annual Performance Plan
BAU	Business As Usual
BCOCC	Border Management Operations and Coordination Committee
BEPS	Base Erosion and Profit Shifting
BMA	Border Management Agency
CI	Criminal Investigation
CIPC	Companies and Intellectual Property Commission
CIT	Corporate Income Tax
DHA	Department of Home Affairs
DTA	Double Taxation Agreement
DTI	Department of Trade and Industry
ETI	Employment Tax Incentive
FATCA	Foreign Account Tax Compliance Act
GDP	Gross Domestic Product
GPAA	Government Pension Administration Agency
GRAP	Generally Recognised Accounting Practice
HNWI	High Net Worth Individual
HR	Human Resources
ITAC	International Trade Administration Commission
IVR	Interactive Voice Response
MAAAA	Mutual Administrative Assistance Agreement
NDP	National Development Plan
NHI	National Health Insurance
NPA	National Prosecuting Authority
OECD	Organisation for Economic Cooperation and Development
OSBP	One Stop Border Post
PAYE	Pay As You Earn
PFMA	Public Finance Management Act
PIT	Personal Income Tax
POS	Point of Service
PPS	Passenger Processing System
SARS	South African Revenue Service
SRD	Single Risk Document
TCC	Tax Clearance Certificate
TCS	Tax Compliance Status
TMS	Traveller Management System
UK	United Kingdom
USA	United States of America
VAT	Value-Added Tax
VDP	Voluntary Disclosure Programme
WTO	World Trade Organisation

Message from the
Acting Commissioner

01

01 | Message from the Acting Commissioner

I am pleased to present the South African Revenue Service's plan of what it aims to deliver and accomplish during the 2014/15 fiscal period. The SARS 2014/15 Annual Performance Plan (APP) builds on the work done in previous performance plans and continues the efforts of management and employees to preserve the trust and confidence that our stakeholders continue to place on us.

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



We are aware however, that we still need to do more work to improve compliance amongst all taxpayers and traders, improve our services and become far more accessible to a greater majority of the country's citizens and communities. During the 2014/15 fiscal period, we are committing ourselves to becoming even more effective, even-handed and cost efficient in carrying out SARS's mandate through better use of our human, financial and technology resources.

Two years ago we launched the SARS Compliance Programme that identifies sectors of the economy we believe have a high risk of non-compliance and shared that with the public, taxpayers and traders. We will continue with this Programme during the 2014/15 fiscal period and seek to increase voluntary compliance amongst these groups of taxpayers. In particular, we plan to have an accurate picture of the tax affairs of high net worth individuals and their related trusts and to target potential rule-breakers. We also plan to put in place a range of interventions to support the vast majority of small businesses that are willing to comply by making it easier for them to understand and fulfil their obligations. We will help them improve their interactions with SARS through targeted education initiatives and providing more channels through which they can access SARS products and services. In supporting the government-wide agenda for small businesses, our planned work will also take into consideration the recommendations of the Davis Tax Committee.

Agreements with other international tax and customs jurisdictions to share information on offshore tax activities of multinational entities and individuals, for example the exchange of information agreement relating to Foreign Account Tax Compliance Act (FATCA) with the government of the United States of America, will enhance our ability to pursue tax cheats and level the playing field for all taxpayers and traders. South Africa also agreed to participate together with the United Kingdom, France, Spain, Germany and Italy in a pilot scheme for the automatic exchange of information to address offshore tax evasion. We also participate in OECD's Base Erosion and Profit Shifting initiatives.

The growth of the taxpayer and trader debt still poses a challenge for SARS. Over the next twelve months (and during the course of the next five years) we have set ourselves challenging targets to reduce debt owed by taxpayers and traders. To do this we need an accurate picture of the taxes, duties and levies owed by taxpayers and traders, including their information. During the 2014/15 fiscal period, we will start the process to develop and implement a new debt management system and introduce new measures to reduce taxpayers

and traders' debt. This will yield significant benefits for taxpayers and traders, the government and SARS. Taxpayers and traders will have the certainty of accurate accounts and will be able to manage their compliance with tax and customs obligations better. SARS will be able to reduce errors, minimise the scope for corrupt practices and focus its collection efforts better. The accuracy of taxpayers and traders' data will also facilitate our planned migration towards the Generally Recognised Accounting Practice (GRAP) compliance.

We also know that our complaints management process needs improvement. During the 2014/15 fiscal period we will start working with the office of the newly appointed Tax Ombud to transform the way we deal with taxpayer and trader complaints and queries. We commit to improve the overall governance and transparency of our processes, and during the 2014/15 fiscal period we will introduce significant changes to our governance of case selection, audit and investigation processes.

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

We want our employees to be highly skilled at addressing and resolving taxpayer and trader queries and disciplined in maintaining organisational processes. Over the next twelve months we will ensure that we retain the right employees to maintain excellence in our operations and to enable implementation of our future strategies. During the 2014/15 fiscal period, we will launch our new human resources framework underpinned by a new set of values and code of conduct, to reinforce the key character traits expected of all SARS employees.

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

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



Ivan Pillay

Acting SARS Commissioner

Official Sign-off

02

02 | Official Sign-off

It is hereby certified that this Annual Performance Plan was developed by the Executive Committee of the South African Revenue Service and takes into account all relevant policies, legislation and other mandates for which we are responsible. This Plan accurately reflects the strategic outcome oriented goals and objectives which the department will endeavour to achieve over the period.



Acting SARS Commissioner

SARS's Operating
Environment

03

03 | SARS's operating environment

National Policy Direction

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

Our mandate is also becoming increasingly wider as we are called upon to further support critical government efforts to increase employment opportunities, improve conditions for small businesses, and help improve performance across the whole of government. Recently we have been tasked with the implementation of important pieces of national policy and legislation such as the National Health Insurance (NHI) and the Employment Tax Incentive (ETI) scheme. On 1 January 2014 we implemented the ETI which is administered through our systems and processes. It is certainly a testament to our capability that government entrusts us with the implementation of these important initiatives. However, we are mindful that these additional responsibilities may begin to strain our already limited leadership and technical capabilities and could adversely impact on our core tax and customs mandate.

We acknowledge that our efforts to carry out the SARS mandate and to contribute to critical government programmes will not be successful if we work in isolation from our key government partners. The work of the following government departments and entities affects our mandate directly: Department of Home Affairs (DHA), Companies Intellectual Property Commission (CIPC), Department of Trade and Industry (DTI), National Treasury (NT), Department of Justice and Constitutional Development, National Prosecuting Authority (NPA), Office of the Tax Ombud and the Davis Tax Committee. SARS will continue to work with these and other government departments and agencies on many fronts to improve the overall efficiency and effectiveness of government, and promote a whole of government view approach across government. We also acknowledge that we all operate under increasing fiscal and resource constraints that could affect the progress of our collaborative efforts.

Major economic trends

Economic developments

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

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

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

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

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

Developments in the global tax and customs environment

Tax developments

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

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

Developments in the global tax environment have implications for the manner in which SARS collects the revenue required to meet government's fiscal and social responsibilities. We will support and participate in multi-country initiatives for the automatic exchange of information to counter the negative consequences of this threat to the South African fiscus. We will also invest a significant portion of our resources to develop the skills and capability to identify and deal with tax avoidance and evasion schemes employed by multinational companies.

Customs developments

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

Closer to our borders we are witnessing increased cooperation between SARS and various customs jurisdictions on issues of joint customs control, streamlined border processes and risk management to reduce delays (for legitimate traders and travellers) through customs and improve trade efficiency in the region. The creation of a “One-Stop Border Post” (OSBP) between South Africa and Mozambique took a big step forward in 2013 when the South African Parliament formally adopted the bilateral agreement between these two countries on the matter. We are also working with our Zimbabwean partners to finalise the adoption of the Mutual Administrative Assistance Agreement (MAAA) for the establishment of South Africa-Zimbabwe OSBP.

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

Risks facing SARS

Risks facing SARS stem from its exposure to the local and global economic climate, the compliance behaviour of taxpayers and traders in response to this climate, and the risks coming from SARS’s own operations. SARS introduced several measures to mitigate these risks and continues to monitor their impact on SARS’s performance.

STRATEGIC RISKS FACING SARS	
The risks we need to manage	How we will manage these risks
<p>Revenue collection pressure</p> <p>The prevailing global and local economic uncertainties place increasing pressure on SARS to collect revenue. Ongoing labour strikes, especially in the mining sector, and service delivery protests domestically add to this already gloomy environment.</p>	<ul style="list-style-type: none"> • Improve our initiatives to expand the revenue base through our education and outreach programme • Continue to expand our footprint through physical infrastructure, mobile tax units and mobile registration kits • Increase compliance activities through increased and target audit and enforcement, as well as proper debt management • Increase the use of administrative penalties
<p>The threat of the illicit economy</p> <p>The illicit economy, especially illicit cigarette and tobacco, continues to pose a serious threat to South Africa's economic growth, legitimate formal businesses, financial activity and the potential growth of the tax base from which SARS collects revenue.</p>	<ul style="list-style-type: none"> • Continue to target the entire supply chain of illicit cigarette and tobacco trade, through better control of our warehouses, modernisation of our excise systems to improve risk detection, and increase our collaborations with key stakeholders
<p>Unfavourable public perception of poor state delivery and corruption</p> <p>Research and empirical evidence show that taxpayer's attitude towards compliance and their willingness to comply is influenced by how they perceive taxes to be utilised. Concerns about corruption in the public sector, poor service delivery remain an issue. This has the potential to affect SARS's ability to achieve compliance due to loss of public confidence in government.</p>	<ul style="list-style-type: none"> • Continue to collaborate with a broad range of key stakeholders and government partners to develop and implement platforms to improve efficiency and effectiveness of operations across the whole of government
<p>Potential widening of SARS mandate</p> <p>The SARS mandate is becoming increasingly wider as the organisation is required to support critical government efforts to increase employment opportunities, improve conditions for small businesses and help improve government performance across the whole of government.</p>	<ul style="list-style-type: none"> • Continue with SARS's whole of government view of services. However will prioritise each partnership or assistance to ensure that SARS resources are not strained beyond their capacity
<p>Complex financial schemes used by large businesses to evade tax</p> <p>SARS has detected an evolution from businesses, especially multinational enterprises, whereby they utilise domestic and international loopholes to evade tax, take advantage of cross-border structuring and transfer pricing manipulations.</p>	<ul style="list-style-type: none"> • Improve the skills and professionalism of our auditors to ensure that employees dealing with large business taxpayers are equipped to engage and deal with the complexities of this segment and facilitate quicker resolution of issues • Continue to improve relationships between SARS and large business taxpayers through the implementation of the cooperative compliance approach • Continue to recruit highly skilled auditors and finance specialists to identify and close existing loopholes in our processes

Table 1: Strategic Risks facing SARS

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

Table 1: Strategic Risks facing SARS

Resource Plan

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Expenditure estimates over the medium-term

SARS's projected revenue and expenditure for 2014/15 to 2016/17 is presented on Table 2 below:

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

Table 2: SARS's expenditure estimates

Projected Human Resource capacity

SARS's projected headcount for 2014/15 to 2016/17 is presented in Table 3 below:

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

Table 3: SARS's projected headcount

Annual Performance Plan
Initiatives and Activities
2014/2015

05

Core Outcome 1: Increased customs compliance

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

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

Priority objectives and initiatives for 2014/15 to accomplish this outcome:

Adopt the Customs & Excise Amendment Bill, Customs Duty Bill and Customs Control Bill. During 2014/15, SARS will form a steering committee responsible for embedding the new Bills, taking cognisance of current Customs solutions, policies and procedures as well as operating structures to ensure alignment to the provisions these legislative changes. This committee will seek to identify gaps in our systems, processes, policies and procedure to align the new requirements with our operating and decision making structures. This will include preparation and drafting of new policies, new procedures and planning for the re-configuration of our systems to cater for the new changes.

Continue to implement the Preferred Trader Programme to cover both customs and excise traders. The Preferred Trader Programme holds many benefits for traders including faster passage and reduced likelihood of inspection of their goods through customs. In 2014/15, SARS will develop the current Preferred Trader scheme as an Authorised Economic Operator (AEO) Programme. This entails the delivery of a framework for mutual recognition with major trading partners, aligned to international standards.

The Excise Preferred Trader Programme will be advanced through publishing a set of specific Preferred Trader Excise Policies and Audit documents. The current pilot will be expanded to initially cover one client per excise product grouping, i.e. Wine & Spirits (current), Tobacco, Oil, etc. In parallel capacity building interventions for Excise audit capability will be implemented.

Continue with the automation and digitisation of the customs environment in order to improve efficiencies and turnaround times by allowing combined cargo and goods declaration, risk analysis and intervention. The integration of the Automated Cargo Management (ACM) system into the new

Integrated Customs Management System will deliver a common cargo and declaration data platform which will allow data comparison, combined business rule validation, third party data verification and the preparation of a single risk document (SRD) for risk analysis. This aligns to the internal mandate to expand declaration-based control to use third party verified cargo declarations and the external mandate of facilitating legitimate trade.

Continue to strengthen its risk management capabilities in customs. We want to increase security of trade at our ports of entry to facilitate efficient trade and safe travel; protect the economy; and prevent revenue leakages. During the 2014/15 fiscal period, SARS will:

- Increase the number of detector dogs and handlers at all of our major ports of entry
- Establish a specialised Customs Water Wing Unit to be based at the Cape Town port
- Continue to deploy additional cargo/container/baggage scanners at our key ports of entry. By 31 March 2015, SARS will deploy cargo scanners at the Cape Town, Durban and Beit Bridge ports of entry.
- Continue to make improvements to the Passenger Processing System (PPS) to allow for the automated risk management of travellers. This will simplify traveller processing through user-friendly interfaces and enhance traveller data management, especially for frequent travellers.

Automate the Traveller Management System (TMS). We want to enhance the functionality of the system without having to rely on other systems like the Passenger Processing System. We will therefore automate the current TMS to ensure a risk-based management of travellers. We want to ensure that there is improvement in the flow of travellers, through minimum intervention.

Expand the Customs inspections workflow to include CBCU activities. We want to incorporate all SARS intervention activities, for example, the dog unit, the water wing, the scanner unit etc. We will ensure that these activities are further integrated into the case management platform.

Continue to adopt a whole of government view approach at our ports of entry to achieve value chain efficiencies. SARS fully supports the creation of the Border Management Agency (BMA). During the 2014/15 fiscal period, SARS will continue working with the Department of Home Affairs to relocate the Border Control Operations Coordinating Committee (BCOCC) capability to the soon-to-be established Border Management Agency.

Facilitate the implementation of a “single window” at the ports of entry for better interfaces with other government agencies. We have already implemented reciprocal data exchange agreements with government agencies such as the Department of Trade and Industry (International Trade Administration Commission - ITAC). This has eliminated the incidence of regulatory permit abuse in respect of the importation and exportation of commercial goods. During the 2014/15 fiscal period, we will define our engagements with the Department of Agriculture, Forestry and Fisheries regarding the implementation of an integrated border process capability that includes the management of their regulatory requirements through the SARS declaration and inspection workflow. We are hoping this arrangement will result in a more efficient control of prohibited and restricted goods through an integrated inspection workflow at all the borders.

Continue to facilitate effective coordination of border activities and links with other jurisdictions.

The creation of a “One-Stop Border Post” between South Africa and Mozambique took a big step forward in 2013 when the South African Parliament adopted the bilateral agreement for the creation of the OSBP between these two countries. During the 2014/15 fiscal period, SARS will;

- Continue to facilitate the implementation of the bilateral agreement and Annexures through development of standard operating procedures and processes for the South Africa – Mozambique OSBP.
- Continue to seek finalisation of the Mutual Administrative Assistance Agreement (MAAA) with the Zimbabwean Revenue Authority for the establishment of OSBP between South Africa and Zimbabwe. SARS will also implement the Beit Bridge Efficiency Management System governance and management structures. We will also participate in the North-South Corridor sub-working groups.

SARS will improve the capturing of trade statistics. During 2014/15 we will continue to ensure timely reporting of trade statistics and consider the expansion of the type of information contained in this statistics. We will ensure that we capture our trade statistics accurately to improve trade analysis and reporting. We will also align the publishing of our trade statistics to international standards.

Core Outcome 2: Increased tax compliance

SARS seeks to increase voluntary compliance across a broader taxpayer base. In this regard, SARS wants taxpayers to: calculate their tax liabilities correctly, file their returns on time, declare to SARS what their true income is, and pay what is due. SARS will realise these compliance objectives through better understanding of taxpayer circumstances, needs, attitudes, abilities and behaviours. We will use our understanding of the different taxpayers to inform and focus our efforts on where we can have the biggest effect on compliance. This means that we will create a good balance between education, service and enforcement interventions. We will make it easier for taxpayers to meet their compliance obligations by continuously simplifying the process of filing tax returns, making service channels more efficient and streamlining our internal processes. For those taxpayers that choose not to comply we will invest in effective deterrence measures.

Priority objectives and initiatives for 2014/15 to accomplish this outcome:

Reduce the level of debt due by taxpayers and traders. During the 2014/15 fiscal period, we will:

- Seek to improve and maximise process efficiency through automation, improved workflow management and real-time processing of transactions
- Continue to increase the productivity and competency of staff members through better training interventions, work allocation and performance management
- Improve our methods of analysing taxpayer and trader data and behaviour to develop better compliance interventions and debt management strategies
- Integrate SARS systems and processes with external parties including other government departments that form a critical dependency in our collection cycle
- Effectively manage third-party appointments to collect debt on SARS's behalf

Conduct targeted compliance interventions in high-risk areas under the SARS Compliance Programme.

For Large Businesses, SARS will seek to build a better understanding and management of the relationship between SARS and large business taxpayers, through open and transparent interactions to manage the two main compliance risks associated with this segment namely: tax avoidance through complex financial structures and/or business arrangements, and interpretation issues relating to the application of the income tax laws. During the 2014/15 fiscal period, we will:

- Improve the skills and professionalism of our auditors to ensure that employees dealing with large business taxpayers are equipped to engage and deal with the complexities of this segment and facilitate quicker resolution of issues
- Continue to improve relationships between SARS and large business taxpayers through the implementation of the cooperative compliance approach. This approach seeks to improve transparency, improve governance and improve relationship
- Continue to recruit highly skilled auditors and finance specialists to identify and close existing loopholes in our processes.

For High-Net-Worth Individual (HNWI) taxpayers and their related trusts, SARS will seek to gain an accurate and complete picture of their affairs and activities. A number of high-net-worth individuals choose to remain under the SARS radar and continue to either under-declare, not file or underpay/not pay their fair share of taxes. During 2014/15, we will develop an accurate and complete database of HNWI taxpayers to identify those belonging in this segment who are not in the SARS register. We will also increase the number and intensity of audits into the affairs of HNWI, especially in instances where they are found to be non-compliant. The modernisation of our systems, including the trust system will lead to a better understanding of the tax affairs of HNWI. For instance, we will introduce a new trust return (IT12TR) which will require complete information about beneficiaries and trustees of a trust. This will help our efforts to manage risks in this segment better. We will also deploy more audit resources to tackle tax avoidance and evasion by affluent individuals and wealthy individuals with complex tax arrangements such as trusts, offshore accounts and relationships.

For Small Business taxpayers, SARS seeks to put in place a range of interventions to support the vast majority that are willing to comply by making it easier for them to understand and fulfil their obligations. During the 2014/15, SARS will:

- Better support and service small business taxpayers by establishing a small business desk within our Branch Operations framework to champion and coordinate SARS's efforts to make it easier for small business taxpayers to meet their obligations. This will provide a tailored and differentiated service to the small business taxpayer segment. The small business desk will also offer better tax information and advice and will be tasked with reducing the tax administrative burden on small business taxpayers.
- Continue to target and tailor education and support to those who need our support to help them comply
- Tailor our call centre capability to include a dedicated queue in the Interactive Voice Response (IVR) which will be aligned to small business specific processes

- In line with the Minister of Finance's 2014 budget speech announcement, we will update our systems and processes to accommodate the proposed amendments to the small business corporation tax regime, the enhancements of the turnover tax regime, venture capital company tax regime, intellectual property rules and for the provision of tax relief to organisations that provide grants to small business enterprises
- Prepare for the implementation of further recommendations from the Davies Tax Review Committee

For Tax Practitioners and Trade Intermediaries, SARS will continue to work with the relevant recognised controlling bodies and associations to develop improved tax practitioner/agent standards and deliver more responsive services to improve compliance in this segment. During the 2013/14 fiscal period, Parliament passed legislation to regulate the affairs of tax practitioners, advisers and agents. The new legislation gives SARS the powers to authorise the appointment of tax practitioners and associated controlling bodies as defined. During 2014/15, SARS will:

- Continue to implement the provisions of the law relating to the regulation of tax practitioners. We will facilitate registration of qualifying tax practitioners and controlling bodies and deregistration of non-qualifying tax practitioners and controlling bodies
- Continue to strengthen enforcement interventions through increased audits and investigations
- Continue to work with tax practitioner bodies to encourage reporting of unethical behaviour to SARS and the relevant associations
- Implement a modernised e@syFile solution for tax practitioners to allow them to work on multiple tax returns offline and log-on only when they submit these returns. This will enhance tax practitioner experience and service while alleviating the load on our on-line environment, especially during the filing season peak periods.

Illicit cigarettes: Trade in illicit cigarettes and tobacco is depriving the country of the much needed funds to finance the country's developmental agenda, and results in losses to the fiscus amounting to several billions as a result of unpaid excise tax and income tax. SARS will continue to target the entire supply chain of illicit cigarette and tobacco trade, through better control of our warehouses, modernisation of our excise systems, increased collaborations with key stakeholders and better detection capabilities. We will also continue to contribute to the development of the country's Illicit Economy and Organised Crime Prevention Strategy. During the 2014/15 fiscal period, SARS will increase its supervision of cigarettes exported via customs' warehouses, improve manual tracking of cigarettes in transit through South Africa and improve our risk capability to detect trade in illicit cigarettes.

For Construction, and Clothing and Textile industries, SARS will also continue to carry out work in these additional industries as part of the Compliance Programme. We will identify high risk areas and increase the number of audits and customs inspections in these industries to ensure that deliberate non-compliance is addressed.

Strengthen SARS's risk management in Personal Income Tax (PIT), Pay As You Earn (PAYE), Corporate Income Tax (CIT), Value-Added Tax (VAT) and Trusts. During the 2014/15 fiscal period, SARS will keep on refining and improving the risk detection capabilities of the PIT, PAY, CIT, VAT (which also includes Diesel) and Trust systems to better identify and manage risks of non-compliance. Risk management in SARS for these core taxes is fairly advanced, and SARS's efforts in the upcoming year will therefore be to continuously refine the risk rules. We will increase our use of third-party data by growing our links with third party data suppliers. This will enhance our risk detection capability. We will also amend our systems and processes to accommodate the new legislated provisions relating to all these taxes, particularly the VAT Act, which requires foreign suppliers of electronic services in South Africa to register for VAT.

Continue to work with other tax jurisdictions and countries on global tax compliance and enforcement issues to protect the erosion of South Africa's tax base. We will continue to provide assistance to the South African government to increase effectiveness of treaties and agreements with other countries, tax jurisdictions and international organisations. During the 2014/15 fiscal period, SARS together with National Treasury will finalise its input into the exchange of information agreement specifically relating to Foreign Account Tax Compliance Act (FATCA) with the government of the United States of America (USA). 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. We will continue with our participation in the OECD's BEPS initiatives. We will also participate in a pilot scheme (together with France, Germany, Italy, Spain) for the automatic exchange of tax information launched by the United Kingdom as part of efforts to address offshore tax evasion.

Core Outcome 3: Increased ease and fairness of doing business with SARS

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

We will continue our progress towards cheaper and more convenient service channels for taxpayers and traders, particularly with simplified online and mobile channels, to make SARS services and products easily accessible to taxpayers and potential taxpayers. This will reduce the need for them to visit a SARS branch and will give them more control over their tax affairs. Taxpayers will be able to meet their obligations at their convenience and at their leisure. We will however continue to provide support, education and assistance to those taxpayers that need help, through our call centres and proactive and visible engagements via our mobile tax units and field tax officers.

We will also reach out to young, newly employed individuals and newly established businesses to form a relationship with them before their obligations to register/file/pay taxes commence. We will increase our education, outreach and engagements with key stakeholders (tax practitioner bodies, schools, universities, government departments, business forums etc.) to promote tax compliance. And as part of our efforts to

be more accessible, we will explore further collaborations with other government departments and private institutions to co-locate our offices on their premises or as part of a shared infrastructure.

Priority objectives and initiatives for 2014/15 to accomplish this outcome:

Deliver a much improved integrated complaints management process for taxpayers and traders.

SARS will continue to improve its processes and systems used to receive and resolve taxpayer and trader queries and complaints. In addition to setting up dedicated capacity within our operations to effectively and efficiently deal with taxpayer and trader complaints, SARS will provide taxpayers with multiple dedicated channels through which they can lodge their complaints with SARS. SARS will also work with the Office of the Tax Ombud to ensure efficient and effective resolution of taxpayer and trader complaints.

Implement a single registration process and system to facilitate the move to a consolidated view of a taxpayer and trader's tax affairs with SARS and reduce unnecessary administrative burden.

The single registration process is critical for SARS and will form the basis for the delivery of other capabilities such as the tax compliance status (TCS) system and an improved debt management process. SARS will work with the DHA and CIPC to implement phase one of the single registration process. This phase will form the basis for the creation of a single profile for taxpayers and traders and will include information about the core taxes and customs products they are registered for. This will consolidate the registration of taxpayers and traders for their tax and customs products under one single entity.

This implementation will also afford taxpayers and traders the ability to register and interact with SARS via our branch office network and e@syfile channels in real-time. Subsequent interactions by taxpayers and traders via our online channels (eFiling) will also be greatly enhanced. This initiative will greatly improve the quality of information SARS holds about each taxpayer and trader, and will facilitate improved and tailored service offering. The accurate identification of taxpayers and traders will assist with the speedy processing of incoming payments as well as refunds due. Debt equalisation will become much easier to administer as the entire taxpayer and trader portfolio view as well as payment history will be readily accessible to the debt collection department.

Deliver an improved Tax Clearance Certificates (TCC) process and system.

By 31st March 2015, SARS will have implemented a new online TCC process. The new system and process will give taxpayers and traders the ability to apply and get their tax compliance status on-line. Third-parties wishing to confirm the tax compliance status of a taxpayer/trader they are doing business with will also have access to the online facility available to them (which will be provided by the taxpayer/trader) to check and confirm the compliance status of their business partners.

This tax clearance solution will replace the existing cumbersome and paper-based process of tax clearance certification which is open to fraud. The introduction of this solution will enable taxpayers to manage their tax affairs more effectively and assist SARS to improve the efficiency of its administration of tax clearance requests (800000 a year), raise service levels and compliance levels as well as deter fraud. Efficiency will be aided by the ability to refer to the consolidated view of an entity and to resolve any open and unallocated payments to taxpayer accounts.

Deliver on government's objective to implement the Employment Tax Incentive (ETI). The Employment Tax Incentive was gazetted to help young people (aged between 19 and 29) enter the labour market. The incentive creates a graduated tax incentive at the entry-level wage, falling to zero when earnings reach the personal income tax threshold. The current PAYE system is leveraged in the administration of this tax incentive scheme. The incentive will be off-set from the PAYE payable to SARS each month. The first phase of the solution has already been released and additional phases are already in the pipeline. We will incorporate further features into the PAYE system to accommodate the ETI later in the 2014/15 fiscal period. This will ensure, among other things, that companies that are not tax compliant will not be able to take advantage of the incentive to reduce their tax obligations. Another additional feature will be the facility to carry some of the incentive forward if the total value of the incentive in one month exceeds the PAYE due for that month and to make refunds of rolled-up excesses.

Continue to expand SARS's footprint to a much wider taxpayer and trader base. Our long-term goal is to bring SARS services, processes and products to where taxpayers and traders conduct their business. We will achieve this through a combination of physical footprint expansion and increased mobility and accessibility via online electronic channels and we will ensure that all our points of service (POS) are within a 50km radius of every taxpayer. By 31st March 2015, we will have built six additional branches in various the provinces. We will also introduce additional mobile tax units into our footprint infrastructure. This will bring to 12 the number of mobile tax units we have in our branch portfolio to expand SARS services and products to reach a much broader taxpayer and trader base. To further expand SARS services, we will partner with DHA through the Thusong Centres country-wide for co-locations.

Branches remain a popular channel as evidenced by the fact that the volume of visitors have doubled over the last five years. Due to the high set up cost of new physical infrastructure, ongoing efforts are directed in improving productivity and throughput of our existing infrastructure. The systems utilised to manage resources, their schedules and performance will be further refined. This will assist us in better managing the flow of queues within the branches. As a result, capacity will be maximised and used more efficiently.

Continue with SARS's strategy for creating fiscal citizenship amongst all South Africans. The concept of fiscal citizenship includes building a relationship with all South Africans to educate them on the importance of their tax contribution and making the means of filing a tax return accessible to all. During 2014/15, we will finalise our proposal to the Department of Basic Education for tax education to be included into school curriculum. We will also create a new tax education website. We will continue with our outreach and education campaigns at airports, shopping centres and malls, and other public meeting places in an effort to bring services to the people of South Africa. SARS will also open new Tax Practitioner's units/offices in the metropolitan areas.

SARS will modernise its estates and deregistration processes. SARS is still dealing with high volumes of manual processes, particularly in the areas of deregistration of taxpayers and traders, and estates. In 2014/15 we aim to design and modernise these processes, which are likely to rely on direct interfaces with DHA, CIPC and the Master of the High Court. We will ensure that deactivation of inactive taxpayers and traders is dealt with timeously.

Core Outcome 4: Increased cost effectiveness, internal efficiencies and institutional respectability

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

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

Priority objectives and initiatives for 2014/15 to accomplish this outcome:

Continue to advance a whole of government view approach to achieve efficiencies and effectiveness by collaborating with a broad range of stakeholders (and other government departments) to advance SARS's compliance efforts and to improve government performance and coordination. By the 31st March 2015, SARS will have collaborated with a broad range of key stakeholders and government partners to achieve greater operational efficiencies and effectiveness of systems and processes. In particular we will continue our work with the DHA, CIPC, Government Pension Administration Agency (GPAA) and the Office of Tax Ombud to develop and implement platforms to improve efficiency and effectiveness of operations across the whole of government. We will also facilitate and participate in several private and public sector forums during the course of the year to promote compliance across the board.

Build and maintain a work environment that supports employee growth and development by providing employees with the skills and tools they need to perform their jobs. We want our employees to be highly skilled at addressing and resolving taxpayer and trader queries and disciplined in maintaining organisational processes. We also want the majority of our employees to be handling or dealing with taxpayers and traders directly. By 31 March 2015, we will have completed the development of the new Human Resource (HR) Model to address employee development, succession and training. In particular the new HR framework will provide a strategy to identify, attract and retain the right people for SARS. Initiatives under this will include: a review of the SARS remuneration and reward framework; new process to better manage succession in the organisation; development of workforce plan; review of the recruitment practices to align with future business and operating model; implementation of a new SARS Academy model to provide technical skills and competencies.

Start the gradual migration of SARS's accounting practices to the Generally Recognised Accounting Practice by 31st March 2018. The objective of this initiative is to implement the Standards of GRAP incrementally over a six year period as prescribed in Directive 6 on Transitional Provisions which commenced 1 April 2012. During the 2014/15 fiscal period, SARS will finalise the migration of the Customs, Excise and Transfer Duty products and undertake preparations and further migration of the accounting process and systems for the PAYE and VAT products.

Implement eCentral to increase self-service internally and automate high cost support services. eCentral will integrate Finance and HR processes of the 80/20 activities performed by SARS management. The aim is to move from using paper to electronic processing of many routine transactions in our support functions. Through eCentral, SARS will be able to increase internal organisational accessibility, efficiency and responsiveness. During 2014/15 we will focus on improving management of our assets, our organisational structure as well as our HR resources and expenditure.

Deliver and implement a revised Code of Ethics and Conduct. By the 31st March 2015, SARS will have commenced implementation of a new SARS ethics and values framework. We will produce a new SARS Code of Ethics and Conduct and embark on a campaign to socialise it to all the stakeholders (minister, employees, unions etc.). This will facilitate a smooth and effective implementation of the new code. We will also publish guidelines and facilitate training workshops for staff to ensure successful implementation.

Improve governance in the selection and execution of cases to improve transparency about SARS's decision making processes. During the 2014/15 fiscal period, we will finalise the case selection and case execution governance framework which will, amongst other things, seek to establish clear lines of responsibility and outline clear case selection criteria. We will publish (internally) draft policies and procedures to guide and inform employees on the selection process. By the 31st March 2015, we will have created a clear separation between case selection and execution of cases by audit and enforcement.

Continue to fight fraud and corruption to minimise revenue leakages and protect the integrity of our systems and processes. Criminals and a very small number of criminal elements within our employee ranks continue to test and threaten the integrity of our systems. We face many attempts by criminal syndicates to steal money from the fiscus through unscrupulous activities. During the 2014/15 fiscal period, we will implement a new process to improve refund processing (refunds engine), which will reduce the amount of

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

Implement cost saving measures to keep our expenses within National Treasury guidelines and minimise the effects of current fiscal constraints on our current and future operations. By 31st March 2015, we will have reviewed opportunities for sustainable cost savings and cost reduction measures to enable us to meet our future spending needs. We will review our spending in all overhead/support functions and shift the majority of our savings towards compliance activities to increase revenue. We will also produce and implement new SARS budget and spending guidelines in line with the new Treasury guidelines for cost containment in government departments.

Deliver a refined operating model to eliminate duplication and improve efficiencies and effectiveness of our business practices. By 31st March 2015, SARS will have finalised its review of the SARS operating model. We will use this opportunity to identify areas where we need to build capacity and areas where we need to move capacity to compliance enhancing activities.

SARS's Strategic
Measurement Framework
and Key Performance
Measures

06

06 | SARS's strategic measurement framework and key performance measures

Aligning our performance with the government-wide performance measurement framework

We seek to align SARS's performance management and reporting processes with the South African government's outcome-based approach to measuring and assessing the performance of government entities. The SARS Strategic Plan 2014/15 – 2018/19 provides the basis for the organisation's outcomes-based performance management and planning processes. This Strategic Plan describes our long-term objectives and actions that describe the measurable outcomes we seek to achieve over the next five years.

From the Strategic Plan, we develop our annual business plans, annual budgets and annual performance measures which are presented in this SARS 2014/15 Annual Performance Plan. We report on the performance of SARS in the Annual Report and we use this performance information to track our progress towards achieving the long-term goals as set out in the Strategic Plan.

In developing and setting out our performance measures, we continue to look for new ways to better reflect and report our performance in a more meaningful way. We rely on accurate data, including efficient and effective systems of gathering and analysing data. In this regard, we have updated some of our strategic outcome measures to reflect appropriate targets and baselines for this planning period.

This also reflects our measured approach to how we are transitioning the organisation to the desired end state which is ultimately outcomes based performance measurement and reporting. We also continue to focus on creating the fewest and most meaningful set of strategic outcome measures that we can use as a tool to better measure and report our performance.

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

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

This separation will be explicitly reflected in the 2014/15 – 2018/19 SARS Strategic Plan and 2014/15 Annual Performance Plan.

2014/15 SARS APP strategic measures for each core outcome

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

2014/15 Strategic Measures:

Strategic Outcome	Measures	Baseline	Annual Targets 2014/15	Quarterly targets			
				Quarter 1	Quarter 2	Quarter 3	Quarter 4
Increased Customs compliance	Customs revenue collected (R billion)	R176.0 billion (unaudited)	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	25.04%	26.00%	25.40%	25.90%	26.30%	26.40%
	% Of cargo declarations targeted	14.50%	11.00%	11.00%	11.00%	11.00%	11.00%
	% Increase in electronic manifest submissions	25.58%	1.00%	Annual target			
	Interfront Governance-Unqualified Audit Report	Unqualified Audit Report	Unqualified Audit Report	Annual target			

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

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

2014/15 Strategic Measures:

Strategic Outcome	Measures	Baseline	Annual Targets 2014/15	Quarterly targets			
				Quarter 1	Quarter 2	Quarter 3	Quarter 4
Increased Tax compliance	Total revenue (excluding Customs revenue) collected (R billion)	R723.8 billion (unaudited)	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	9.18%	9.00%	9.75%	9.50%	9.25%	9.00%
	% PIT filing compliance	91.53%	91.60%	n/a	60.00%	92.00%	91.60%
	% Audit coverage of registered taxpayers (PIT, CIT, VAT/Excise and PAYE)	10.57%	11.00%	2.76%	5.52%	8.29%	11.00%
	% In-depth audit coverage of registered taxpayers (PIT, CIT, VAT/Excise & PAYE)	0.26%	0.07%*	0.01%	0.03%	0.05%	0.07%

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

*Measure calculated on total tax register. Targets are measured cumulatively

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

2014/15 Strategic Measures:

Strategic Outcome	Measures	Baseline	Annual Targets 2014/15	Quarterly targets			
				Quarter 1	Quarter 2	Quarter 3	Quarter 4
Increased ease and fairness of doing business with SARS	% Uptake in electronic filing, declaration and payment submissions for all tax products	96.18%	98.00%	98.00%	98.00%	98.00%	98.00%
	% Uptake in electronic customs bills/declarations (EDI)	99.97%	99.98%	99.98%	99.98%	99.98%	99.98%
	Average processing turn-around time for PIT returns (working days)	0.16 days	30 minutes	30 minutes	30 minutes	30 minutes	30 minutes
	Average processing turn-around time for CIT returns (working days)	0.47 days	Less than 1 day	Less than 1 day	Less than 1 day	Less than 1 day	Less than 1 day
	Average processing turn-around time for VAT refunds (working days)	32.1 days	21 days	21 days	21 days	21 days	21 days
	% VAT refunds processed within 14 days	69.60%	71.00%	71.00%	71.00%	71.00%	71.00%

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

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

2014/15 Strategic Measures:

Strategic Outcome	Measures	Baseline	Annual Targets 2014/15	Quarterly targets			
				Quarter 1	Quarter 2	Quarter 3	Quarter 4
Increased cost effectiveness, internal efficiency and institutional respectability	Employee Engagement (%)	64.09%	64.25%	Annual Target			
	Leadership Effectiveness Index (%)	85.27%	87.50%	Annual Target			
	Employment Equity: Demographics (%)	71.26%	71.50%	71.50%	71.50%	71.50%	71.50%
	Employment Equity: Gender on management level (%)	40.63%	47.00%**	46.90%	46.92%	46.98%	47.00%
	Employment Equity: Disability (%)	1.99%	2.02%	2.00%	2.01%	2.05%	2.02%
	Treasury allocation to revenue percentage	0.98% (unaudited)	Between 1 and 1.2%	Annual Target			
	Unqualified report by Auditor-General	Unqualified report	Unqualified report	Annual Target			

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

**Measure now based on Grade 6-9B

SARS developmental measures (not to be reported on)

Strategic Outcome	Measures	Baseline	Annual Target	Targets			
			2014/15	Quarter 1	Quarter 2	Quarter 3	Quarter 4
Increased Customs Compliance	% Increase in Customs compliance index	In progress	Track against baseline	n/a	n/a	n/a	Track against baseline
	% Decrease in size of illicit economy	In progress	Track against baseline	n/a	n/a	n/a	Track against baseline
Increased Customs Compliance	% Increase in the Small Business register	In progress	Track against baseline	n/a	n/a	n/a	Track against baseline
	% CIT filing compliance	In progress	Track against baseline	n/a	n/a	n/a	Track against baseline
	Tax compliance index for each tax product	In progress	Track against baseline	n/a	n/a	n/a	Track against baseline
	%VAT filing compliance	In progress	Track against baseline	n/a	n/a	n/a	Track against baseline
Increased ease and fairness of doing business with SARS	Average processing time for VAT registrations (working days)	Not defined	Track against baseline	n/a	n/a	n/a	Track against baseline
	% First processing contact resolution in contact centres and branches	Measure and baseline developed	Track against baseline	n/a	n/a	n/a	Track against baseline
	Taxpayer and trader compliance burden	In progress	Develop measure and baseline for medium business	n/a	n/a	n/a	Develop measure and baseline for medium business
Increased cost effectiveness, internal efficiency and institutional respectability	Unit cost per process	In progress	Track against baseline	n/a	n/a	n/a	Track against baseline
	Productivity per employee	In progress	Track against baseline	n/a	n/a	n/a	Track against baseline

Annexures

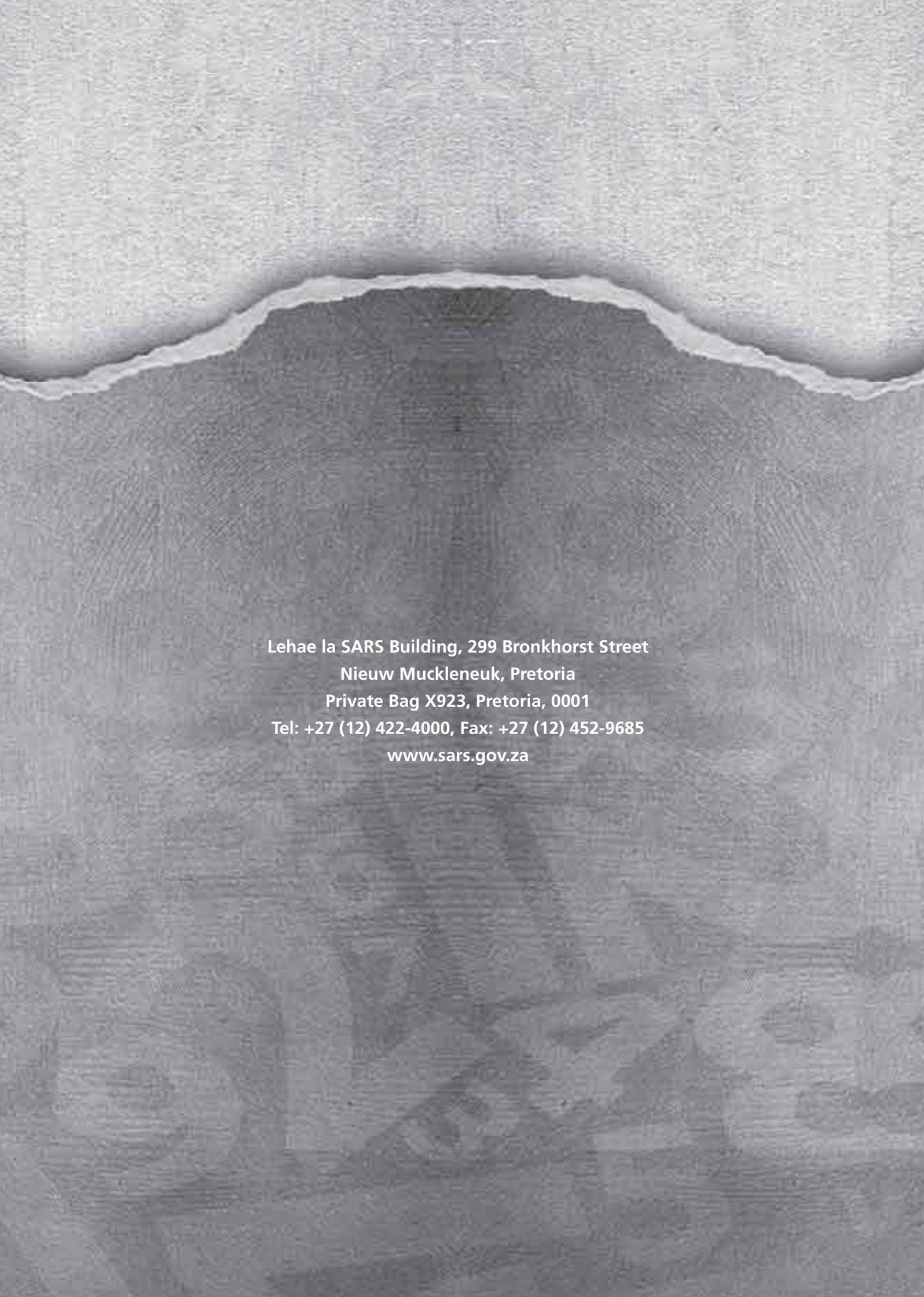
07

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



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