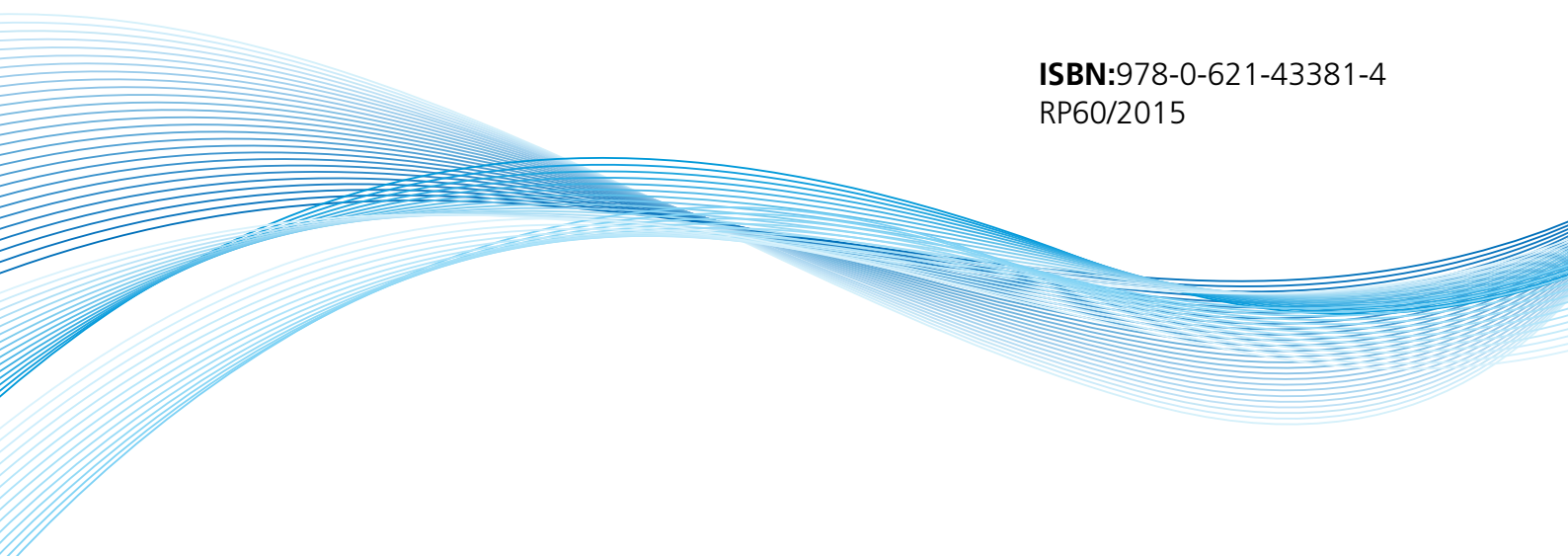


# Strategic Plan

2015/16 - 2019/20

South  
African  
Revenue  
Service

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# Contents

<b>ABBREVIATIONS</b> .....	<b>2</b>
<b>1. FOREWORD BY THE MINISTER OF FINANCE</b> .....	<b>4</b>
<b>2. MESSAGE FROM THE COMMISSIONER</b> .....	<b>7</b>
<b>3. WHO WE ARE</b> .....	<b>10</b>
<b>4. SARS' OPERATING ENVIRONMENT</b> .....	<b>12</b>
<b>5. SARS' STRATEGY FOR THE NEXT FIVE YEARS</b> .....	<b>19</b>
<b>6. SARS' FIVE-YEAR PRIORITY INITIATIVES</b> .....	<b>29</b>
OUTCOME 1: INCREASED CUSTOMS COMPLIANCE .....	29
OUTCOME 2: INCREASED TAX COMPLIANCE .....	32
OUTCOME 3: INCREASED EASE AND FAIRNESS OF DOING BUSINESS WITH SARS .....	34
OUTCOME 4: INCREASED COST EFFECTIVENESS, INTERNAL EFFICIENCIES AND INSTITUTIONAL RESPECTABILITY .....	37
<b>7. MEASURING SARS' DELIVERABLES</b> .....	<b>41</b>
<b>8. SARS' RESOURCE PLAN</b> .....	<b>46</b>
<b>9. ANNEXURES: MATERIALITY AND SIGNIFICANT FRAMEWORK</b> .....	<b>48</b>
ANNEXURE A: MATERIALITY FRAMEWORK .....	48
ANNEXURE B: SIGNIFICANT FRAMEWORK .....	48

# Abbreviations

AEO	Accredited Economic Operator
AEOI	Automatic Exchange of Information
ATAF	African Tax Administration Forum
BEPS	Base Erosion and Profit Shifting
BMA	Border Management Agency
CATA	Commonwealth Association of Tax Administrators
CBCU	Customs Border Control Unit
CIPC	Companies and Intellectual Property Commission
CIT	Corporate Income Tax
DHA	Department of Home Affairs
DTA	Double Taxation Agreement
ETI	Employment Tax Incentive
FATCA	Foreign Account Tax Compliance Act
FATF	Financial Action Task Force
FIC	Financial Intelligence Centre
GRAP	Generally Recognised Accounting Practice
HNWIs	High Net-Worth Individuals
IBSA	India, Brazil and South Africa
ICT	Information Communications Technology
IMF	International Monetary Fund
IVR	Interactive Voice Response
LBC	Large Business Centre
MAAA	Mutual Administrative Assistance Agreement
MAWG	Multi-Agency Working Group
MNEs	Multinational Enterprises
MTU	Mobile Tax Unit
NDP	National Development Plan
NPA	National Prosecuting Authority
OECD	Organisation for Economic Co-operation and Development
ORTIA	Oliver Reginald Tambo International Airport
OSBP	One Stop Border Post
PAYE	Pay As You Earn
PFMA	Public Finance Management Act
PIT	Personal Income Tax
POS	Point of Service
PPS	Passenger Processing System
PTP	Preferred Trader Programme
SACU	Southern African Customs Union
SADC	Southern African Development Community
SARS	South African Revenue Service
SAS	Suspicious Activity System
SEDA	Small Enterprise Development Agency
SMMEs	Small, Medium and Micro Enterprises
SONA	State of the Nation Address
TA Act	Tax Administration Act
TADAT	Tax Administration Diagnostic Assessment Tool
TCC	Tax Clearance Certificate
TCS	Tax Clearance Status
The dti	Department of Trade and Industry
UN	United Nations
VAT	Value-Added Tax
VDP	Voluntary Disclosure Programme
WCO	World Customs Organisation
WTO	World Trade Organisation



Foreword by the  
Minister of Finance

01

## 01 | Foreword by the Minister of Finance

The economic outlook for South Africa will remain challenging for the foreseeable future. It is therefore even more incumbent that, for the good of our country, the decisions and actions we take today do not cast a dark shadow on our fiscal prospects for the years ahead. It is with this in mind that we underline our commitment to maintain the prudent fiscal strategy that the government has adopted since the advent of democracy 21 years ago.



The Medium Term Budget Policy Statement in October 2014 made it very clear that government has set an expenditure ceiling that it will not breach. Because of adverse economic conditions, we have deemed it necessary to lower this ceiling by R25 billion in the next two years.

We have asked departments across all three tiers of government to look carefully at their budgets with a view to saving costs and ensuring value for money in the procurement of goods and services. Government spending is being prioritised towards the country's long-term development goals and not towards short-term consumption.

We expect the South African economy to continue to grow, albeit modestly, over the medium term. Key hurdles that have had the effect of dampening economic growth are mainly domestic constraints such as irregular electricity supply, fractious labour relations, a skills deficit in key sectors and persistent high levels of unemployment.

We are aware that the only way to a stable and secure future for all our people is to unlock the potential of our economy. The National Development Plan tells us that we need to achieve growth rates of more than 6% to achieve the twin national imperatives of bolstering job creation and reducing unemployment.

To place the economy onto a more robust growth path is not a task for government alone, we need all role players to play their part. As the 2015 Budget Review stated:

*"Frank acknowledgment of the realities facing the country can help government, business, labour and civil society focus on the work that can be done today to build for the future".*

Government has identified nine strategic priorities to be pursued this year in partnership with the private sector and all stakeholders. Top of the list is resolving the energy challenge. Other priorities include revitalising agriculture, further enhancing the Industrial Policy Action Plan, reducing workplace conflict, unlocking the potential of small enterprises, encouraging private investment and investing in infrastructure.

When times are tough, the difference between success and failure is determined by whether we have built a strong foundation and whether we are doing the basics well. The South African Revenue Service's (SARS) Strategic Plan for 2015/16 to 2019/20 gives me the reassurance that we have a robust, resilient and fundamentally sound tax system.

Tax revenue has grown at an average of just over 10.5% a year for a period of more than a decade mainly driven by a growing economy, improvements in administrative efficiencies and gains harvested from the investment in improved systems, processes and technology as part of the SARS modernisation programme. But the rate of growth in tax revenues has begun to moderate in the face of anaemic domestic growth and

the negative impact on domestic consumption and corporate profits due to, amongst other things, electricity supply constraints and labour disruptions. The fiscal space that we enjoyed during the “boom” years up to the 2009 financial crisis has been whittled away.

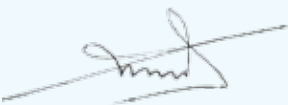
We have to find ways of broadening the tax base, both by identifying new sources of revenue and by being more assertive in ensuring that those who are liable to pay tax meet their legal obligations fully and timeously. This will include focusing more on the harmful practices that erode the corporate income tax receipts whilst continuing to build on the levels of tax compliance.

South Africa’s tax system is founded on the principles of equity, efficiency, simplicity, transparency and certainty. Tax policy aims to raise revenue in a manner that is fair and efficient, while contributing to social solidarity and supporting long-term economic growth and job creation. It is within this framework that we have tasked the Davis Tax Committee to take a fresh look at our tax system and come up with recommendations which will secure our revenue base for the future.

As its eight-year modernisation journey reaches its latter stages, SARS too has to take stock of its achievements, successes and shortcomings as it prepares to chart the way forward for the next decade. I am confident that the current review of the organisational model, Information Communication Technology (ICT) systems and the modernisation programme will serve to further strengthen the organisation and enable it to meet the challenges of the future. In an environment that is constantly changing, the SARS leadership has to take the necessary steps to ensure that the organisation remains agile and flexible and capable of adapting to new realities.

SARS plays a vital role in ensuring the health and stability of our fiscal framework, a strong revenue service, and customs administration is the fundamental cornerstone of a capable state and the key enabler is government’s ability to fund expenditure and provide for its people.

I wish Commissioner Tom Moyane, the SARS executive, the SARS management team and staff well as they prepare for the challenges of the next five years.



**NM Nene**  
Minister of Finance

An abstract graphic consisting of multiple overlapping, wavy lines in various shades of blue, creating a sense of movement and depth. The lines originate from the left side and curve towards the right, with some lines being thicker and more prominent than others.

# Message from the Commissioner

02



## 02 | Message from the Commissioner

I am honoured to present the 2015/16 – 2019/20 South African Revenue Service Strategic Plan. This plan sets out the way forward for carrying out the SARS mandate over the next five years. SARS' core mandate is to collect all taxes, duties and levies due to fund the South African government's public service programs and priorities. To that end, I am proud to say that SARS delivered with great success over the years. SARS' efforts over the years made it possible for the government to fund its public programmes without the burden of increasing the country's debt obligations.



Taxpayers and the South African public in general continue to appreciate SARS' achievements since its establishment. During the 2014 fiscal period, taxpayers filed more than 99% of their returns electronically through SARS' eFiling system and at SARS' branch offices. Taxpayer compliance has improved significantly over the years, and SARS is now easily accessible to a greater number of South African taxpayers and the public through SARS' growing network of branch offices, mobile offices and electronic channels. We also managed to deliver major projects, such as the Customs Management Solution, which went live in August 2013.

While we have made significant progress in many areas of SARS' administration over the last few years, I acknowledge that many challenges remain. The global and local economic environment continues to threaten SARS' revenue collection and compliance goals. On the other hand, South African taxpayers expect better use of their hard-earned money, and improved service delivery. Taxpayers are putting pressure on SARS to make it easier for them to meet their obligations, and they expect equity and fairness in their dealings with SARS. When I joined SARS on 27 September 2014, I made a commitment that SARS will continue to carry out its mandate without fear or favour, and continue to do so within the framework of the laws of the Republic of South Africa. To that end, SARS will continue to maintain the trust and confidence that taxpayers and the South African public have bestowed upon it, and will continue to act with integrity, impartiality and even-handedness in dealing with all taxpayers.

My appointment and arrival coincided with serious allegations of misconduct and unethical developments, which were in the media, about the existence of a 'covert intelligence and rogue unit'. This 'covert intelligence and rogue unit' is alleged to have been involved in activities unrelated to SARS' core mandate, thus creating an atmosphere of anxiety and stress for the institution and the public in general. The negative media coverage has the potential to damage and erode the SARS brand and image that epitomise good values, ethics and good corporate governance principles. I would like to assure taxpayers and the South African public that SARS is addressing these matters through the appropriate administrative channels.

During the 2014/15 fiscal period, we started a review of our operating model to help us determine how best to serve the growing needs of taxpayers, and to effectively deliver on our mandate. Over the next five years, we will continue to change the way we operate to meet the growing expectations of taxpayers. Our employees will be the key focus of this transformation process in our quest to provide excellent services to taxpayers. We will continue to invest in skills development programmes for our people to address the sophisticated schemes employed by those taxpayers who prefer to evade their tax obligations.

We will continue to apply risk management principles to focus our efforts on areas where we will have the biggest effect on compliance. We will continue to collaborate with all stakeholders to strengthen our

compliance efforts, and to improve effectiveness across government's entire value chain.

The road ahead is clearly long and hard. However, I have all the confidence that with this plan as our roadmap, we will successfully carry out the SARS mandate and achieve the outcomes we set out to achieve.

A handwritten signature in black ink, appearing to read 'Tom Moyane', written in a cursive style.

**Tom Moyane**  
SARS Commissioner

# Who We Are

03

## 03 | Who We Are

### **Our Mandate**

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

### **Our Vision**

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

### **Our People**

SARS recognises that its people are an indispensable driver of performance and hold the key to the organisation's ability to operate efficiently and effectively. Similarly, the SARS People Philosophy is characterised by care and concern, employee growth, recognition for excellence and engagement

### **Our Mission**

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

### **Our Values**

**F** - Fairness

**A** - Accountability

**I** – Integrity

**R** – Respect



# SARS' Operating Environment

04

## National Policy Direction

The National Development Plan (NDP) 2030 remains the primary policy framework for government and all its related entities. In his February 2015 State of the Nation Address (SONA), President Zuma shared the government's nine strategic priorities to be pursued this year to ignite growth and create jobs through its plans to "unlock the potential of small, medium and micro enterprises (SMMEs), cooperatives, township and rural enterprises". Government plans to set aside 30% of appropriate categories of state procurement for purchasing from SMMEs, Cooperatives, and from township and rural enterprises. The direction and outcomes pursued by the South African government in the NDP 2030 affect how SARS carries out its mandate. As one of the critical organs of state, we will continue to effectively and efficiently carry out our mandate to collect the revenue required by government to fund critical government programmes. We will diligently play our role to facilitate legitimate trade and travel through the country's borders to help grow the economy and protect it from illicit trade activities.

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

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

SARS' bilateral, regional and multilateral priorities are informed by South Africa's overall foreign policy objectives as espoused by the Department of International Relations and Cooperation. SARS' international engagements in the area of Tax and Customs administration contribute to the achievement of the following national objectives:

- Participate in the Global System of Governance (WCO, WTO, United Nations - UN, G20)
- Enhanced African Agenda and Sustainable Development (African Union and African Tax Administration Forum - ATAF)
- Strengthen Regional Political and Economic Integration (WCO ESA, SACU, Southern African Development Community - SADC)
- Strengthen South-South Relations (IBSA, BRICS, CATA)
- Strengthen Relations with Strategic Formations of the North (OECD)

## Economic developments

Global growth is expected to rise moderately to 3.5 percent in 2015, and 3.7 percent in 2016. High-income countries are likely to see growth of 2.4 percent in both 2015 and 2016, up from 1.8 percent in 2014, on the back of gradually recovering labour markets, ebbing fiscal consolidation, and still-low financing costs. In developing countries, growth is projected to decline from 4.4 percent in 2014 to 4.3 percent in 2015 and marginally grow to 4.7 percent in 2016. Lower oil prices could boost global growth even higher than the forecasts, but this boost is likely to be offset by negative factors such as investment weaknesses as adjustment to diminished expectations about medium-term growth continues in many advanced and developing economies.

Sub-Saharan Africa's growth slowed down to 4.8 percent in 2014, compared with 5.2 percent in 2013. However the region is projected to pick up moderately to 4.9 percent in 2015 and 5.2 percent in 2016, lifted by infrastructure investment, increased agriculture production, and buoyant services. The projected rebound in growth is weaker or delayed as the impact of lower oil and other commodity prices on the terms of trade and real incomes is now projected to take a heavier toll on medium-term growth.

South Africa is expected to experience steady but slow economic growth due to the current sluggish global economic growth which negatively affects exports. However the lower oil prices as well as growing regional trade with other sub-Saharan countries will continue to benefit the country. Improving labour relations will allow for a resumption of investment in the gold and platinum mining sectors, gradually improving net exports to help mitigate the drag from policy tightening. Infrastructure bottlenecks, especially in the energy sector, will progressively be alleviated in order to address challenges caused by this sector on other sectors of the economy. South Africa's Gross Domestic Product growth declined to 1.4 percent in 2014. However the economy is expected to grow by 2.0 percent in 2015 and 2.4 percent in 2016.

The prevailing negative domestic and global economic environment will continue to put our compliance and revenue targets at risk as businesses and individual taxpayers try to manage their cash-flows by under-declaring and/or failing to pay the amounts owed to SARS. Similar to the rest of government, we will continue to carry out our mandate under very tight fiscal conditions. We will therefore manage our resources more prudently to build resilience into SARS systems and processes to mitigate the adverse consequences of such an environment on taxpayer compliance and revenue collection.

## Developments in the global tax and customs environment

### Tax developments

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

In this regard, the Group of Twenty (G20) countries committed themselves to the automatic exchange of information (AEOI) between their tax authorities as the new global standard, and to work with the OECD to develop a multilateral model to make it easier for governments to find and punish tax evaders. On tax

avoidance, they agreed to support the OECD's work to tackle base erosion and profit shifting (BEPS). They also agreed to support developing countries to collect the taxes due to them, with access to the global tax information they need. We are seeing many developments on this front. South Africa is working with the United States government through the Foreign Account Tax Compliance Act (FACTA) to implement the AEOI programme between the two countries in September 2015. A group of more than 50 countries, referred to as the "early adopters group", which includes South Africa, intends to implement automatic exchange of information by 2017.

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

### **Customs developments**

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

The internet has become an important tool for customs administrations globally and some World Customs Organisation (WCO) member states already use this tool as a means of gathering customs-related information in their domestic economies. In December 2014, the WCO decided to establish a tool called "Iris" to collect all customs-related information globally and house it in one location. We will, if necessary, amend our systems in order to take advantage of this development.

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) and improve the efficiency of trade in the region. The creation of a "One-Stop Border Post" (OSBP) between South Africa and Mozambique took a big step forward in 2014 where both governments agreed on operational implementation. We are now in the process of publishing the OSBP bilateral legal framework between the two countries. We are also working with the Zimbabwe Revenue Authority to finalise the adoption of the Mutual Administrative Assistance Agreement (MAAA) which will lay the foundation to create a legal framework for the establishment of an OSBP between South Africa and Zimbabwe. SARS is also in engagement with the Southern African Customs Union (SACU) member countries on cross-border data exchange, which will drive data exchange regionally. SARS will also enhance the relationship with SACU and other neighbouring states aimed at improving trade facilitation and combating illicit trade.

In July 2014, the Customs Control Act, 2014 and the Customs Duty Act, 2014 were promulgated into law, replacing the provisions of the current Customs and Excise Act, 1964 relating to customs control of all means of transport, goods and persons entering or leaving South Africa. The new Acts are intended to improve customs control over the movement of goods and people. We will continue our preparations during 2015 to ensure effective implementation of the new Acts by aligning our systems and processes to this piece of legislation.



During 2014, the International Monetary Fund (IMF) undertook a pilot tax administration diagnostic assessment of the performance of SARS tax administration and four other countries (Norwegian Tax Administration, Australian Tax Administration, Zambian Revenue Authority and Her Majesty's Revenue and Customs in the United Kingdom). The aim of the assessment was to benchmark SARS' administration with best practice in revenue and tax administration internationally. Many countries use the IMF's Tax Administration Diagnostic Assessment Tool (TADAT) to inform their reform priorities and to highlight their reform achievements. Although the assessment did not provide an overall score for SARS' performance, it highlighted many strong areas in our administration and some weaknesses. We appreciate TADAT's acknowledgement of SARS' efforts to improve its tax administration over the years. SARS is a transparent and accountable organisation with independent oversight and sound governance structures. We will continue to promote voluntary compliance amongst all taxpayers through continued improvements to our systems, processes, products and people.

## **Risks facing SARS**

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

<b>STRATEGIC RISKS FACING SARS</b>	
<b>The risks we need to manage</b>	<b>How we will manage these risks</b>
<p><b>Revenue collection pressure</b> The prevailing global and local economic uncertainties place increasing pressure on SARS' ability to collect revenue. Ongoing electricity supply constraints, labour disputes and service delivery protests domestically add to this already challenging economic environment.</p>	<ul style="list-style-type: none"> <li>• Continue to expand our footprint through physical infrastructure, mobile tax units and mobile registration kits</li> <li>• Increase compliance activities through increased and targeted audit and enforcement activities, as well as enhanced debt management</li> <li>• Increase the use of administrative penalties</li> </ul>
<p><b>The threat of the illicit economy and illicit financial flows</b> The illicit economy, especially illicit cigarette and tobacco, continues to be a serious threat to South Africa's economic growth, legitimate formal businesses, financial activity and the potential growth of the tax base from which SARS collects revenue.</p>	<ul style="list-style-type: none"> <li>• Continue to target the entire supply chain of illicit cigarette and tobacco trade through better control of our warehouses, modernisation of our excise systems to improve risk detection and increasing our collaborations with key stakeholders</li> <li>• Engage with other state enforcement agencies e.g. SSA, Police, etc to agree on MOUs for the establishment of dedicated resources for fighting illicit trade</li> <li>• Enhance the Inter-Agency co-operation in fighting tax and other financial crimes</li> <li>• Building capacity by continuing to participate in the International Academy on criminal tax investigations</li> <li>• Increased enforcement and compliance focus on high-risk goods such as tobacco and its products as well as clothing and textile products and other high-risk commodities should form the cornerstone of control measures. This should include increased inspections and audits of bonded warehouses as well as improved monitoring and accounting of all export acquittals</li> </ul>
<p><b>Unfavourable public perception of poor state delivery and corruption</b> Research and empirical evidence shows that taxpayers' attitudes 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 and the quality of service delivery remain an issue. This has the potential to affect SARS' ability to achieve compliance due to loss of public confidence in government.</p>	<ul style="list-style-type: none"> <li>• Continue to collaborate with a broad range of key stakeholders and government partners to develop and implement platforms to improve efficiency and effectiveness of operations across the whole of government</li> <li>• Continue with education and outreach programmes to build a culture of fiscal citizenship</li> </ul>
<p><b>Complex schemes used by large businesses to evade and avoid tax</b> SARS has detected a trend from businesses, especially multinational enterprises, where domestic and international loopholes are used to evade tax and take advantage of cross-border structuring and transfer pricing manipulations.</p>	<ul style="list-style-type: none"> <li>• Address the skills gap of auditors dealing with large business taxpayers by ensuring that they are equipped to engage and deal with the complexities of this segment and facilitate quicker resolution of issues</li> <li>• Work with other government agencies to identify cross-border risks</li> <li>• Setting up a specialist unit to proactively deal with BEPS and Transfer pricing</li> </ul>
<p><b>Low compliance of High Net-Worth Individuals (HNWIs)</b> A significant number of HNWIs do not timeously pay the correct amount of taxes due to non-declaration of income sources, overstating expenses and splitting of income through trusts.</p>	<ul style="list-style-type: none"> <li>• Develop capability to effectively tackle HNWIs in terms of increasing capacity and developing core expertise, especially in dealing with trusts and re-defining taxpayers in this segment</li> </ul>

STRATEGIC RISKS FACING SARS	
The risks we need to manage	How we will manage these risks
<p><b>Value-Added Tax (VAT) refund fraud</b></p> <p>The SARS VAT systems and processes continue to be placed under pressure as businesses respond to the slow economic recovery and the impact on their businesses. There is thus an increased chance of tax fraud, especially VAT fraud, whereby businesses will be over-claiming inputs and expenses or under-declaring and/or non-declaring outputs and income to protect their profits. Invalid refunds and identity fraud.</p>	<ul style="list-style-type: none"> <li>• Enhance our risk engines to ensure only legitimate refunds are processed and increase audit coverage for effective detection and deterrence</li> <li>• Increase enforcement activities to address fraudulent claims</li> <li>• Improve the registration process, especially for VAT to ensure accurate taxpayer accounts, including bank account details</li> </ul>
<p><b>Significant debt book</b></p> <p>Growth of the debt book is mainly due to less than optimal management of taxpayers' accounts in SARS, taxpayer errors and the impact of the slow economic recovery on taxpayers' ability and willingness to pay tax. While part of the growth is attributable to the slow economic recovery, manual paper-based processes pose challenges to the integrity of taxpayer accounts and thus the accuracy of the debt book.</p>	<ul style="list-style-type: none"> <li>• Modernise debt systems and ensure accurate capturing of taxpayer accounts on SARS systems</li> <li>• Responsive follow up on our debt book and clean-up of the debt book</li> <li>• Increase capacity and capability for dealing with the debt book</li> </ul>
<p><b>Succession risk</b></p> <p>Delivery of the SARS strategy is heavily contingent on the continuity and stability of organisational leadership. Addressing the leadership challenge will therefore require a carefully planned transition through the identification of potential successors and ensuring an adequate grooming and handover process. SARS also faces a big challenge of the employment equity imbalance in its leadership, which poses a threat in terms of government's employment equity objectives.</p>	<ul style="list-style-type: none"> <li>• Implement a representative skills pipeline for critical roles for development of employees</li> <li>• Implement the SARS succession plan</li> </ul>
<p><b>Commercial fraud on Imports</b></p> <p>The incidents of import under-declarations not only create a leakage in potential Customs duties and VAT, but also lead to the risk of illicit capital flow, foreign exchange transgressions and occurrence of tax havens. We have noted an increase in the abuse of rules of origin, valuation regime and tariff classification.</p>	<ul style="list-style-type: none"> <li>• Invest in building a stronger and sophisticated transfer pricing, valuation and rules of origin capability</li> <li>• Participate in trade, international Customs Bodies and initiatives with other countries</li> </ul>
<p><b>Threat of global terrorism</b></p> <p>Terrorist organisations use global trade supply chains as their financing mechanism and South Africa may be seen as the weak link or the springboard of global terrorism through weakened Customs and tax controls.</p>	<ul style="list-style-type: none"> <li>• SARS' participation in both domestic and global anti-terrorism bodies, such as the Financial Action Task Force, will assist SARS in the identification, mitigation and sharing of information on potential terrorism threats through the trade supply chain networks</li> </ul>
<p><b>Excise duty risk</b></p> <p>Increased incidents of excise fraud and smuggling of excisable goods such as fuel and cigarettes undermine SARS' efforts to improve compliance and ensure a level field for all taxpayers.</p>	<ul style="list-style-type: none"> <li>• Development of specific excise risk rules in the SARS risk engines</li> <li>• Creation of specialised excise capacity within the Customs regime</li> <li>• Increased targeted audits and inspections at the excise manufacturing points and at ports of entry</li> </ul>

Table 1: Strategic Risks Facing SARS

An abstract graphic consisting of multiple overlapping, wavy lines in various shades of blue, creating a sense of movement and depth. The lines flow from the top left towards the bottom right, with some lines being thicker and more prominent than others.

# SARS' Strategy for the next Five Years

05

## 05 | SARS' Strategy for the next Five Years

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

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

SARS' mandate is to ensure optimal compliance with all the laws that SARS administers, to ensure a sustainable revenue stream for government and a controlled and safe flow of goods across the country's borders. In addition, SARS must achieve compliance in the most efficient and cost-effective manner and in a context of building institutional respectability for SARS. In executing this mandate, it is important that we do not impose a high administrative and compliance burden on the fiscus and taxpayers respectively. SARS seeks to be highly efficient and maintain institutional integrity.

Given this mandate and the wider government context in which SARS operates, SARS has adopted four core outcomes that continue to inform strategy execution. These four core outcomes are to: (1) Increase customs compliance; (2) Increase tax compliance; (3) Increase ease and fairness of doing business with SARS; (4) Increase cost effectiveness and institutional respectability.

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

### **OUTCOME 1: Increase customs compliance**

The role of customs is to facilitate trade and inhibit illicit trade. SARS collaborates with the dti to execute this role and inform policy direction. We will achieve this by:

- Providing secure and efficient processes at our ports of entry
- Delivering an efficient and streamlined passenger travel process
- Tackling organised crime
- Effectively and efficiently collecting all customs revenue due
- Coordinating with other border management agencies
- Providing customs input to trade agreements
- Developing partnerships with all supply chain stakeholders

## **OUTCOME 2: Increase tax compliance**

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

SARS will realise these compliance objectives through better understanding of taxpayer circumstances, needs, attitudes, abilities and behaviours. Taxpayer behaviour will inform our compliance approach. To this end we will create a good balance between our education, service and enforcement interventions. We will make it easier for taxpayers to meet their compliance obligations by educating taxpayers, simplifying tax administration requirements and making more efficient and cheaper service channels available to taxpayers.

For those taxpayers who choose not to comply we will invest in effective detection and deterrence mechanisms and tighten our enforcement capabilities. We will strengthen our enforcement capabilities through the use of our penalty regime to address those taxpayers and traders who persistently and deliberately do not comply. Through our Compliance Programme we will strive to encourage voluntary compliance, focusing on high risk areas and segments that threaten the integrity and fairness of the tax system.

## **OUTCOME 3: Increase ease and fairness of doing business with SARS**

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

We will continue our progress in offering cost effective and more convenient service channels, particularly with simplified online and mobile channels to ensure SARS services and products are easily accessible to taxpayers and traders and other potential clients. This will reduce the need for them to visit a SARS branch and will enable self-service. Taxpayers and traders will be able to meet their obligations at their convenience and at their leisure. We will, however, continue to provide support and education to those taxpayers that need help, through our call centres and through proactive and visible engagements via our mobile tax units and field tax officers.

SARS will commence a project of "Know your client". The project will focus on SARS having a clean tax register which will ensure that taxpayers are registered for all required taxes. Each taxpayer will have a profile and a status based on their compliance behaviour. This will enable SARS to provide tailor-made service offerings. SARS will in 2015/16 also pilot one-stop service centres to reach out to taxpayers.

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

## **OUTCOME 4: Increase the cost effectiveness, internal efficiency and institutional respectability of its operations**

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 and governance. 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
- 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 further efficiency improvements. We will continue to automate routine and high volume processes and functions to release resources for use in our compliance or taxpayer- and trader-facing roles
- Continue to build an organisation that is performance- and result-driven, adheres to good governance and is guided by an explicit ethics/values/integrity framework throughout all its actions and interactions. We will improve our internal systems of accounting and the way we report our performance to comply with Generally Recognised Accounting Practice (GRAP)
- We will continue to implement and streamline our governance processes to increase transparency and accountability in our key decision-making processes and structures
- Continue to promote a collaborative approach in and out of SARS to achieve value chain efficiencies throughout our operations and throughout government

## **SARS philosophy on taxpayer compliance**

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

SARS understands that compliance ranges from conscious and determined non-compliance, through 'grudging' compliance, to unwitting non-compliance (due to a lack of knowledge of legal requirements) and finally to willing and purposeful compliance. We also accept that a certain number of people will always do the right thing and comply, whether or not effective enforcement exists, others will always do the wrong thing and not comply, whether or not effective enforcement exists and some people fit between these two extremes, i.e. they will do the right thing if the circumstances are right for them.

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

We will utilise our understanding of the behaviour and reasons (root causes) that affect compliance to instil

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

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

## SARS' over-arching strategic shifts to achieve the four core outcomes

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

SARS' STRATEGIC SHIFTS		
	FROM	TO
1	Targeting eligible taxpayers	Building <b>fiscal citizenship</b> among all South Africans to contribute to nation building and institutional sustainability
2	Gatekeeper	<b>Risk management</b> approach
3	Entity and product approach	<b>Integrated economic view</b> (multi-product and transactional value chain)
4	Uniform service offering	<b>Differentiated service offering</b> (based on compliance behaviour and segment needs)
5	Manual	Automated/digital/self-service
6	Isolated departmental view of SARS efficiency	<b>Whole of government view</b> with enhancement of value chain activities before and after it enters 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	<b>Reduced administrative burden</b> 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	<b>People performing at their peak</b> through, for example, values alignment and high skill/high value-add

Table 2: SARS Strategic Shifts



For each of these strategic shifts, we will develop initiatives and action plans to be incorporated into our Strategic Plan and Annual Performance Plan. These strategic shifts will inform the work of every detailed strategy, programme and initiative carried out in the organisation. We have made great strides in making the shifts but a lot of work remains to be done. Each of these strategies is explained in detail below.

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

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

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

We will continue collaborations with other state entities, including the DHA and the CIPC, to register all South African citizens and businesses operating in South Africa. We also intend to use these collaborations to register all migrant businesses with SARS. We will review our footprint and identify areas in the country that require new SARS Points of Service (POS) to increase our accessibility and facilitate delivery of this strategy.

We will embark on education campaigns and workshops which focus on the different sectors. We want to tailor our education programme to be segment specific, so that we are able to make a real impact with relevant information for each sector. We will continue with our general public workshops which are not necessarily sector specific. This will address all general tax matters relevant to all the South African public.

We fully understand and appreciate the diversity of our taxpayers in terms of culture and language. And during the course of this strategic planning period we plan to ensure that SARS communication is inclusive of all South Africans. In this regard, SARS will introduce a new Language Policy in line with the Official Language Act, 2012. This process has only just been gazetted for public comment and will undergo all the required legislative processes. We will over this strategic period, build the capacity to ensure that this initiative is carried out effectively and successfully.

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

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

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

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

Through the pre-population of returns and declaration documents with data from our own systems and third party sources, we are able to reduce the opportunity (risk) for false or inaccurate declarations. This process further reduces compliance costs for taxpayers and results in a more efficient administration for SARS.

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

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

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

To facilitate the realisation of this strategy, we have begun to implement a single registration process and system for all taxpayers. This process seeks to consolidate all taxpayer information (registration information, debt information, etc.) at SARS' disposal into one account. This will improve the accuracy of taxpayer information, improve the ease with which SARS and the taxpayer access this information, reduce the administrative burden for the taxpayer and improve the effectiveness and efficiency of SARS' interventions.

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

We understand that not all taxpayers are the same. Taxpayers have different characteristics and different behaviours and attitudes towards complying with their tax and customs obligations. Each taxpayer therefore presents different risks to the administration and calls for the adoption of different compliance interventions.

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

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

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

We will implement a range of interventions to support the vast majority of small business taxpayers that are willing to comply by making it easier for them to understand and fulfil their obligations. For tax practitioners and trade intermediaries, SARS will continue to work with the relevant recognised controlling bodies and associations to develop improved tax practitioner and agent standards and deliver more responsive services to improve compliance of this segment and the taxpayers and traders they serve. During 2013, Parliament passed legislation to ensure that tax practitioners fall under a statutory or SARS recognised controlling body. We will continue to implement the provisions of the law relating to the regulation of tax practitioners.

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

Reducing manual paper-based processes to electronic, digital and self-service channels has resulted in quicker processing times, fewer errors and increased the speed with which SARS interacts with taxpayers and vice versa. SARS is now able to provide real-time PIT assessment of individual tax submissions when submitted electronically via eFiling. Digitisation through eFiling and the SARS mobile application for smart phones provides taxpayers with a convenient self-service facility which is less costly.

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

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

We will continue to advance a whole of government view approach to achieve efficiencies and effectiveness by collaborating with a broad range of stakeholders (and other government departments) to advance SARS' compliance efforts and improve government performance and coordination. As examples of our continuing collaborative efforts, we are currently working with the DHA to facilitate the establishment of the Border Management Agency (BMA) and the CIPC to facilitate the implementation of a single registration process and system for taxpayers. We will also facilitate and participate in several private and public sector forums to promote compliance across the board.

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

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

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

At the heart of our People Management Principles is the recognition that we are part of the Public Administration: serving the public collectively through the role we play in the country's fiscal management, and serving the public collectively through the day to day interactions that we have with them. Section 195 (1) of the Constitution states, amongst other things, that the Public Administration must exhibit *"a high standard of professional ethics"*, must provide services *"impartially, fairly, equitably and without bias"*, must be *"accountable"*, and the public administration must be *"broadly representative of the South African people"*.

To live up to our constitutional obligation and our legal mandate, SARS seeks to maximise its performance through prudent and ethical management of its human resources. We want our employees to be highly skilled at addressing and resolving taxpayer and trader queries and disciplined in maintaining organisational processes. We will continue to build and maintain a working environment that supports employee growth and development by providing employees with the tools and skills they need to do their jobs. We will identify, recruit and retain the right people (diverse, engaged and highly skilled) to maintain excellence in our operations and to enable implementation of future strategies. This will be done in a manner that ensures efficient usage of our human resources, and that we continue to operate with fiscal responsibility and discipline.

SARS must be able to attract, develop and retain the optimal skills mix for the organisation and for the delivery of the services set out in law. This includes amongst other things, application of flexibility in remuneration levels for the recruitment of scarce and critical skills, differentiated regime for recruitment and remuneration depending on the nature of the skill and career path.

SARS believes in creating strong, long-lasting relationships between employees and the organisation by providing a workplace and work culture where each employee is fully engaged and committed to SARS whilst realising their full potential. We seek to provide a workplace and leadership founded upon care and concern for the lives of our employees. We will ensure a safe and secure working environment, ethical, trustworthy and respectful management style and the realisation that performance management should be developmental rather than punitive.

To administer the law with fairness and equity, SARS must ensure the highest levels of integrity of its personnel. SARS employees must evince values and display behaviour that maintains and enhances SARS' reputation. This requires having and ensuring compliance to a clear code of conduct and ethics, ensuring that only people

of the highest integrity are recruited into the organisation. Over the course of this planning period, we will embed SARS values and code of conduct at every stage of the SARS employee life-cycle. New recruits into SARS will be expected to undergo integrity testing and vetting to ensure that they exhibit the correct values.

In building an effective workforce for SARS, it is a central tenet that employees at all levels should increasingly begin to broadly reflect the composition of the country, both in terms of race and gender. To achieve this SARS will set clear planning targets to improve diversity, particularly at managerial level. This means that in all recruitment into the organisation, full cognisance will be taken of the effect of diversity of the organisation. At senior levels of the organisation, concerted corrective measures will be undertaken to correct imbalances. These corrective measures will include, amongst others, a structured succession planning programme.

Through a restructured and appropriately resourced SARS Academy, we will provide quality technical training for employees to improve the skills and competencies of employees to service taxpayers better and to facilitate their career development. Wherever appropriate, SARS will encourage rotation of staff across career paths and geographical locations to develop “well-rounded” generalist staff to manage SARS across divisions.



# SARS' Five-year Priority Initiatives

06

## 06 | SARS' Five-year Priority Initiatives

### OUTCOME 1: Increased customs compliance

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

- Implement changes to its systems and processes in order to align them to the recently enacted Customs Control and Customs Duty Acts
- Continue to offer a differentiated service offering in the customs environment
- Continue to automate and digitise the customs environment in order to improve efficiencies and turnaround times
- Continue to adopt a whole of government view in managing the customs border environment
- Continue to strengthen our risk management capabilities
- Continue to strengthen international agreements and links with other jurisdictions
- Improve capturing and analysis of trade statistics
- Improve Customs valuation, origin and classification skills
- Invest in modern state warehouse facilities
- Enhance the Customs enforcement capability

#### Key priority initiatives

#### **SARS will change its systems and processes in order to align them to the recently enacted Customs Control and Customs Duty Acts**

The Customs Duty Act, 2014 provides for the imposition and collection of customs duty on imported goods. The Customs Control Act, 2014 provides the legislation for Customs to better control vehicles, goods and people entering or leaving South Africa. The primary object of the Customs Control Act is to establish systems and procedures for customs control of all means of transport, goods and persons entering or leaving the Republic, whether by land, sea or air. SARS has commenced with the implementation of these two Acts and the bulk of the provisions will be implemented during 2015/16.

#### **SARS will continue to offer differentiated services in the customs environment by rolling out a preferred trader programme to cover both imports and exports as well as excise traders.**

SARS operates a Preferred Trader Programme (PTP) and aims to continue with this programme which will now include Excise traders. The PTP will be enhanced to operate as an "Authorised Economic Operator" (AEO) Programme, to incorporate the supply chain safety and security issues in terms of the WCO Safe Framework of Standards. The AEO programme ensures that a customs client that qualifies under this programme will be given automatic clearance and does not have to clear goods with every customs authority.

#### **SARS will continue to automate and digitise the customs environment in order to improve efficiencies and turnaround times.**

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

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

- **One Stop Border Post (OSBP):** The essential feature of an OSBP is that all cross-border movements (both goods and travellers) are only completed once, in order to conclude all the required border control formalities for both countries. This significantly streamlines operations at border posts and saves travellers and traders time. South Africa and Mozambique signed an agreement to implement such a border post between the two countries at Lebombo and Ressano-Garcia. SARS envisages a similar arrangement with the Zimbabwean Revenue Authority which will facilitate an OSBP between South Africa and Zimbabwe at Beit Bridge.
- **Border Management Agency (BMA):** The implementation of a BMA, which will be led by DHA is yet to be concluded. SARS has handed over the border control function to DHA.
- **Model Port Pilot Project:** The implementation of the project is aimed at making our border posts world class facilities, characterised by streamlined, efficient processes, professional and competent staff. At the heart of this project is the improvement of the port environment for both our employees, traders and travellers. We seek to train and develop our employees to have all the necessary knowledge and skills to offer professional and quality service to traders and travellers. We have started to pilot this project in three of our biggest land (Beit Bridge), sea (Durban Harbour) and air (OR Tambo International Airport - ORTIA) ports of entry. Once the pilot project is completed, the project will be rolled out to the rest of our ports of entry.
- **Collaboration with other government agencies:** SARS collaborates with other government agencies to improve the overall effectiveness and efficiency of government's value chain. SARS is currently in negotiations with the Department of Agriculture, Forestry and Fisheries regarding the possibility of an integrated border process that includes management of the department's regulatory requirements utilising the SARS declaration and inspection workflow. We will continue to partner with DHA and CIPC to enhance our operations at our ports of entry. We will collaborate with other government departments as and when necessary for enhancements of our services.

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

- **Cargo, container and baggage scanners:** In support of SARS' strategy of increasing security at the country's ports of entry as well as to facilitate efficient trade, SARS will deploy baggage and cargo scanners to some of our ports of entry. We will also commission and deploy "back scatter van scanners" at all land borders. These scanners are meant to strengthen our risk capability at the borders.
- **Contraband Detector Unit (dogs and boats):** SARS is responsible for the regulation of movement of legal goods and services through all ports of entry into and out of South Africa. We will work tirelessly to prevent and detect contraband substances through the use of our detector dogs and water surveillance units. We will phase in additional dogs, patrol boats and backup units to cover the five main ports of entry into the country.
- **Passenger Processing System (PPS):** We will improve the PPS system to allow for the automated risk management of travellers which will simplify traveller processing through user friendly interfaces



and enhanced traveller data management, especially for frequent travellers. We will continue to make enhancements to the traveller experience when entering or leaving the country, as well as ensuring improved security and data exchange between the different border agencies. We will roll out the PPS system to all our ports of entry.

**SARS will continue strengthening international agreements and links with other jurisdictions, exchange information and facilitate regional trade.**

Given the level of interconnectivity in global trade, it is important that we 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. SARS will seek to strengthen and leverage South Africa's international treaty networks to co-operate and exchange information with other tax and customs jurisdictions.

We want to promote regional trade between SACU member states and Mozambique, through an IT connectivity initiative. This initiative aims to promote efficient trade through the electronic exchange of imports and export data between participating countries' customs administrations. SARS will establish the processes that regulate information exchange between these customs administrations.

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

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

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

As we consider the expansion of the type of information we provide for trade statistics, we will ensure that we capture our trade statistics accurately to improve trade analysis and reporting. The success of this initiative will be realised from the integration of Customs systems into the Customs Management System, which is set to improve the quality and accuracy of our data.

**SARS will enhance Custom's core competencies in the area of valuation, origin and classification**

In collaboration with the WCO SARS will develop training programmes in the area of valuation, classification and origin. Further work will be conducted on developing a delivery strategy. This will ensure that key staff are trained to the necessary level and are able to conduct their duties in a professional manner, meeting the dual requirements of fair and efficient revenue collection, and the facilitation of compliant trade.

**SARS will invest in the overhaul of state warehouse management system**

The current state warehouse management system is antiquated. To support our compliance and enforcement effort, SARS will embark on a process of reviewing the current state warehousing processes and invest in modern inventory management equipment with tracking and tracing capabilities.

## **SARS will strengthen Custom's enforcement capability**

The establishment of the Customs Border Control Unit (CBCU) in 2007 created an improved image and heightened discipline of the South African Customs administration. The introduction of strict discipline improved service at the ports of entry. We will reinforce the SARS CBCU in line with WCO standards and the Customs Control Act. The CBCU will conduct visible enforcement of the Customs and Excise laws to ensure compliance, and to combat cross-border smuggling activities.

## **OUTCOME 2: Increased tax compliance**

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

- Conduct targeted compliance interventions in high-risk areas
- Strengthen its risk management in core taxes
- Improve SARS' skills base
- Strengthen risk management in taxpayer debt
- Continue to work with other tax jurisdictions and countries to collaborate on global compliance and enforcement issues to protect erosion of South Africa's tax base
- Deepen key external relationships to enhance reputation

### **Key priority initiatives**

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

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

**Large Businesses and transfer pricing:** In SARS large businesses (including MNEs) are defined as those businesses whose turnover is in excess of R1 billion. Our major concern in this segment is Base Erosion and Profit Shifting (BEPS) by MNEs through transfer pricing, treaty abuse and hybrid mismatch arrangements. Transfer pricing is the cross-border price at which MNEs transact with each other, and the most prevalent method within the BEPS framework, which large businesses use to evade and/or avoid tax. SARS will continue with its participation on BEPS counter measures through the G20/OECD BEPS project.

Internally we have established a specialised transfer-pricing unit within our Large Business Centre (LBC) to deal with unacceptable transfer pricing practices. SARS also participates in several other international forums to ensure that it keeps abreast with international best practices in terms of risk assessment and in developing and enhancing our capability.

We aim to improve the skills and professionalism of our auditors to ensure that they are able to deal with the challenges posed by this taxpayer segment.

**High Net-Worth Individuals and their associated trusts:** The compliance issues in this segment is that a significant number of High Net-Worth Individuals are under-declaring their income and use trusts as a means

to evade and/or avoid tax. SARS' interventions will focus on auditing and risk profiling of individuals and associated entities together. We also aim to expand the use of third party data to identify individuals with a misalignment between their income and wealth and the taxes they declare. We will continue to refine and re-analyse our data in order to develop an accurate database of HNWI taxpayers, to ensure that they are all included in the tax base and correctly identified as such.

**Small Businesses:** SARS supports government's objective of boosting the economy through the creation of jobs, and government identified the small business sector as one of the sectors that can create employment, and drive growth in South Africa. SARS will in the interim put in place interventions that support small business growth and make it easy for them to comply with their tax obligation. We will be targeting and tailoring our education and support for small businesses through simplified and improved processes and systems, and through our education and outreach programmes. We will also strive to align our processes, tools and organisational structure to address the specific needs of small businesses. SARS will allocate resources to increase the participation of small businesses in the turnover tax regime.

**Tax practitioners and trade intermediaries:** SARS believes that tax practitioners and trade intermediaries are a crucial link in promoting voluntary compliance. We have begun to reduce some of the risks posed by this segment through the Tax Administration Act (TA Act) which requires all tax practitioners to be registered with a professional body. This has assisted SARS in the regulation and monitoring of this segment's compliance. Our research shows that the audit yield of taxpayers represented by tax practitioners who do not belong to a professional body is two times more than that of taxpayers represented by tax practitioners who belong to a professional body. We will continue to work with tax practitioner bodies to encourage reporting of unethical conduct to SARS and other relevant bodies.

**Illicit cigarettes:** The smuggling of illicit cigarettes into the domestic market remains a threat not only to our customs administration, but also to the economy as a whole. We will focus on modernising the warehousing management and acquittal systems together with complementary changes to imports and export risk processes. We will continue to target the entire supply chain of illicit cigarettes and tobacco trade, through improved control of our warehouses, modernisation of our excise system and processes, increased collaborations with key stakeholders and better detection capabilities. Integration of the Customs Management System and Service Manager, which houses our risk engines, will continue to improve risk detection in all forms of illicit trade, specifically trade in illicit cigarettes.

**Construction Industry:** The construction industry remains a serious concern for SARS. This segment continues to have the lowest compliance rates of all industries. This industry is also a major beneficiary of government spending on planned infrastructure programmes. We will continue to strengthen and dedicate audit focus in selected regions where the highest risk is indicated in this sector, particularly those companies that have been awarded government tenders. We will also enhance our risk engines and processes to ensure accurate and timeous detection of risks and enforcement.

**Clothing and Textiles Industry:** Continued undervaluation on imports of clothing and textiles continues to cause major damage to the South African economy. To improve the compliance levels in this segment we will continue to strengthen and enhance our inspection process and systems, strengthen our audit and enforcement intervention in identified high risk regions, and make use of the reference pricing mechanism for imported clothing and textiles. We will also continue to work together with other government agencies and industry stakeholders to clamp down on this practice, including the establishment and frequent revision of a reference pricing database to detect undervaluation and support an integrated border management model.

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

SARS will continue to make enhancements to its systems and risk engines to improve the risk detection capabilities of the PIT, PAYE, CIT, VAT and Trusts systems, to better identify and manage risks of non-compliance. We will continue to make use of third-party data by maintaining and establishing new links with third party data suppliers. Where necessary, we will replace our core systems for the core tax types into one integrated system. We want to ensure that our systems comply with the GRAP.

We will also modernise the processing and management of refunds to taxpayers in order to minimise the risks associated with this process. We will identify and improve the controls in the electronic processing of refunds.

**SARS will strengthen risk management in the management of taxpayer debt.**

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

**SARS will continue to work with other tax jurisdictions and countries to collaborate on global compliance and enforcement issues to counter erosion of South Africa's tax base and to exchange information on individuals and companies for common revenue administration purposes.**

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. In September 2015, South Africa will commence with AEOI with the United States, to give effect to the FATCA intergovernmental agreement. South Africa has, together with other "Early Adopters Group" countries, committed to the implementation of Automatic Exchange of Information common reporting standards by 2017 as part of efforts to address offshore tax evasion.

## **OUTCOME 3: Increased ease and fairness of doing business with SARS**

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

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

## Key priority initiatives

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

- **Reviewing SARS' complaints management process for taxpayers:** SARS will improve its systems and processes used to receive and resolve taxpayer complaints and queries. We will provide taxpayers with multiple dedicated channels through which they can lodge their complaints with SARS (e.g. telephonically, email or post). We will continue to work closely with the Office of the Tax Ombud to ensure efficient and effective resolution of taxpayer complaints.
- **Reviewing SARS' dispute resolution management process:** SARS will modernise its systems and align the e-Filing capability to our core system to improve the efficiency of the dispute resolution process.
- **Continuing with its drive for the "right from the start" principle:** The main objective of this initiative remains to broaden the tax base, by ensuring that all young and newly employed South Africans are registered even before their tax obligations come into effect. SARS will streamline its internal processes and procedures in order to remove bottlenecks and red tape. We will also continue to simplify forms and requirements and evaluate the use of alternative languages in order to improve correspondence with taxpayers and traders.
- **Continue with its campaign for enhanced relations:** SARS wishes to develop formal professional relationships with large businesses in order to improve voluntary compliance. We believe that this approach will reduce compliance costs and increase certainty regarding tax and customs obligations for large businesses. We believe that developing formal professional relationships with large businesses will improve voluntary compliance.

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

Our long-term goal is for SARS services, processes and products to be easily accessible and affordable to taxpayers. In this regard, we will expand our footprint through the establishment of new branch offices, relocation of offices not meeting the SARS business model, refurbishment of the old branch offices, the use and promotion of Mobile Tax Units (MTUs), and co-location through the DHA's Thusong Centres. We will continue to review our footprint and identify areas in the country that require new or additional points of service. We will continue to drive the same "Look and Feel" campaign in our footprint expansion and refurbishment initiatives to ensure the standardisation of all our branch offices.

We acknowledge the important role played by tax practitioners and agents in our tax and customs administration, through their assistance to taxpayers. SARS will open new tax practitioner offices in metropolitan areas to create a more conducive and practical environment for this segment.

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

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

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

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

We will continue with our education and outreach drive to ensure all South Africans understand their tax obligations and the importance of meeting them. We aim to broaden tax education by proposing for tax education policies to be included into the school curriculum. We have already established partnerships with some provincial education departments and institutions of higher learning, to host workshops for learners and we will continue with these partnerships. We have also partnered with some media houses where we do workshops and provide services to their employees. Annually we have a tax day on television and this gives SARS another platform for tax education to a wider public audience.

We want to expand our communication with the South African public, so that they all understand the messages that SARS tries to disseminate through our television and radio adverts. We want to ensure that all South Africans understand and appreciate their obligation to pay their taxes. We will strive to be more inclusive in terms of the eleven official languages. Our transactional language for all other purposes will however remain English.

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

- **Contact Centre Services:** This functionality will provide our call centre agent with one consolidated view of a taxpayer's account showing the status of any outstanding queries, cases, payments and refunds. We will continue to make enhancements to our systems in order to improve the quality of our services offered by our contact centres. In this strategic period we will implement a process that will provide a higher ranking official (higher than the call centre agent) with the ability to assist agents during an active call through a conferencing process. In addition we will enhance the Interactive Voice Response (IVR) to provide self-help services.
- **Go Green:** We will continue, where possible, with the "go green" initiative whereby our branch offices will have dedicated printing facilities and we will send electronic outcomes to taxpayers instead of manual printed ones. All our branches will also have scanning facilities.
- **Same "Look and Feel":** We will continue to drive the same "Look and Feel" campaign in our footprint expansion and refurbishment initiatives to ensure standardisation of all our branch offices, as well as to improve the working environment for taxpayers and SARS employees.

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

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

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

SARS still has a few areas where we are still dealing with high volumes of manual processes, particularly in the areas of deregistration of taxpayers, and assessment of estates. SARS aims to modernise these processes, which are likely to rely on direct interfaces with DHA, CIPC and the Master of the High Court, as these institutions trigger events that require the deactivation of taxpayers. We will ensure that we de-activate and remove from our tax register those inactive taxpayers, and collect the related outstanding tax debt timeously.

## **OUTCOME 4: Increased cost effectiveness, internal efficiencies and institutional respectability**

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

- Continue to adopt a whole of government view of its operations
- Continue to improve its governance structures, frameworks and processes
- Continue to attract, train and retain its employees
- Continue to fight fraud and corruption
- Review SARS' operating model

### **Key priority initiatives**

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

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

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

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

- **Process automation:** We will continue with the automation and integration the 80/20 activities performed by SARS management in HR and Finance processes. The aim is to move from using paper to electronic processing of many routine transactions in our support functions. SARS will be able to increase internal organisational accessibility, efficiency and responsiveness.
- **Case governance framework and guidelines:** We will continue to enhance the SARS case governance framework and guidelines, which will outline the processes for case generation, selection and execution, and establish clear lines of responsibility as well as the interface with other law enforcement agencies. This framework will also make use of the suspicious activity system (SAS) whereby both employees and members of the public can inform SARS of any tax and/or customs non-compliance.
- **Code of Conduct:** We will implement a new ethics framework by producing a new Code of Conduct. We will socialise this revised code through guidelines and training workshops to all stakeholders to facilitate smooth and successful implementation. We will continue to promote the SARS values to all employees and ensure that they are clear and understandable.

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

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

We are planning to implement an integrated SAP Compensation module in order to minimise the proliferation of stand-alone solutions and improve the management of remuneration. We are also planning to automate our recruitment value chain in order to increase efficiencies and reduce costs. We have begun to move away from individual position based recruitment to batch recruitment, which will not only reduce inefficiencies but also maximise economies of scale. By implementing these initiatives we will reduce transactional costs and free up our human resources for optimal use in other operations. The process will also ensure fairness and transparency in the recruitment and remuneration processes.

We want to limit the use of consultants and expenditure related to such, by ensuring that we retain our institutional memory. We will establish an efficient succession and career management plan through the implementation of an integrated talent management, succession and workforce planning solution, which will integrate all our HR stand-alone systems and address our data issues. We will identify potential successors for key leadership and critical roles and develop the next level of top leadership as a key factor. Our succession plan will ensure that the key roles are filled by people representative of the demographics of South Africa. We will continue to develop our talent pool through our graduate recruitment program, and we will be able to draw from this group to fill some of the roles being vacated over the next few years.

We will continue with our leadership development programme to develop competent leadership for SARS.



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

We continue to face many attempts by criminal syndicates to steal money from the fiscus through unscrupulous activities. Over this strategic period, we will implement a new process to improve refund processing (refunds engine), which will reduce the amount of fraudulent refunds claimed by taxpayers and criminals. We will focus on securing internet access channels, web-enabled and internet connected services against threats. The suspicious activity reporting system, which allows both members of the public and employees to inform SARS of any tax and customs non-compliance by individuals or entities, will be integrated with the Criminal Investigation workflows. Our Voluntary Disclosure Programme (VDP) will continue to be available to those taxpayers who wish to disclose previously undisclosed income.

We will continue to run campaigns to educate and deter those taxpayers/traders/ public/employees thinking about or presently committing tax and customs fraud or corruption. We will also increase the number of investigations, audits and criminal prosecution of serious tax and customs fraud and corruption related offences. We will continue collaborations with other key stakeholders involved in anti-corruption activities and strengthen our capabilities to recover monies stolen by criminals. We will therefore strengthen our physical and information security systems to improve control and protection of taxpayer information.

### **SARS will review its operating model to ensure we remain effective and efficient in executing our mandate.**

For SARS to remain at the forefront of service delivery, we must review our operating model regularly to ensure that we remain current and relevant to the needs of all our stakeholders. During the 2014/15 fiscal period we started a review of the SARS operating model to identify gaps in the manner in which we carry out our mandate. Over the course of this strategic planning period, we will continue to implement the outcomes of this review, and ensure that SARS is able to meet the demands and needs of taxpayers more efficiently and effectively.

# Measuring SARS' Deliverables

07

## 07 | Measuring SARS' Deliverables

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

We seek to align SARS' 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 2015/16 – 2019/20 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 the SARS 2015/16 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.

## SARS' Outcome Measures and Five-year Targets

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

Strategic Outcome	Measures	Baseline	Targets				
			2015/16	2016/17	2017/18	2018/19	2019/20
Increased Customs Compliance	Customs revenue collected (R billion)	Actual collections for 2014/15	As agreed with Minister of Finance	As agreed with Minister of Finance	As agreed with Minister of Finance	As agreed with Minister of Finance	As agreed with Minister of Finance
	% Of trade that has been audited with a view to obtaining Preferred Trader status	24.30	25.00	30.00	30.00	30.00	30.00
	% Of cargo declarations targeted	12.77	11.00	11.00	11.00	11.00	11.00
	% Increase in electronic manifest submissions	0.52	1.00	1.00	1.00	1.00	1.00
	Interfront Governance - Unqualified report by Auditor-General	Unqualified Audit report	Unqualified Audit Report				

Baselines are Third Quarter YTD 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 accurately and duly pay what is due.

Strategic Outcome	Measures	Baseline	Targets				
			2015/16	2016/17	2017/18	2018/19	2019/20
Increased Tax Compliance	Total revenue (excluding Customs revenue) collected (R billion)	Actual collections for 2014/15	As agreed with Minister of Finance	As agreed with Minister of Finance	As agreed with Minister of Finance	As agreed with Minister of Finance	As per agreed with Minister of Finance
	Debt Book as a % of tax revenue	10.79	8.00	7.00	6.00	6.00	6.00
	% PIT filing compliance	94.49	92.00	92.30	92.50	92.50	92.50
	% Audit coverage of registered taxpayers (PIT, CIT, VAT/Excise and PAYE)	8.92	11.50	12.00	12.50	12.50	12.50
	% In-depth audit coverage of registered taxpayers (PIT, CIT, VAT/Excise & PAYE)	0.06*	0.075	0.08	0.085	0.085	0.085

Baselines are Third Quarter YTD actuals, unless otherwise stated.

\*This baseline is the Third Quarter actual. Measure is calculated 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 the costs of compliance for taxpayers and traders by simplifying processes and requirements to improve our data accuracy and by being easily accessible to taxpayers and traders when they want to contact us.

Strategic Outcome	Measures	Baseline	Targets				
			2015/16	2016/17	2017/18	2018/19	2019/20
Increased ease and fairness of doing business with SARS	% Uptake in electronic filing, declaration and payment submissions for all tax products	98.34	98.00	98.00	98.00	99.00	99.00
	% Uptake in electronic customs bills/ declarations (EDI)	99.99	99.99	99.99	99.99	99.99	99.99
	Average processing turnaround time for PIT returns (working days)	0.02 days (29 minutes)	30 minutes	30 minutes	30 minutes	30 minutes	30 minutes
	Average processing turnaround time for CIT returns (working days)	0.28 days	Less than 1 day	Less than 1 day	Less than 1 day	Less than 1 day	Less than 1 day
	Average processing turnaround time for VAT refunds (working days)	33.70	21.00	21.00	21.00	21.00	21.00
	% VAT refunds processed within 14 days	70.90	74.00	75.00	76.00	77.00	77.00

Baselines are Third Quarter YTD actuals, unless otherwise stated.

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

Strategic Outcome	Measures	Baseline	Targets				
			2015/16	2016/17	2017/18	2018/19	2019/20
Increased cost effectiveness, internal efficiency and institutional respectability	Employee Engagement (%)	64.09**	64.50	64.75	65.00	65.25	65.25
	Leadership Effectiveness Index (%)	85.27**	87.70	88.00	88.00	88.00	88.00
	Employment Equity: Demographics (%)	71.50	72.00	72.00	72.00	72.00	72.00
	Employment Equity: Gender on management level (%)	47.00	47.20	47.40	47.55	49.00	49.00
	Employment Equity: Disability (%)	2.02	2.06	2.10	2.15	2.30	2.30
	Treasury allocation to revenue percentage	0.97**	Between 1 and 1.2				
	Unqualified report by Auditor-General	Unqualified audit report**	Unqualified audit report				

Baselines are Third Quarter YTD actuals, unless otherwise stated.

\*\*As reported in the 2013/14 Annual Report

# SARS' Resource Plan

08

## 08 | SARS' Resource Plan

### Expenditure estimates over the medium-term

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

<b>Expenditure Estimates (Rm)</b>	<b>2015/16</b>	<b>2016/17</b>	<b>2017/18</b>
<b>National Treasury Grant</b>	<b>9 434 439</b>	<b>10 433 547</b>	<b>11 415 611</b>
Interest income	40 000	30 000	30 000
Other Income	320 308	323 511	326 747
Roll-over funding	1 314 040	471 014	148 251
<b>Total Funds Available</b>	<b>11 108 787</b>	<b>11 258 072</b>	<b>11 920 609</b>
<b>Funding Allocation</b>			
Baseline Expenditure (BAU)	9 754 465	10 534 822	11 377 608
Modernisation	500 000	500 000	468 000
Acquisition of new offices	250 000	-	-
Other initiatives	58 308	-	-
Footprint Expansion	75 000	75 000	75 000
<b>Total Allocation (Budget)</b>	<b>10 637 773</b>	<b>11 109 822</b>	<b>11 920 608</b>

Table 3: SARS' expenditure estimates

### Projected human resources capacity

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

	<b>2014/15 (Actual)</b>	<b>2015/16</b>	<b>2016/17</b>	<b>2017/18</b>
Permanent employees	13 650	13 350	13 150	13 300
Temporary employees	406	425	50	50
Graduate trainees	434	421	400	350
<b>Total Headcount</b>	<b>14 490</b>	<b>14 196</b>	<b>13 600</b>	<b>13 700</b>
% net growth (total head count)		-2.03%	-4.20%	0.74%

Table 4: SARS' projected headcount





# Annexures: Materiality and Significant Framework

09

# 09 | Annexures: Materiality and Significant Framework

## 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
a) 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
b) 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.
c) Any criminal or disciplinary steps taken as a consequence of such losses or irregular expenditure or fruitless and wasteful expenditure	Disciplinary steps taken and/or criminal charges laid as a result of material losses through criminal conduct.	100% : Number of: <ul style="list-style-type: none"> <li>disciplinary cases opened</li> <li>disciplinary cases concluded</li> <li>criminal cases opened</li> <li>criminal cases concluded during the financial year</li> </ul>
d) 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 <b>significant</b> partnership, trust, unincorporated joint venture or similar arrangement;		
c) Acquisition or disposal of a <b>significant</b> shareholding in a company;		
a) Acquisition or disposal of a <b>significant</b> asset;	Any acquisition or disposal in relation to section 54(d) of the PFMA.	<ul style="list-style-type: none"> <li>Acquisition of a single tangible or intangible asset to the value of 15% of the cost of the total fixed assets for the financial year prior to the year in which the acquisition takes place.</li> <li>Disposal of tangible assets individually or cumulatively to the value of 10% or more of the cost price of total tangible assets for the financial year prior to the year in which the disposal takes place.</li> <li>Scrapping of intangible assets, individually or cumulatively to the value of 10% or more of the cost price of total intangible assets for the financial year prior to the year in which the scrapping took place.</li> </ul>
e) Commencement or cessation of a <b>significant</b> 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 <b>significant</b> change in the nature or extent of its interest in a <b>significant</b> 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



