

Annual Performance Plan

South African Revenue Service

2016 - 2017

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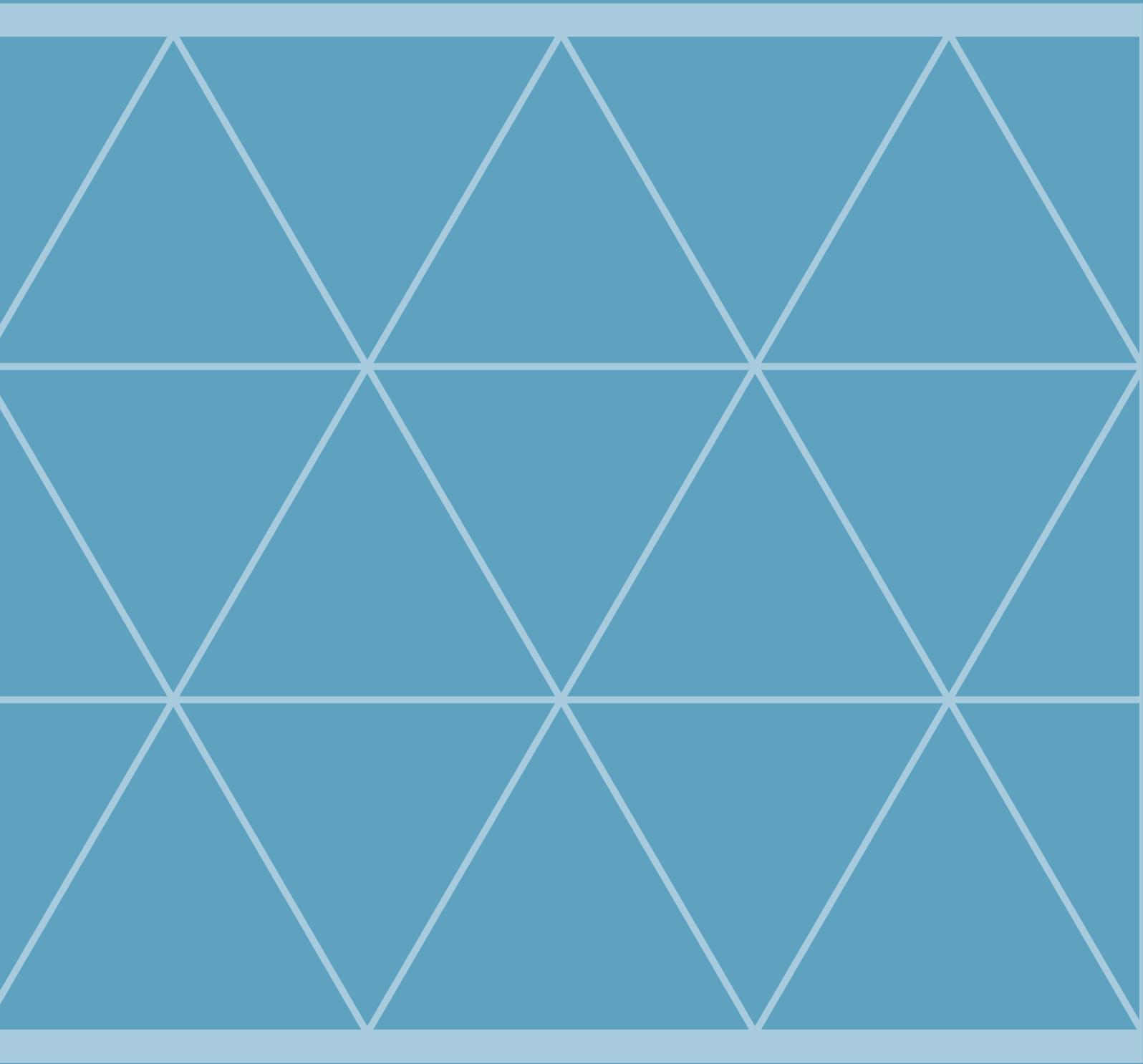


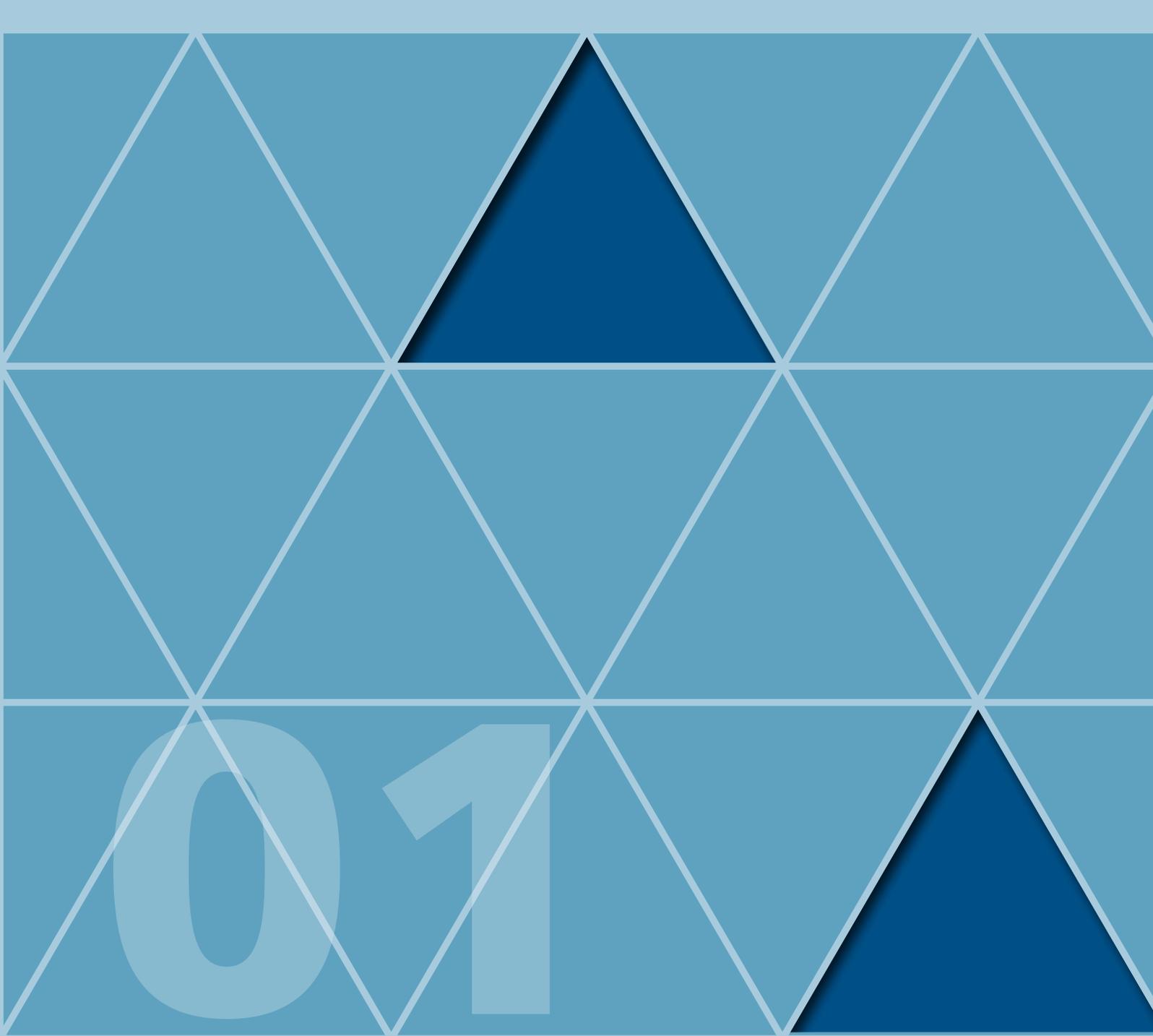
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Abbreviations

AEOI	Automatic Exchange of Information
AGOA	African Growth and Opportunity Act
APP	Annual Performance Plan
ATAF	African Tax Administration Forum
BEPS	Base Erosion and Profit Shifting
BLNS	Botswana, Lesotho, Namibia and Swaziland
BMA	Border Management Agency
BRICS	Brazil, Russia, India, China and South Africa
CATA	Commonwealth Association of Tax Administrators
CIPC	Companies and Intellectual Property Commission
CIT	Corporate Income Tax
COMESA	Common Market for Eastern and Southern Africa
CRS	Common Reporting Standard
DHA	Department of Home Affairs
DOJCD	Department of Justice and Constitutional Development
EFTA	European Free Trade Association
ETI	Employment Tax Incentive
EU	European Union
FATCA	Foreign Account Tax Compliance Act
GDP	Gross Domestic Product
G20	Group of 20 countries
GRAP	Generally Recognised Accounting Practice
HNWIs	High Net Worth Individuals
IBSA	India, Brazil and South Africa
IMF	International Monetary Fund
IT	Information Technology
MNEs	Multi-national Enterprises
MOU	Memoranda of Understanding
MTEF	Medium Term Expenditure Framework
NCAP	New Customs Acts Programme
NDP	National Development Plan
NDMP	National Drug Master Plan
OECD	Organisation for Economic Co-operation and Development
OTO	Office of the Tax Ombud
PAYE	Pay As You Earn
PIT	Personal Income Tax
SACU	Southern African Customs Union
SADC	Southern African Development Community
SARS	South African Revenue Service
SMMEs	Small, Medium and Micro Enterprises
SSA	State Security Agency
TFA	Trade Facilitation Agreement
TCS	Tax Compliance Status
the dti	Department of Trade and Industry
UNCTAD	United Nations Conference on Trade and Development
UNODC	United Nations Office on Drugs and Crime
US	United States
VAT	Value-Added Tax
VDP	Voluntary Disclosure Programme
WCO	World Customs Organisation
WTO	World Trade Organisation



Message from the Commissioner



The **people of SARS** are what make it the **reputable institution** it is.

01 | Message from the Commissioner

In this 2016/17 Annual Performance Plan (APP), we detail the key activities that we will carry out to meet the strategic outcomes and objectives set out in the South African Revenue Service 2016/17 - 2020/21 Strategic Plan, and to achieve our priorities for the year.

The 2015/16 fiscal year was a particularly challenging year, not only for SARS, but for the country. The domestic economy remains subdued, with weaker growth, a volatile exchange rate, and high unemployment levels.

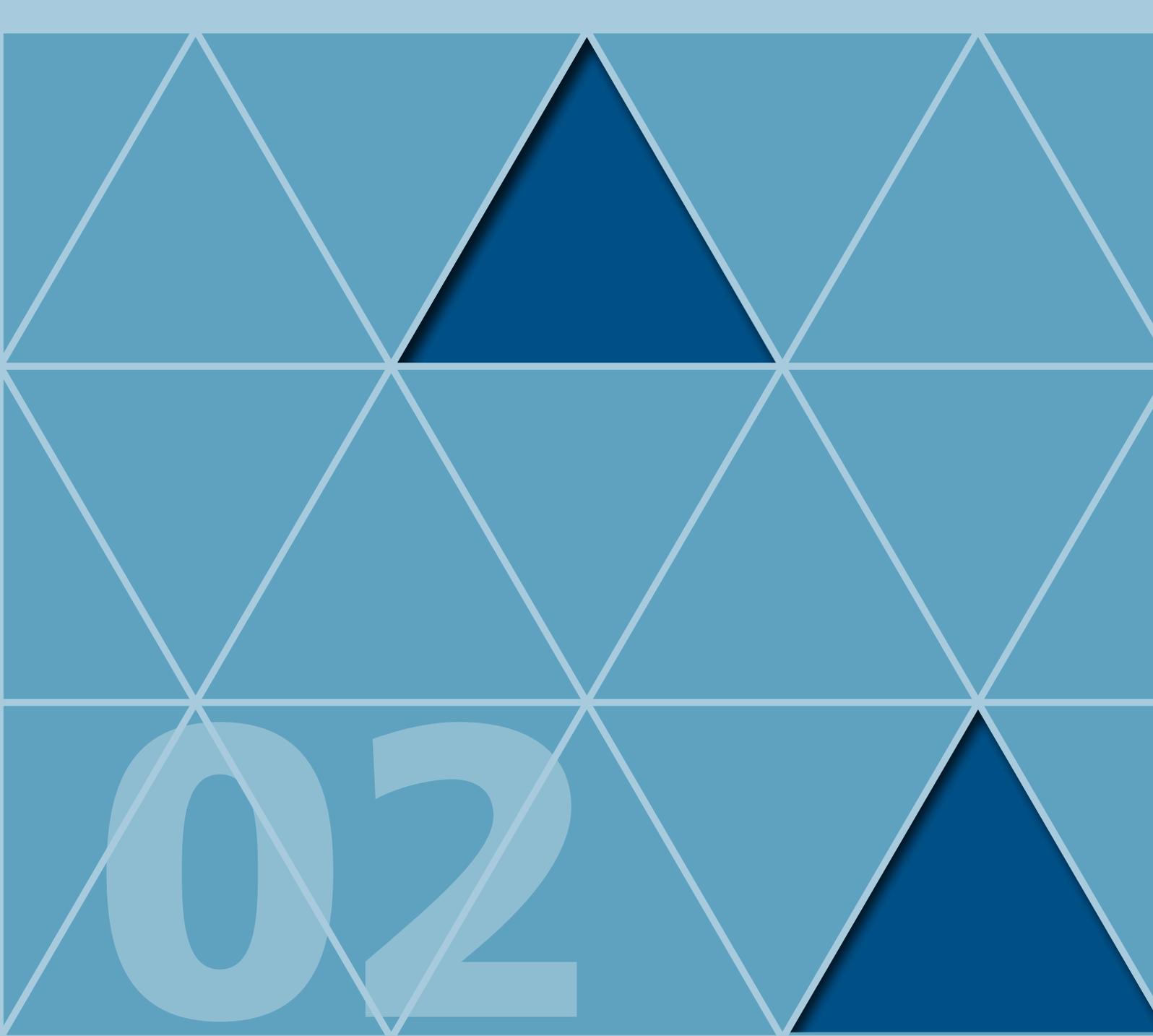
Despite these challenges, SARS' 14 000 employees rose to the occasion and significantly outperformed Gross Domestic Product (GDP) growth with our collection efforts and we humbly accepted the Minister's accolades during the 2016 Budget Speech. We did, however, take note of the cost containment measures the Minister announced and realise we have to fit our ambitious plans into the constrained budget allocation.

The people of SARS are what make it the reputable institution it is and as a sign of our commitment to our employees' growth and development, we launched the SARS Institute of Learning and Leadership (SIOL) in June 2015. The institute will play a pivotal role in ensuring that SARS employees acquire the right knowledge and skills to meet our objectives and fulfil the SARS mandate effectively.

Internally we went through a process of reflection and concluded the review of our operating model. In August 2015, I launched the revised operating model, with the objective to start a new journey to sustain the momentum of improvement and excellence of SARS.

We reflect with pride on the strides we made on many fronts, however, we acknowledge that the road to perfection is always under construction. The new EXCO team is confident about SARS' ability to sustain its resilience to the many challenges we face and enter the new financial year with enthusiasm.

Tom Moyane



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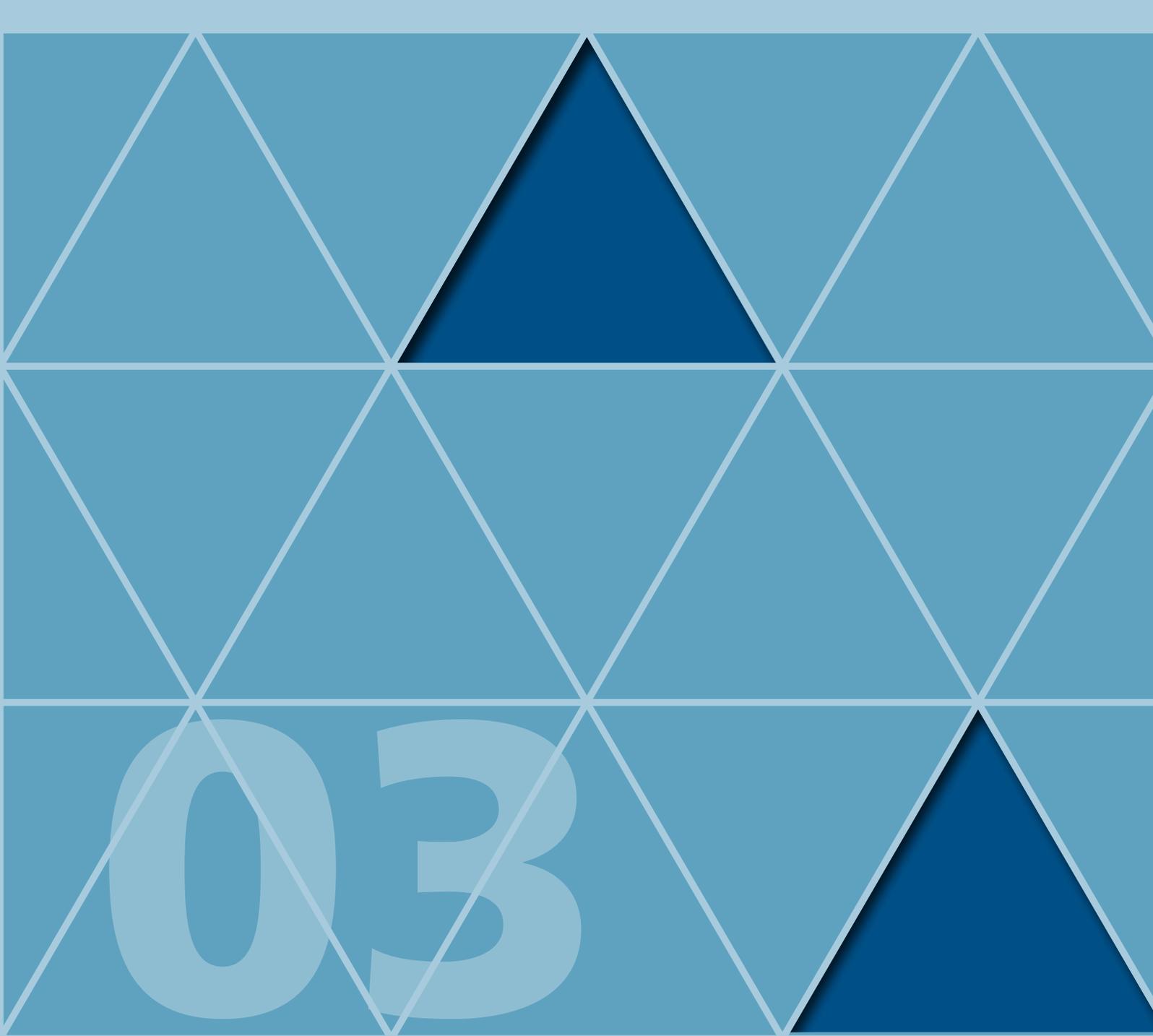
Official Sign-off

02 | Official sign – off

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



Tom Moyane
SARS Commissioner



03

SARS' Operating
Environment

03 | SARS' Operating Environment

National Policy Direction

The National Development Plan (NDP) 2030 remains the primary policy framework for government and all its related entities. The direction and outcomes pursued by the South African Government in the NDP 2030 affect how SARS carries out its mandate. As one of the critical organs of state, we will continue to carry out our mandate effectively and efficiently to collect the revenue required to fund 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 government efforts to increase employment opportunities, improve conditions for small businesses, and help improve performance across the whole of government. Recently, we were tasked with the implementation of important pieces of legislation, such as the Employment Tax Incentive Scheme (ETI) and Tax Exempt Savings Account. The proposed National Health Insurance Scheme is gaining momentum with the recent publication of its white paper. These legislative policy initiatives will be administered through the tax system. It is certainly 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 place an added burden on our already strained leadership and technical capacity and may affect delivery on our core tax and customs mandate.



We acknowledge that our efforts to carry out the SARS mandate will not be **successful** if we work in isolation from our key **Government partners**

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 (NT), Department of Justice and Constitutional Development (DOJCD), National Prosecuting Authority (NPA) and the Office of the Tax Ombud (OTO). These departments and entities are important to the overall effectiveness of SARS' operations. Through co-operatively working with these departments and agencies, we will be able to ensure our records are accurate, we are able to implement government policies, 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.

We also acknowledge that we all operate under increasing fiscal and resource constraints, and that 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 Co-operation. SARS' international engagements in the area of Tax and Customs administration will continue to contribute to the achievement of the following national objectives:

- Participate in the Global System of Governance (World Customs Organisation, World Trade Organisation, 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 remains weak and uneven across economies, with risks now firmly tilted towards emerging markets. According to the International Monetary Fund (IMF), the global economic recovery will remain modest and uneven as the world grapples with slowing Gross Domestic Product (GDP) in China, suppressed oil prices, low demand for resources and tightening monetary policy from the US Federal Reserve. Therefore, risks to the global outlook remain tilted to the downside.

China's rebalancing model is delivering slow but sustainable growth rates. The structural slow-down in growth and the managed deleveraging is expected to continue to weigh on global growth in the short to medium term. The IMF has estimated the global growth rate for 2015 to be 3.1% down from 3.4% in 2014. The IMF also revised down global growth forecasts to 3.4% (from 3.6%) for 2016, and 3.6% (from 3.8%) for 2017.

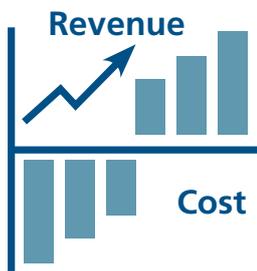
Forecasts for most emerging markets reveal a slower pick-up than previously predicted. The down-turns in emerging markets such as China, Brazil, Russia, and Sub-Saharan Africa will continue to drag growth down in 2016. Emerging markets grew at their slowest pace in 2015 since the 2008/9 financial crisis. The new IMF growth projections are 4.3% (down from 4.5%) and 4.7% (down from 4.9%) in 2016 and 2017 respectively. Amongst other domestic structural and cyclical problems, the appreciation of the US dollar and heightened risk aversion cited by the IMF will place a strain on emerging markets in particular.

The headline readings mask differing trends across emerging markets. India and parts of emerging Asia will grow at a robust pace. Latin America and the Caribbean will again contract for the second successive year in 2016, due to the recession in Brazil and economic stress. The majority of Sub-Saharan African countries will see a progressive pick-up in growth but not higher than those registered in the last decade.

Domestically, economic growth prospects remain subdued. The growth conundrum features factors such as declining commodity prices, weakening business and consumer confidence, anticipated interest rate hikes, recurring bouts of Rand volatility, infrastructure bottlenecks, and the effects of the current drought. However, some headwinds have turned into tailwinds to the benefit of the country and these include the lower oil prices, growing regional trade with other Sub-Saharan countries, improving labour relations, and stability in electricity supply. South Africa's GDP growth declined to 1.5% in 2014 from 2.2% in 2013. The IMF has estimated 2015 GDP at 1.3% while 2016 and 2017 projections were set at 0.7% and 1.8% respectively.



The **IMF** has estimated South Africa's GDP growth for 2016 at **0.7%** and 2017 at **1.8%**



“until we ignite **growth** and generate more **revenue** we have to be tough on ourselves”.

Fiscal framework

SARS’ responsibilities to collect revenue to fund the government and administer the nation’s tax laws include protecting the flow of revenue to government. The prevailing negative domestic and global economic environment will heighten the risk to our compliance and revenue targets. As with the rest of government, we will continue to carry out our mandate under very tight fiscal conditions.

In his 2016 Budget Speech, the Minister of Finance stressed that government cannot spend money that it does not have. In particular, the Minister stressed that “until we ignite growth and generate more revenue we have to be tough on ourselves”. We are mindful of the challenge to raise additional revenue for the government in a challenging global and local economic context whilst maintaining a fair and inclusive tax system.

To ensure that we operate within current fiscal constraints, we will continue to practice prudent financial management to ensure that SARS uses resources efficiently. We will monitor our spending, continuously look for savings opportunities, eliminate fruitless and wasteful expenditure. Moreover, we will actively support Government’s cost containment measures and some of the initiatives we will embark upon in this plan include the consolidation of our corporate real estate portfolio to realise savings, implement a new procurement system aligned to National Treasury to improve procurement spend and reducing spend on travel, accommodation and non-essentials.

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 Co-operation and Development (OECD) Report, *Addressing Base Erosion and Profit Shifting: 2013*, multi-national corporations continue to use sophisticated schemes (use of cross-border structures, intragroup transactions and hybrid mismatches) 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.

As part of the OECD’s Global Forum on Transparency and Exchange of Information for Tax purposes, South Africa and 55 other countries as part of the “early adopters group” committed themselves to Automatic Exchange of Information (AEOI) by 2017. To facilitate this move, the OECD has designed Common Reporting Standards (CRS) as the global standard for purposes of AEOI between countries and tax authorities globally. In December 2015 the OECD finalised an assessment of South Africa’s confidentiality and data safeguards, to ensure our readiness for implementation of AEOI.

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 threats to the South African fiscus. We will invest a significant portion of our resources to develop the skills and capabilities to identify and deal with tax avoidance and evasion schemes employed by multi-national enterprises (MNEs) and wealthy individuals.



South Africa is part of an “**early adopter group**” committing themselves to **Automatic Exchange of Information (AEOI)** by 2017

In the 2016 Budget Speech, the Minister of Finance announced a Special Voluntary Disclosure Programme (VDP) to give an opportunity for non-compliant taxpayers to voluntarily disclose offshore assets and income. In line with the new global exchange of information between tax authorities, Government proposes a Special Voluntary Disclosure Programme for individuals and companies to regularise both their tax and exchange control affairs for a limited window period.

Customs and Excise developments

Customs is an international activity and a strong international legal and co-operation framework for the import, export and transit of goods is essential. We need to anticipate and be responsive to international and regional developments, as well as national needs and realities, including those of government and the business community.

International trade. The World Trade Organisation (WTO) has projected that growth in the volume of world merchandise trade will increase slightly, rising from 3.3% in 2015 to 4.0% in 2016. The WTO has attributed the sluggishness of trade to various factors, such as geopolitical tensions, divergent monetary policies, exchange rate fluctuation, and slower growth in emerging economies. According to the WTO's 2015 World Trade Report, South Africa is ranked as the world's 23rd biggest importer and the 27th biggest exporter (excluding intra-EU trade). The National Treasury is expecting exports to grow by 3.3% in 2016 and 4.6% in 2017. Over the same period, imports are expected to increase by 4.6% and 5.3%, respectively. This will result in an increase to SARS' workload in processing higher trade volumes.

Multilateral legal instruments. As of 11 January 2016, 66 WTO members have formally accepted the WTO Agreement on Trade Facilitation (TFA). Once two-thirds of WTO members have formally accepted the TFA, it will enter into force. OECD analysis contends that improvements in the area of formalities (e.g. simplification of trade documents, streamlining of border procedures, and automation of the border process) will significantly reduce trade costs. In South Africa, most of the provisions of the TFA will have to be implemented by SARS. SARS is also working towards the implementation of various instruments of the World Customs Organisation (WCO) that South Africa has acceded to on the valuation and classification of goods, supply chain security and trade facilitation.

Preferential Trade Agreements (PTAs). More than 100 new preferential trade agreements were signed around the world in the five years from 2010 to 2014. South Africa is a member of a customs union (the Southern African Customs Union - SACU) and has free trade agreements in place with, amongst others, the Southern African Development Community (SADC), the European Union (EU) and the European Free Trade Association (EFTA). The SADC-EU Economic Partnership Agreement will replace the current agreement between South Africa and the EU and will enter into force in 2016/2017 and the SACU-Mercosur (Common Market of the Southern Cone) Agreement has also been finalised. The Tripartite Free Trade Agreement between SADC, the East African Community (EAC) and the Common Market for East and Southern African states (COMESA) was signed in 2015 and the negotiations are currently focused on rules of origin. Negotiations between SACU and India are underway, as is a review of the trade agreement with EFTA. SARS supports the negotiation and is tasked with the implementation of these trade agreements. In addition to these agreements, SARS also administers elements of the Generalised System of Preferences (GSP) and the African



Worldwide more
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Growth and Opportunity Act (AGOA) of the United States. These agreements and arrangements contribute to the complexity of trade administration.

Illicit trade. Illicit trade is a major and growing problem worldwide. It involves money, goods or value gained from illegal and generally unethical activity. It encompasses a wide variety of illegal trading activities, including human trafficking, environmental crime, illegal trade in natural resources, various types of intellectual property infringements, and trade in certain substances that cause health or safety risks, smuggling of excisable goods, and trade in illegal drugs, as well as a variety of illicit financial flows. These activities generate a wide range of economic, social, environmental or political harms. According to the World Economic Forum, estimates of the global retail value of illicit trade vary, but have recently been estimated at \$650 billion by Global Financial Integrity (GFI) and in the order of two trillion dollars if illicit financial flows are included. Governments are losing billions of dollars in tax revenues, legitimate businesses are being undermined and consumers are being exposed to poorly made and unregulated products. South Africa, with its well-developed financial infrastructure and its geographical position, presents a perfect springboard for smuggling syndicates. According to the United Nations Office on Drugs and Crime (UNODC) South Africa has become a major conduit for the transshipment of narcotics as well as a destination for local use. In recent times the country has experienced an increase in attempts to smuggle narcotics and endangered species through its borders. Our Customs officers are working closely with other law enforcement agencies in South Africa and in other parts of the world to detect and deter such activities. SARS Customs also participates in the WCO's programmes such as the Customs Enforcement Networks (CEN) as well as Regional Intelligence Liaison Offices (RILOs) which share information on smuggling patterns and seizures.



Estimated value of
e-commerce:

US\$16 Trillion

Cross-border e-commerce. Cross-border e-commerce continues to increase worldwide due to a combination of factors such as continuously advancing internet technology, economic development in developing countries, and expansion of express delivery services and mobility of the labour force. According to estimates made by the United Nations Conference on Trade and Development (UNCTAD) in 2013, business-to-business e-commerce was valued at about US\$ 15 trillion and business-to-consumer e-commerce at more than US\$ 1 trillion, with the latter growing faster in the last few years. According to the WTO, an indicator partly resulting from e-commerce is the volume of small parcels passing through Customs. Trade volume in this area increased by 48% between 2011 and 2014 according to the Universal Postal Union. A 2015 study commissioned by First National Bank and PayPal reveals that almost 80% of online shoppers in South Africa could be "cross-border shoppers in the coming years". This prediction was extrapolated from results that showed that "up to 46% of South African online shoppers have actually said that they already shop outside the country". The bulk of goods sourced by South African online shoppers come from North America and Europe, 51% and 39%, respectively, while 24% comes from Asia, three-quarters of which come from China. According to the WCO, cross-border e-commerce impacts Customs administrations in terms of revenue collection, supply chain security, and allocation of Customs resources.

International terrorism and security. In December 2015, the WCO Policy Commission adopted the Punta Cana Resolution, which concerns the security role of Customs, particularly in light of the recent spate of terror attacks in various regions around the world. The Resolution emphasises the key role that Customs administrations have to play and the critical space they occupy at the border in the prevention of future terrorist attacks. Customs administrations around the world are the first line of defence against

many criminal and violent extremist and terrorist organisations that exploit international boundaries. This highlights the important role of Customs in border security through management of the movement of goods, money, people and means of transport across borders. The Resolution calls on Governments and their Customs administrations to use the full range of detection and investigative techniques at their disposal. These techniques include risk profiling, Advance Passenger Information (API) and Passenger Name Records (PNR) analysis, intelligence sharing, controlled deliveries, forensic techniques, detector dogs and non-intrusive equipment, and upgrading them to high standards.

Climate Change. Scientists have confirmed that 2015 was the hottest year on record. This is due to carbon pollution and deforestation, atmospheric carbon dioxide (CO₂) concentrations, which were 280 parts per million (ppm) in the pre-industrial era, are now over 400 ppm and consequently the Earth has warmed an average of more than 0.75°C. To limit the increase in global average temperatures to the target of 2.0°C, a substantial amount of fossil fuels must remain buried, which would dramatically impact the characteristics of international trade, including transport mechanisms as well as the trade in commodities. Natural disasters, including extreme weather events due to human-induced climate change, are increasing, necessitating more attention by Customs to the clearance and release of relief consignments. Several WCO members collect carbon taxes, which is a key mitigation tool against climate change. The National Treasury has circulated the draft Carbon Tax Bill for comment and the tax is due for implementation in 2017. SARS has also been tasked to collect a tyre charge for environmental purposes.

Regional integration. In addition to supporting the implementation of various trade agreements aimed at promoting regional economic integration, SARS is actively engaged in a number of regional and bilateral initiatives aimed at streamlining the movement of legitimate trade across the country's borders. Of particular significance is the WCO-SACU Connect project that aims to introduce a regional mutual recognition system for preferred traders, the interconnectivity of customs systems and enhanced co-operation in the areas of risk management and enforcement. It is expected that the SACU agreement that will support Customs-to-Customs connectivity and the exchange of information will shortly enter into force and negotiations are underway on a draft regional legal framework to support the preferred trader mutual recognition programme. SARS also supports the inter-departmental project led by the Department of Home Affairs to establish a one-stop border post between South Africa and Mozambique.

Co-ordinated border management. In an effort to support certainty and predictability for compliant traders, SARS is active in various efforts to work closely with other government agencies. This includes the single window concept that aims to link all border agencies through an automated regulatory control system, and the model Port of Entry concept that coordinates the activities of border agencies. SARS also works with other South African border agencies on the establishment of the Border Management Agency (BMA).



SARS is engaged in a number of **regional** and **bilateral** initiatives aimed at streamlining the movement of legitimate trade

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 has introduced several measures to mitigate these risks and continues to monitor their impact on our performance.

STRATEGIC RISKS FACING SARS	
The risks we need to manage	How we will manage these risks
<p>Revenue collection pressure</p> <p>The prevailing global and local economic uncertainties place increasing pressure on SARS' 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"> • Continue to expand our footprint through mobile tax units and mobile registration kits. • Increase compliance activities through increased and targeted audit and enforcement activities, as well as enhanced debt management. • Continue to invest in improving our risk and compliance management capabilities. • Increase the use of administrative penalties. • Use of third party data to cross reference and validate information supplied to SARS. • Develop Centres of Excellence and specialist skills. • Manage the relationship with Organised Labour in a pro-active and professional manner as they are deemed to be a partner and not an adversary.
<p>The threat of the illicit economy and illicit financial flows</p> <p>The illicit economy, especially illicit cigarettes and tobacco trade, 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"> • Continue to target the entire supply chain of illicit cigarette and tobacco trade through better control of our warehouses, enhancement of our excise systems to improve risk detection, and increase our collaborations with key stakeholders. • Engage with other state enforcement agencies such as State Security Agency (SSA) and Police to agree on Memoranda of Understanding (MOU's) for establishment of dedicated resources for fighting illicit trade. • Enhance the inter-agency co-operation in fighting tax and other financial crimes. • Build internal capacity and capability by continuing to participate in the International Academy on criminal tax investigations. • Increase 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 that 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. • Increase control of our borders through introduction of Manifest Processing and matching, and increased focus on high-risk flows of goods, travellers, conveyances and craft.
<p>Unfavourable public perception of poor state delivery and corruption</p> <p>Research and empirical evidence show that taxpayers' attitudes towards compliance and their willingness to comply is influenced by how they perceive their 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"> • 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. • Continue with education and outreach programmes to build a culture of fiscal citizenship. • Improve the image of our staff to be that of a highly-skilled, professional and disciplined SARS workforce.

STRATEGIC RISKS FACING SARS	
The risks we need to manage	How we will manage these risks
<p>Complex schemes used by large businesses to evade and avoid tax</p> <p>SARS has detected a trend among businesses, especially multi-national enterprises, whereby domestic and international loopholes are used to take advantage of cross-border structuring and transfer pricing manipulations to evade or impermissibly avoid tax.</p>	<ul style="list-style-type: none"> • Increase the capacity and capability 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. • Work with other government agencies to identify cross-border risks. • Development of the skills pipeline for auditors in the transfer pricing unit to proactively deal with BEPS and Transfer Pricing.
<p>Low compliance of High Net-Worth Individuals (HNWIs)</p> <p>A significant number of HNWIs do not pay the correct amount of taxes timeously due to non-declaration of income sources, overstating expenses and splitting of income through trusts.</p>	<ul style="list-style-type: none"> • Develop and acquire additional capacity and capability to tackle HNWIs effectively in dealing with trusts, and re-defining taxpayers in this segment. We will furthermore ensure the appropriate resource allocation to achieve the required focus and coverage.
<p>Value-Added Tax (VAT) refund fraud</p> <p>The SARS VAT systems and processes continue to be placed under pressure as businesses respond to the slow economic recovery and the impact on their businesses. There is thus an increased chance of tax fraud, especially VAT fraud whereby businesses over-claim inputs and expenses or under-declare and/or non-declare outputs and income to protect their profits.</p> <p>There are also the payments of invalid refunds and the threat of identity fraud.</p>	<ul style="list-style-type: none"> • Enhance our risk engines to ensure only legitimate refunds are processed and increase audit coverage for effective detection and deterrence. • Increase enforcement activities to address fraudulent claims. • Improve the VAT registration process to ensure accurate taxpayer accounts, including bank account details. • Cross-referencing of transactional data across an entity profile. • Develop and acquire additional capability and capacity to tackle VAT fraud effectively.
<p>Significant debt book</p> <p>Growth of the debt book is mainly due to sub-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"> • Elevate focus to clean up taxpayer accounts, as a parallel initiative to the clean-up of the register as well as outstanding returns. • Increase capacity and capability for dealing with the debt book and focus on responsive follow-up in line with the debt book age analysis. • Introduce differentiated reporting to split collectable debt from disputed debt and prioritise focus in each category. • Consider the most appropriate automation solution option.
<p>Succession risk</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 hand-over process. SARS also faces a big challenge in addressing the gender equality imbalance in its leadership, which poses a threat in terms of government's employment equity objectives.</p>	<ul style="list-style-type: none"> • Implement a representative skills pipeline for critical and leadership roles for development of employees. • Continue with the implementation of the SARS Talent Management Strategy. • Implement the SARS succession plan, which includes the identification of potential at an early stage as well as the targeted development of identified potential successors. • Employment Equity and representation is managed as a strategic priority on an ongoing basis with EXCO direction and oversight.
<p>Commercial fraud on imports</p> <p>Incidents of import under-declarations not only create leakage of potential Customs duties and VAT, but also lead to risks of illicit capital flow and foreign exchange transgressions. We have noted an increase in the abuse of rules of origin, valuation regime and tariff classification.</p>	<ul style="list-style-type: none"> • Invest in building a stronger and sophisticated transfer pricing, valuation and rules of origin capability in both our systems and people. • Participate in the trade and international customs bodies and initiatives with other countries.

STRATEGIC RISKS FACING SARS	
The risks we need to manage	How we will manage these risks
<p>Threat of global terrorism</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"> • 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 regarding potential terrorist threats through the trade supply chain networks. • Deploy non-intrusive inspection technology at Ports of Entry such as container scanners, baggage scanners and body scanners. • Introduce Authorised Economic Operator Partnership Programme in alignment with WCO SAFE to support facilitation of secure trade. • Increase Customs Officer competencies and discipline to improve our detection and deterrence at Ports of Entry.
<p>Implementation of the Customs Control Act and Customs Duty Act and New Excise Act</p> <p>SARS is required to make major systems, policy and procedural changes to implement the new Acts. The transition to new infrastructures and systems poses a risk to SARS operational continuity as well as to trade and border facilitation.</p>	<ul style="list-style-type: none"> • Comprehensive design and planning of legislative implementation of NCAP in alignment with all SARS process and infrastructure requirements. • Ongoing involvement and co-creation with all stakeholders of the new Customs procedures and processes for NCAP. • Perform effective testing of all new systems required for implementation, both internally and with all stakeholders. • Perform effective training and pro-active development of Customs and Excise officers to be competent in the NCAP requirements.
<p>Transitioning to the new operating model</p> <p>The SARS Operating Model Review Programme represents a major change programme that has the potential to significantly change employee and trade/taxpayer interactions with SARS, and could have far reaching consequences for the organisation's performance in the long term. Given the scale of the review (in terms of impact and resources), SARS should ensure that progress against agreed key milestones and outcomes is actively monitored and reported. Failure to explicitly identify and manage risks associated with the Operating Model Review Programme has the potential to significantly affect the organisation's transformation and achievement of its goals going forward. This could lead to a period of major uncertainty for employees and taxpayers, and cause serious disruption to service.</p>	<ul style="list-style-type: none"> • SARS assigned Chief Officers to sponsor the various streams of the programme. • SARS implemented a dedicated project office to manage the programme. • A comprehensive and ongoing change management programme forms part of implementing the programme. • Individual interventions from the project office and/or by top management take place as and when required. • Obtain buy-in and commitment from staff at all levels through involvement and participation during transition to the new operating model.
<p>Excise duty risk</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 playing-field for all taxpayers.</p>	<ul style="list-style-type: none"> • Enhance specific excise risk rules in the SARS risk engines. • Create a specialised excise capacity within the Customs and Excise regime. • Increase targeted audits and inspections at the Excise manufacturing points and at ports of entry. • Introduce Excise markers and assurance mechanisms into the production cycle to help identify and track excisable goods.
<p>IT Security threats including cybercrime</p> <p>The threat of security breaches (internal or external) remains an area of concern. Cybercrime is one of the top ten risks for most organisations around the world. Failure to focus on this area continuously to improve information security controls may compromise the integrity and security of SARS operations, resulting in loss/theft of confidential taxpayer information.</p>	<ul style="list-style-type: none"> • SARS will roll out a three-year Information Security Road map focusing on governance and policies, confidentiality management, identity management, personnel and physical security, fraud management, and implementation of a Security Operations Centre. • SARS staff will form an integral part of the implementation of the information security road map.

Table 1: Strategic Risks Facing SARS

The background features a light blue grid of triangles. Two triangles are filled with a darker blue color: one in the top row, second from the left, and one in the bottom row, second from the right. The number '04' is displayed in a large, light blue, sans-serif font, centered horizontally in the lower half of the page.

04

SARS' Resource Plan

04 | SARS' RESOURCE PLAN

Expenditure estimates over the medium-term

SARS' projected funding and expenditure for 2016/17 to 2018/19 is presented in Table 2 below:

Expenditure Estimates	2016/17 R'000	2017/18 R'000	2018/19 R'000
Budget Grant	10 009 151	11 078 483	11 037 098
Interest income	67 344	65 327	67 938
Other income	300 422	303 426	306 458
Roll-over funding	-	-	-
Total Funds Available	10 376 917	11 447 236	11 411 494
Funding Allocation			
Baseline Expenditure (BAU)	10 299 533	11 025 885	11 362 072
Projects	77 384	421 351	49 422
Total Allocation (Budget)	10 376 917	11 447 236	11 411 494

Table 2: SARS' projected expenditure

Other income refers to commission received from the Department of Labour for services rendered in the collection of Unemployment Insurance Fund and Skills Development Levy.

SARS is in the process of applying for roll-over funds (not included in the table above). This will be subject to National Treasury approval in line with section 53 (3) of the Public Finance Management Act.

Expenditure estimates per Strategic Outcome

SARS' projected expenditure for each Strategic Outcome for 2016/17 to 2018/19 is presented in Table 3 below:

Strategic Outcomes	Full Time Equivalents 2016/17	Budget 2016/17 R'000	Budget 2017/18 R'000	Budget 2018/19 R'000
Increased Customs and Excise Compliance	2 637	1 680 106	1 906 816	1 835 264
Personnel Expenses		1 142 658	1 225 440	1 269 413
Goods & Services		483 709	517 825	533 335
Information Technology		115 918	124 094	127 810
Land and Buildings		149 037	159 549	164 328
Audit & Legal Fees		33 119	35 455	36 517
Administration		185 634	198 727	204 679
Capex - Business as usual		29 602	29 500	23 115
Projects		24 137	134 051	9 400
Increased Tax Compliance	6 074	4 484 075	4 841 634	4 938 551
Personnel Expenses		3 086 957	3 310 593	3 429 735
Goods & Services		1 306 766	1 398 931	1 440 978
Information Technology		313 159	335 245	345 322
Land and Buildings		402 633	431 030	443 985
Audit & Legal Fees		89 474	95 784	98 663
Administration		501 501	536 871	553 008
Capex - Business as usual		79 972	79 695	62 454
Projects		10 380	52 415	5 385
Increased Ease and Fairness of Doing Business with SARS	3 757	2 214 246	2 408 764	2 438 356
Personnel Expenses		1 522 041	1 632 310	1 690 734
Goods & Services		644 308	689 752	710 349
Information Technology		154 405	165 295	170 231
Land and Buildings		198 520	212 522	218 868
Audit & Legal Fees		44 116	47 227	48 637
Administration		247 268	264 708	272 613
Capex - Business as usual		39 431	39 294	30 788
Projects		8 465	47 407	6 485
Increased Cost Effectiveness and Internal Efficiencies	1 330	1 364 506	1 619 167	1 501 673
Personnel Expenses		922 806	989 669	1 024 451
Goods & Services		390 641	418 197	430 416
Information Technology		93 615	100 218	103 146
Land and Buildings		120 362	128 852	132 617
Audit & Legal Fees		26 747	28 634	29 470
Administration		149 917	160 492	165 182
Capex - Business as usual		23 907	23 824	18 655
Projects		27 152	187 477	28 152
Increased Public Trust and Credibility	679	633 984	670 854	697 650
Personnel Expenses		432 461	463 734	485 034
Goods & Services		183 069	195 957	203 784
Information Technology		43 871	46 960	48 836
Land and Buildings		56 406	60 377	62 789
Audit & Legal Fees		12 535	13 417	13 953
Administration		70 257	75 203	78 207
Capex - Business as usual		11 204	11 163	8 832
Projects		7 250	-	-
Grand Total	14 477	10 376 917	11 447 236	11 411 494

Table 3: SARS' projected expenditure by outcome

Projected Human Resource capacity

The SARS headcount is envisaged to remain fairly stable during this period with a staff establishment of 14,477. As outlined in this document, SARS will develop an integrated workforce and capacity plan that will inform our staff establishment in line with our new operating model, within the parameters of cost containment and affordability.

Grade	Headcount	Vacancies	Projected capacity
10	1	0	1
9B	6	2	8
9A	31	9	40
8B	80	51	131
8A	321	83	404
7	1 262	100	1 362
6	2 351	150	2 501
5B	639	17	656
5A	2 407	57	2 464
4B	1 480	36	1 516
4A	3 300	47	3 347
3B	880	10	890
3A	556	4	560
2	39	1	40
1	97	3	100
0	12	0	12
2LI	99	0	99
2GT	292	19	311
2GA	33	0	33
NG	2	0	2
Grand Total	13 888	589	14 477

Table 4: SARS projected Human Resource Capacity

Human Resources Demographics

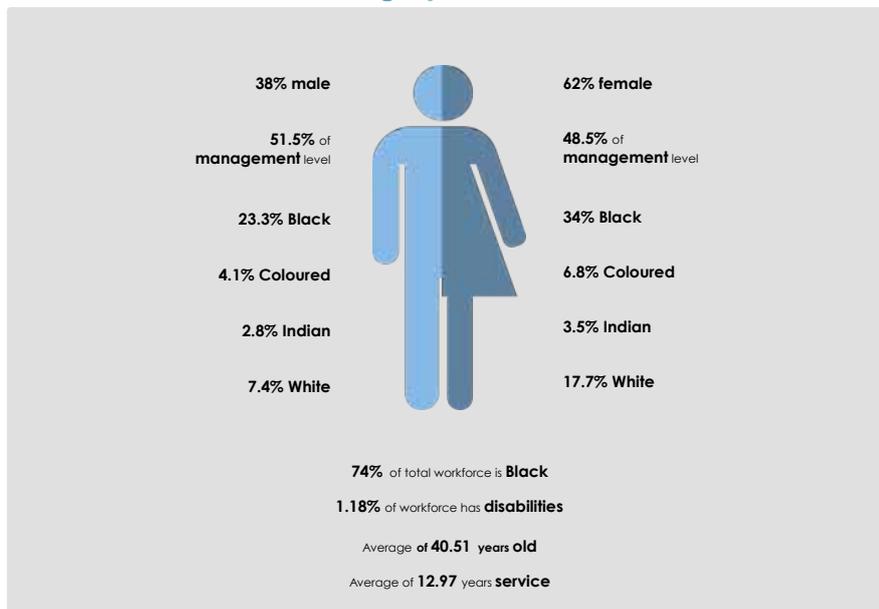
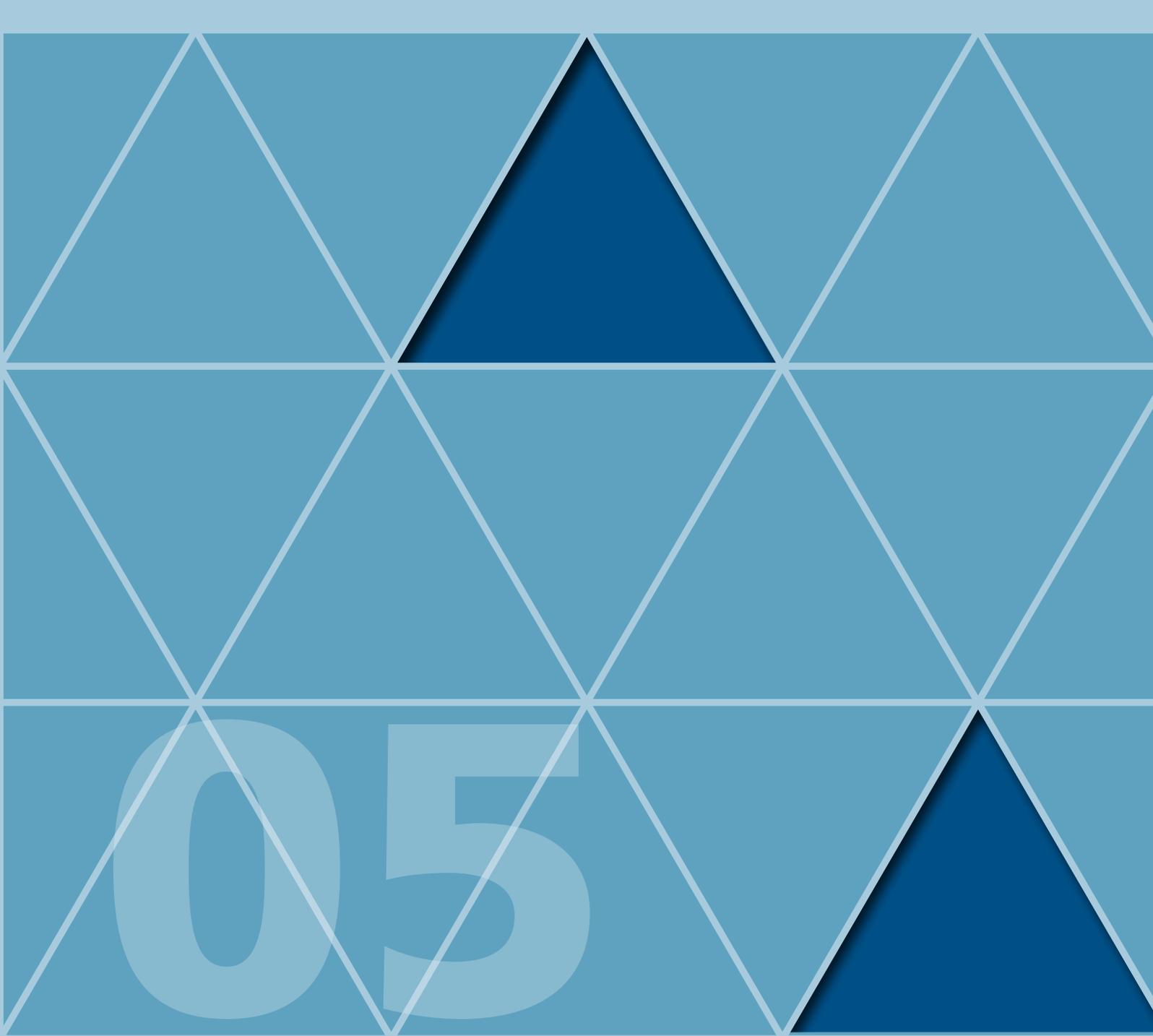


Figure 1: Human Resources Demographics



05

Annual Performance Plan
Initiatives and Activities
2016/17

05 | 2016/17 ANNUAL PERFORMANCE PLAN INITIATIVES AND ACTIVITIES

Outcome 1: Increased customs and excise compliance

Improve control over the flow of all goods and travellers entering and leaving the country

SARS will:

- Continue to monitor and control the movements of all goods imported, exported, and in transit via our ports of entry.
- Undertake two pilot projects in Durban and Johannesburg to refine the Marine and Air modality operating model as well as to identify the next wave of improvement opportunities.
- Implement appropriate and effective interventions to mitigate risks whilst enabling the swift movement of goods and travellers through ports of entry, in line with the KPI to target 13% of declarations.
- Deploy the new manifest processing system to replace the manifest acquittal system in line with new international cargo reporting and cargo management standards by September 2016.
- Conclude the implementation of the new state warehouse barcode inventory management system across state warehouses and acquire additional warehouse capacity for Cape Town and Durban at suitable, cost effective locations by February 2017.
- Design an off-site tracking and management system by December 2016, to reduce the risk associated with goods which are left with shipping companies for a lengthy period.



SARS will profile all traders and clearing agents to develop a **segmented** approach to **risk management**

Identify, assess and respond to risks more effectively

SARS will:

- Review the current case selection capability and automated risk engine with the objective to improve risk management in the customs realm to the next level of excellence. In this regard a recommendations report will be tabled by the end of February 2017.
- Deploy additional 8 baggage scanners and initiate procurement of two additional cargo scanners during this financial year.
- Commence level 2 of Preferred Trader Compliance Accreditation Programme which comprises the awarding of "Status and Benefits" by 1 November 2016.
- Our intention is to conclude 100 traders by end March 2017.

Enhance the quality of inspections and audit to effectively address detected non-compliance

SARS will:

- Implement an improvement initiative to achieve 50% improvement of non-intrusive inspection capability's productivity.
- Review the Quality framework for inspections, inclusive of physical- and document inspections and table a recommendations report by end of October 2016.
- Implement a new enforcement workflow module by January 2017 that will enhance traceability of manually-triggered risk interventions initiated by Customs officials at the various ports of entry.

Modernise and align Excise processes and systems

SARS will:

- Commence with the alignment of the Customs and Excise processes to give effect to the new operating model.

- Improve excise skills amongst officers by developing improved standard operating procedures and introduce training interventions to the excise community by the end of November 2016.
- Conclude the study that considers the introduction of a track-and-trace system with the cigarette industry and replace the old diamond stamp, in line with the World Health Organisation Convention for Tobacco Control, by the end of September 2016.

Develop a professional and disciplined Customs and Excise workforce

SARS will:

- Over the next 18 months, increase the professionalism and discipline of customs and excise workforce in a focused manner by aligning SARS with the WCO framework of principles and practices on customs professionalism.
- Undertake an assessment of current customs and excise officers to determine skills gaps, which will inform the required training interventions by the end of October 2016.
- Implement National Customs and Excise Training and Mentorship Programme with special focus on technical, as well as practical customs and excise skills for core roles, such as Tariff classification, Valuation and Rules of origin, to address critical skills capability and capacity gaps by the end of March 2017.
- Introduce a pilot rotation approach for front-line officers in support of our anti-corruption efforts as well as career progression, by the end of December 2016.

Implement the new Customs and Excise legal framework

SARS will:

- Continue the development of processes and systems to support the implementation of the Customs Control Act and Customs Duty Act. We will develop and implement the processes and systems incrementally and with co-operation and participation from the business community. The Acts will be made effective once the processes and systems are stable to ensure the minimum impact on the flow of trade and the economy. By the end of March 2017, SARS will implement phase 1 of the programme, which comprises Registration, Licensing and Accreditation (RLA).

Continue to adopt a whole-of-Government approach to improve border management

SARS will:

- Initiate the single window concept with all relevant Government departments and relevant stakeholders, in line with WCO standards by 30 June 2016.
- Continue to support Government's creation of the Border Management Agency (BMA). The implementation of this initiative is yet to be finalised.
- Continue to support DHA in the establishment of One-Stop Border Posts between South Africa/Mozambique and South Africa/Zimbabwe.
- Continue to work with Swaziland and Mozambique to pilot the WCO-SACU IT Connectivity initiative.
- Continue to fight against the illicit trade and abuse of illegal substances by supporting the National Drug Master Plan (NDMP). SARS will develop and approve a Departmental Drug Plan by the end of September 2016.
- Support dti as co-chair of the national trade facilitation forum to prepare for the implementation of the World Trade Organisation Trade Facilitation Agreement and our new Customs and Excise legal framework.



The ability to achieve our Customs and Excise mandate depends on our **professional** and **disciplined** work force

Improve service and trade administration based on an understanding of our clients and their needs

SARS will:

- Re-establish the Customs and Excise Stakeholder forum by end of August 2016.

Outcome 2: Increased tax compliance

Conduct targeted compliance interventions in high-risk areas

Large Businesses

SARS will continue to drive compliance of large businesses by elevating our focus on Base Erosion and Profit Shifting (BEPS);

- Undertake 300 targeted audit interventions of Large Corporates.
- Conclude the current pipeline of 30 BEPS related cases.
- Conclude our engagements with the OECD and other Revenue agencies to leverage the assistance they offered to enhance our audit capability.
- As part of the CIT filing season release of December 2016, the Corporate Income Tax returns will be enhanced to:
 - obtain a clear view of all multinational enterprises
 - obtain information on BEPS related transactions
 - improve transfer pricing reporting for large corporates.
- New risk engine rules with specific focus on BEPS will be developed and deployed by December 2016.
- Increase our capacity of Transfer Pricing specialists by 50% by the end of March 2017.
- Legislative changes, namely Record Keeping regulations in respect of foreign transactions as well as country-by-country reporting will be implemented this year.
- A pilot project will be concluded in March 2017, to evaluate a process to undertake legal enquiries into entities that promote tax financing structures that ultimately erode the South African tax base.
- In the context of BEPS being an International phenomenon, SARS will continue its active participation in BEPS forums and events hosted by the OECD, United Nations as well as the African Tax Administration Forum (ATAF).

High Net-Worth Individuals (HNWIs)

- SARS will continue to drive compliance of High Net-Worth Individuals (HNWIs) through leveraging our experience and insights from prior year audit activity. More specifically, we will;
 - Conclude 130 audit cases during this year.
 - Increase our specialised HNWIs audit capacity by appointing 22 additional specialists into this area by January 2017.
 - Expand the HNWIs definition to align with best practice by the end of June 2016.
 - Review and implement an enhanced HNWI audit process by the end of March 2017.
 - Introduce enhanced HNWIs risk rules by the end of March 2017.



Establish a **National
Customs & Excise**
stakeholder forum

Small, Medium and Micro Enterprises (SMMEs)

SARS will continue to drive compliance of Small, Medium and Micro Enterprises (SMMEs) through leveraging our experience, newly deployed Mobile Registration kits and insights from prior year engagement activity, such as our participation in Operation Fiyela as well focus on the cash and carry industry. More specifically, we will;

- Register an additional 1000 SMMEs during this year.
- Review our current small business offering, including the small business desks at our Branch offices, our Mobile Tax Units (MTUs), training and engagement to understand how effective the offering is. The output will be used in the subsequent performance year to develop and initiate an implementation plan for an improved service offering.
- Continue to collaborate with the Department of Small Business, the dti, CIPC, Department of Home Affairs and SALGA to facilitate an ethos of inclusive fiscal citizenship.

Other focus areas for compliance Interventions

Other high risk areas include:

- Tobacco, Clothing & Textile, and Construction as well as the so-called cash-and-carry industries.
- A specific segment of non-compliant Tax Practitioners, Preparers and Trade Intermediaries.
- Landlords not declaring rental income.

Strengthen capacity and capability to manage taxpayer debt

SARS will:

- Introduce differentiated reporting to split collectable debt from disputed debt and prioritise focus in each category by end of July 2016.
- Deliver a business case to recommend the most appropriate debt automation solution option by the end of December 2016.
- Increase capacity and capability for working the debt book and focus on responsive follow-up actions in line with the debt book age analysis, to achieve the Collectable Debt KPI of 7% of Revenue collected by 31 March 2017.
- The SARS Institute of learning will develop and make available enhanced debt management skills programmes by the end of March 2017.
- Extend the penalty regime across tax products, by undertaking and completing the CIT penalties by the end of March 2017.
- Continue to use our powers to collect debt by recovering money from taxpayers' bank accounts as soon as debt becomes due and payable.

Collaborate and work with other Tax and Customs jurisdictions on global compliance and enforcement issues, and to exchange information on individuals and companies for common revenue administration purposes

SARS will:

- Support the South African government to administer treaties and agreements with other countries, tax jurisdictions and international organisations.
- Undertake and complete the design of a FATCA penalty process to ensure compliance by the end of December 2016.
- Develop the OECD Common Reporting Standards (CRS) solution for Automatic Exchange of Information (AEOI) to ensure alignment and compliance by June 2017.
- Effectively use the FATCA data received from the IRS in SARS' risk assessment processes.



SARS will **continue**
to **participate** in
the **AEOI**
programme

Improve integrity of taxpayer registers

SARS will:

- Focus on cleaning up the taxpayer register, through the use of third party information and by completing of merging those taxpayer products where definite matches have been identified by 31 December 2016.
- Identify trends regarding outstanding returns, as well as cross-product registration to inform targeted interventions for the resolution of anomalies by February 2017.

Improve case selection process

SARS will:

- Continue to enhance its case selection capability, risk rules, and analytical processes to optimise the probability of risk detection and to minimise losses to the fiscus - this is an ongoing task as risk patterns change over time and new schemes for tax evasion and fraud emerge.
- Introduce a new risk engine for PAYE by the end of December 2016.
- Continue to consider feedback from audit results to optimise hit rate.

Strengthen enforcement capabilities

SARS will:

- Conclude 350 Criminal Investigations with sufficient quality to recommend these cases for prosecution.
- Review the Enterprise fraud detection capability and table a recommendations report by December 2016.
- Develop a strategy and inter-agency partnership agreement in collaboration with the NPA aimed at demonstrating impact against serious tax offences by end of March 2017.

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

Reduce volumes of manual activity for SARS and taxpayers and through automation and digital migration

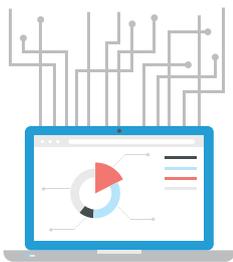
SARS will:

- Promote the eFiling channel for PIT in order to achieve a 60% uptake by 30 November 2016.
- Deliver additional functionality to improve the Automated Dispute Resolution Management on the eFiling channel by December 2017 - this will include VAT and PAYE, as well as a more intuitive, guided process to enable resolution of disputes electronically .
- Undertake and complete the design for enhancements for the Client Information System (previously known as the Single Registration process and system) to elevate the focus of consolidating the view of a taxpayer's tax affairs with SARS by end of March 2017.
- Undertake and complete the design to modernise the Estates and deregistration processes, inclusive of specifications for the interfaces with DHA, CIPC and Master of the High Court, by March 2017.

Deliver effective service by integrating a service centric approach into all operations

SARS will:

- Further simplify and improve internal processes and procedures by removing



SARS will continue
on its journey of
automation and
digital migration

bottlenecks and red tape to make compliance easy for taxpayers during the filing seasons of PIT (June 2016), CIT (December 2016) and PAYE (March 2017).

- Further improve our forms and evaluate the use of alternative languages to improve correspondence with taxpayers and traders during the filing seasons of PIT (June 2016), CIT (December 2016) and PAYE (March 2017).
- Undertake surveys to obtain feedback and monitor service delivery rigorously throughout the year, for inclusion in the SARS Annual Report as well as to inform operational interventions as and when required.
- Improve the SARS complaints management process to address issues identified during phase of the implementation of the system and update all Office of the Tax Ombud (OTO) complaints management system-generated forms and letters with their required content and the new OTO branding by 31 December 2016.

Deliver tailored education and outreach programmes to build better understanding and awareness by all South Africans of their tax responsibilities and how to meet them

SARS will:

- Continue with our education and outreach drive to ensure all South Africans understand their tax obligations and the importance of meeting them.
- Establish partnerships with provincial education departments and institutions of higher learning, to host workshops for learners.
- Continue to expand our communication with the South African public to improve the SARS message through media campaigns, publications and advertisement's.

Create the service channel network of the future in order to deliver easy, convenient and accessible service to all areas of the country as fairly and cost effectively as possible

SARS will:

- Undertake research to better understand the reluctance of taxpayers to adopt eFiling as the preferred channel for PIT by December 2016.
- Enhance web and mobi-app applications to provide additional channels for online users starting with PIT filing season in June 2016.
- Undertake and complete the design for an assistive solution to improve SARS interactions with visually impaired taxpayers and SARS staff by March 2017.
- Commence the roll-out of a "One Stop Shop" concept to place all services and processes within easy and accessible reach for taxpayers and traders by November 2016.
- Commence the deployment of 3 self-service facilities at strategic public points like shopping centres and malls to reduce the volumes of taxpayers going to our branch offices, and migrating them to cheaper self-service channels.
- Commission 3 new SARS branches and 10 additional Mobile Registration kits to expand our footprint to ensure service delivery and accessibility to all South Africans
- Pursue co-location strategies with other government departments and agencies as well as Thusong Centres.
- Implement system and process changes in support of prioritised legislative and policy changes as and when they arise.
- Continue to inculcate a service-centric approach with our staff, through targeted, theme based communication interventions.
- Optimise the effectiveness of our revenue-generating outbound calls by reviewing how to best allocate this activity across different regions and branches during the various business cycles, for example PIT Filing Season peak periods.



SARS will embrace
feedback
from all
stakeholders

Outcome 4: Increased cost effectiveness and internal efficiencies

Implement the new operating model to ensure we remain effective and efficient in executing our mandate

SARS will:

- Complete transitioning of affected areas of the organisation into the new operating model by 30 June 2016.
- Complete recruitment activities to fill new vacancies and positions, subject to affordability and cost containment measures by December 2016.

Increase our data analytics, both in the collection and usage of data to enable better decision-making

SARS will:

- Increase our capacity and capability to analyse and transform data into well packaged information and data products to inform optimal decision-making.
- Roll-out PULSe – an electronic dashboard and real-time collaboration tool that provides management information at your fingertips to devices like personal computers, tablets and smart phones. Roll-out of tiles to cover filing season, branch channel, revenue, debt management, customs and strategic measures by June 2016.
- Leverage existing third party data sources and introduce additional sources.
- Create organisational structures, culture and value systems that support data-based analytic decisions.
- Establish an information nerve centre to visualise the organisation's data asset and enable executive monitoring and decision-making by end of September 2016.
- Elevate the organisation's data analysis capabilities to drive data fluency within the organisation. Recommendation document to be tabled by March 2017.



SARS will transform the
data analytics
capability to
enable **better**
decision-making

Improve our information communications technology capability

SARS will:

- Conclude the development of our new IT strategy and strategic plan by August 2016.
- Ensure optimal value for money from its IT contracts by introducing a new vendor management process by August 2016.
- Focus on talent management of highly skilled IT specialists to ensure continued and smooth operation of the SARS IT infrastructure and service channels, with an uptime of 99% for our mission critical platforms.
- Conclude the tender process for the refreshing of our network and related services by October 2016.
- Implement a revised IT governance framework by November 2016.
- Continue to enhance our existing applications to cater for the introduction of new business requirements, such as the changes announced in the 2016 Budget Speech.
- Continue to enhance the security of IT platforms and digital channels used by taxpayers, traders and SARS staff. Launch the IT Security enhancement programme during the first quarter and implement at least 50% of the end-point protection project by March 2017.
- Continue to upgrade the versions of our technology stacks to ensure we remain current and qualify for extended Original Equipment Manufacturer (OEM) support, as and when required and within the parameters of affordability.
- Continue to refresh our IT assets, in line with their economic useful life and integrated

compatibility requirements within the parameters of affordability – on average, a refresh cycle should target 20% of infrastructure assets per annum.

Practice prudent financial management and discipline to ensure SARS operates within the budget allocation, and to increase efficiency

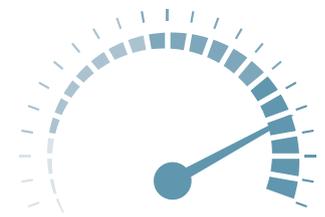
SARS will:

- Design an integrated contract and vendor management system to improve the management of procurement contracts and eliminate waste by December 2016.
- Develop a new corporate real estate strategy to reduce the cost of managing our real estate portfolio by September 2016.
- Integrate our procurement processes with the National Treasury's Central Supplier Database (CSD) by September 2016.
- Implement reporting tools to minimise unauthorised and irregular spending and to eliminate fruitless and wasteful expenditure.
- Continue with the migration of SARS' Administered Revenue accounting practices to the Generally Recognised Accounting Practice (GRAP) to ensure legislative compliance - the final delivery plan will be approved by the end of September 2016.
- Implement a new procurement and sourcing strategy to reduce procurement turn-around times and improve the efficiency and effectiveness of our procurement spend by December 2016.

Identify, recruit and retain the right, diverse, engaged and highly skilled people

SARS will:

- Provide comprehensive human capital management services in pursuance of SARS' strategic objectives.
- Drive a value-based culture in pursuit of service excellence, cost efficiency and integrity. Develop and implement a new approach to workforce capacity and vacancy planning to build adequate staff capacity and capability for the organisation by the end of September 2016.
- By October 2016 adopt and integrate the talent management and recruitment processes with the planning and capacity management processes to ensure that we attract the right skills and people into the organisation, whilst sustaining increased effectiveness and productivity as envisaged in the new operating model.
- Formalise and communicate the SARS Employee Value Proposition to attract and retain top talent by the end of November 2016.
- Facilitate skills development and retraining to better align our people to the demands of the new operating model by the end of March 2017.
- Implement a new model for the SARS Tax, Customs and Excise Institute to provide quality specialised training to our employees and a high end research capability.
- Provide employees with the right skills and tools needed to perform at their peak and to increase productivity.
- Continue with the SARS graduate recruitment programme to create a talent pool and pipeline for the organisation.
- Implement an integrated Talent Management Plan that identifies, recognises and rewards talent, accelerates high performers, and builds potential successors for key leadership and critical roles at senior management level and above by end March 2017.
- Transition the current performance management system to more closely align with the Balanced Scorecard approach by 31 March 2017.



SARS will focus on building a **high performance culture** and operation

Outcome 5: Increased public trust and credibility

Review SARS values

SARS will review and approve a set of values that will govern behaviour in our organisation. This review process will be completed by the end of June 2016.

Gauge public opinion on tax compliance

SARS will annually gauge public opinion on their willingness to comply with the requirements and test the perception on tax compliance.

Continue to implement and streamline our governance processes

SARS will:

- Implement a revised Codes of Ethics and Conduct by October 2016.
- Enhance effectiveness of all SARS governance committees, delegations of authority and related processes to improve decision-making by June 2016.
- Review the enterprise risk management framework to manage key risks facing the organisation effectively by July 2016.

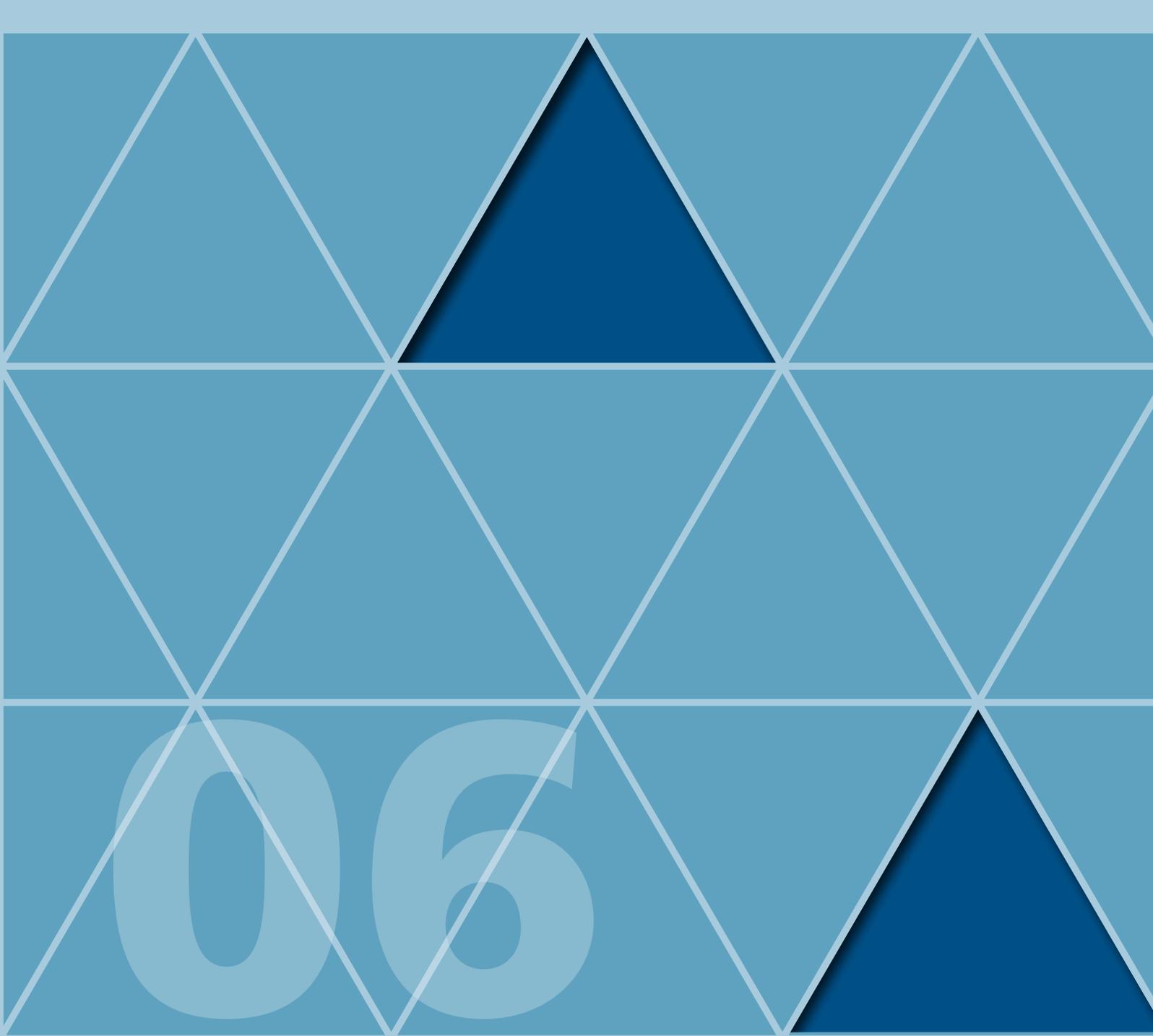
Continue to adopt a zero tolerance approach to fight fraud and corruption

SARS will:

- Implement an automated Tax Compliance Status (TCS) to reduce the administrative burden for both taxpayers and SARS, eliminate fraud and corruption, and facilitate electronic verification by third parties by April 2016.
- Monitor and continually enhance the interface between the SARS TCS and National Treasury CSD to ensure that suppliers of goods and services to Government remain Tax compliant.
- Continue to improve controls in refund processing to reduce the amount of fraudulent refunds claimed.
- Ensure the security of our Internet access channels, web-enabled and Internet-connected services against threats.
- Continue to operate the Suspicious Activity Reporting System, which allows members of the public and employees to inform SARS of any tax and customs non-compliance by individuals or entities, and/or corruption perpetuated by SARS employees.
- Continue to operate the SARS Voluntary Disclosure Programme (VDP) for those taxpayers who wish to disclose previously undisclosed income, and introduce special VDP in October 2016, as announced in the 2016 Budget Speech.
- Continue to run campaigns to educate and deter those taxpayers, traders, public and employees thinking about or presently committing tax and customs fraud or corruption.
- Continue collaborations with other key stakeholders involved in anti-corruption activities and strengthen our capabilities to recover monies stolen by criminals.
- Review our management controls to strengthen our physical and information security systems, and to secure taxpayer and trader information at least twice per annum.



SARS will implement controls to **strengthen** our physical and **information security** systems



06

Measuring SARS' Performance

06 | MEASURING SARS' PERFORMANCE

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 outcomes-based approach to measuring and assessing the performance of government entities. The SARS Strategic Plan 2016/17 – 2020/21 provides the basis for the organisation's outcomes-based performance management and planning processes. The Strategic Plan describes our long-term objectives and actions that describe the measurable outcomes we seek to achieve over the next five years. From the Strategic Plan, we develop our annual business plans, annual budgets and annual performance measures which are presented in this SARS 2016/17 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 reflect and report on our performance in a more meaningful manner. 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 outcomes-based performance measurement and reporting. We also continue to focus on creating the smallest and most meaningful set of strategic outcome measures that we can use as a tool to measure and report our performance.

2016/17 SARS APP strategic measures for each core outcome

Increased Customs and Excise 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	Annual and Quarterly targets				
			Annual Targets	Quarter 1	Quarter 2	Quarter 3	Quarter 4
Increased Customs and Excise Compliance	Customs and Excise revenue collected (R billion)	Actual collections for 2015/16	As agreed with Minister of Finance				
	% Audit coverage of trade	26.42	25.00	Annual target			
	% Of goods declarations targeted	13.39	13.00	13.00	13.00	13.00	13.00
	% Compliance to Excise Framework	66.00	70.00	Annual target			
	*Interfront Governance - Unqualified audit report by Auditor-General	Unqualified audit report	Unqualified audit report	Annual target			

Baselines are 2014/15 actual achievements, unless otherwise stated.

*International Frontiers (Interfront) is a wholly owned subsidiary of SARS responsible for the development of Customs software.

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	Annual and Quarterly targets				
			Annual Targets	Quarter 1	Quarter 2	Quarter 3	Quarter 4
Increased Tax Compliance	Total revenue (excluding Customs and Excise revenue) collected (R billion)	Actual collections for 2015/16	As agreed with Minister of Finance				
	Debt Book as a % of revenue	7.65*	7.00	Annual target			
	% PIT filing compliance	94.49	92.00	Annual target			
	% PIT payment compliance	42.28	50.00	Annual target			
	% CIT filing compliance	39.59	50.00	Annual target			
	% CIT payment compliance	66.64	70.00	Annual target			
	% VAT filing compliance	54.62	60.00	Annual target			
	% VAT payment compliance	82.85	85.00	Annual target			
	% PAYE filing compliance	62.41	65.00	Annual target			
	% PAYE payment compliance	84.16	85.00	Annual target			
% Audit coverage of registered taxpayers (PIT, CIT, VAT, PAYE and Trusts)	12.11	12.00	12.00				

Baselines are 2014/15 actual achievements, unless otherwise stated.

*The definition of Debt Book refers only to collectable and established debt, with specific exclusions for debt under objection, dispute and older than 4 years.

Increased ease and fairness of doing business with SARS: SARS seeks to make it as straight-forward 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	Annual and Quarterly targets				
			Annual Targets	Quarter 1	Quarter 2	Quarter 3	Quarter 4
Increased ease and fairness of doing business with SARS	% System Uptime for e-channels	99.00	99.00	99.00	99.00	99.00	99.00
	% Uptake of PIT eFiling channel	53.90	60.00	Annual target			
	Average processing turnaround time for PIT returns (working days)	0.05	Less than 1 day	Annual target			
	Average processing turnaround time for CIT returns (working days)	0.63	Less than 1 day	Annual target			
	Average processing turnaround time for VAT refunds (working days)	32.85	21.00	21.00	21.00	21.00	21.00

Baselines are 2014/15 actual achievements, unless otherwise stated.

Increased cost effectiveness and internal efficiencies. SARS seeks to maximise its performance through prudent management of its resources.

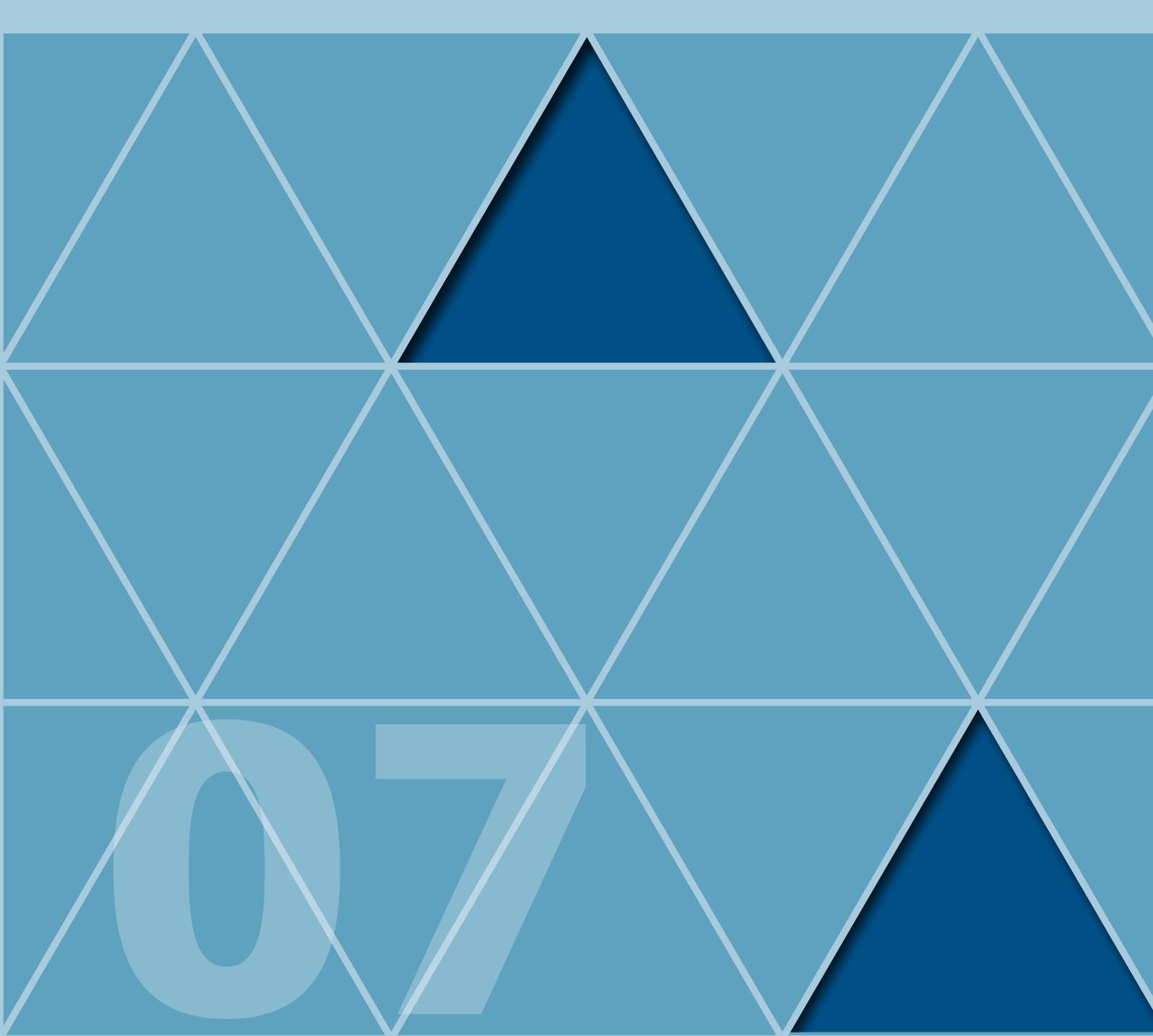
Strategic Outcome	Measures	Baseline	Annual and Quarterly targets				
			Annual Targets	Quarter 1	Quarter 2	Quarter 3	Quarter 4
Increased cost effectiveness and internal efficiencies	Treasury allocation to revenue percentage	0.97	Between 0.95 and 1.00	Annual target			

Baselines are 2014/15 actual achievements, unless otherwise stated.

Increased public trust and credibility. SARS seeks to maximise its employee engagement and stakeholder management, good governance, and to minimise the incidence of corruption and fraud within and against the organisation.

Strategic Outcome	Measures	Baseline	Annual and Quarterly targets				
			Annual Targets	Quarter 1	Quarter 2	Quarter 3	Quarter 4
Increased public trust and credibility	Employee Engagement (%)	66.42	-	Measured every second year			
	Leadership Effectiveness Index (%)	86.53	88.00	Annual target			
	Employment Equity: Demographics (%)	72.62	75.10	Annual target			
	Employment Equity: Gender on management level (%)	48.52	48.70	Annual target			
	Employment Equity: Disability (%)	1.95	1.40	Annual target			
	Public opinion index (%)	73.00	74.50	Annual target			
	Unqualified audit report by Auditor-General	Unqualified audit report	Unqualified audit report	Annual target			

Baselines are 2014/15 actual achievements, unless otherwise stated.



Annexures: Materiality and
Significance Framework

07 | ANNEXURES: MATERIALITY AND SIGNIFICANCE 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 Subsection	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"> • disciplinary cases opened • disciplinary cases concluded • criminal cases opened • criminal cases concluded during the financial year
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: Significance Framework

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

