

# ANNUAL PERFORMANCE PLAN 2017/18



SOUTH AFRICAN REVENUE SERVICE

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ANNUAL PERFORMANCE PLAN

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2017/18

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# ABBREVIATIONS

|              |   |
|--------------|---|
| <b>AEO</b>   | Authorised Economic Operator                          |
| <b>AEOI</b>  | Automatic Exchange of Information                     |
| <b>BAU</b>   | Business As Usual                                     |
| <b>BEPS</b>  | Base Erosion and Profit Shifting                      |
| <b>BMA</b>   | Border Management Agency                              |
| <b>CAPEX</b> | Capital Expenditure                                   |
| <b>CIT</b>   | Corporate Income Tax                                  |
| <b>CO2</b>   | Carbon Dioxide  |
| <b>CoGTA</b> | Cooperative Governance and Traditional Affairs        |
| <b>CRS</b>   | Common Reporting Standards                            |
| <b>DAFF</b>  | Department of Agriculture, Forestry and Fisheries     |
| <b>DHA</b>   | Department of Home Affairs                            |
| <b>GDP</b>   | Gross Domestic Product                                |
| <b>FATCA</b> | Foreign Account Tax Compliance Act                    |
| <b>GRAP</b>  | Generally Recognised Accounting Practice              |
| <b>HNWI</b>  | High Net-Worth Individual                             |
| <b>IMF</b>   | International Monetary Fund                           |
| <b>IT</b>    | Information Technology                                |
| <b>MTBPS</b> | Medium Term Budget Policy Statement                   |
| <b>MTEF</b>  | Medium Term Expenditure Framework                     |
| <b>NCAP</b>  | New Customs Acts Programme                            |
| <b>NDP</b>   | National Development Plan                             |
| <b>NPA</b>   | National Prosecuting Authority                        |
| <b>OECD</b>  | Organisation for Economic Cooperation and Development |
| <b>PAYE</b>  | Pay-As-You-Earn                                       |
| <b>PIT</b>   | Personal Income Tax                                   |
| <b>RAF</b>   | Road Accident Fund                                    |
| <b>SACU</b>  | Southern African Customs Union                        |
| <b>SALGA</b> | South African Local Government Association            |
| <b>SARS</b>  | South African Revenue Service                         |
| <b>SMME</b>  | Small, Medium and Micro Enterprise                    |
| <b>SVDP</b>  | Special Voluntary Disclosure Programme                |
| <b>TCS</b>   | Tax Compliance Status                                 |
| <b>TFA</b>   | Trade Facilitation Agreement                          |
| <b>VAT</b>   | Value-Added Tax                                       |
| <b>WCO</b>   | World Customs Organisation                            |
| <b>WTO</b>   | World Trade Organisation                              |

MESSAGE FROM THE  
COMMISSIONER



## MESSAGE FROM THE COMMISSIONER

SARS, as with the rest of Government, continues to carry out its mandate under difficult economic and fiscal conditions. During the course of this fiscal year, SARS is required to collect R1.265 trillion in revenue for the Government to continue its programs. This is increasingly becoming a difficult task as the economy continues to struggle and unemployment levels remain high. Tax compliance in such an environment is also increasingly becoming a challenge.

At the same time we are required to do more with less, and continue to look for efficiencies and cost savings in our operations. The cost of carrying out SARS' mandate continues to rise, and the funds available for the necessary innovation projects/initiatives are becoming less and less. We expect SARS' grant allocation from National Treasury to come under pressure over the Medium Term Expenditure Framework (MTEF) cycle. This should however, not hamper our ability to constantly reinvent important SARS processes and systems to address evolving risks, changing taxpayer needs/expectations, and sophisticated avoidance schemes.

During the 2017/18 fiscal year, we will focus SARS efforts on revenue collection to meet the revenue targets set by Government. We have set clear and measurable targets for increasing compliance, improving taxpayer satisfaction with SARS' service, and for maintaining institutional efficiency and credibility. The implementation of a new SARS Service Charter will be one of the key activities in this regard. We will continue to bring into SARS the right skills to ensure effective implementation of key strategies and sustainability of SARS well into the future. The recruitment of scarce and specialist skills and continuation of the SARS graduate program remains at the core of achieving SARS strategy.

We take great pride in discharging the SARS mandate and the SARS 14000+ strong and proud workforce are once again ready to meet the challenges that lie ahead.

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

**Tom Moyane**  
SARS Commissioner

OFFICIAL SIGN-OFF

## 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.

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

**Tom Moyane**  
SARS Commissioner

# PART A

STRATEGIC OVERVIEW

# PART A: STRATEGIC OVERVIEW

## UPDATED SITUATIONAL ANALYSIS

### External Environment

#### National Policy direction



Remains the primary policy framework for Government and all its entities

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 government in the NDP, affect how SARS carries out its mandate. The NDP recognises that faster, broad-based growth is needed to transform the economy, create jobs, and reduce poverty and inequality. As one of the critical organs of state, we will continue to effectively 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 support for small businesses and help improve government performance across the whole of government.

Government aims to introduce a few policy changes during this fiscal year such as taxation of sugar-sweetened beverages and the environmental tyre levy, and these will be administered through the tax system. We have also taken note of Government's proposal, through Minister Pravin Gordhan's Medium Term Budget Policy Statement 2016 (MTBPS) to consider tax measures to raise additional revenue. We will factor these changes into our plans, processes and systems as soon as they are adopted.

It is testament to our capabilities that government entrusts us with the implementation of these important policy initiatives. We are however mindful that these additional responsibilities may begin to strain our already stretched leadership and technical capabilities and may affect delivery on our core mandate.

#### 2016 Tax Bills

#### **S V D P**

Will contribute significantly to revenue collection

The Rates and Monetary Amounts and Amendment of Revenue Laws (Administration) Act, 2016, and Tax Administration Laws Amendment Act, 2016, were signed by the President on 11 January 2017 and promulgated into law on 20 January 2017. The Rates and Monetary Amounts and Amendment of Revenue Laws (Administration) Act extends the existing administrative framework for voluntary disclosures to SARS to the Special Voluntary Disclosure Programme (SVDP) announced in the 2016 Budget. It provides for the window period for applications from 1 October 2016 to 31 August 2017, for reduced penalties for noncompliance disclosed under the SVDP, and for reporting to Parliament on the exchange control and tax SVDPs. The SVDP is expected to contribute significantly to tax collections both as a result of the tax to be paid in respect of past non-compliance and regularised offshore assets into the future.

The Taxation Administration Laws Amendment Act, 2016 covers a range of technical and more substantive changes, some of which follow from the Taxation Laws Amendment Act, 2016, with respect to the administration of the tax system. These include changes to:

- Ensure employees of entities that are not required to register for employees' tax, are classified as provisional taxpayers
- Align provisions in Customs and Value-Added Tax (VAT) legislation that previously referred to Industrial Development Zones to the Special Economic Zones Act, 2014
- Provide for marking, tracking and tracing of tobacco products
- Ensure that late registrants for VAT do not have a longer period to claim VAT refunds than compliant taxpayers
- Align the provisional payments system for the mineral and petroleum resources royalties with the provisional payments in the income tax system to allow for greater automation
- Extend the term of the Tax Ombud, and further improve the perceived independence of the Tax Ombud's office; and
- Clarify the application of understatement penalties to cases where a general anti-avoidance rule is applied.

### Fiscal Framework

In his 2016 MTBPS Minister Gordhan announced "...This year's MTBPS again limits planned expenditure for the period ahead, in recognition of lower growth and the decline in forward estimates of revenue...." And in his February 2016 Budget Speech, Minister Gordhan stressed that Government cannot spend money that it does not have. As with the rest of Government, SARS will continue to operate under current fiscal constraints. This means that we will have to do more with less, and continue to exercise prudent financial discipline in the manner in which we discharge the SARS mandate and utilise the resources entrusted upon us. Some of the actions we will take this year include implementation of a new corporate real estate strategy that will see SARS reduce rental costs by 5% during 2017/18. We will also review high value procurement contracts and negotiate new pricing to maximise value for SARS.

### BUDGET 2017



...“Government cannot spend money it does not have...”

### Developments in the global tax and customs environment

**Base erosion and profit shifting (BEPS)**— This continues to be a challenge globally and in South Africa. SARS continues, together with other government departments, to implement the agreed BEPS actions on behalf of the country. During the 2017/18 fiscal period, SARS will finalise the implementation of the Organisation for Economic Cooperation and Development's (OECD) Common Reporting Standards (CRS) solution for Automatic Exchange of Information (AEOI) to ensure compliance by the end of December 2017.

**New Customs Acts** — During the 2017/18 fiscal period, SARS will continue with the design and development of the necessary processes, policies, procedures and systems in preparation for the implementation of the provisions of the new Customs Acts. The focus of SARS activities during 2017/18 will be on ensuring an effective and efficient process for Registration, Licensing and Accreditation, and Reporting Conveyance and Goods.

**Trade Facilitation Agreement** — In January 2016, 66 World Trade Organisation (WTO) members formally accepted the Trade Facilitation Agreement (TFA). WTO members will only implement the TFA once two-thirds of all members have formally accepted the agreement. SARS will be responsible for implementation of majority of provisions in the TFA.



66 WTO members formally accepted the TFA

**Carbon emissions tax** – 2015 was the hottest year on record, as confirmed by several scientists, due to among other things carbon dioxide (CO<sub>2</sub>) emission. And to mitigate this risk several World Customs Organisation (WCO) members introduced carbon taxes. South Africa will begin to address this new development through National Treasury (a draft Carbon Tax Bill has been circulated for comment), following which carbon tax will be introduced. SARS will be responsible for collection of this tax.

### Economic Environment

**Global economic developments** – The global economic outlook is set to make gradual recovery beyond 2017. Emerging market and developing economies are expected to drive the global recovery, which is premised on the normalisation of growth rates in economies that are currently growing below potential (for example Nigeria, Russia, South Africa, Latin America, parts of the Middle East). The economies of China and India are growing well above the world average, are projected to account for the bulk of the projected global recovery. The pace of economic activity in advanced economies is projected to remain subdued. Growth in emerging market and developing economies is projected to pick up over the medium term in low-income developing countries, but to remain below the pace of the past decade, both in absolute and in per capita terms.

**South African Economy** – The International Monetary Fund (IMF) forecast the South African economy to grow by 0.8% in 2017, very low but improvement from 0.1% in 2016, while National Treasury in the Minister's MTBPS predicted a more optimistic forecast for economic growth at 1.3% in 2017, 2.0% in 2018 and 2.2% in 2019. During the same period government revenue is expected to grow at 30.1%, 30.3% and 30.4% and expenditure will grow a lot faster than revenue at 33.3% and 30.3% for the two outer years. The expected positive Gross Domestic Product (GDP) growth will be a result of a rebound in mining output, and higher manufacturing production.

### Cost of Doing Business in South Africa

The World Bank study – “Doing Business 2017” ranks South Africa 74 overall (down from 72 in 2016) out of 190 economies. South Africa is ranked 51 (down from 49 in 2016) on ease of paying taxes and 139 on the ease of trading across borders. Reducing the administrative burden and making it easy for taxpayers and traders to meet their obligations remain one of the main goals of SARS. SARS recently implemented a new Tax Clearance System that will significantly reduce fraud and turnaround times for obtaining a tax clearance by businesses and taxpayers. A new taxpayer registration process and system will significantly reduce registration costs for businesses. During the 2017/18 fiscal period SARS will pilot a one-stop shop branch infrastructure where taxpayers (large, medium, small) can be serviced all at once. SARS will rollout additional baggage and cargo scanners at key ports of entry to improve risk management and processing times with many benefits for trade facilitation.



**1.3% GDP**  
growth in 2017



**74** overall  
ranking down  
from 72



**51** on ease  
of paying tax  
down from 49

## Organisational Environment

SARS recently completed a review of its operating model and is now in the process of finalising the implementation of the recommendations. The review identified areas where SARS needs to build new/strengthen existing capacity/capability to improve effectiveness and efficiency of our operations. We have started to implement key projects/initiatives to be delivered across the organisation to give effect to the above. We have implemented a new organisational structure to support the new operating model and to improve decision effectiveness and governance. Many projects and initiatives (many of them part of this Annual Performance Plan) have been put together to improve our services, enhance our education and enforcement efforts.

### 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.

| STRATEGIC RISKS FACING SARS  |   |
|--|---|
| The risks we need to manage  | How we will manage these risks  |
| <p><b>Revenue collection pressure</b><br/>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 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>• Continue to Invest in improving our risk and compliance management capabilities</li> <li>• Increase the use of administrative penalties</li> <li>• Use 3rd party data to cross reference and validate information supplied to SARS</li> <li>• Develop Centres of Excellence and specialist skills</li> </ul>  |
| <p><b>The threat of the illicit economy and illicit financial flows</b><br/>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, enhancement of our excise systems to improve risk detection, and increase our collaborations with key stakeholders</li> <li>• Engage with other state enforcement agencies e.g. State Security Agency and Police to agree on Memorandums of Understanding for 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>• Build internal capacity and capability by participating in the International Academy on criminal tax investigations</li> <li>• 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 This should include increased inspections and audits of bonded warehouses as well as improved monitoring and accounting of all export acquittals</li> <li>• Increase control of our borders through introduction of Manifest Processing and matching, and increase focus on high risk flows of goods, travellers, conveyances and craft</li> </ul> |

|   |   |
|---|---|
| <p><b>Unfavourable public perception of poor state delivery and corruption</b><br/> Research and empirical evidence show that taxpayers' attitude towards compliance and their willingness to comply is influenced by how they perceive taxes to be utilised. Concerns about corruption in the public sector and poor 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> <li>• Improve the image of our staff as a professional, highly skilled and disciplined workforce</li> </ul>  |
| <p><b>Complex schemes used by large businesses to evade and avoid tax</b><br/> SARS has detected an evolution from businesses, especially multinational enterprises, whereby they utilise domestic and international loopholes to evade tax and impermissibly avoid, 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>• Develop the skills pipeline for auditors in the transfer pricing unit to proactively deal with Base Erosion and Profit Shifting and Transfer pricing</li> </ul>  |
| <p><b>Low compliance of High Net-Worth Individuals (HNWIs)</b><br/> 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 and acquire capability to effectively tackle HNWIs and their related trusts, and re-define taxpayers in this segment</li> </ul>  |
| <p><b>VAT refund fraud</b><br/> 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.</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 VAT registration process, to ensure accurate taxpayer accounts, including bank account details</li> <li>• Continue cross-referencing of transactional data across an entity profile</li> <li>• Develop and acquire capability to effectively deal with VAT fraud</li> </ul> |
| <p><b>Significant debt book</b><br/> 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>• Enhance debt systems and ensure accurate capturing of taxpayer accounts on SARS systems</li> <li>• Continue working on the debt book and responsive follow up on debt</li> <li>• Increase capacity and capability for dealing with the debt book</li> <li>• Introduce differentiated reporting to split collectable debt from disputed debt and prioritise focus in each category</li> </ul>   |
| <p><b>Succession risk</b><br/> 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 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"> <li>• Implement a representative skills pipeline for critical- and leadership roles for development of employees</li> <li>• Continue with the implementation of the SARS Talent Management Strategy</li> <li>• Implement the SARS succession plan, which includes early identification of potential successors</li> <li>• Continue to improve our Employment Equity and representativity at management level</li> </ul>  |

|  |  |
|--|--|
| <p><b>Commercial fraud on Imports</b><br/>The incidents of imports under-declarations not only create a leakage in potential Customs duties and VAT, but also lead to 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 in both our systems and people</li> <li>• Participate in the trade and international Customs bodies and initiatives with other countries</li> </ul>  |
| <p><b>Threat of global terrorism</b><br/>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>• Continue to participate in both domestic and global anti-terrorism bodies such as the Financial Action Task Force, to assist SARS in the identification, mitigation and sharing of information on potential terrorist threats through the trade supply chain networks</li> <li>• Deploy Non-intrusive inspection at Ports of Entry such as container scanners, baggage scanners and body scanners</li> <li>• Introduce the Authorised Economic Operator Partnership Programme in alignment with the WCO SAFE framework to support facilitation of secure trade</li> <li>• Increase Customs Officer competencies and discipline to improve our detection and deterrence at Ports of Entry</li> </ul> |
| <p><b>Implementation of the Customs Control Act and Customs Duty Act and New Excise Act</b><br/>SARS is required to make major systems, policy and procedural changes to execute on the new Acts. The switch-over 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"> <li>• Implement comprehensive design and planning of the New Customs Acts Programme (NCAP) in alignment with all SARS process and infrastructure requirements</li> <li>• Continue our involvement in trade and co-creation with stakeholders of new Customs procedures and processes for NCAP</li> <li>• Perform effective testing of all new systems required for the implementation, both internally and with trade</li> <li>• Perform effective training and pro-active development of Customs and Excise officers to be competent in the NCAP requirements</li> </ul>   |
| <p><b>Insufficient embedding of the New SARS</b><br/>The SARS Operating Model Review Programme represents a major change programme that has the potential to significantly change employee and trader/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 performance 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"> <li>• Assign a Chief Officer to sponsor the programme</li> <li>• Implement a dedicated project office to manage the programme</li> <li>• Implement a comprehensive and ongoing change management programme</li> </ul>   |
| <p><b>Excise duty risk</b><br/>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>• Enhance specific excise risk rules in the SARS risk engines</li> <li>• Create of specialised excise capacity within the Customs regime</li> <li>• Increase targeted audits and inspections at the Excise manufacturing points and at ports of entry</li> <li>• Introduce Excise markers and assurance mechanisms into the production cycle to help identify and track goods</li> </ul>  |

|   |   |
|---|---|
| <p><b>Information Technology (IT) Security threats including cybercrime</b></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 have this as a focus area and continuously improve information security controls may compromise the integrity and security of SARS operations, and result in loss/theft of confidential taxpayer information</p> | <ul style="list-style-type: none"> <li>• Rollout a three-year Information Security Roadmap focusing on governance &amp; policies, confidentiality management, identity management, personnel &amp; physical security, fraud management, and implementation of a Security Operations Centre</li> </ul> |
|---|---|

**Table 1: Strategic Risks facing SARS**

The SARS enterprise risk register is currently under review, and once this process is completed the strategic risks as presented in the table above may change. We will amend accordingly and submit the changes to the Minister of Finance in accordance with National Treasury Regulations and the National Treasury Framework for Strategic Plans and Annual Performance Plans.

OVERVIEW OF 2017/18 BUDGET  
AND MTEF ESTIMATES

# OVERVIEW OF 2017/18 BUDGET AND MTEF ESTIMATES

## SARS revenue and expenditure estimates

SARS' projected revenue and expenditure for 2017/18 to 2019/20 is presented in Table 2 below, and a quarterly breakdown per SARS core outcomes is presented in Table 3:

| Expenditure Estimates            | 2017/18           | 2018/19           | 2019/20           |
|----------------------------------|-------------------|-------------------|-------------------|
|                                  | R'000             | R'000             | R'000             |
| <b>National Treasury Grant</b>   | <b>11 078 483</b> | <b>10 677 184</b> | <b>10 972 122</b> |
| Final Grant Receivable           | 10 183 168        | 10 518 699        | 10 931 814        |
| Final OTO Grant Receivable       | 35 030            | 41 527            | 40 308            |
| Retained cash surplus            | 860 285           | 116 958           | -                 |
| Interest income                  | 160 556           | 132 450           | 107 285           |
| Other income                     | 308 616           | 311 702           | 314 819           |
| <b>Total Revenue</b>             | <b>11 547 656</b> | <b>11 121 336</b> | <b>11 394 227</b> |
| Approved cash surplus            | -                 | -                 | -                 |
| <b>Total funds available</b>     | <b>11 547 656</b> | <b>11 121 336</b> | <b>11 394 227</b> |
| <b>Funding allocation</b>        |                   |                   |                   |
| Baseline expenditure (BAU)       | 11 493 305        | 11 121 336        | 11 394 227        |
| Projects & Initiatives           | 54 351            | -                 | -                 |
| <b>Total Allocation (Budget)</b> | <b>11 547 656</b> | <b>11 121 336</b> | <b>11 394 227</b> |

**Table 2: SARS' projected revenue and 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 will apply for the retention of the cash surplus subject to National Treasury approval and in line with section 53 (3) of the Public Finance Management Act.

| Strategic Objectives linked to ENE                             |                               |                   |                   |                   | 2017/18          |                  |                  |                  |
|--|-------------------------------|-------------------|-------------------|-------------------|------------------|------------------|------------------|------------------|
| Strategic Outcomes   | Full Time Equivalents 2017/18 | R'000             |                   |                   | R'000            |                  |                  |                  |
|  |                               | Budget 2017/18    | Budget 2018/19    | Budget 2019/20    | Quarter 1        | Quarter 2        | Quarter 3        | Quarter 4        |
| <b>Increased Customs Compliance</b>                            | <b>2,969</b>                  | <b>2,094,644</b>  | <b>1,974,262</b>  | <b>2,022,705</b>  | <b>523,661</b>   | <b>523,661</b>   | <b>523,661</b>   | <b>523,661</b>   |
| Personnel Expenses   |                               | 1,422,672         | 1,451,449         | 1,491,118         | 355,668          | 355,668          | 355,668          | 355,668          |
| Goods & Services   |                               | 543,178           | 505,467           | 531,587           | 135,794          | 135,794          | 135,794          | 135,794          |
| Information Technology   |                               | 95,847            | 84,130            | 84,193            | 23,962           | 23,962           | 23,962           | 23,962           |
| Land and Buildings   |                               | 172,198           | 172,177           | 187,942           | 43,050           | 43,050           | 43,050           | 43,050           |
| Audit & Legal Fees   |                               | 38,271            | 40,529            | 42,798            | 9,568            | 9,568            | 9,568            | 9,568            |
| Administration   |                               | 162,583           | 140,630           | 144,320           | 40,646           | 40,646           | 40,646           | 40,646           |
| Other Services   |                               | 74,278            | 68,002            | 72,333            | 18,570           | 18,570           | 18,570           | 18,570           |
| Capex - Business as usual                                      |                               | 74,444            | 17,346            | -                 | 18,611           | 18,611           | 18,611           | 18,611           |
| Projects   |                               | 54,351            |                   |                   | 13,588           | 13,588           | 13,588           | 13,588           |
| <b>Increased Tax Compliance</b>                                | <b>3,886</b>                  | <b>3,272,648</b>  | <b>3,166,733</b>  | <b>3,244,436</b>  | <b>818,162</b>   | <b>818,162</b>   | <b>818,162</b>   | <b>818,162</b>   |
| Personnel Expenses   |                               | 2,281,978         | 2,328,137         | 2,391,767         | 570,494          | 570,494          | 570,494          | 570,494          |
| Goods & Services   |                               | 871,262           | 810,773           | 852,670           | 217,815          | 217,815          | 217,815          | 217,815          |
| Information Technology   |                               | 153,740           | 134,945           | 135,047           | 38,435           | 38,435           | 38,435           | 38,435           |
| Land and Buildings   |                               | 276,208           | 276,173           | 301,461           | 69,052           | 69,052           | 69,052           | 69,052           |
| Audit & Legal Fees   |                               | 61,386            | 65,008            | 68,649            | 15,347           | 15,347           | 15,347           | 15,347           |
| Administration   |                               | 260,785           | 225,572           | 231,490           | 65,196           | 65,196           | 65,196           | 65,196           |
| Other Services   |                               | 119,143           | 109,075           | 116,023           | 29,786           | 29,786           | 29,786           | 29,786           |
| Capex - Business as usual                                      |                               | 119,409           | 27,823            | -                 | 29,852           | 29,852           | 29,852           | 29,852           |
| Projects   |                               |                   |                   |                   | -                | -                | -                | -                |
| <b>Increased Ease and Fairness of Doing Business with SARS</b> | <b>5,234</b>                  | <b>3,618,004</b>  | <b>3,500,911</b>  | <b>3,586,815</b>  | <b>904,501</b>   | <b>904,501</b>   | <b>904,501</b>   | <b>904,501</b>   |
| Personnel Expenses   |                               | 2,522,790         | 2,573,820         | 2,644,165         | 630,698          | 630,698          | 630,698          | 630,698          |
| Goods & Services   |                               | 963,204           | 896,332           | 942,650           | 240,801          | 240,801          | 240,801          | 240,801          |
| Information Technology   |                               | 169,964           | 149,185           | 149,298           | 42,491           | 42,491           | 42,491           | 42,491           |
| Land and Buildings   |                               | 305,355           | 305,317           | 333,274           | 76,339           | 76,339           | 76,339           | 76,339           |
| Audit & Legal Fees   |                               | 67,864            | 71,868            | 75,893            | 16,966           | 16,966           | 16,966           | 16,966           |
| Administration   |                               | 288,305           | 249,376           | 255,919           | 72,076           | 72,076           | 72,076           | 72,076           |
| Other Services   |                               | 131,716           | 120,586           | 128,267           | 32,929           | 32,929           | 32,929           | 32,929           |
| Capex - Business as usual                                      |                               | 132,010           | 30,759            | -                 | 33,003           | 33,003           | 33,003           | 33,003           |
| Projects   |                               |                   |                   |                   | -                | -                | -                | -                |
| <b>Increased Cost Effectiveness and Internal Efficiencies</b>  | <b>1,489</b>                  | <b>1,622,662</b>  | <b>1,570,146</b>  | <b>1,608,674</b>  | <b>405,666</b>   | <b>405,666</b>   | <b>405,666</b>   | <b>405,666</b>   |
| Personnel Expenses   |                               | 1,131,462         | 1,154,349         | 1,185,899         | 282,866          | 282,866          | 282,866          | 282,866          |
| Goods & Services   |                               | 431,994           | 402,002           | 422,775           | 107,998          | 107,998          | 107,998          | 107,998          |
| Information Technology   |                               | 76,228            | 66,909            | 66,960            | 19,057           | 19,057           | 19,057           | 19,057           |
| Land and Buildings   |                               | 136,951           | 136,934           | 149,472           | 34,238           | 34,238           | 34,238           | 34,238           |
| Audit & Legal Fees   |                               | 30,437            | 32,233            | 34,038            | 7,609            | 7,609            | 7,609            | 7,609            |
| Administration   |                               | 129,304           | 111,844           | 114,779           | 32,326           | 32,326           | 32,326           | 32,326           |
| Other Services   |                               | 59,074            | 54,082            | 57,527            | 14,769           | 14,769           | 14,769           | 14,769           |
| Capex - Business as usual                                      |                               | 59,206            | 13,795            | -                 | 14,802           | 14,802           | 14,802           | 14,802           |
| Projects   |                               | -                 | -                 | -                 | -                | -                | -                | -                |
| <b>Increased Public Trust and Credibility</b>                  | <b>888</b>                    | <b>939,697</b>    | <b>909,284</b>    | <b>931,596</b>    | <b>234,924</b>   | <b>234,924</b>   | <b>234,924</b>   | <b>234,924</b>   |
| Personnel Expenses   |                               | 655,239           | 668,493           | 686,763           | 163,810          | 163,810          | 163,810          | 163,810          |
| Goods & Services   |                               | 250,171           | 232,802           | 244,833           | 62,543           | 62,543           | 62,543           | 62,543           |
| Information Technology   |                               | 44,144            | 38,748            | 38,777            | 11,036           | 11,036           | 11,036           | 11,036           |
| Land and Buildings   |                               | 79,309            | 79,299            | 86,560            | 19,827           | 19,827           | 19,827           | 19,827           |
| Audit & Legal Fees   |                               | 17,626            | 18,666            | 19,711            | 4,407            | 4,407            | 4,407            | 4,407            |
| Administration   |                               | 74,881            | 64,770            | 66,469            | 18,720           | 18,720           | 18,720           | 18,720           |
| Other Services   |                               | 34,210            | 31,319            | 33,315            | 8,553            | 8,553            | 8,553            | 8,553            |
| Capex - Business as usual                                      |                               | 34,287            | 7,989             | -                 | 8,572            | 8,572            | 8,572            | 8,572            |
| Projects   |                               |                   |                   |                   | -                | -                | -                | -                |
| <b>Grand Total</b>   | <b>14,466</b>                 | <b>11,547,656</b> | <b>11,121,336</b> | <b>11,394,227</b> | <b>2,886,914</b> | <b>2,886,914</b> | <b>2,886,914</b> | <b>2,886,914</b> |

Table 3: SARS' revenue and expenditure estimates per Outcome (per quarter)

## SARS Human Resource Plan

The SARS headcount is envisaged to remain fairly stable during this period with a staff establishment of 14466.

|   | MTEF Period ENE Submission |                        |                        |
|---|----------------------------|------------------------|------------------------|
|   | 2017/18<br>(projected)     | 2018/19<br>(projected) | 2019/20<br>(projected) |
| Permanent staff establishment ( includes vacancies)                               | 13775                      | 13600                  | 13428                  |
| % Growth (permanent staff establishment)  | 0%                         | -1.27%                 | -1.26%                 |
| Contract employees  | 34                         | 34                     | 34                     |
| * Total graduate trainees   | 400                        | 400                    | 400                    |
| ** Seasonal workers   | <b>257</b>                 | <b>257</b>             | <b>257</b>             |
| <b>Total staff establishment including graduate trainees and seasonal workers</b> | <b>14466</b>               | <b>14291</b>           | <b>14119</b>           |

**Table 4: SARS Human Resource Plan**

\*Trainees on development programmes during the financial year

\*\*Appointed only during peak resource requirements and would not be part of the headcount for the entire duration of each year.

# PART B

PROGRAMME AND  
SUBPROGRAMME PLAN

# PART B: PROGRAMME AND SUBPROGRAMME PLAN

## OUTCOME 1: Increased Customs and Excise compliance

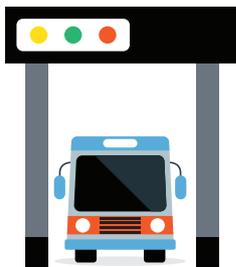
### Collect Customs and Excise revenue

#### SARS will:

- Meet Customs and Excise revenue collection targets as set by the Government in February 2017
- Deliver additional Customs and Excise revenue through targeted compliance and enforcement activities in high risk areas of non-compliance:
  - 80% Audit coverage of active Excise clients as per Excise framework of standards
  - Targeted compliance programme of activities for additional Customs revenue
- Introduce new Excise tax products:
  - Sugar Tax – automate and implement into operations the sugar tax to give effect to the policy and the legislative framework when promulgated and as determined by National Treasury



Increase non-intrusive examination through cargo and baggage scanners



### Improve control over the flow of all goods and travellers entering and leaving the country, and locally manufactured excisable goods

#### SARS will:

- Continue with the Goods Control Project aimed at establishing end-to-end controls on all goods entering and exiting the country through visibility of cargo, prioritised risk identification, and effective responses (inspections) including the following specific activities:
  - Finalise pilots and conclude roll-out plan for National and Modality (Sea and Air) by end October 2017
  - Increase electronic submission rate to 70% of cargo manifests by sea- and air carriers by December 2017
  - Extend the manual case creation (with automated workflow) capabilities previously implemented for Scanner operations, to other field enforcement teams by December 2017
  - Develop an inter-agency strategy and tactical intervention plan, cognisant of new regulatory requirements and automation within the NCAP, to secure the movement of Customs controlled cargo to and from City Deep Container Terminal and Depots by end of August 2017
  - Implement the track and trace marker to monitor and control cigarettes manufactured, imported and exported by end of March 2018
- Increase our non-intrusive examination capability through the following deliverables:
  - Implement and commission a mobile cargo scanner at the City Deep Container Terminal in line with the envisaged inter agency collaboration mentioned above, and implement an air cargo scanner at OR Tambo International Airport
  - Deploy six baggage scanners at identified ports of entry by the end of the fiscal year

## Improve Customs and Excise risk identification and targeting capabilities

### SARS will:

- Incorporate the Excise Risk management capability into the Custom and Excise Case selection and Risk Management Framework by the end of December 2017
- 13% Risk-based inspection coverage of all Customs declarations to reduce levels of non-compliance, inclusive of:
  - Documentary Inspection
  - Physical Inspection, and
  - Scanner Inspection
- Continue with the accreditation of qualifying traders in accordance with the Preferred Trader Programme to cover 20% of the volume of trade transactions
- Continue with the accreditation of level 2 Preferred trader clients while ensuring full implementation of the programme by the end of the financial year
- Commence with the formulation of the Authorised Economic Operator (AEO) implementation plan
- Rollout new enhancements to the Customs and Excise risk engine for cargo to improve risk identification and targeting of high risk cargo by end of August 2017
- Draft a strategy and plan for the creation of a national targeting centre post the conclusion of an international benchmarking exercise by end of March 2018

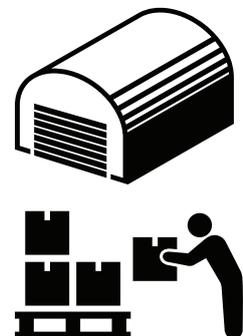


**20%** qualifying traders will be accredited into the Preferred Trader Programme

## Improve State Warehouse Infrastructure

### SARS will:

- Continue with the refurbishments of the remaining state warehouses and establish hubs at the following sites:
  - Limpopo by the end of December 2017
  - North West, Gauteng and Free State in 2018/19
- Establish a Centralised Control Room to improve security of goods in the state warehouse by the end of January 2018
- Install a State Warehouse Inventory Management System to manage inventory by the end of the fiscal year



Improve our warehouse infrastructure

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

### SARS will:

- Continue to collaborate with the Department of Agriculture, Forestry and Fisheries for the effective use of available SARS technology platforms to improve effectiveness across the value chain
- Continue to support the establishment of the Border Management Agency (BMA). SARS support includes providing input into the draft amendments to the BMA Bill and relevant memorandums, participating in engagements with National Treasury and Department of Home Affairs (DHA) and attending various Parliamentary sessions
- Continue to support DHA in the establishment of One-Stop Border Posts between South Africa and Mozambique, and South Africa and Zimbabwe by assisting in the ratification of the Southern African Customs Union (SACU) Agreement by all five member states



## Continue to improve overall taxpayer compliance

During 2017/18 **SARS will:**

- Increase audit coverage of registered taxpayers to 12% of taxpayers on the register to ensure that the tax burden is carried fairly and equally by all taxpayers
- Achieve a 2.5% increase in return submission and payment compliance for all taxpayers on the active registers for CIT, VAT and PAYE in 2017/18



**12%** audit coverage and **2.5%** returns submission and payments compliance

## Strengthen our capacity and capability to manage debt

**SARS will:**

- Reduce overall tax and customs undisputed debt owed to 7% of Revenue collected
- Implement a new end-to-end SARS Debt Strategy by 31 March 2018
- Continue with the implementation of the enhanced Dispute and Debt solutions to support GRAP
- Extend the penalty regime across tax products, by undertaking and completing the Corporate Income Tax (CIT) penalties by 31 March 2018

## Continue to collaborate and work with other Tax and Customs jurisdictions on global compliance and enforcement efforts

**SARS will:**

- Implement the Foreign Account Tax Compliance Act (FATCA) penalty process to ensure compliance by end December 2017
- Implement the OECD CRS solution for AEOI to ensure alignment and compliance by end December 2017
- Engage regulatory authorities to include Tax Compliance Status (TCS) as a requirement on issuing or renewal of operator licences
- Design 3rd party data exchange platform for South African Local Government Association (SALGA), Cooperative Governance and Traditional Affairs (CoGTA) and Road Accident Fund (RAF)



## Strengthen our enforcement capabilities

**SARS will:**

- Conduct and recommend 350 criminal investigations into serious and complex tax crimes for prosecution
- Implement a SARS/National Prosecuting Authority (NPA) inter-agency strategy by June 2017

Begin automatic exchange of information with other tax jurisdiction globally

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

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

**SARS will:**

- Conclude specifications for the interface with the Master of the High Court as part of our efforts to modernise the Estate Duty Tax processes/systems and the taxpayer deregistration process
- Commence with the journey to refresh the eFiling platform



Deliver **120** tailored education and outreach sessions

### South African Revenue Service Service Charter

Implement a new Service Charter

**95%** of calls will be resolved at first contact

**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:**

- Increase the awareness and understanding of tax obligations by stakeholders and will deliver 120 tailored education and awareness sessions for restricted taxpayers, large businesses, government institutions, diplomatic missions, SMMEs and HNWIs

**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:**

- Implement system and process changes in support of prioritised legislative and policy changes as and when they arise
- Conclude the following footprint expansion and refurbishment projects in the following areas:
  - Bloemfontein
  - Alberton
  - Port Elizabeth
  - Worcester
- Implement the new SARS Service Charter
- Improve its benchmark score of 87% when measured against the Zwonaka Service Excellence index
- Provide uninterrupted access to our e-Channels during scheduled times of operation and maintain 99% availability
- Reduce the number of taxpayers engaged through SARS branches by 5% and increase the number of taxpayers engaged through SARS Mobile Tax Units over 2017/18
- Reduce the call Abandonment Rate at call centres to 12% during 2017/18
- Achieve a First Contact Resolution target of 95% for all taxpayer queries made through SARS call centres
- Improve access to our services by deploying information kiosks at strategic public points such as shopping centres and malls
- Increase the percentage of taxpayer complaints resolved within turnaround time to 48% of all total complaints

## **OUTCOME 4: Increased cost effectiveness and internal efficiencies**

**Improve our information communications technology capability**

**SARS will:**

- Initiate the rollout of the new SARS IT Strategy and some of the main deliverables for 2017/18 include implementation of:
  - Mainframe programme
  - Data protection programme
  - Identity and access management programme
- Position the strategy, detailed design and approach to renovate SARS' core application portfolio

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

### SARS will:

- Expedite the migration of SARS' Revenue Accounting practices to Generally Recognised Accounting Practice (GRAP) to ensure legislative compliance. The focus for 2017/18 will include the creation of an application for Mineral and Petroleum Resources Royalties
- Implement a new corporate real estate strategy to deliver a fit for purpose real estate and reduce rental costs by 5% in 2017/18
- Keep operational and project expenditure within the approved budget allocation
- Continue to drive cost efficiencies by reviewing high value procurement contracts and negotiating pricing to maximise value for SARS
- Implement an integrated procurement document management solution to improve turnaround times, management and security of procurement processes and documents
- Conduct assessments and maintain all SARS buildings to ensure compliance with Health and Safety regulations



Achieve **5%** savings on rental costs

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

### SARS will:

- Update the three-year rolling Workforce Plan by 31 December 2017 to identify critical and core roles as well as investment indicators to enable appropriate resource allocation
- Enhance recruitment processes to reduce recruitment time and vacancy age to below an average of 6 months by 31 March 2018
- Implement and manage the SARS Leadership Development Strategy by placing 90 SARS Employees at management level on development programmes by 30 September 2017
- Implement the inaugural Divisional Boards and Talent Council by 31 December 2017
- Inculcate the philosophy of performance management to better reflect a normal distribution curve of performance scores achieved across SARS
- Develop, adopt and implement a SARS 2025 Transformation Plan that will enable the organisation to be reflective of the South African society by 31 March 2025



**90** employees at management level will undergo leadership development training

## Improve organisational governance frameworks and processes

### SARS will:

- Continue with the implementation of a new SARS-wide governance framework to enhance and support organisational decision-making and ensure adherence to good governance principles



Implement a new governance framework



Maintain high levels of public trust and institutional credibility



**0%** tolerance to fraud and corruption

## OUTCOME 5: Increased public trust and credibility

**Maintain high levels of public trust and credibility to sustain tax compliance and overall institutional effectiveness**

**SARS will:**

- Conduct a Public Opinion Survey on tax compliance to assess the public's willingness to comply with their tax obligations
- Improve public opinion score as measured by the Public Opinion Survey to 75.5% in 2017/18
- Review and approve the SARS Stakeholder Engagement Strategy by 30 June 2017

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

**SARS will:**

- 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 investigate and prosecute all reported incidents of fraud and corruption by SARS employees and/or third parties
- Achieve a 100% declaration by Employees and suppliers/contractors of all conflict of interests
- Maintain an unqualified audit report from the Auditor General
- Update the Tax Clearance System with improvements identified and continue integration with National Treasury

MEASURING SARS'  
PERFORMANCE

# 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 2017/18 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.

## 2017/18 SARS APP key 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 Targets 2017/18                        | Quarterly targets                             |   |   |   |
|---|---|--------------------------------|---|---|---|---|---|
|   |   |                                |   | Quarter 1                                     | Quarter 2                                     | Quarter 3                                     | Quarter 4                                     |
| Increased Customs and Excise Compliance | Customs and Excise revenue collected (R billion)                      | Actual Collections for 2016/17 | As per agreed target with Minister of Finance | As per agreed target with Minister of Finance | As per agreed target with Minister of Finance | As per agreed target with Minister of Finance | As per agreed target with Minister of Finance |
|   | % of trade attributable to Preferred traders**                        | 28.63*                         | 20.00   | 20.00   | 20.00   | 20.00   | 20.00   |
|   | % Of goods targeted for the purpose of detecting under-declarations** | 14.97*                         | 13.00   | 13.00   | 13.00   | 13.00   | 13.00   |
|   | % Compliance to Excise Framework                                      | 76.15*                         | 80.00   | 20.00   | 40.00   | 60.00   | 80.00   |
|   | Interfront Governance -Unqualified report by Auditor-General          | Clean Audit report***          | Clean Audit Report                            | Annual target                                 |   |   |   |

\*Baselines are 2016/17 Quarter 3 actual achievements.

\*\*Measures slightly amended to reflect what is actually tracked.

\*\*\*Baseline is 2015/16 actual achievement.

**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 Targets 2017/18                        | Quarterly 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 2016/17 | As per agreed target with Minister of Finance | As per agreed target with Minister of Finance | As per agreed target with Minister of Finance | As per agreed target with Minister of Finance | As per agreed target with Minister of Finance |
|                          | Debt Book as a % of revenue  | 9.15*                          | 7.00  | 7.50  | 7.40  | 7.20  | 7.00  |
|                          | % PIT filing compliance  | 91.14*                         | 92.00   | n/a   | 60.00   | 90.00   | 92.00   |
|                          | % PIT payment compliance   | 39.88*                         | 50.00   | n/a   | 40.00   | 45.00   | 50.00   |
|                          | % CIT filing compliance  | 28.90*                         | 52.50   | n/a   | n/a   | n/a   | 52.50   |
|                          | % CIT payment compliance   | 69.01*                         | 72.50   | n/a   | n/a   | n/a   | 72.50   |
|                          | % VAT filing compliance  | 53.16*                         | 62.50   | 60.00   | 60.00   | 62.50   | 62.50   |
|                          | % VAT payment compliance   | 87.85*                         | 87.50   | 85.00   | 85.00   | 87.50   | 87.50   |
|                          | % PAYE filing compliance   | 60.88*                         | 67.50   | 65.00   | 65.00   | 67.50   | 67.50   |
|                          | % PAYE payment compliance  | 87.41*                         | 87.50   | 85.00   | 85.00   | 87.50   | 87.50   |
|                          | % Audit coverage of registered taxpayers (PIT, CIT, VAT, PAYE & Trusts)    | 13.70*                         | 12.00   | 3.00  | 6.00  | 9.00  | 12.00   |

\*Baselines are 2016/17 Quarter 3 actual achievements.

**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 Targets 2017/18 | Quarterly targets |                 |                 |                 |
|---|---|-------------|------------------------|-------------------|-----------------|-----------------|-----------------|
|   |   |             |                        | Quarter 1         | Quarter 2       | Quarter 3       | Quarter 4       |
| Increased Ease and Fairness of Doing Business with SARS | % System Uptime for e-channels                                    | 99.45*      | 99.00                  | 99.00             | 99.00           | 99.00           | 99.00           |
|   | % Uptake of PIT e-filing channel                                  | 50.50*      | 52.00                  | 30.00             | 50.00           | 52.00           | 52.00           |
|   | Average processing turnaround time for PIT returns (working days) | 0.26 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 CIT returns (working days) | 4.91 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) | 22.14 days* | 21.00 days             | 21.00 days        | 21.00 days      | 21.00 days      | 21.00 days      |

\*Baselines are 2016/17 Quarter 3 actual achievements.

**Increased Cost Effectiveness and Internal Efficiencies:** SARS seeks to maximise its performance through prudent management of its resources.

| Strategic Outcome                                      | Measures                                  | Baseline | Annual Targets 2017/18 | Quarterly targets |           |           |           |
|--|---|----------|------------------------|-------------------|-----------|-----------|-----------|
|  |   |          |                        | Quarter 1         | Quarter 2 | Quarter 3 | Quarter 4 |
| Increased cost effectiveness and internal efficiencies | Treasury allocation to revenue percentage | 0.96*    | Between 0.95 and 1.00  | Annual Target     |           |           |           |

\*Baseline is 2015/16 actual achievement.

**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 Targets 2017/18 | Quarterly targets |           |           |           |
|--|---|---------------------|------------------------|-------------------|-----------|-----------|-----------|
|  |   |                     |                        | Quarter 1         | Quarter 2 | Quarter 3 | Quarter 4 |
| Increased Public Trust and Credibility | Employee Engagement (%)                           | 67.50*              | 66.00                  | Annual Target     |           |           |           |
|  | Leadership Effectiveness Index (%)                | 87.38*              | 88.00                  | Annual Target     |           |           |           |
|  | Employment Equity: Demographics (%)               | 74.50**             | 75.50                  | Annual Target     |           |           |           |
|  | Employment Equity: Gender on management level (%) | 48.72**             | 48.90                  | Annual Target     |           |           |           |
|  | Employment Equity: Disability (%)                 | 1.35**              | 1.60                   | Annual Target     |           |           |           |
|  | Public opinion index (%)                          | 72.00***            | 75.50                  | Annual Target     |           |           |           |
|  | Unqualified report by Auditor-General             | Clean Audit report* | Clean Audit report     | Annual Target     |           |           |           |

\* Baselines are 2015/16 actual achievements.

\*\*Baselines are 2016/17 Quarter 3 actual achievements.

\*\*\*Baseline is 2016/17 actual achievement.

ANNEXURES

# ANNEXURES

## Annexure A: Materiality Framework

| MATERIALITY FRAMEWORK: OWN ACCOUNTS  |   |  |
|--|---|--|
| Section 55(2)(b) PFMA- "The annual report and financial statements must include particulars of-  |   |  |
| PFMA Subsections   | Qualitative   | Quantitative   |
| 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: 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 <b>significant</b> partnership, trust, unincorporated joint venture or similar arrangement;   |  |  |
| c. acquisition or disposal of a <b>significant</b> shareholding in a company;   |  |  |
| d. 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   |

## Annexure C: Changes to the 2016/17 – 2021/22 SARS Strategic Plan Performance Measures and Targets

We are constantly reviewing our activities and making improvements to our systems and processes including the manner in which we measure, evaluate and report our performance against set targets. In this regard we have reviewed some of the targets we set for ourselves in the 2016/17 – 2021/22 Strategic Plan and came to the conclusion that some of these targets are not feasible given current performance trends and organisational constraints.

Targets for the following strategic outcome measures have been amended accordingly:

- Debt Book as a % of revenue
- % PIT Filing compliance
- %PIT payment compliance
- %CIT filing compliance
- %CIT payment compliance
- %VAT filing compliance
- %VAT payment compliance
- %PAYE filing compliance
- %PAYE payment compliance
- % Uptake of PIT e-filing channel
- % Compliance to Excise Framework
- Employment equity – demographics (%)
- Employment equity – disability (%)
- Interfront Governance - Unqualified report by Auditor-General (target amended from “unqualified report” to “clean report”)
- Unqualified report by Auditor-General (target amended from “unqualified report” to “clean report”)

We have also amended the titles of the following measures:

- % Audit coverage of trade to % **of trade attributable to Preferred Traders**
- % Of goods declarations targeted to % **of Goods targeted for the purpose of detecting under-declarations**

The new targets are reflected in the updated table below, which will replace the current published table in the 2016/17 – 2020/21 SARS Strategic Plan

#### Increased Customs and Excise Compliance

| Strategic Outcome                       | Measures  | Baseline                       | Targets                            |                                    |                                    |                                    |                                    |
|---|---|--------------------------------|------------------------------------|------------------------------------|------------------------------------|------------------------------------|------------------------------------|
|   |   |                                | 2016/17                            | 2017/18                            | 2018/19                            | 2019/20                            | 2020/21                            |
| Increased Customs and Excise Compliance | Customs and Excise revenue collected (R billion)                    | Actual Collections for 2015/16 | As agreed with Minister of Finance |
|   | % of trade attributable to Preferred Traders                        | 26.42                          | 25.00                              | 20.00                              | 20.00                              | 15.00                              | 15.00                              |
|   | % of Goods targeted for the purpose of detecting under-declarations | 13.39                          | 13.00                              | 13.00                              | 13.00                              | 13.00                              | 13.00                              |
|   | % Compliance to Excise Framework                                    | 66.00                          | 70.00                              | 80.00                              | 85.00                              | 85.00                              | 85.00                              |
|   | Interfront Governance -Unqualified report by Auditor-General*       | Clean Audit report             | Clean Audit Report                 |                                    |                                    |                                    |                                    |

Baselines are 2014/15 actual achievements.

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

## Increased Tax Compliance

| Strategic Outcome        | Measures   | Baseline                       | Targets                            |                                    |                                    |                                    |                                    |
|--------------------------|--|--------------------------------|------------------------------------|------------------------------------|------------------------------------|------------------------------------|------------------------------------|
|                          |  |                                | 2016/17                            | 2017/18                            | 2018/19                            | 2019/20                            | 2020/21                            |
| 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                               | 7.00                               | 6.40                               | 6.00                               | 6.00                               |
|                          | % PIT filing compliance  | 94.49                          | 92.00                              | 92.00                              | 92.50                              | 92.50                              | 93.00                              |
|                          | % PIT payment compliance   | 42.28                          | 50.00                              | 50.00                              | 50.50                              | 51.00                              | 51.50                              |
|                          | % CIT filing compliance  | 39.59                          | 50.00                              | 52.50                              | 52.50                              | 53.00                              | 53.00                              |
|                          | % CIT payment compliance   | 66.64                          | 70.00                              | 72.50                              | 72.50                              | 73.00                              | 73.00                              |
|                          | % VAT filing compliance  | 54.62                          | 60.00                              | 62.50                              | 62.50                              | 63.00                              | 63.00                              |
|                          | % VAT payment compliance   | 82.85                          | 85.00                              | 87.50                              | 88.00                              | 88.50                              | 89.00                              |
|                          | % PAYE filing compliance   | 62.41                          | 65.00                              | 67.50                              | 67.50                              | 67.50                              | 68.00                              |
|                          | % PAYE payment compliance  | 84.16                          | 85.00                              | 87.50                              | 88.00                              | 88.50                              | 89.00                              |
|                          | % Audit coverage of registered taxpayers (PIT, CIT, VAT, PAYE & Trusts)    | 12.11                          | 12.00                              | 12.00                              | 12.00                              | 12.00                              | 12.00                              |

Baselines are 2014/15 actual achievements.

\*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

| Strategic Outcome                                       | Measures   | Baseline   | Targets         |                 |                 |                 |                 |
|---|--|------------|-----------------|-----------------|-----------------|-----------------|-----------------|
|   |  |            | 2016            | 2017/18         | 2018/19         | 2019/20         | 2020/21         |
| 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 e-filing channel                                   | 53.90      | 60.00           | 52.00           | 52.50           | 53.00           | 53.50           |
|   | Average processing turn-around time for PIT returns (working days) | 0.05 days  | Less than 1 day |
|   | Average processing turn-around time for CIT returns (working days) | 0.63 days  | Less than 1 day |
|   | Average processing turn-around time for VAT refunds (working days) | 32.85 days | 21.00           | 21.00           | 21.00           | 21.00           | 21.00           |

Baselines are 2014/15 actual achievements.

Increased cost Effectiveness and Internal Efficiencies

| Strategic Outcome                                      | Measure                                   | Baseline | Targets               |         |         |         |         |
|--|---|----------|-----------------------|---------|---------|---------|---------|
|  |   |          | 2016/17               | 2017/18 | 2018/19 | 2019/20 | 2020/21 |
| Increased cost Effectiveness and Internal Efficiencies | Treasury allocation to revenue percentage | 0.97     | Between 0.95 and 1.00 |         |         |         |         |

Baseline is 2014/15 actual achievement.

Increased Public Trust and Credibility

| Strategic Outcome                      | Measures  | Baseline            | Targets            |         |         |         |         |
|--|---|---------------------|--------------------|---------|---------|---------|---------|
|  |   |                     | 2016/17            | 2017/18 | 2018/19 | 2019/20 | 2020/21 |
| Increased Public Trust and Credibility | Employee Engagement (%)                           | 66.42               | -                  | 66.00   | -       | 67.00   | -       |
|  | Leadership Effectiveness Index (%)                | 86.53               | 88.00              | 88.00   | 88.00   | 88.00   | 88.00   |
|  | Employment Equity: Demographics (%)               | 72.62               | 75.10              | 75.50   | 76.00   | 76.50   | 77.00   |
|  | Employment Equity: Gender on management level (%) | 48.52               | 48.70              | 48.90   | 49.00   | 49.10   | 49.20   |
|  | Employment Equity: Disability (%)                 | 1.95                | 1.40               | 1.60    | 2.20    | 2.90    | 2.95    |
|  | Public Opinion Index (%)                          | 73.00               | 74.50              | 75.50   | 76.50   | 77.50   | 78.50   |
|  | Unqualified report by Auditor-General             | Clean Audit report* | Clean Audit report |         |         |         |         |

Baselines are 2014/15 actual achievements.







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