

**SOUTH AFRICAN REVENUE SERVICE  
ANNUAL PERFORMANCE PLAN  
2018/19**

ISBN: 978-0-621-46125-1



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# Abbreviations

<b>AEO</b>	Authorised Economic Operator
<b>AEOI</b>	Automatic Exchange of Information
<b>AFU</b>	Asset Forfeiture Unit
<b>AI</b>	Artificial Intelligence
<b>ANC</b>	African National Congress
<b>APP</b>	Annual Performance Plan
<b>ATAF</b>	African Tax Administration Forum
<b>BAIT</b>	Business and Individual Taxes
<b>BAU</b>	Business As Usual
<b>BCI</b>	Business Confidence Index
<b>BEPS</b>	Base Erosion and Profit Shifting
<b>BMA</b>	Border Management Authority
<b>BRICS</b>	Brazil, Russia, India, China, South Africa
<b>CoGTA</b>	Cooperative Governance and Traditional Affairs
<b>CIPC</b>	Companies and Intellectual Property Commission
<b>CIT</b>	Corporate Income Tax
<b>CRM</b>	Customer Relationship Management
<b>CSK</b>	Customs Sufficient Knowledge
<b>DAFF</b>	Department of Agriculture, Forestry and Fisheries
<b>DHA</b>	Department of Home Affairs
<b>DIST</b>	Digital Information Services and Technology
<b>DPS</b>	Declaration Processing System
<b>FIC</b>	Financial Intelligence Centre
<b>GDP</b>	Gross Domestic Product
<b>GRAP</b>	Generally Recognised Accounting Practice
<b>HNWIs</b>	High Net-Worth Individuals
<b>ISIC</b>	International Standard Industrial Classification
<b>IT</b>	Information Technology
<b>IMF</b>	International Monetary Fund
<b>MTEF</b>	Medium Term Expenditure Framework
<b>MTU</b>	Mobile Tax Unit
<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 Co-operation and Development
<b>OTO</b>	Office of the Tax Ombud
<b>PAYE</b>	Pay As You Earn

<b>PFMA</b>	Public Finance Management Act
<b>PIT</b>	Personal Income Tax
<b>RAF</b>	Road Accident Fund
<b>RCG</b>	Reporting of Conveyance Goods
<b>RLA</b>	Registration, Licensing and Accreditation
<b>RMM</b>	Relationship Management Module
<b>SACU</b>	Southern African Customs Union
<b>SALGA</b>	South African Local Government Association
<b>SAPS</b>	South African Police Service
<b>SARB</b>	South African Reserve Bank
<b>SARS</b>	South African Revenue Service
<b>SMMEs</b>	Small, Medium and Micro Enterprises
<b>TCC</b>	Tax Clearance Certificate
<b>TCS</b>	Tax Compliance Status
<b>UN</b>	United Nations
<b>US</b>	United States
<b>VAT</b>	Value-Added Tax
<b>WCO</b>	World Customs Organisation



# Message from the Commissioner

# Message from the Commissioner



The South African Revenue Service (SARS) has over the past years, demonstrated its resilience to sustain revenue collection growth and commitment well beyond the Gross Domestic Product (GDP) growth and challenging economic conditions, which is testament to the solid foundation of our organisation and highly committed work force. The Annual Performance Plan (APP) of the Financial Year 2018/19 is a continuation of the commitments made in the multi-year strategic plan that has been adopted previously. The implementation of the APP will be done against the backdrop of a tight fiscal restraint required of government. SARS will continue to exercise financial prudence and apply stringent cost containment measures to reprioritise within the allocated operational budget whilst improving efficiencies to deliver on its mandate.

SARS will continue to increase its revenue collection capability, build resilience into its key processes and systems, continue to improve major efficiency and productivity gains and improve taxpayer and trader experience.

Human Resources remain the highest cost driver followed by building and technology infrastructure. We will continue in our endeavour to develop international tax experts and the highest quality of auditors both of which are at the pinnacle of addressing internationalisation of tax syndicates and base erosion and profit shifting. These will allow us to rise to the occasion as a tax administration to remain innovative and stay ahead of sophisticated tax schemes.

The timely refresh of the Information Technology Infrastructure will assist in providing stability and supportability of our systems and equipment, thus, resulting in savings on future maintenance cost and ensuring that the infrastructure does not become obsolete. This will help us to keep up with the evolving Tax and Customs legislative environment, changes in compliance behaviour and evolving taxpayer/trader needs and expectations. The ongoing maintenance and required upgrade will continue to address possible security threats and cybercrime.

Our ability to leverage our collaborative partnerships locally as well as in the international domain, with both government and business, positions us well to respond to these global challenges. Through our active participation in international organisations such as the World Customs Organisation (WCO), Organisation for Economic Co-operation and Development (OECD) and The African Tax Administration Forum (ATAF), we continue to ensure that we stay abreast of the latest developments in a global and regional context. The commitment and enthusiasm with which we participate in these forums, continues to earn us respect and has culminated in some of our employees being elected to serve in international working groups.

Locally, we have been an active participant in the InvestSA initiative sponsored by the Presidency and will continue to chair the technical working groups of the Paying Taxes as well as Trading across Borders parts of the World Bank's Doing Business undertaking in South Africa.

A highlight of the 2018/19 year, will be for South Africa to host the BRICS Conference and we look forward to playing our part as a member of the Finance family and more specifically, in the Tax and Customs domains.

We will continue to engage our stakeholders to share our plans and create opportunities for co-creation, but more importantly, to solicit feedback on how well we serve them. In this regard, we thank those who participate in these engagements, especially the spirit in which they engage to help us become better at what we do.

We look forward to a fulfilling twelve months in which SARS rises to new heights through our focus, dedication and hard work. It started in 1997 and yet it remains to this day, a journey which is essentially about collecting the revenue to ensure growth and prosperity for the country.

We remain inspired and energised by the committed workforce who continues to discharge the SARS mandate with passion and pride.

A handwritten signature in black ink, appearing to read 'Tom Moyane', with a stylized flourish at the end.

**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.



Tom Moyane  
**SARS Commissioner**



Mogola Makola  
**Chief Officer: Enforcement**



Mmamathe Makhekhe-Mokhuane  
**Chief Officer: Digital Information Services and Technology**



Teboho Mokoena  
**Chief Officer: Customs and Excise**



Refiloe Mokoena  
**Chief Officer: Legal Counsel**



Jonas Makwakwa  
**Chief Officer: Business and Individual Taxes**



Johnstone Makhubu  
**Acting Chief Officer: Finance**



Hlengani Mathebula  
**Chief Officer: Governance, International Relations, Strategy and Communication**



Luther Lebelo  
**Acting Chief Officer: Human Capital and Development**

# Strategic Overview

# PART A



The NDP aims to eliminate poverty and reduce inequality by 2030. SARS collects over 90% of the revenue to fund these government objectives.



South Africa is expected to grow

from **0.7%**  
in 2017

to **0.9%**  
in 2018

and **1.1%**  
in 2019



Global growth revised up to

**3.9%**

Both **2018 and 2019**



Global growth up to

**3.7%**

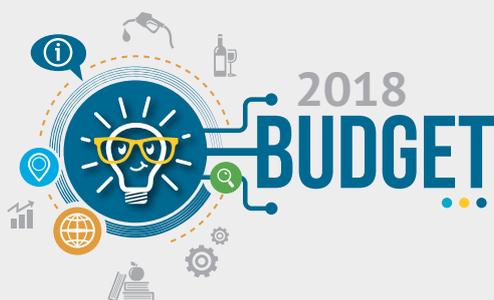
in **2017**, 0.5% higher than 2016

South African exports improved significantly resulting in

**R64.7bn** surplus **vs** **R11.2bn** deficit  
11 months of 2017      11 months of 2016

Outstanding Returns

**R41.8m**  
As at end of quarter  
2 of 2017/18



SARS funding during MTEF period has been reduced drastically, and we are expected to do more with less



SARS will host the BRICS Countries' Tax and Customs meetings during the 2018/19 fiscal year

# Part A: Strategic Overview

## UPDATED SITUATIONAL ANALYSIS

### External Environment

#### National policy direction

SARS collects almost 90% of the revenue required by the Government to fund its programmes. Our efforts therefore remain instrumental to the effective functioning of the Government and achievement of the National Development Plan (NDP) goals and objectives. We are committed to collecting the revenue required by Government and facilitating legitimate trade and travel by making it easy for taxpayers and traders to comply with the relevant Tax and Customs laws.

#### Economic Developments

##### Global economic developments

Global economic activity continues to strengthen, estimated to have grown by 3.7 % in 2017, 0.1 % higher than the projected decline and half a percentage point higher than the growth recorded in 2016. The pick-up in growth has been broad based, with notable upside in Europe and Asia in particular.

The stronger momentum experienced in 2017 is expected to carry through into 2018 and 2019, with global growth revised up to 3.9 % for both years (0.2 percentage point higher relative to the previous forecasts). For the two forecast periods, the upward revisions to the global outlook resulted mainly from advanced economies, where growth is now expected to exceed 2.0 % in 2018 and 2019 respectively. This forecast reflects the expectations that favourable financial conditions and strong sentiments will help maintain the recent acceleration in demand, especially in investment, with a noticeable impact on growth in economies with large exports. In addition, the United States (U.S.) tax reform and associated fiscal stimulus are expected to temporarily raise the U.S. growth, with favourable demand spill-overs for U.S. trading partners during this period.

##### Domestic economic developments

South Africa's growth moderated by an annualised rate of 2.5 % in the second quarter of 2017, following a revised growth rate of 2.8 % in the technical recession that began in the fourth quarter of 2016. The rebound in economic growth can be attributed mainly to a robust improvement in agricultural production and a return to growth in the service sector. Household consumption accelerated slightly to 1.1 % in the first half of the year, from 0.6% in the same period in the preceding year.

According to the International Monetary Fund's (IMF's) recent forecast, South Africa is projected to remain below 1.0 % in 2018 and grow at by 1.1 % in 2019, as increased political uncertainty weighs on confidence and investment. For both periods, South Africa is expected to grow by 0.9 % from 0.7 % in 2018 and 1.1 % in 2019.

Some risks to inflation have dissipated. The rand has strengthened somewhat, this after the African National Congress (ANC) elective conference, and Eskom has been granted a lower-than-expected tariff increase. Standard and Poor Global Ratings downgraded South Africa's long-term local currency sovereign credit rating to sub-investment grade. Moody's Investors Service on the other hand has placed the country ratings on review for a downgrade. A further downgrade remains a risk, and will depend highly on Government's response to the deteriorating fiscal position and commitment to credible growth-enhancing policies.

The year-on-year inflation rate for all urban areas measured 4.6% in November 2017, down from 4.8% in

October 2017. Lower food and fuel prices inflation contributed to this decline. According to the South African Reserve Bank (SARB), the inflation forecast has improved despite continued increases in international oil prices. Near-term inflation is projected to remain close to the midpoint of the target range.

### ***Risk to the outlook***

Despite conditions in a number of sectors (Agriculture, mining, retail trade and manufacturing) having improved recently, the domestic economic environment remains generally frail. Confidence levels are generally low amongst South African Consumers and Business enterprises, with adverse implications for household spending, production levels and fixed investment. In contrast, South Africa's export performance has been improving markedly contributing to the R64.7 billion surplus in the first 11 months of 2017, compared to a deficit of R11.2 billion recorded in the same period in 2016.

The downside risks to this growth outlook are not only substantial but have been rising. Should political instability or uncertainty increase further, the economy's performance could deteriorate considerably. The weaker than anticipated economic growth for the remainder of the year, could have serious implications on revenue collections for the 2017/18 financial year and in the short-term.

### ***Risk to SARS***

Given the recent downward adjustment of R50.8 bn in revenue in the recent medium term budget, with a large part of it attributable to the retreating GDP growth, the risk to SARS for the remainder of the year remains lower tax collections. A further decline in consumer confidence together with declining Business Confidence Index (BCI) will have a direct bearing on tax revenues. Furthermore, moderate domestic growth projections based on macroeconomic policy and political uncertainty will continue to pose a risk to SARS revenue collections for the remainder of the 2017/18 fiscal year and in the short term.

## **Fiscal framework**

Like the rest of Government, SARS operates within the constraints of limited resources and dwindling funding. Our funding over the Medium Term Expenditure Framework (MTEF) period has been reduced drastically, and we are expected to do more with less. We will have to be circumspect in the manner and areas in which we make investments in order to maximise revenue collection and ensure continued Tax and Customs compliance. We will ensure that we spend our budget allocation effectively and efficiently, and that there is value for money from our spending. We will maintain strict discipline in allocating and spending our limited project/initiative funding by vigorously implementing sound criteria and prioritisation processes for new/future projects.

## **Base Erosion and Profit Shifting (BEPS)**

BEPS continues to be a feature and a focus of many Governments and tax administrations around the world as countries like South Africa grapple with declining revenues and increasing demands from their constituents/public. We continue to support and participate in many multi-country initiatives and interventions to counter threats to the South African fiscus. We continue to invest a significant portion of our resources to tackle this scourge. This year we will begin the implementation of the exchange of Country-by-Country (CbC) reports.

## **Increased collaborations with key stakeholders**

We are increasing our efforts to collaborate with key stakeholders and partners. We recognise that our efforts will be futile if we do not join our efforts with other stakeholders that are crucial in the Tax and Customs administration value chain. In this regard we are increasing our collaborations with key Government partners/departments/agencies to strengthen our compliance efforts and to increase the overall effectiveness of Government. During the 2018/19 fiscal year SARS will launch the Large Business Forum to improve cooperation and trust between SARS and Large Business taxpayers and to facilitate a move towards self-regulation of their tax affairs. We believe that this will reduce compliance costs and result in increased certainty for Large Businesses.

## **SA chairing BRICS**

South Africa will assume the chair of the BRICS countries in 2018. In this regard SARS will host and facilitate several meetings and discussions of the BRICS Countries' Tax and Customs Administrations during the 2018/19 fiscal year. We will diligently play our part to ensure that these meetings and discussions are successful, and that there is improved cooperation and agreement on key global Tax and Customs issues affecting the BRICS countries.

## **Office of the Tax Ombud (OTO)**

In October 2017, the Office of the Tax Ombud issued its final report into "alleged" delayed payment of refunds by SARS. SARS has noted the findings of the OTO and provided written responses to the report. We undertake to implement the recommendations where there is agreement, and we will look into how to effectively address some of the other concerns and recommendations made by the OTO. The findings made by the OTO should not cast doubts in the minds of the public and taxpayers regarding the overall operational effectiveness and fairness of the tax systems that SARS administers. We acknowledge that we could do a lot better to manage the very few exceptions in our key taxpayer and trader processes and products. We certainly do not doubt that these instances, where we are not at our best, cause undue pain and stress for the affected taxpayers. We will do our best to ensure that we resolve these expeditiously. We have included targets and specific activities in this regard to address these as part of this annual performance plan.

## **Border Management Authority (BMA)**

The BMA Bill was passed by Parliament in June 2017. This Bill paves the way for the establishment of the Border Management Authority to handle all activities at South Africa's ports of entry including policing, immigration and Customs control. The establishment of the BMA will have a direct impact on SARS' Customs functions and employees at the country's ports of entry. SARS will continue to provide input and participate in engagements with National Treasury and the Department of Home Affairs (DHA) in this regard.

## **Organisational environment**

### **Operating model**

We are in the second year of our new operating model. This has helped us to strengthen certain aspects of our organisation and we are gaining valuable insights and lessons as we continue to implement. We will continue to review our operating model as we see fit in order to maximise revenue collection, improve taxpayer and trader compliance, improve service and optimise our operations/administration.

### **Capacity and capability utilisation**

Given the constraints in funding and other resource mobilisation, we are increasing our efforts to ensure operational efficiency and effectiveness. We continue to conduct productivity and efficiency studies across the organisation to better understand the capabilities and abilities of our employees to serve taxpayers and traders better. Work is underway to ensure that we strike an effective balance between current workload, staff numbers and staff capabilities. We have increased our efforts to ensure that staff members are adequately equipped to carry out their jobs effectively and efficiently. We are reviewing our current performance management systems and performance levels to ensure that we have aligned and challenging metrics to drive the correct staff behaviour and performance. We believe that this integrated approach to capacity utilisation and workforce planning will help SARS to improve productivity and achieve better resource utilisation.

## Growing inventory

The growing number of outstanding returns (returns not filed when due) and outstanding payments (taxpayer debt not paid when due) raises serious doubts about our ability to enforce compliance with the Tax and Customs laws we administer. The total number of outstanding returns from taxpayers at the end of quarter 2 (2017/18 fiscal year) was 41.8 million returns. These are returns that were not submitted by taxpayers when they became due and have accumulated from previous tax periods. We will be working hard to ensure that we address this worrying trend by ensuring that we apply the law effectively and make significant improvements in our operations and efforts. We will further aim to utilise the powers provided by legislation to enforce submission of outstanding returns and collect/recover outstanding debt.

## 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	
Risk description	Mitigating actions
SARS may fail to deliver effective and efficient service to taxpayers and traders due to inadequate implementation of a segmentation business model, leading to reduced compliance, loss of revenue and damaged credibility	To address this risk SARS is continuing to: <ul style="list-style-type: none"> <li>Implement a comprehensive segmentation strategy to improve service and manage compliance of the different taxpayer and trader segments that include Individuals, Large Businesses, Small, Medium and Micro Enterprises (SMMEs), High Net-Worth Individuals (HNWIs), Trusts, Tax Practitioners</li> <li>Roll-out the Preferred Trader Program by accrediting all qualifying traders</li> <li>Conduct targeted interventions of identified taxpayer and trader segments</li> </ul>
SARS planning processes may not be adequate and effective to anticipate and recognise opportunities and risks in its operating environment leading to a reduction in tax and Customs revenues, reduced compliance and damaged credibility	To address this risk, SARS is: <ul style="list-style-type: none"> <li>Improving its planning discipline through strict implementation of a SARS Planning and Reporting Calendar in line with National Treasury requirements</li> <li>Conducting environmental scans of the internal and external environment, and using the insights to adjust and inform existing and future plans</li> <li>Reporting regularly of performance against plans to Parliament and internal governance structures</li> <li>Working collaboratively with National Treasury to ensure that SARS delivers on its commitments</li> </ul>
SARS may fail to adequately deal with the increased movement of goods at the country's ports of entry due to outmoded Customs controls, leading to poor trade facilitation, increased illicit trade with negative socio-economic consequences, and loss of Customs and Excise revenue	To address this risk, SARS is continuing to: <ul style="list-style-type: none"> <li>Implement the New Customs Acts Programme (NCAP)</li> <li>Introduce improved systems and processes to improve detection of fraud and non-compliance at ports of entry</li> </ul>

## STRATEGIC RISKS FACING SARS

Risk description	Mitigating actions
SARS may not deliver key projects within agreed budget and timelines leading to fruitless or wasteful expenditure, loss/reduction of funding from National Treasury, loss of revenue and poor taxpayer and trader service	<p>To address this risk, SARS is:</p> <ul style="list-style-type: none"> <li>• Improving accountability for project delivery by ensuring that project delivery is included in the performance contracts and scorecards of senior management</li> <li>• Introducing stricter monitoring of projects to ensure variance between budget and actual project spend is kept at 5%</li> </ul>
SARS may not have the right employees (capacity and capability) to provide the highest levels of service to taxpayers and traders, and to address non-compliance, leading to reduced levels of compliance, loss of revenue and poor service	<p>To address this risk, SARS is:</p> <ul style="list-style-type: none"> <li>• Continuing to develop employees through targeted training interventions and development programs</li> <li>• Conducting productivity and efficiency studies across the organisation to better understand the capabilities and abilities of employees to serve taxpayers and traders better</li> <li>• Reviewing current performance management systems to ensure aligned and challenging metrics, and to drive the right behaviors and performance levels</li> <li>• Developing and implementing an integrated talent management strategy to ensure that the right people are recruited and retained</li> <li>• Developing workforce plans to ensure the right number of people are recruited for key functions in the organisation</li> </ul>
SARS processes may not conform to National Treasury procurement governance requirements leading to tender/procurement corruption, fraud, wasteful and fruitless expenditure and loss of public trust	<p>To address this risk, SARS will:</p> <ul style="list-style-type: none"> <li>• Improve procurement Governance by piloting an open tender adjudication process for one large and complex transaction during 2018/19</li> <li>• Continue to strictly monitor and enforce the implementation of the Procurement Governance Framework</li> </ul>
Given the escalation of large-scale cyber-attacks nationally and globally, SARS may be vulnerable to malicious electronic attacks, leading to significant losses of taxpayer and trader data, loss of public confidence and potential legal action against SARS	<p>To address this risk, SARS is:</p> <ul style="list-style-type: none"> <li>• Implementing a new integrated framework to manage physical, logical and information security at an enterprise-level</li> <li>• Enhancing its Cyber Analytics Function to help monitor, identify and respond to suspicious activities on SARS Information Communication Technology assets</li> <li>• Conducting monthly security assessments to ensure that SARS keeps abreast of industry standards and Government protocols</li> <li>• Continuing to conduct training interventions and security awareness campaigns to raise awareness</li> </ul>

STRATEGIC RISKS FACING SARS	
Risk description	Mitigating actions
SARS may fail to prevent malicious attempts to steal/leak confidential SARS, taxpayer and trader information leading to a loss of public confidence and potential legal action against SARS	To address this risk, SARS is: <ul style="list-style-type: none"> <li>• Implementing a new integrated framework to manage physical, logical and information security at an enterprise-level</li> <li>• Conducting monthly security assessments to ensure that SARS keeps abreast of industry standards and government protocols</li> <li>• Continuing to conduct training interventions and security awareness campaigns to raise awareness</li> <li>• Continuing to inculcate the SARS Values and Code of Conduct</li> </ul>
SARS may be viewed as ineffective and inefficient, and not distributing the tax burden fairly if it fails to deal with the increasing taxpayer and trader debt, leading to reduced compliance, a widening tax gap, loss of public confidence, and reduced revenue to the fiscus	To address this risk, SARS is: <ul style="list-style-type: none"> <li>• Implementing enhancements to the taxpayer and trader debt management solution with improved functionality for risk analysis, case creation and case prioritisation</li> <li>• Reviewing policies that hamper effective collection processes (suspension, write-off, deferred arrangements, business rescue)</li> <li>• Reviewing and introducing special dispensation for the treatment of large corporate assessments where the legislation remains susceptible to interpretation</li> </ul>
SARS may experience a significant incident (including extreme changes in weather conditions resulting in floods and droughts) that impacts its employees, systems, processes and infrastructure, and which may result in serious disruptions to its Tax and Customs revenue collection, taxpayer and trader systems, services and processes	To address this risk, SARS is: <ul style="list-style-type: none"> <li>• Developing and implementing an Enterprise-wide Business Continuity Management (BCM) Framework, to include oversight of disaster recovery plans, infrastructure and resource management, and succession planning</li> </ul>
SARS may fail to respond effectively and adequately to key stakeholder concerns leading to loss of public trust, reduced revenue collection, weak compliance	To address this risk, SARS will: <ul style="list-style-type: none"> <li>• Carry out research to measure the effectiveness of SARS communication efforts to taxpayers</li> <li>• Optimise use of social media presence</li> <li>• Implement a new SARS Service Charter during 2018/19</li> </ul>

Table 1: Risks facing SARS

# Overview of 2018/19 Budget and MTEF Estimates

2018/19 Total SARS Staff  
**14 027**



**13 620**

Permanent Staff  
Establishment  
(Includes Vacancies)



**17**

Contract Employees



**230**

Graduates/Trainees/Learners



**160**

Seasonal/Short term workers

**Total Funding  
Estimate**

**R11 532 952**

2018/19

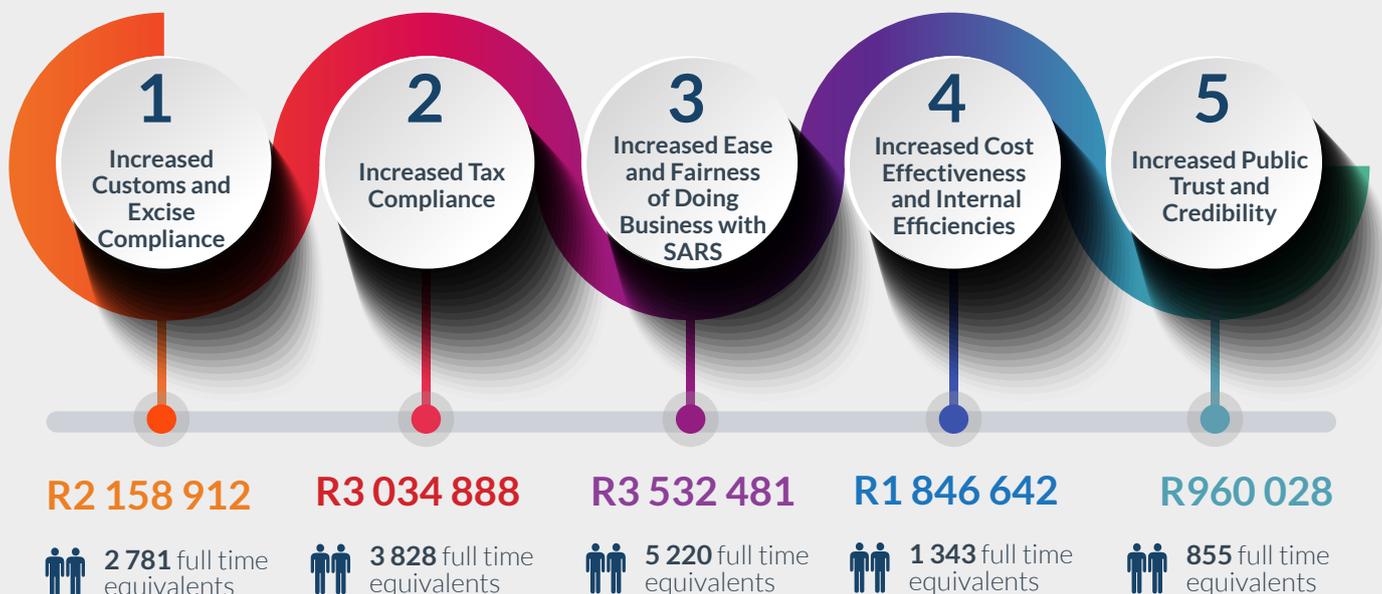
**R11 241 168**

2019/20

**R11 843 821**

2020/21

## 2018/19 Funding Estimates per Strategic Outcomes



# Overview of 2018/19 budget and MTEF estimates

## SARS revenue and expenditure estimates

SARS' projected revenue and expenditure for 2018/19 to 2020/21 is presented in Table 2 below, and a quarterly breakdown per core outcome is presented in Table 3:

Expenditure Estimates	2018/19	2019/20	2020/21
	Submission	Submission	Submission
	R'000	R'000	R'000
<b>National Treasury Grant</b>	<b>11 225 175</b>	<b>10 930 314</b>	<b>11 529 858</b>
<i>Final Grant Receivable</i>	10 466 690	10 890 006	11 487 333
<i>Final OTO Grant Receivable</i>	41 527	40 308	42 525
<i>Retained cash surplus</i>	716 958	-	-
Interest income	-	-	-
Other income	307 777	310 854	313 963
<b>Total Revenue</b>	<b>11 532 952</b>	<b>11 241 168</b>	<b>11 843 821</b>
Approved cash surplus	-	-	-
<b>Total funds available</b>	<b>11 532 952</b>	<b>11 241 168</b>	<b>11 843 821</b>
Baseline expenditure (BAU)	10 932 951	11 241 168	11 843 821
Total Capex Included in BAU	125 000	84 552	54 093
IT Infrastructure	88 394	-	-
Other BAU Capex	36 606	84 552	54 093
<b>Available for Projects</b>	<b>600 000</b>	<b>-</b>	<b>-</b>
Projects	600 000	-	-

Table 2: SARS' projected revenue and expenditure

Note: SARS is still in the process to finalise the SARS Budget in conjunction with National Treasury

Strategic Objectives linked to Estimates of National Expenditure (ENE)					2018/19			
Strategic Outcomes	Full Time Equivalents 2018/19	R'000			R'000			
		Budget 2018/19	Budget 2019/20	Budget 2020/21	Quarter 1	Quarter 2	Quarter 3	Quarter 4
<b>Increased Customs and Excise Compliance</b>	<b>2 781</b>	<b>2 158 912</b>	<b>2 088 306</b>	<b>2 200 262</b>	<b>539 728</b>	<b>539 728</b>	<b>539 728</b>	<b>539 728</b>
Personnel Expenses		1 467 763	1 520 353	1 599 346	366 941	366 941	366 941	366 941
Goods & Services		540 062	552 245	590 867	135 016	135 016	135 016	135 016
Information Technology		112 867	90 894	101 463	28 217	28 217	28 217	28 217
Land and Buildings		182 717	200 483	213 390	45 679	45 679	45 679	45 679
Audit & Legal Fees		36 968	47 469	50 080	9 242	9 242	9 242	9 242
Administration		144 069	136 494	144 313	36 017	36 017	36 017	36 017
Other Services		63 441	76 905	81 621	15 860	15 860	15 860	15 860
Capex - Business as usual		23 222	15 707	10 049	5 805	5 805	5 805	5 805
Projects		127 865	-	-	31 966	31 966	31 966	31 966
<b>Increased Tax Compliance</b>	<b>3 828</b>	<b>3 034 888</b>	<b>3 086 626</b>	<b>3 252 103</b>	<b>758 722</b>	<b>758 722</b>	<b>758 722</b>	<b>758 722</b>
Personnel Expenses		2 169 432	2 247 162	2 363 918	542 358	542 358	542 358	542 358
Goods & Services		798 240	816 247	873 332	199 560	199 560	199 560	199 560
Information Technology		166 824	134 347	149 968	41 706	41 706	41 706	41 706
Land and Buildings		270 066	296 325	315 402	67 516	67 516	67 516	67 516
Audit & Legal Fees		54 640	70 161	74 020	13 660	13 660	13 660	13 660
Administration		212 942	201 745	213 303	53 235	53 235	53 235	53 235
Other Services		93 769	113 669	120 640	23 442	23 442	23 442	23 442
Capex - Business as usual		34 323	23 216	14 853	8 581	8 581	8 581	8 581
Projects		32 893	-	-	8 223	8 223	8 223	8 223
<b>Increased Ease and Fairness of Doing Business with SARS</b>	<b>5 220</b>	<b>3 532 481</b>	<b>3 554 325</b>	<b>3 744 877</b>	<b>883 120</b>	<b>883 120</b>	<b>883 120</b>	<b>883 120</b>
Personnel Expenses		2 498 154	2 587 663	2 722 110	624 538	624 538	624 538	624 538
Goods & Services		919 193	939 928	1 005 664	229 798	229 798	229 798	229 798
Information Technology		192 102	154 704	172 691	48 025	48 025	48 025	48 025
Land and Buildings		310 987	341 225	363 193	77 747	77 747	77 747	77 747
Audit & Legal Fees		62 919	80 792	85 236	15 730	15 730	15 730	15 730
Administration		245 208	232 314	245 623	61 302	61 302	61 302	61 302
Other Services		107 977	130 893	138 920	26 994	26 994	26 994	26 994
Capex - Business as usual		39 524	26 734	17 104	9 881	9 881	9 881	9 881
Projects		75 610	-	-	18 903	18 903	18 903	18 903
<b>Increased Cost Effectiveness and Internal Efficiencies</b>	<b>1 343</b>	<b>1 846 642</b>	<b>1 528 726</b>	<b>1 610 683</b>	<b>461 661</b>	<b>461 661</b>	<b>461 661</b>	<b>461 661</b>
Personnel Expenses		1 074 463	1 112 961	1 170 788	268 616	268 616	268 616	268 616
Goods & Services		395 348	404 266	432 539	98 837	98 837	98 837	98 837
Information Technology		82 624	66 538	74 275	20 656	20 656	20 656	20 656
Land and Buildings		133 757	146 762	156 210	33 439	33 439	33 439	33 439
Audit & Legal Fees		27 062	34 749	36 660	6 765	6 765	6 765	6 765
Administration		105 465	99 919	105 643	26 366	26 366	26 366	26 366
Other Services		46 441	56 297	59 750	11 610	11 610	11 610	11 610
Capex - Business as usual		16 999	11 498	7 356	4 250	4 250	4 250	4 250
Projects		359 832	-	-	89 958	89 958	89 958	89 958
<b>Increased Public Trust and Credibility</b>	<b>855</b>	<b>960 028</b>	<b>983 186</b>	<b>1 035 896</b>	<b>240 007</b>	<b>240 007</b>	<b>240 007</b>	<b>240 007</b>
Personnel Expenses		691 031	715 791	752 981	172 758	172 758	172 758	172 758
Goods & Services		254 264	260 000	278 183	63 566	63 566	63 566	63 566
Information Technology		53 139	42 794	47 769	13 285	13 285	13 285	13 285
Land and Buildings		86 024	94 389	100 465	21 506	21 506	21 506	21 506
Audit & Legal Fees		17 405	22 349	23 578	4 351	4 351	4 351	4 351
Administration		67 829	64 262	67 944	16 957	16 957	16 957	16 957
Other Services		29 868	36 207	38 428	7 467	7 467	7 467	7 467
Capex - Business as usual		10 933	7 395	4 731	2 733	2 733	2 733	2 733
Projects		3 800			950	950	950	950
<b>Grand Total</b>	<b>14 027</b>	<b>11 532 952</b>	<b>11 241 168</b>	<b>11 843 821</b>	<b>2 883 238</b>	<b>2 883 238</b>	<b>2 883 238</b>	<b>2 883 238</b>

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

## SARS Human Resource Plan

	MTEF Period ENE Submission		
	2018/19 (projected)	2019/20 (projected)	2020/21 (projected)
Permanent Staff Establishment ( Includes Vacancies)	13 620	13 477	13 287
Contract Employees	17	9	9
Graduates/Trainees/Learners	230	195	195
Seasonal/Short term workers	160	149	149
<b>Total Staff</b>	<b>14 027</b>	<b>13 830</b>	<b>13 640</b>

Table 4: SARS Human Resource Plan

# Programme and Subprogramme Plan

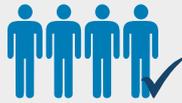
# PART B



## Increased Customs and Excise compliance



Develop, test and implement requirements for NCAP



qualifying traders will be accredited into the Preferred Trader Programme to cover

**20%**  
trade volumes



Increase electronic submission rate of cargo manifest by sea and air carriers to

**70%**

## Increased cost effectiveness and internal efficiencies

**60%** spend through B-BBEE level 1-4 entities

**5%** spend through Black Women Owned-entities

Maintain a variance of

**5%**

between budgeted and actual project spend

Reduce the recruitment turnaround time to below



## Increased Tax compliance

### Large Companies



**300**  
Targeted audits

### SMMEs



**1000**  
Targeted interventions



Maintain undisputed debt at

**6.4%**  
of revenue

Reduce outstanding returns by

**10%**

VAT and PAYE

Achieve prosecution conviction rate for criminal cases

**95%**

## Increased public trust and credibility



Maintain high levels of public trust and institutional credibility

**72%** Achieve the public opinion score as measured by the Public Opinion Survey for 2018/19

## Increased ease and fairness and doing business with SARS

South African Revenue Service  
Service Charter

Comes into effect on **1 April 2018**



**88%** Achieve Contact Centre caller answer rate

**96%** Achieve 1st Contact Resolution target



Deliver **120** tailored education and outreach sessions



Participate in the **10th** annual BRICS summit to be held in South Africa

# Part B: Programme and Subprogramme Plan

## OUTCOME 1: Increased Customs and Excise compliance

### Maximise Customs and Excise revenues

#### SARS will:

- Meet Customs and Excise revenue collection targets as set by Government
- Implement the new Sugar Tax to give effect to the policy and the legislative framework by the end of April 2018.

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

#### SARS will:

- Continue to implement the Goods Control Project aimed at establishing end-to-end controls for all goods entering and leaving the country. Specific activities in this regard in 2018/19 include:
  - Increasing electronic submission rate of cargo manifests by sea and air carriers to 70%
  - Developing the inter-agency strategy and tactical intervention plan to secure the movement of Customs controlled cargo to and from City Deep Container Terminal and Depots
  - Appointment of the Transaction Advisor by first quarter of 2018/19, to advise on the implementation of the track and trace marker technology for excisable goods which will help SARS to monitor the journey from manufacturing to sale and/or importation or exportation
  - Concluding a feasibility study and strategy of the Customs Marine Wing by August 2018 to determine the viability of expanding the Marine unit to other ports of entry
  - Developing a Compliance Management Strategy for goods control at Mail Centre/s by August 2018
- Finalise the development of the non-intrusive equipment strategy by August 2018
- Deploy a mobile scanner at City Deep and air cargo scanner at OR Tambo International Airport by March 2019.

### Improve Customs and Excise risk identification and targeting capabilities

#### SARS will:

- Finalise and incorporate the Excise Risk management capability (and stabilise processes and people) into the Custom and Excise Case Selection and Risk Management Framework by the end of November 2018
- Continue with the accreditation of qualifying traders in accordance with the Preferred Trader Programme to cover 20% of the volume of trade transactions by March 2019
- Conduct benchmark studies with at least two countries to finalise the Authorised Economic Operator (AEO) implementation plan, by end of March 2019
- Finalise the strategy for a National Targeting Centre for Customs and Excise by August 2018
- Finalise business requirement specifications for the National Targeting Centre by August 2018
- Conduct excise audits to ensure 40% coverage of active excise clients
- Conduct a benchmarking exercise with at least two countries, to evaluate and define the coverage for export and imports, by the end of March 2019.

### Improve State Warehouse Infrastructure

#### SARS will:

- Complete refurbishments of the Durban New Pier and Kobe State Warehouses by March 2019
- Review the State Warehouse strategy and develop a new implementation plan by August 2018.

## **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 (DAFF) and build a workflow for DAFF permits on current SARS technology platforms to improve effectiveness across the trade value chain, with particular focus on Exports
- Continue to support the establishment of the BMA. SARS support includes providing input into the draft amendments to the BMA Bill and relevant memorandums, participating in engagements with National Treasury and DHA, and attending the various Parliamentary sessions
- Implement the WCO – Southern African Customs Union (SACU) Information Technology (IT) Connectivity initiative with Swaziland by March 2019.

## **Implement the requirements of the New Customs Acts Programme**

### **SARS will:**

- Implement the following elements of the NCAP to ensure SARS' processes and products are aligned to the new Acts:
  - Registration, Licensing and Accreditation (RLA) –
    - » RLA has three key components – Customs Sufficient Knowledge (CSK), main RLA and Relationship Management Module (RMM). Although the main CSK system was implemented in 2017/18 as the first phase, CSK tailor-made for Work Programme 2: Reporting of Conveyances and Goods (RCG) will be implemented in the first quarter of 2018/19 and under the transitional arrangements of the 2014 Acts. RCG clients will have the ability to be tested for the different entity types. The completion of the CSK test will allow for readiness of RCG Clients for the registration and licensing process
    - » Main RLA - Release 1 (1 of 4) will be implemented in the last quarter of 2018/19 with key functionalities inclusive of electronic application process, automated validations, automated workflow and case management, applicable at this stage only to RCG clients under the transitional arrangements
  - Reporting of Conveyances and Goods –
    - » We will implement Phase 1 and 2A of this work stream during 2018/19. Phase 1 is scheduled for implementation during the first quarter and will deal with the receipt and processing of cargo reports for all modalities (Road, Rail, Sea and Air), goods accounting, fiscal and safety-and-security assurance, manual case creation and integration with risk (Sea and Air) for statistical and trend analysis
    - » Phase 2A will be implemented in the second half of 2018/19 and will contain the inclusion of the rail modality with the same functionality as per phase 1, the management of part-shipments and the capabilities to validate RCG entities against the Registration and Licensing system
  - Declaration Processing System (DPS) –
    - » During the second half of 2018/19 the first tactical release phase will be implemented which will include the incomplete, provisional and supplementary new declaration types. This functionality will automate current manual process, reduce excessive corrections on export clearances, improve trade statistics and provide improved trade benefits.

## **Develop a professional and disciplined Customs and Excise workforce**

### **SARS will:**

- By end of February 2019, conclude the alignment of functions on the Customs and Excise Taxes' structure in order to map and enhance:
  - The end-to-end divisional value chain and its requisite processes
  - A curriculum inventory and skills framework to enable these processes
  - The ideal capacity norms and standards for a branch and a hub

- In collaboration with the WCO, a diagnostic exercise to derive a proposed menu of Customs and Excise business performance indicators for a branch and a hub.

## OUTCOME 2: Increased Tax compliance

### Maximise tax revenue

#### SARS will:

- Collect the tax revenue target announced by the Minister of Finance.

### Conduct targeted compliance interventions

#### SARS will:

- Continue to improve compliance and address identified risks in the following areas:
  - **Large Companies** – We will conduct a minimum of 300 targeted audit interventions on this segment, largely focusing on BEPS transactions
  - **HNWIs** - We will implement an end-to-end segment based approach for HNWIs; continue enhancing the HNWI register through 3rd party data matching; and initiate coding of HNWIs on SARS' systems to provide an additional descriptor which will facilitate further analysis and understanding of this segment
  - **SMMEs** – Our efforts in this regard will include developing a strategy to improve compliance within the Taxi Industry and identifying 1000 cases to test the correct use by Small Businesses of the tax incentives available to them i.e. Turnover tax, Small Business Corporation tax
  - **Cash Economy** – Last year we focused our efforts on increasing compliance in this segment in the Western Cape. We will continue to identify other areas where there is high prevalence of non-registration and promote compliance through education and further support. During 2018/19 SARS will focus on Limpopo, Mpumalanga and Free State, and our intention is to add 1500 taxpayers to our tax register
  - **Tax Practitioners** – We undertake initiatives to reduce non-compliance in this segment
  - We will implement all legislative requirements to ensure a successful filing season.

### Improve tax risk identification and targeting capabilities

#### SARS will:

- Improve the effectiveness of the case selection process as measured by downstream outcomes to ensure a year-on-year revenue yield improvement of 20%
- Introduce new third-party data sources to augment risk identification capabilities
- Develop a new coverage model and prioritisation standard for the case selection process to increase revenue generated
- Maintain audit coverage of registered taxpayers at 12% of taxpayers on the register. Our focus for 2018/19 will be on improving the quality of audits, including audit turnaround times and audit yields
- Expand the field inspection capability by the third quarter of 2018/2019 to increase SARS' visibility and improve compliance.

### Strengthen our capacity and capability to manage taxpayer debt

#### SARS will:

- Maintain undisputed debt at 6.4% of revenue, and ensure better allocation and focus of resources to the collection of new taxpayer debt
- Implement enhancements to its taxpayer debt management solution with functionality for risk analysis, case creation and prioritisation by December 2018.

## **Strengthen our enforcement efforts and capabilities**

### **SARS will:**

- Increase engagements with and services to taxpayers to reduce outstanding returns for active taxpayers. Our focus for 2018/19 will be on reducing outstanding returns by 10% for the Value-added Tax (VAT) and Pay-As-You-Earn (PAYE) tax products
- Extend the administrative penalty regime to all tax products by 31 March 2019
- Conduct criminal investigations into offences relating to non-compliance with Tax and Customs acts, specifically evasion of tax relating to VAT and PAYE credit/refund fraud
- Recommend at least 500 cases of Tax and Customs offenses for prosecution to the NPA
- Hold at least one engagement quarterly with key stakeholders (i.e. National Prosecuting Authority - NPA, SARS, Financial Intelligence Centre - FIC, Tax Practitioners, Master's office, Banking Sector, Asset Forfeiture Unit - AFU, South African Police Service - SAPS) to strengthen compliance and impact of enforcement interventions
- Improve the quality of criminal investigations and the efficiency of inventory management to ensure a prosecution conviction rate of 95% for criminal cases.

## **Continue to collaborate and work with key global and local stakeholders to strengthen our compliance and enforcement efforts**

### **SARS will:**

- Continue to engage the Department of Transport to include Tax Compliance Status (TCS) as a requirement on issuing or renewal of operator licences and permits
- Hold at least 120 engagements with key stakeholders within the tax environment (e.g. South African Local Government Association - SALGA, Cooperative Governance and Traditional Affairs - CoGTA and Road Accident Fund - RAF), to exchange data. We will design and implement an automatic link (data exchange platform) to share with these stakeholders
- Engage with Companies and Intellectual Property Commission – (CIPC) regarding submission of financial statements by companies to align with SARS register, and ensure a more accurate register for Corporate Income Tax (CIT)
- Implement the Automatic Exchange of Information (AEOI) solution for CbC reporting by June 2018.

## **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 the specifications for the interface with the Master of the High Court by 31 March 2019 as part of our efforts to modernise the Estate Duty Tax processes/systems and the taxpayer deregistration process
- Increase the usage of eFiling in the Personal Income Tax (PIT) segment to 52.5 % through education, promotion and support
- Provide self-help options (Kiosks) to taxpayers at SARS branches to reduce volumes and costs, and to increase convenience for taxpayers. The self-help Kiosks will offer current e-filing services which include filing of returns, changes to taxpayer's profile, electronic payments, issuing of IT150, statement of accounts etc
- Implement Auto Assess functionality for simple tax returns to avoid unnecessary walk-ins at branches and reduce Contact Centre calls.

## **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:**

- Enhance the understanding of tax education needs and respond with 120 targeted interventions to increase awareness and understanding of tax obligations. In 2018/19 our education and awareness sessions will be tailored for restricted taxpayers, large businesses, Government institutions, diplomatic missions, tax exempt institutions and HNWI's
- Promote fiscal citizenship amongst learners (grade 10 – 12) at 130 schools across the country, through a curriculum-based programme endorsed by the National Department of Basic Education.

## **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:**

- Continue with branch office refurbishments, and add 2 new Mobile Tax Units (MTUs), to improve taxpayer experience and convenience
- Explore co-location opportunities with other Government departments and increase our co-locations sites by a minimum of 2 sites during 2018/19
- Commence implementation of the new SARS Service Charter by 1 April 2018. This will also address some of the concerns raised by the OTO
- Seek to achieve an overall Contact Centre caller answer rate of 88%, and a First Contact Resolution target of 96% for all taxpayer queries made through SARS Contact Centres
- Implement an Enhanced Case Communication process to enable proactive outbound communication through cost effective channels, aimed at keeping taxpayers informed
- Enhance the Tax Clearance system and integration to National Treasury to support a substantially improved tax compliance of all Government suppliers. We envisage greater cooperation and sharing of 3rd party data between SARS and National Treasury during 2018/19, and a reduction in the total number of Tax Clearance Certificates (TCCs) issued at SARS branch offices.

## **Improve the efficiency and effectiveness of the taxpayer complaints management process**

### **SARS will:**

- Increase our engagements with the OTO to enhance mutual understanding of processes and constraints within the tax administrative environment, particularly on matters raised by the OTO.

## **Implement changes to the tax and loan agreements with the banking sector**

### **SARS will:**

- Implement tax and loan structures with 2 banks by 31 December 2018, and add 4 additional banks by 31 March 2019, depending on the readiness of the banks.

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

### **Improve our Information Communications Technology (ICT) capability, cost and performance**

#### **SARS will:**

- Continue to incorporate innovative technologies to reduce costs and improve execution of our mandate. During 2018/19, we will:
  - Explore cloud technologies, internet of things (IoT) and Big Data platforms to increase our flexibility in allocating scarce resources, improve systems availability and performance, and reduce costs of our ICT operations
  - Explore the use of Electronic Fiscal Devices (or Electronic Tax Register) as one of the means to improve compliance, by March 2019
- Continue to provide uninterrupted access to mission critical systems by ensuring 99% uptime/availability.
  - During 2018/19, we plan to start with the implementation of an Infrastructure Refresh Program encompassing the following – network refresh, software upgrade, server refresh; desktop/laptop/multi-function devices refresh and e-Service Data Centre Migration. These will be multi-year projects to be completed over the MTEF period. We will also develop and test new Disaster Recovery Plans and establish a new disaster recovery site to build further redundancies and ensure business continuity
- Continue to maintain and strengthen our enterprise-wide information security program to protect our information and communication assets. We will:
  - Conduct monthly security assessments and establish our maturity in line with industry standards/ Government standards/protocols
  - Enhance the SARS Cyber Analytics function (team) to monitor, track, mitigate, report fraud related, and suspicious activities on SARS ICT systems by March 2019
  - Enhance the SARS Security Operations Center function to monitor, track, mitigate and report on information security related suspicious activities
  - Continue to conduct and promote security awareness and training interventions to raise awareness of employees.

### **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 2018/19 will be to finalise the implementation of the Mineral and Petroleum Resources Royalty, by March 2019
- Continue to roll out the new corporate real estate strategy to deliver a fit for purpose real estate and reduce running costs by 5%
- Continue to drive cost efficiencies by reviewing high value procurement contracts and negotiating pricing to maximise value for SARS. In 2018/19 we will review the top 200 contracts with a view to reduce costs by an average 10%
- Conclude 140 building condition assessments by 31 March 2019 and maintain all SARS buildings to ensure compliance with Health and Safety regulations
- Utilise SARS spend to achieve the following procurement spend targets: 60% spend through B-BBEE level 1–4 Entities and 5% spend through Black Women Owned-Entities
- Increase contract expenditure to 95% of our total procurement spending
- Improve procurement governance by piloting an open tender adjudication process for one transaction above R100m during 2018/19
- Maintain a variance of 5% between budgeted and actual project spend to curb non-spending on projects
- Manage operational and project expenditure within the approved budget. We will ensure that at least 95% of the project budget allocation is spent by 31 March 2019.

## **Deliver high quality people related strategies and products to ensure the achievement of the SARS mandate**

### **SARS will:**

- Reduce the recruitment turnaround time to below an average of 3 months by the end of September 2018
- Reduce funded vacancies by 50% at the end of September 2018
- Develop a SARS Integrated Talent Management Strategy by the end of June 2018
- Implement the SARS Safety, Health and Wellness framework at major ports of entry by the end of March 2019
- Implement a SAP Customer Relationship Management (CRM) System to improve efficiency of human resource processes by end of 3rd Quarter of 2018/19
- Develop and implement a SARS Retention Strategy for key roles by the end of December 2018.

## **Improve organisational governance frameworks and processes**

### **SARS will:**

- Continue with the implementation of a SARS-wide governance framework to enhance and support organisational decision-making and ensure adherence to good governance principles. Specific activities during 2018/19 will include:
  - Embedding the SARS Governance Framework
  - Implementing the Ethics and Integrity Promotion plan by the end of March 2019. We will facilitate workshops across the organisation as part of our implementation plan and awareness drive
  - Embedding the SARS Quality Management Framework through prioritised engagements with key business areas by the end of March 2019. The SARS Quality Management Framework outlines key strategies required to fully embed quality management principles within day-to-day business operations to ensure better and consistent business performance across the organisation
  - Embedding the Enterprise Risk Management Framework, which seek to address risks at the strategic, operational and transactional levels. We will monitor maintenance of up-to-date risk registers; functioning of enterprise wide and divisional risk committees; facilitate risk management workshops and promote risk management awareness throughout the organisation
  - Developing the SARS Research Governance Framework.

## **Increase use of the latest data analytics tools to support data-driven decision-making and improve administration**

### **SARS will:**

- Expand our data analytics work to other aspects of our business to create a better understanding of taxpayer compliance and behaviours, understand complex business transactions and structures
- Enhance data analytics to enable better decision-making
- Investigate the use of Artificial Intelligence (AI) to complement our future technology platform.

## **Improve communication activities to keep SARS employees, taxpayers and the general public well informed and engaged**

### **SARS will:**

- Carry out a communication effectiveness survey amongst employees by September 2018, to determine the effectiveness of its communication efforts to employees
- Carry out research on taxpayers, by September 2018 to measure the effectiveness of its communication efforts to taxpayers
- Optimise the use of SARS social media presence by providing relevant and educational information in the form of educational, advertising, compliance, tax season campaigns, employers reconciliation, and Revenue Collection reminders to taxpayers and public, throughout the 2018/19 financial year

- Develop and publish an annual external SARS calendar by March 2019, noting important dates for taxpayers and the general public
- Review and update our media and communication policies by end of March 2019.

## **Conduct internal and external research to improve organisational decision-making and insights**

### **SARS will:**

- Publish an updated SARS Taxpayer Compliance Programme by December 2018
- Establish national, regional and international networks and public engagements involving the Public and Private Sector and Academia
- Complete an Environmental Scan to support strategy development and business planning by June 2018
- Execute the United Nations (UN) Legacy Project to support enhancement of trade and tax statistics by December 2018
- Implement International Standard Industrial Classification (ISIC) project.

## **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:**

- Launch the Large Business Forum during the fourth quarter of the fiscal year 2018/19 to improve cooperation and trust between SARS and Large Businesses taxpayers and to facilitate a move towards self-regulation of their tax affairs. We believe that this will reduce compliance costs and result in increased certainty for Large Businesses
- Conduct an annual key domestic stakeholders (Private and Public sector) opinion survey to assess their level of satisfaction with SARS, and publish the report by the end of March 2019
- Establish a Single Point of Entry to coordinate all engagement with stakeholders across the organisation, to be rolled-out by the end of December 2018. The aim is to provide a structured engagement process with stakeholders with dedicated personnel or liaisons
- Host a public sector summit, during the last quarter of 2018/19, to initiate dialogue between SARS and our public sector partners to determine ways to strengthen collaborations
- Launch the SARS Social Responsibility Programme by 1 September 2018
- SARS will host the BRICS Countries' Tax and Customs meetings in April and June 2018
- Publish the results of successful prosecutions to create awareness and send a message to compliant taxpayers that we are fair in application of the law.

### **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, to manage conflict of interests
- Maintain an unqualified audit report from the Auditor General
- Continue to build relationships with new and existing stakeholders to strengthen our capability to investigate, prosecute and prevent fraud and corruption as well as to recover funds lost due to fraud and corruption

- Increase detection and reporting of SARS fraud and corruption through awareness campaigns and enhancement of the current reporting channels
- Conduct an annual Public Opinion Survey to assess the level of satisfaction with SARS' services and the public's willingness to comply with their tax obligations. SARS will improve the public opinion score as measured by the Public Opinion Survey to 72% for 2018/19.



# 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 2018/19 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 meaningful strategic outcome measures that we can use as a tool to measure and report our performance.

## 2018/19 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 2018/19	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 2017/18	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	25.76***	20.00	20.00	20.00	20.00	20.00
	% of goods targeted for the purpose of reducing non-compliance*	3.39***	4.00	4.00	4.00	4.00	4.00
	% Audit coverage of Excise clients (cumulative)**	41.00****	40.00	7.00	17.00	27.00	40.00
	Interfront Governance -Unqualified report by Auditor-General	Clean Audit Report****	Clean Audit Report	Annual target			

\*Measure slightly changed from “% of goods targeted for the purpose of detecting under-declaration” to the the title above

\*\*Measure changed from “% compliance to Excise Framework” and definition has been amended. Baseline has been recalculated in line with new definition

\*\*\*Baselines are 2017/18 Quarter 2 actual performance

\*\*\*\* Baselines are 2016/17 actual performance

**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 pay what is due.

Strategic Outcome	Measures	Baseline	Annual Targets 2018/19	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 2017/18	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 to Revenue Ratio*	6.94***	6.40	6.80	6.60	6.50	6.40
	Debtor Days**	25.00***	23.00	25.00	24.00	24.00	23.00
	% PIT filing compliance	91.14***	92.50	Annual target			
	% PIT payment compliance	38.65****	49.00	Annual target			
	% CIT filing compliance	40.97***	46.00	Annual target			
	% CIT payment compliance	67.90***	70.60	Annual target			
	% VAT filing compliance	52.54****	58.50	55.0	56.00	57.00	58.50
	% VAT payment compliance	89.12****	88.40	85.00	86.00	87.00	88.40
	% PAYE filing compliance	60.02****	63.00	63.00	63.00	63.00	63.00
	% PAYE payment compliance	88.07****	86.20	85.00	85.50	86.00	86.20
	% Audit coverage of registered taxpayers (PIT, CIT, VAT, PAYE & Trusts)	18.26***	12.00	Annual target			

\*Title changed from "Debt book as a Percentage of revenue" to the the title above

\*\*New measure

\*\*\*Baselines are 2016/17 actual performance

\*\*\*\*Baselines are 2017/18 Quarter 2 actual performance

**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 2018/19	Quarterly targets			
				Quarter 1	Quarter 2	Quarter 3	Quarter 4
INCREASED EASE AND FAIRNESS OF DOING BUSINESS WITH SARS	% System Uptime for e-channels	99.95**	99.00	99.00	99.00	99.00	99.00
	% Uptake of PIT e-Filing channel	49.32**	52.50	Annual target			
	Average processing turnaround time for PIT returns (working days)	0.08 days**	Less than 1 day	Annual target			
	Average processing turnaround time for CIT returns (working days)	0.34 days**	Less than 1 day	Annual target			
	Average processing turnaround time for VAT refunds (working days)	22.01**	21.00	21.00	21.00	21.00	21.00
	% first contact resolution in Contact Centre*	96.00**	96.00	96.00	96.00	96.00	96.00
	Customer satisfaction with Contact Centre Service*	90.00**	90.00	90.00	90.00	90.00	90.00

\*New measure

\*\*Baselines are 2017/18 Quarter 2 actual performance

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

Strategic Outcome	Measures	Baseline	Annual Targets 2018/19	Quarterly targets			
				Quarter 1	Quarter 2	Quarter 3	Quarter 4
INCREASED COST EFFECTIVENESS AND INTERNAL EFFICIENCIES	Cost to Revenue Ratio*	0.93**	0.92	Annual Target			

\*Title of measure changed from "Treasury allocation to revenue percentage" to the above title

\*\* Baseline is 2016/17 actual performance

**Increased Public Trust and Credibility:** SARS seeks to maximise its employee engagement, stakeholder management and good governance, while minimising the incidence of corruption and fraud within and against the organisation.

Strategic Outcome	Measures	Baseline	Annual Targets 2018/19	Quarterly targets			
				Quarter 1	Quarter 2	Quarter 3	Quarter 4
INCREASED PUBLIC TRUST AND CREDIBILITY	Employee Engagement (%)	67.50**	-	Annual Target			
	Leadership Effectiveness Index (%)	88.46***	88.00	Annual Target			
	Employment Equity: Demographics (%)	74.84***	78.30	Annual Target			
	Employment Equity: Gender on management level (%)	48.70***	49.00	Annual Target			
	Employment Equity: Disability (%)	1.51***	2.90	Annual Target			
	Public opinion index (%)	72.00***	72.00	Annual Target			
	% of acquisition spend through B-BBEE Level 1-4 Compliant Entities*	72.92****	60.00	Annual Target			
	% of acquisition spend through Black Women Owned Entities*	8.65****	5.00	Annual Target			
	Unqualified report by Auditor-General	Clean Audit Report***	Clean Audit Report	Annual Target			

\*New measure

\*\* Baseline is 2015/16 actual performance

\*\*\* Baselines are 2016/17 actual performance

\*\*\*\* Baselines are 2017/18 Quarter 2 actual performance. 2018/19 targets are lower than baselines due to B-BBEE re-classifications

# 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 b. Any irregular expenditure and fruitless and wasteful expenditure that occurred during the financial year	Consolidated losses attributable to criminal conduct relating to own accounts.  Consolidated irregular expenditure and fruitless and wasteful expenditure.	100% of the monetary value of identified criminal cases during the financial year  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 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 economic environment, performance trends and organisational constraints.

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

- % of goods targeted for the purpose of reducing non-compliance
- % PIT Filing compliance
- % PIT payment compliance
- % CIT filing compliance
- % CIT payment compliance
- % VAT filing compliance
- % VAT payment compliance
- % PAYE filing compliance
- % PAYE payment compliance
- Employment Equity: Demographics (%)
- Employment Equity: Gender on management level (%)
- Employment Equity: Disability (%)
- Public Opinion Index (%)

We have also amended the titles of the following measures:

- Debt book as a % of Revenue to **“debt to Revenue ratio”**
- % Compliance to Excise Framework to **“% audit coverage of Excise clients”**
- Treasury allocation to revenue percentage to **“cost to Revenue Ratio”**
- % of goods targeted for the purpose of detecting under-declarations to **“% of goods targeted for the purpose of reducing non-compliance”**

The following new measures have been added:

- Days in Receivables (Debtor days)
- % first contact resolution in Contact Centre
- Customer satisfaction with Contact Centre service
- % of acquisition spend through B-BBEE Level 1-4 compliant entities
- % of acquisition spend through Black women owned entities

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

Strategic Outcome	Measures	Baseline	Targets				
			2018/19	2019/20	2020/21	2021/22	2022/23
INCREASED CUSTOMS AND EXCISE COMPLIANCE	Customs & Excise revenue collected (R billion)	Actual Collections for 2017/18	As agreed with Minister of Finance				
	% of trade attributable to Preferred Traders	25.76*	20.00	15.00	15.00	15.00	15.00
	% of Goods targeted for the purpose of reducing non-compliance	3.39*	4.00	4.00	4.00	4.00	4.00
	% Audit coverage of Excise clients (cumulative)	41.00**	40.00	40.00	40.00	40.00	40.00
	Interfront Governance -Unqualified report by Auditor-General	Clean Audit report**	Clean Audit Report				

\*Baselines are 2017/18 Quarter 2 actual performance

\*\*Baselines are 2016/17 actual performance

Strategic Outcome	Measures	Baseline	Targets				
			2018/19	2019/20	2020/21	2021/22	2022/23
INCREASED TAX COMPLIANCE	Total revenue (excluding Customs) collected (R billion)	Actual Collections for 2017/18	As agreed with Minister of Finance				
	Debt to revenue ratio*	6.94***	6.40	6.00	6.00	6.00	6.00
	Debtor days**	25.00	23.00	22.00	22.00	22.00	22.00
	% PIT filing compliance	91.14***	92.50	92.50	93.00	93.00	93.50
	% PIT payment compliance	38.65	49.00	50.10	53.00	53.00	53.50
	% CIT filing compliance	40.97***	46.00	48.50	51.00	53.50	56.00
	% CIT payment compliance	67.90***	70.60	72.00	73.40	74.90	76.40
	% VAT filing compliance	52.54	58.50	61.00	63.50	66.00	68.50
	% VAT payment compliance	89.12	88.40	90.90	93.40	95.90	98.40
	% PAYE filing compliance	60.02	63.00	65.50	68.00	68.00	68.50
	% PAYE payment compliance	88.07	86.20	86.70	87.50	89.50	91.50
	% Audit coverage of registered taxpayers (PIT, CIT, VAT, PAYE & Trusts)	18.26***	12.00	12.00	12.00	12.00	12.00

Baselines are 2017/18 Quarter 2 actual performance, unless stated otherwise

\*Title of the measure has been changed

\*\*New measure

\*\*\*Baseline is the 2016/17 actual performance

Strategic Outcome	Measures	Baseline	Targets				
			2018/19	2019/20	2020/21	2021/22	2022/23
INCREASED EASE AND FAIRNESS OF DOING BUSINESS WITH SARS	% System Uptime for e-channels	99.95	99.00	99.00	99.00	99.00	99.00
	% Uptake of PIT e-filing channel	49.32	52.50	52.50	53.00	53.00	53.50
	Average processing turn-around time for PIT returns (working days)	0.08	Less than 1				
	Average processing turn-around time for CIT returns (working days)	0.34	Less than 1				
	Average processing turn-around time for VAT refunds (working days)	22.01	21.00	21.00	21.00	21.00	21.00
	% first contact resolution in contact centre*	96.00	96.00	96.00	96.50	96.50	97.00
	Customer satisfaction with Contact Centre service*	90.00	90.00	90.00	90.50	90.50	91.00

Baselines are 2017/18 Quarter 2 actual performances

\*New measure

Strategic Outcome	Measure	Baseline	Targets				
			2018/19	2019/20	2020/21	2021/22	2022/23
INCREASED COST EFFECTIVENESS AND INTERNAL EFFICIENCIES	Cost to Revenue ratio*	0.93	0.92	0.91	0.90		

Baseline is the 2016/17 actual performance

\*Title of the measure has been changed

Strategic Outcome	Measures	Baseline	Targets				
			2018/19	2019/20	2020/21	2021/22	2022/23
INCREASED PUBLIC TRUST AND CREDIBILITY	Employee Engagement (%)	67.50**	-	67.00	-	68.00	-
	Leadership Effectiveness Index (%)	88.46***	88.00	88.00	88.00	88.00	88.00
	Employment Equity: Demographics (%)	74.84***	78.30	78.90	80.00	80.50	81.00
	Employment Equity: Gender on management level (%)	48.70***	49.00	49.50	50.00	50.50	51.00
	Employment Equity: Disability (%)	1.51***	2.90	3.50	4.00	4.50	5.00
	Public Opinion Index (%)	72.00***	72.00	72.50	73.00	73.50	74.00
	% Acquisition spend through B-BBEE Level1-4 compliant entities*	72.92****	60.00	65.00	70.00	72.50	75.00
	% Acquisition spend through black women owned entities*	8.65****	5.00	7.00	10.00	12.50	15.00
	Unqualified report by Auditor-General	Clean Audit report***	Clean Audit report				

\*New measures

\*\* Baseline is the 2015/16 actual performance

\*\*\*Baselines are the 2016/17 actual performance

\*\*\*\*Baselines are the 2017/18 Quarter 2 actual performance



