



South African Revenue Service

RFP 0031-2019 QUESTIONS & ANSWERS

DATE 19 AUGUST 2020

<h3>RFP 0031-2019: QUESTIONS & ANSWERS</h3>

	QUESTIONS	ANSWERS
1.	Is there an existing solution that SARS uses in-house? If yes, then could you share the details of what any such existing solution[s] entail and can they be leveraged?	SARS currently uses an external database and not an in-house solution.
2.	What is the expected number of users who would be using this solution?	There are in total +/- 25 potential users
3.	Are you looking for an on-premises or a cloud based solution?	Both on-premises and cloud based
4.	Apart from the standard database providers (such as BvD, S&P, etc.), is there an expectation for the solution to support custom or user created	There is not an expectation for the solution to support custom or user created databases.

	databases?	
5.	After Go-live, is it expected for SARS to own the solution?	There is no requirement for SARS to own the solution.
6.	Will SARS maintain and support the solution going forward or require bidders to assist with this?	Bidders will be required to assist with this.
7.	What are the legislative requirements and other regulations that the solution should adhere to?	From a tax perspective and transfer pricing perspective – Section 31 of the SA Income Tax Act, Practice Note 7 to the SA Income Tax Act and the OECD Transfer Pricing Guidelines
8.	Does SARS already have subscriptions to the major data providers for the benchmarking data required or will the bidder be required to source these?	SARS currently has subscriptions with certain of the database providers, which SARS is looking at renewing as part of the new bidding process. One of the key requirements is that SARS directly enter into new license agreements with the successful bidder and not through an indirect arrangement.
9.	Is the solution required to be within SARS' infrastructure or can it be in the bidder selected environment with SARS accessing it remotely?	The solution can be accessed remotely.
10.	How often will SARS be using the system for the benchmarking exercise [e.g. on a per annum basis, how many benchmarks would SARS expect to be performed?]	SARS cannot put a number to this as we frequently have to conduct benchmarking studies and do not want to restrict ourselves to a particular number.
11.	Are these information security requirements meant to be demonstrated for the whole solution provider or only for the solution?	As a minimum for the solution itself.
12.	Please provide expected timeline for deployment of solution?	As soon as possible after the successful bidder has been announced.
13.	We understand that the solution provider needs to take full responsibility over the solution. However, does this mean the solution provider cannot sub-contract some of the solution development aspects to another party, even if they (solution provider) are managing that sub-contracting, and not SARS?	Correct, We do not want to enter into any indirect or subcontracting arrangement. SARS wants to enter into direct license agreements with the successful bidder.
14.	<p>In terms of the benchmarking analyses expectations – does the solution include the performance of the analysis / benchmarking studies by the RFP provider: Please can you more clearly define what SARS versus the solution role would be for example:</p> <ul style="list-style-type: none"> ➤ <input type="checkbox"/> Solution wherein SARS can put input queries based on geography, independence, codes, keywords and quantitative screens [will SARS input or as part of solution?] ➤ <input type="checkbox"/> Qualitative information about 	<p>SARS will be responsible for all the required inputs and benchmarking study in general. The purpose of the solution is to source the data required in conducting the benchmarking study.</p> <p>SARS will input.</p> <p>All qualitative information available on public</p>

	<p>comparable companies [SARS – or solution?]</p> <ul style="list-style-type: none"> ➤ <input type="checkbox"/> Ability for solution to capture accept/reject criteria – who will perform that function – [SARS or solution?] ➤ <input type="checkbox"/> Financial information [will SARS input or as part of solution?] ➤ <input type="checkbox"/> Ability to select the most appropriate method – [will SARS input or as part of solution?] ➤ <input type="checkbox"/> Determining credit ratings – who will perform that function – SARS or the solution? For example we understand this will also needs to take into consideration qualitative aspects and adjustments [i.e. technical expertise] ➤ <input type="checkbox"/> Using credit ratings to identify loan transactions – who will perform that function – SARS or the solution? This also needs to take into consideration qualitative aspects and adjustments. ➤ <input type="checkbox"/> We understand the solution should have the ability to perform and document a method selection analysis. How does SARS envisage the solution to be able to perform a profit split analysis if selected as the most appropriate method [who will perform the technical analysis – SARS or the solution?] ➤ <input type="checkbox"/> How does SARS envisage performing website searches in order to determine whether companies selected are comparable? Does SARS 	<p>platforms for each potential comparable company should be available in the database. For example upon SARS finalising its initial search strategy and inputs, the automated search results generated should contain all the available qualitative information available on each company to enable SARS to perform its secondary or manual review of the data.</p> <p>Solution should have a functionality whereby SARS can accept or reject companies based on its manual review process of the data (for example SARS should be able to select in the database whether it wants to accept or reject a particular company.</p> <p>As with the quantitative information for each potential comparable company, the database should contain all the relevant financial information and it should assist SARS in calculating the final benchmark ranges and assist SARS in applying the relevant statistical tools and adjustments when required in determining the arm's length range.</p> <p>SARS would typically select the most appropriate method and therefore it is not a requirement that the solution or database has this capability.</p> <p>The solution needs to determine the appropriate credit rating, based on SARS inputs required in determining such credit rating (quantitative and qualitative).</p> <p>After the successful determination of a credit rating by the solution or database, through SARS inputs, the solution should also be capable of selecting potential comparable arrangements or transactions (for example loan arrangements, bonds etc) where similar credit ratings are applicable for SARS review and consideration.</p> <p>SARS will be responsible for all method selection. It is not a requirement that the solution should have this capability. It should however be able to apply any of the selected methods.</p> <p>SARS has always done this through manual intervention in the past, but is open to consider an artificial intelligence based solution to assist with the function.</p>
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	<p>consider that this can be done through Artificial Intelligence, etc or through manual intervention?</p> <ul style="list-style-type: none"> ➤ <input type="checkbox"/> With regards to applying the CUP method, does SARS require that the tool will perform the comparability analysis by comparing the CUP under review against potential CUPs on the database in order to selected comparable CUPs? ➤ <input type="checkbox"/> on a holistic basis, would the solution include the performance of benchmarking studies and deliverable thereof – or rather have a tool to enable SARS to perform in-house or a combination of both. 	<p>As with the above, SARS will be responsible for selecting certain parameters or inputs for example exclusivity, commencement date, type of agreement etc, which the solution should take into consideration in selecting a set of potential comparable agreements, which SARS will then review manually and will indicate on the solution or database which of the remaining agreements it wants to reject or accept, whereafter the solution should again be able to assist SARS in determining an arm's length range and assist SARS in applying the relevant statistical tools and adjustments when required in determining the arm's length range.</p> <p>A combination of both</p>