

SARS OVERVIEW

Presentation to the Select Committee on Finance



South African Revenue Service

SARS mandate...

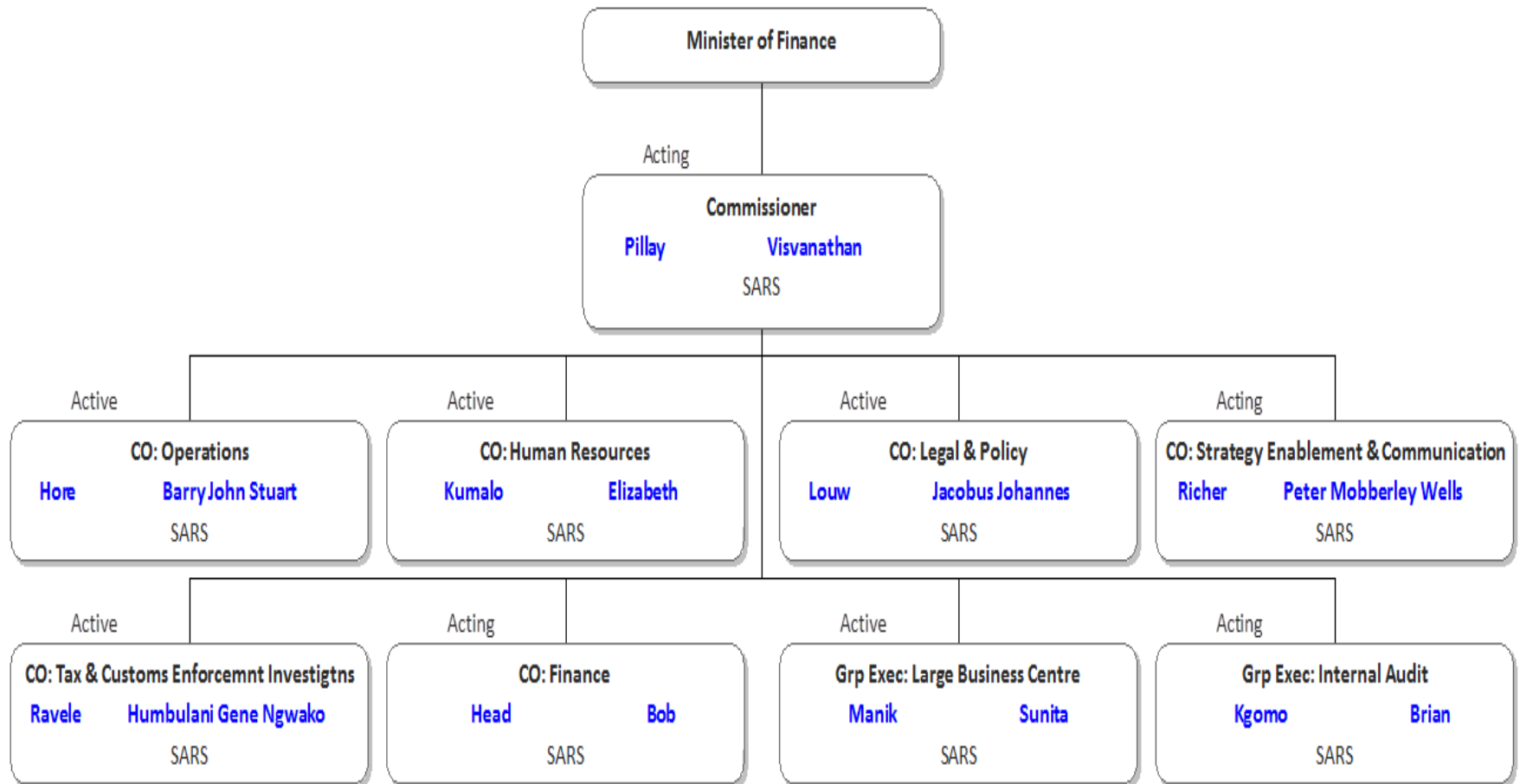
- In terms of the SARS Act (No. 34 of 1997), SARS's mandate is to efficiently and effectively -
 - Collect all revenue
 - Ensure enforcement of the tax and customs legislation
 - Provide a customs service to control the movement of goods into/through South Africa whilst facilitating legitimate trade
- Advise Minister of Finance on matters concerning revenue
- Advise Minister of Trade and Industry on matters concerning the control of goods

Commissioner's responsibilities...

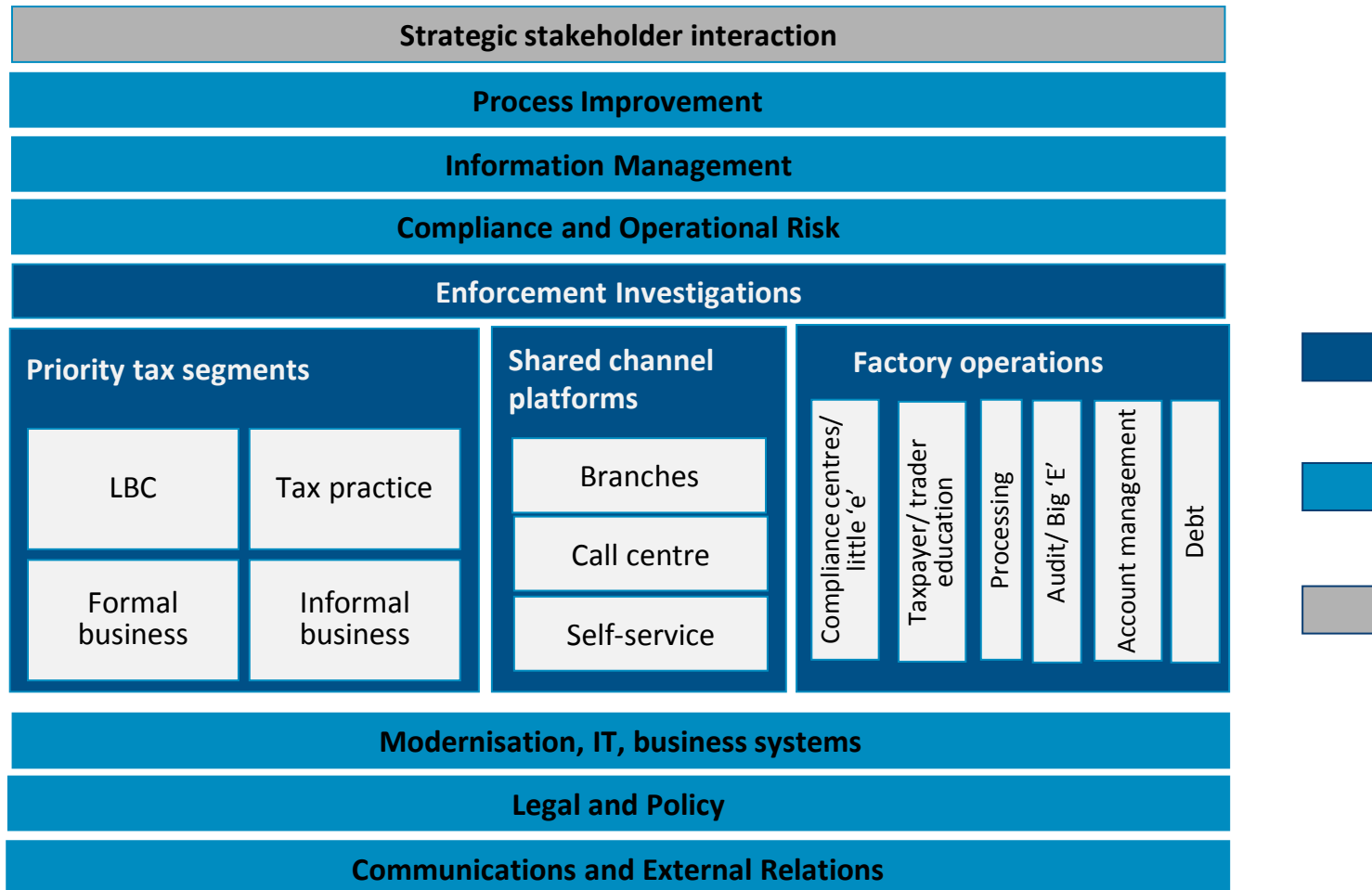
The Commissioner is -

- As Chief Executive Officer, responsible for the management of SARS to ensure the performance of SARS' functions
- As Accounting Authority (Officer), responsible for the proper financial management of SARS, and
- As Commissioner, responsible for the administration of the tax and customs laws

High-level SARS organogram....



SARS current operating model...



SARS governance mechanisms....

- To ensure the proper management and functioning of SARS the following persons/structures/mechanisms play an important oversight role -
 - Minister of Finance
 - PFMA
 - Auditor General's Office
 - Parliament
 - Courts
 - Office of the Tax Ombud
 - Audit Committee
 - Internal Audit
 - Various other laws.

SARS's core values...

- Mutual respect and trust
- Equity and fairness
- Integrity and honesty
- Transparency and openness
- Courtesy and commitment

Laws administered by SARS...

Tax Laws

- The main taxes collected by SARS are –
 - Personal Income Tax (PIT) ----- Income Tax Act, 1962
 - Corporate Income Tax (CIT) ---- Income Tax Act, 1962
 - Value Added Tax (VAT) ----- Value Added Tax, 1991
- In addition to the above there are various other smaller taxes such as –
 - Dividends Tax ----- Income Tax Act, 1962
 - Donations Tax ----- Income Tax Act, 1962

Laws administered by SARS...

Tax Laws (continues)...

- Skills Development Levies --- Skills Development Levies Act, 1999
- Estate Duty ----- Estate Duty Act, 1955
- Securities Transfer Tax --- Securities Transfer Tax Act, 2007
- Transfer Duty ----- Transfer Duty Act, 1933

Laws administered by SARS...

Tax Laws (continues)...

Personal Income Tax (PIT)

- PIT is paid by individuals on their taxable income above the tax threshold
- Bulk of PIT is paid through the Pay As You Earn (PAYE) and provisional tax system
- PAYE is the employees tax deducted monthly by the employer from employment income earned by an employee
- Provisional tax is paid on a six-monthly basis on income not subject to PAYE i.e. business income
- Both PAYE and provisional tax are mechanisms to collect tax in advance/on an ongoing basis during the year to avoid paying a big once-off payment on assessment

Laws administered by SARS...

Tax Laws (continues)...

Company Income Tax (CIT)

- CIT is paid by all legal entities such as companies on their taxable income at a rate of 28%
- Bulk of CIT is paid through the provisional tax system by companies
- Small Business Corporations pay tax at a concessionary progressive rate scale ranging from 0% to 28%

Laws administered by SARS...

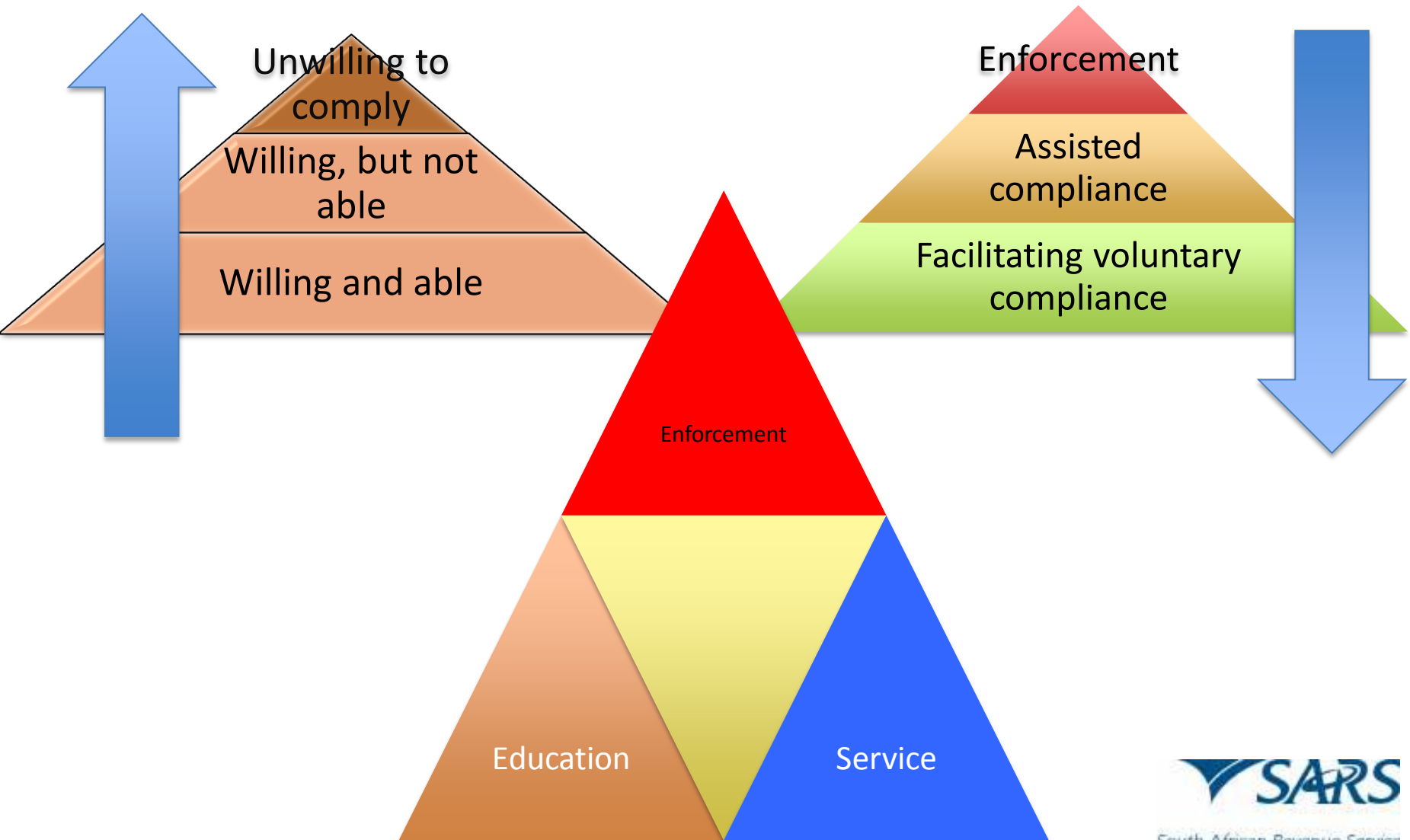
Tax Laws (continues)...

Customs

The main duties and levies collected by SARS in terms of the Customs and Excise Act, 1964 are –

- Customs Duty
- Excise Duty
- Air Passenger Tax
- Fuel Levy
- Air Departure Tax
- Electricity Levy

SARS compliance model...



Tax life-cycle...

1. Education

2. Service

3. Enforcement

Legislation & mandate

Core process

Education

Registration
Licensing
Deregistration

Filing
Declaration
Payment

Dispute
Management

Receivable
Management

Audit &
Investigations

Judicial
Process

Education & Outreach 2013/14

Education campaigns		4
Campaigns to	Employers	2 096
	Employees	2 144
Campaigns through	Co-locations	1 441
	MTU's	647
	Points of service	5 720
Interventions at	Schools	234
	Branches	574
Visited	Institution/organisation	3 516

Footprint:

- Branches 62
- Mobile Tax Unit 9
- Ports of entry 34

Capability to handle **4 channels** (electronic, telephonic, postal and walk-ins)

Pieces of legislation - 22

Total Register – 25 mil (20.3 mil active)

- Individuals (active): 17 mil
- Companies (active): 3 mil
- Trusts (active): 0.3 mil

Number of **filing transactions** – 25 mil

Queries addressed – 10 mil

Tax **entities audited** (compliance audits) – 1.8 mil

Revenue collected – approximately R900 bn.(25% of GDP)

Number of **visitors to branch offices** – 6.38 mil (2012/13)

Operating expenses – 1.07% of revenue collected

Headcount – 14 137 (2013/14)

In-depth audits	19568
Investigations concluded	333
Court cases supported	267

Customs value chain...



Tax practitioners...

- Tax practitioners play an important role as intermediaries to assist taxpayers to comply with their obligations
- Only tax practitioners belonging to a recognised controlling body are allowed to charge taxpayers for advice
- Tax practitioners must register with SARS as tax practitioners
- Tax practitioners are now regulated in terms of the Tax Administration Act, 2011

International agreements...

Tax Agreements

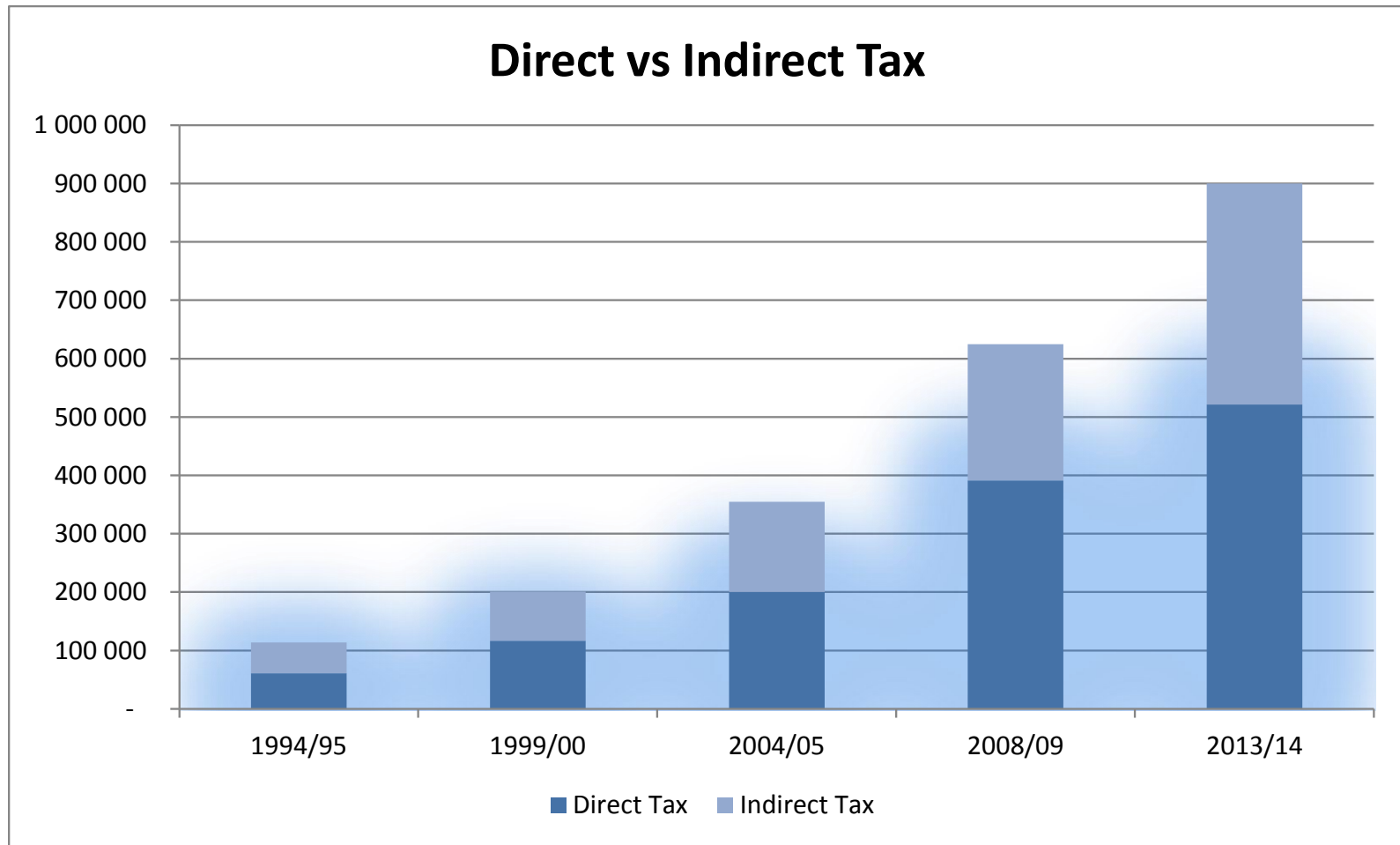
- SARS is involved in the negotiation and finalisation of
 - Agreements for the Avoidance of Double Taxation (DTAs)
 - Tax Information Exchange Agreements (TIEAs)
- 73 DTAs in force – 6 in the process of negotiation, 8 signed but not ratified
- 8 TIEAs in force, 10 TIEAs under negotiation, 5 TIEAs signed but not ratified
- DTAs and TIEAs are section 231(2) of the Constitution agreements and require ratification by both Houses of Parliament

International agreements (continues)...

Customs and VAT Agreements

- SARS is involved in the negotiation and finalisation of Customs & VAT Mutual Assistance Agreements (MAAs)
- There are 15 Customs MAAs in force, 11 under negotiation and 6 signed but not ratified
- There are 2 VAT MAAs signed but awaiting ratification
- These agreements are of a technical nature and classified as section 231(3) of the Constitution agreements
- SARS also assisted with the legal framework of the One-Stop Border Post (OSBP) Agreement between South Africa and Mozambique
- SARS also administers various multi-lateral and bi-lateral Preferential Trade Agreements

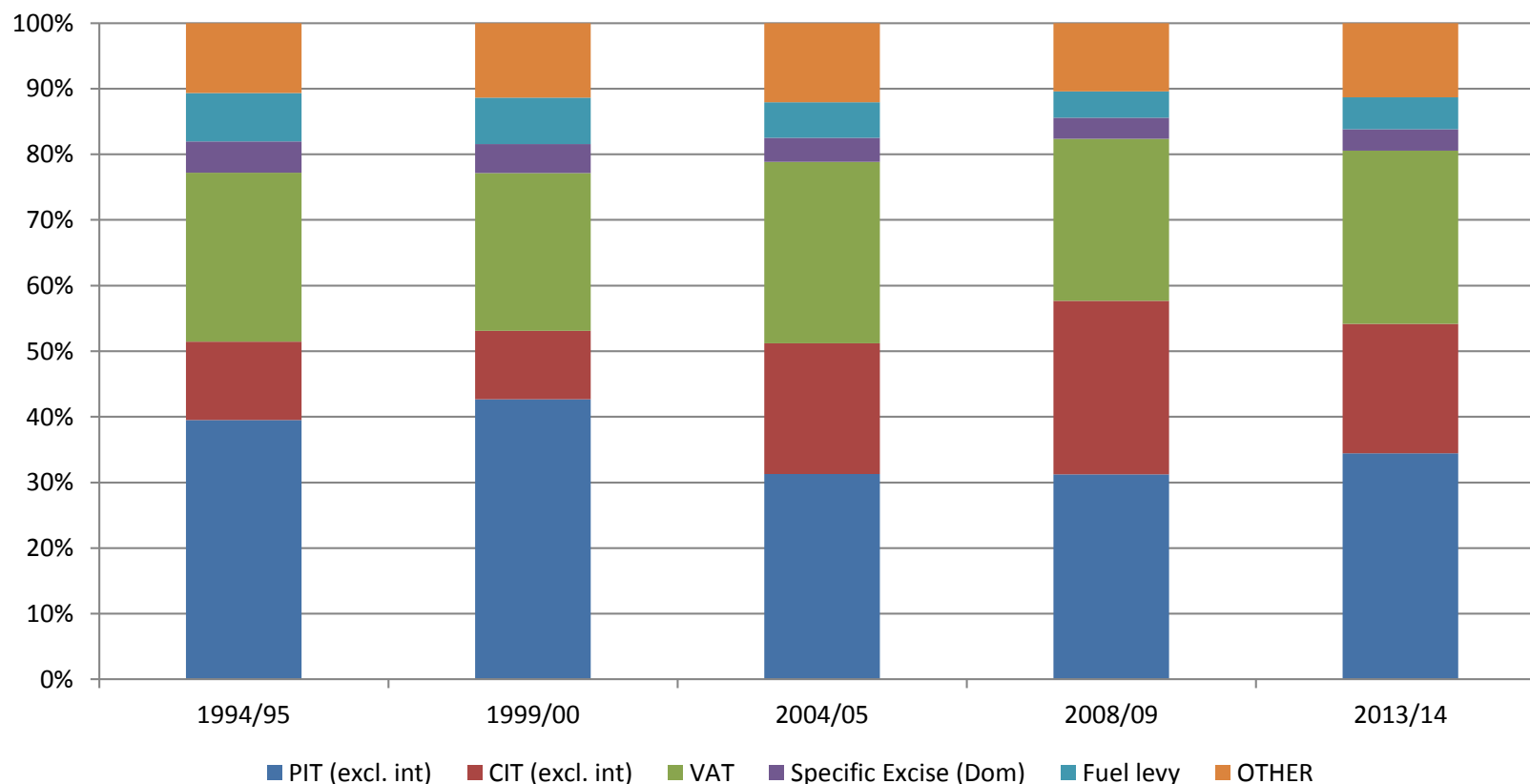
SARS volumetrics...



In 1994/95 direct taxes contributed 53.8% of total tax collections and in 2008/09 it was at a high of 62.7%

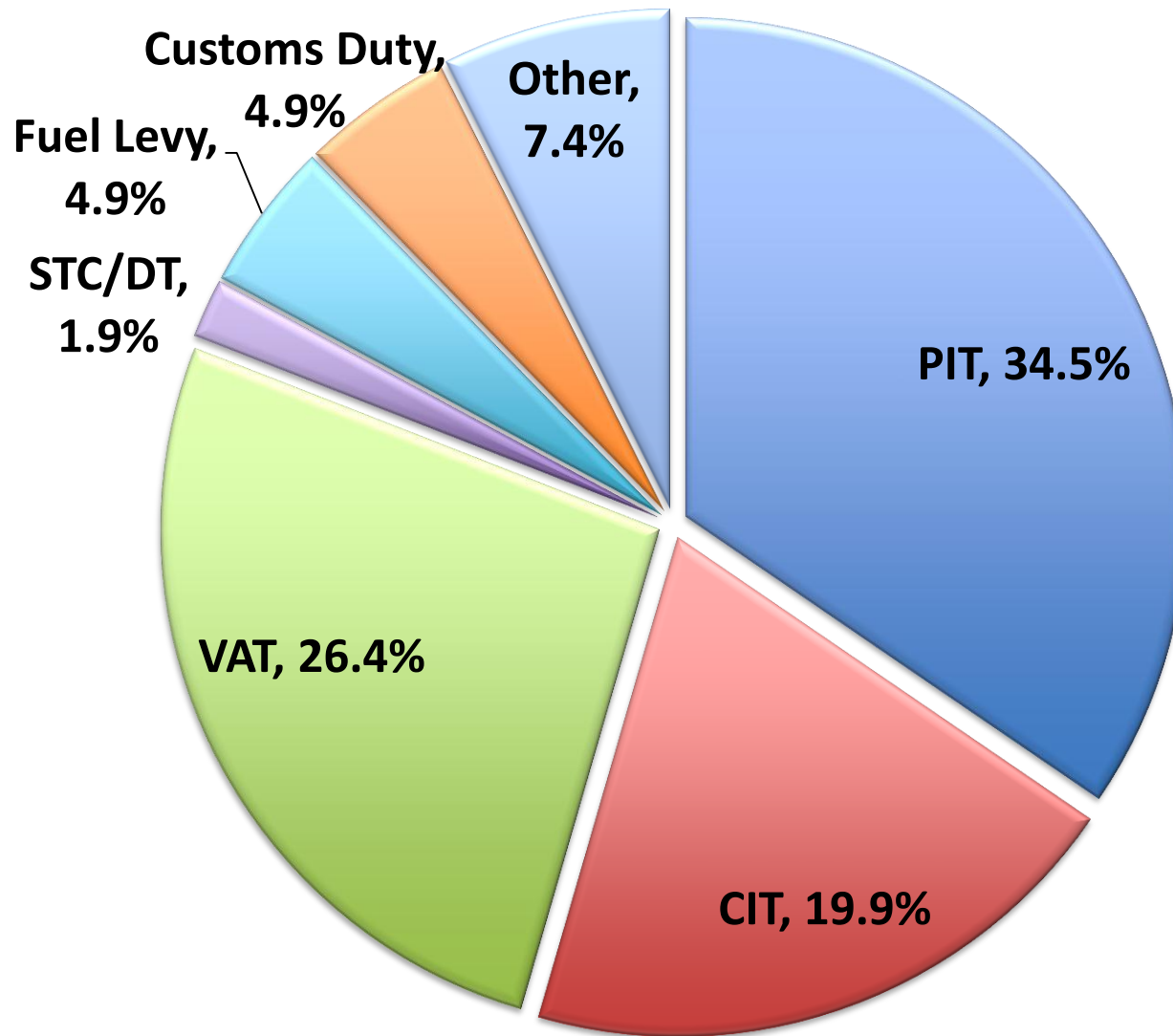
SARS volumetrics (continues)...

Composition of Main Tax types (1994/95 to 2013/14)

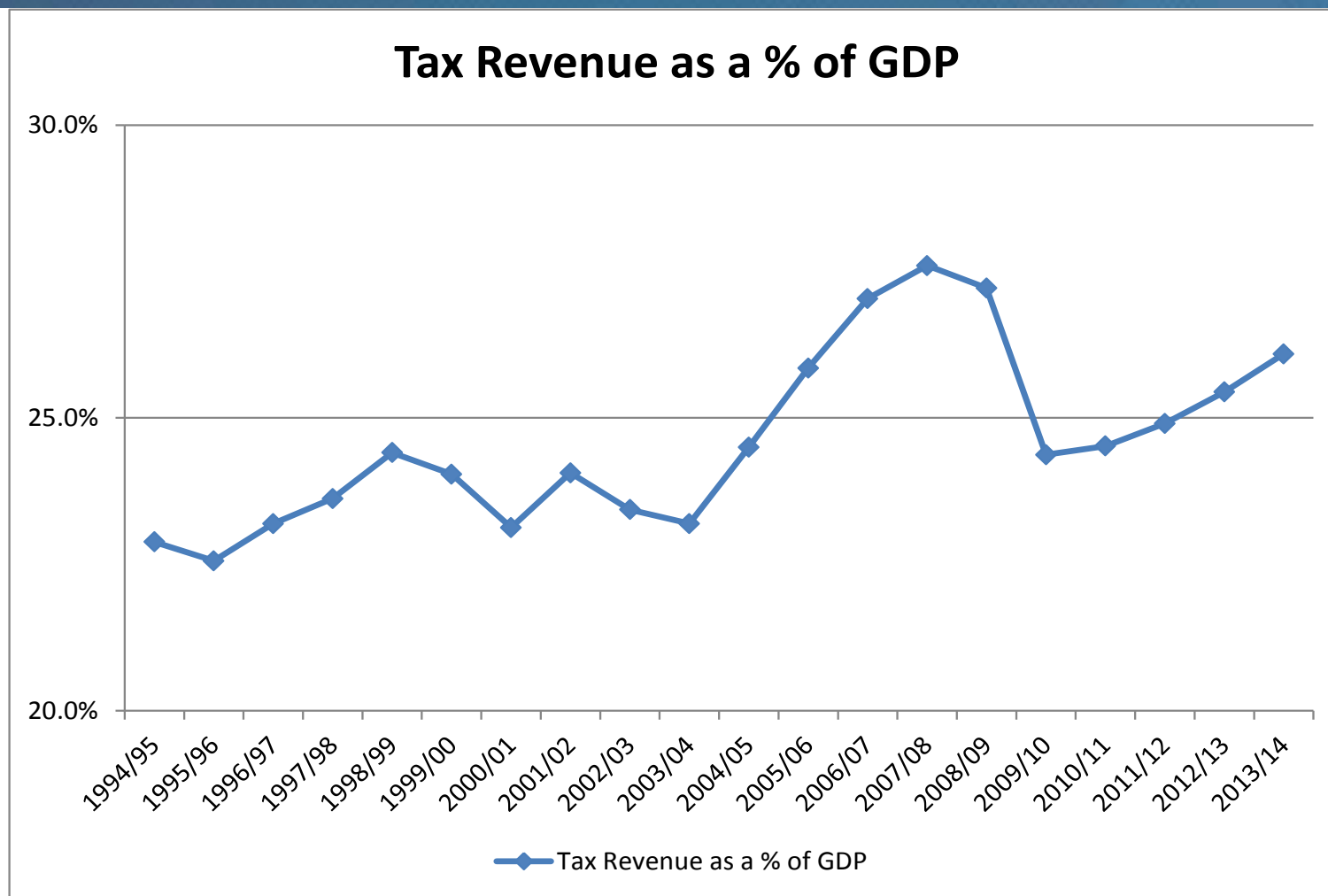


CIT contribution increased from 11.9% in 1994/95 to a high of 26.5% in 2008/09 and subsequent to the recession has only recovered to 19.7%

SARS volumetrics (continues)...

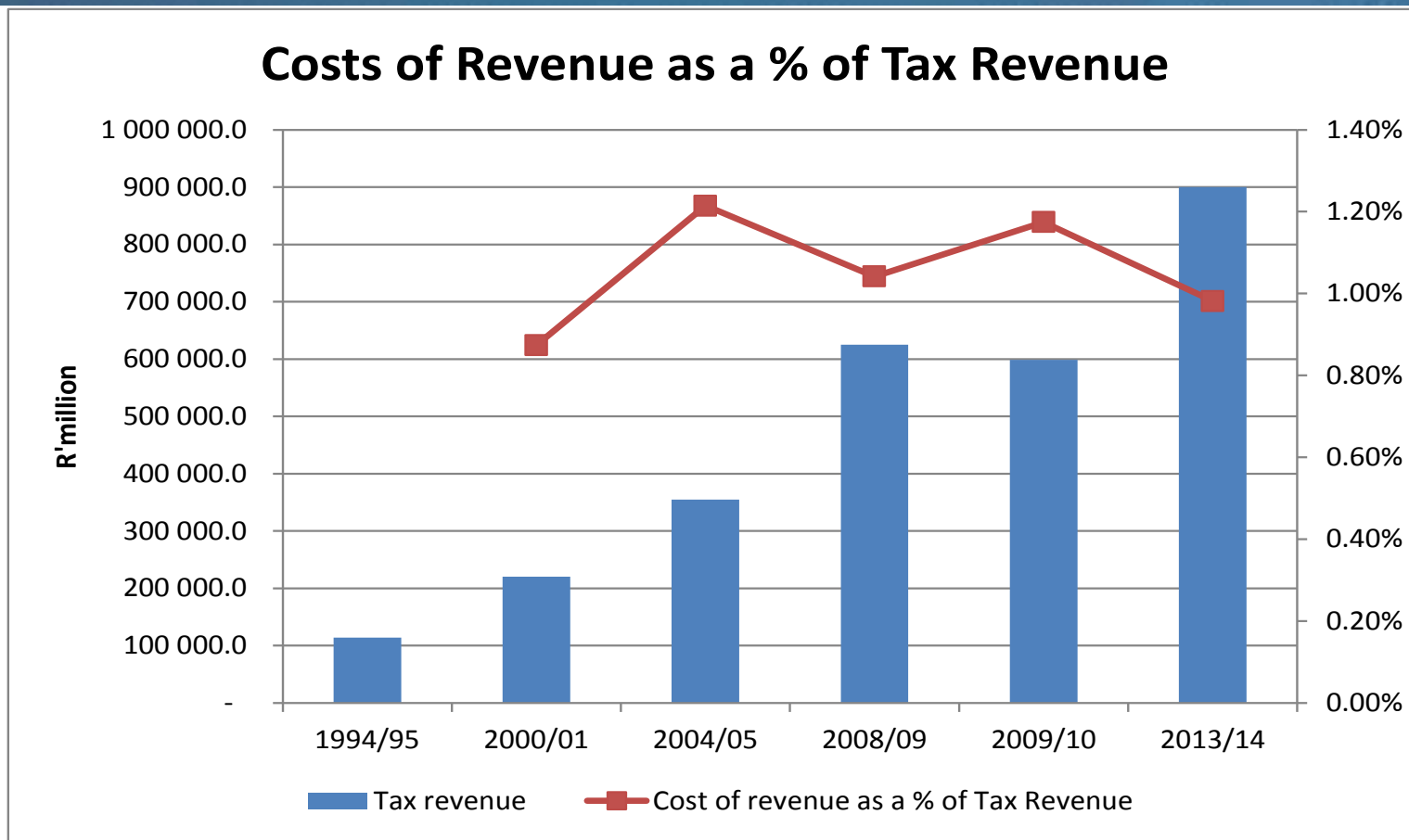


SARS volumetrics (continues)...



Tax revenue as % of GDP was at a high of 27.6% in 2007/08 before the recession. The tax to GDP ratio then dropped to 24.4% but has since then steadily increased to the current 26.1% in 2013/14%

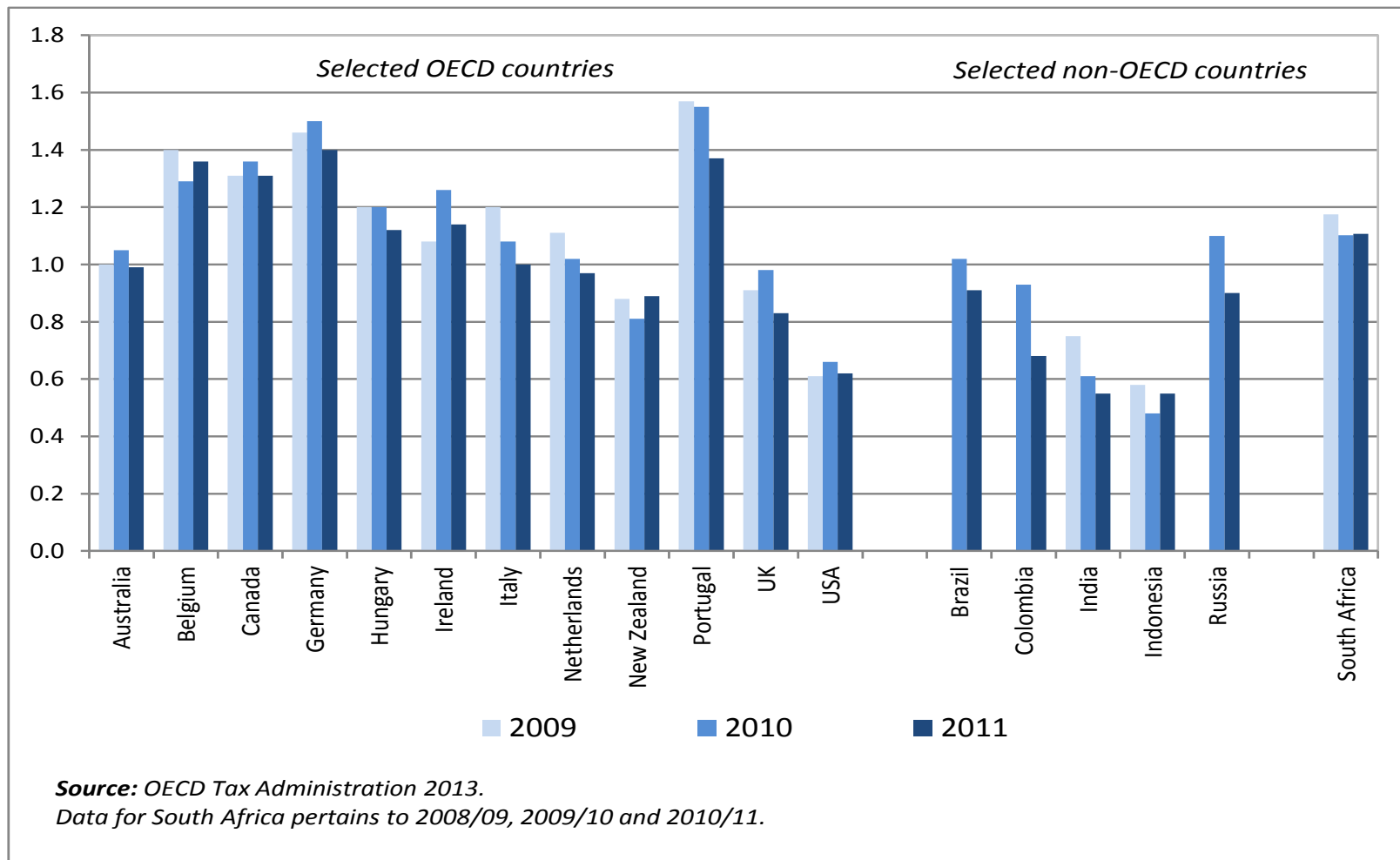
SARS volumetrics (continues)...



SARS was established during the late 1990's and hence the cost of collections is only reflected from 2000/01, the cost has varied from a high of 1.23% in 2005/06 but has subsequently declined to below 1%. International comparisons set out in the next slide.

SARS volumetrics (continues)...

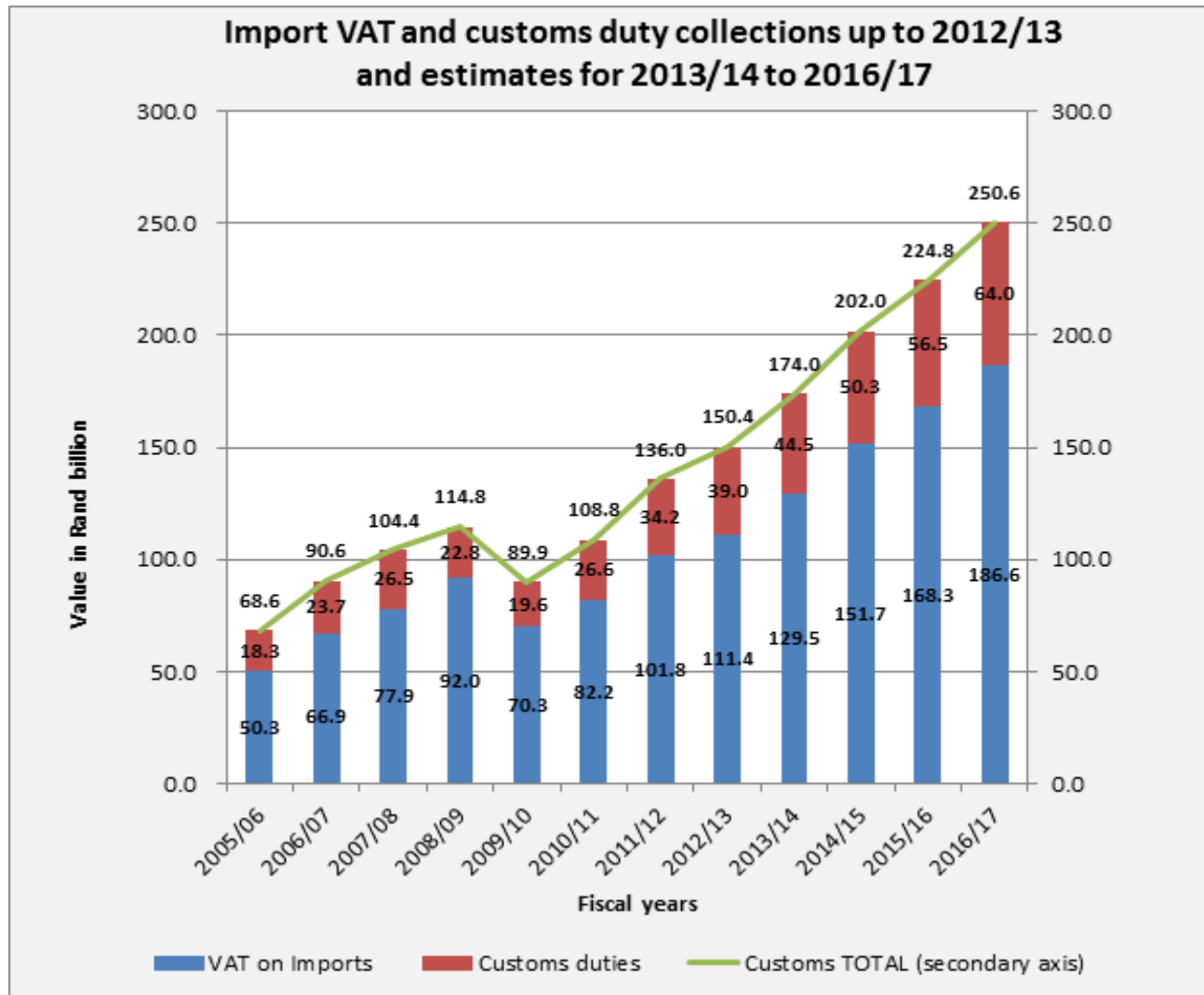
International comparison



International comparison of cost of collections

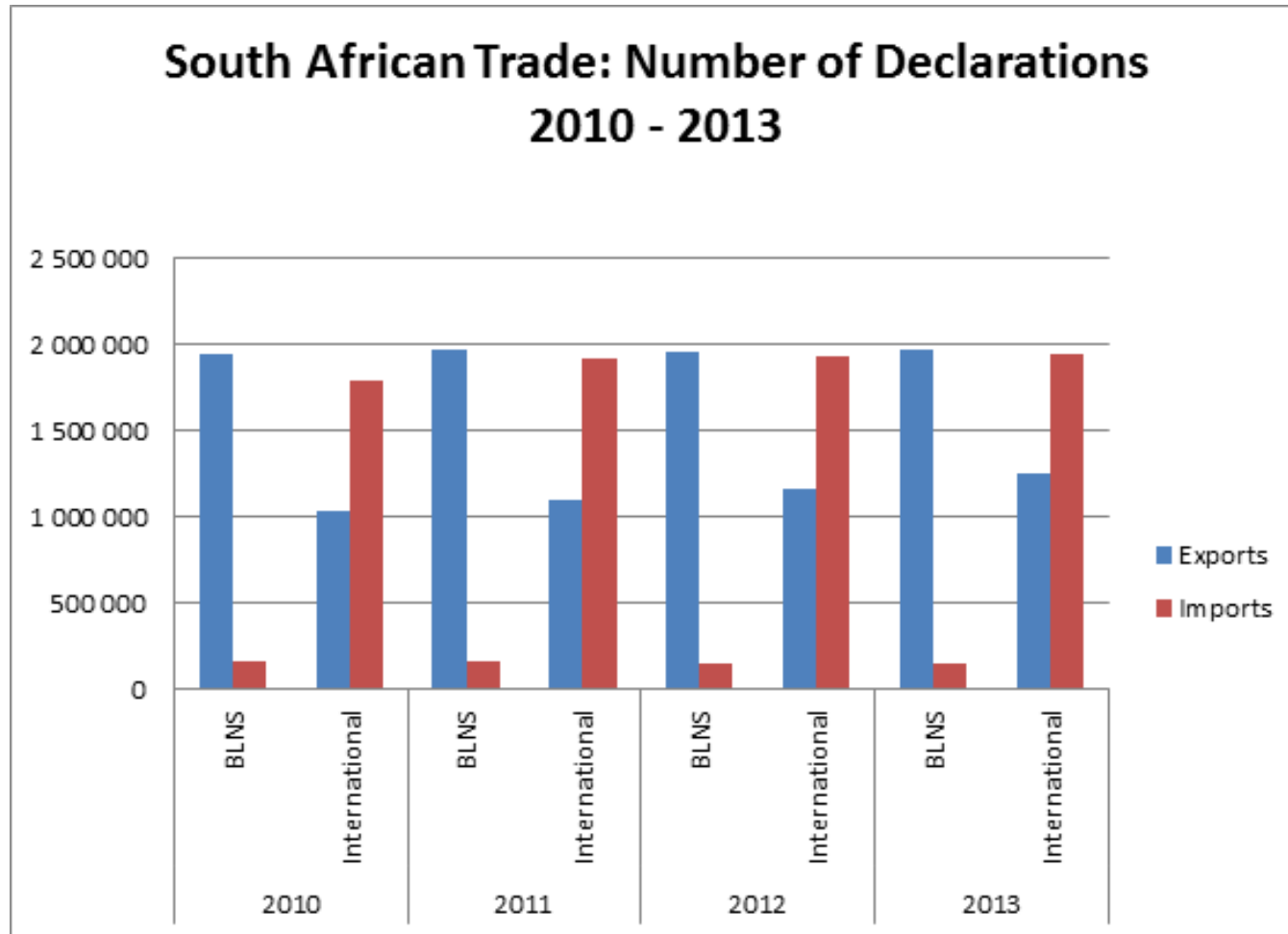
SARS volumetrics (continues)...

Customs...



SARS Volumetrics (continues)...

Customs...



SARS volumetrics (continues)...

Customs...

The total number of arrivals and departures processed by the Department of Home Affairs for the Republic from 2010 to 2013 -

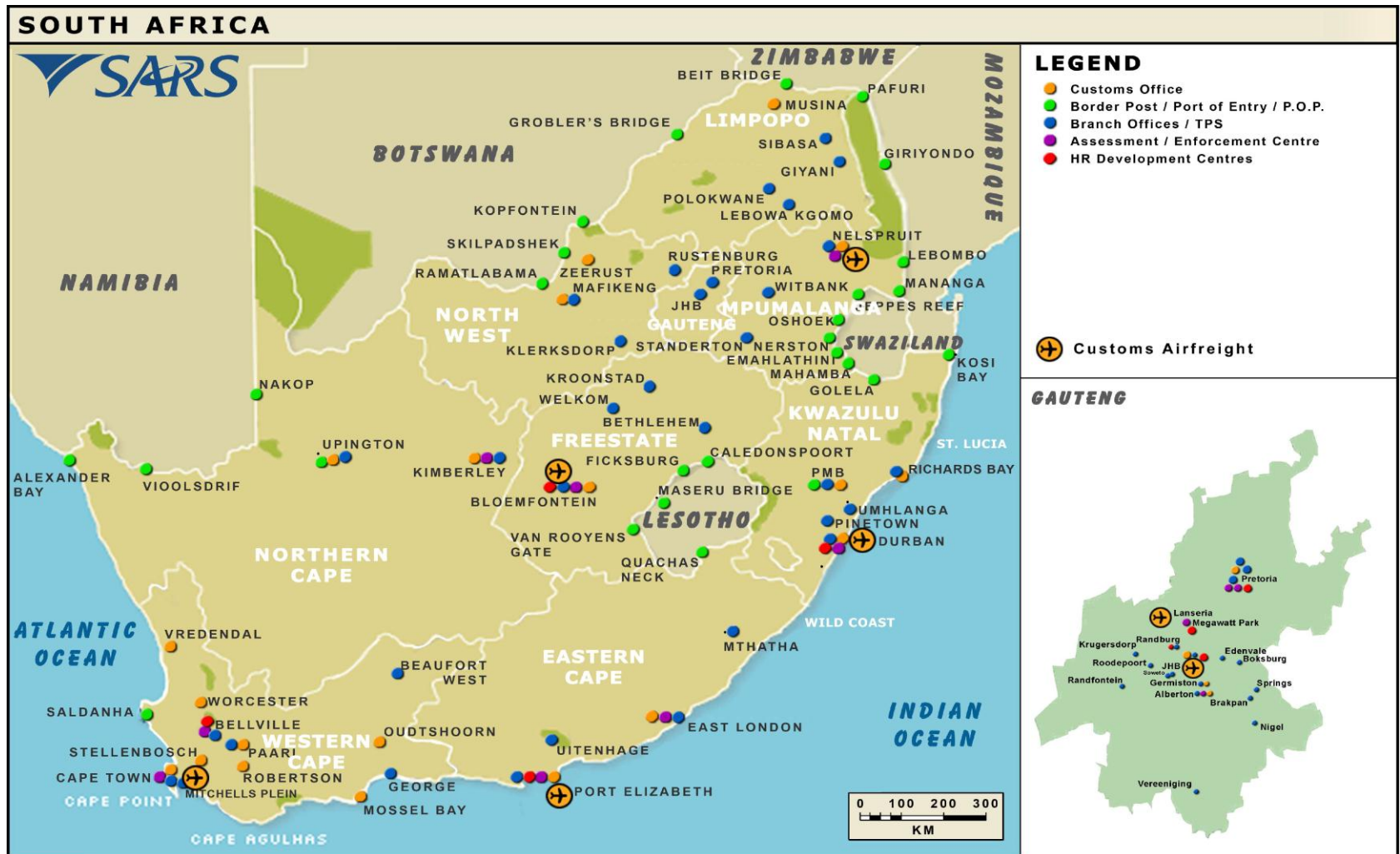
Year	Arrivals	Departures	Total
2010	10,736,969	10,290,601	21,027,570
2011	17,256,400	15,835,384	33,091,784
2012	18,141,756	16,371,960	34,513,716
2013	19,758,215	18,493,254	38,251,469

Modernisation journey...

Over the last few years SARS has gone a long way to modernise its tax systems and processes such as –

- Reducing, simplifying and standardising returns
- Electronic filing of PIT returns (99.86% of returns submitted electronically)
- Pre-population of PIT returns
- Increasing the SARS footprint (i.e. mobile tax units)
- Centralising the processing of Customs documents at 4 hubs
- Enhanced risk management systems for Core Taxes
- Introduction of a new Customs Management System

SARS footprint...



The map displays the following details:

- Provinces and Colors:**
 - Northern Cape: Red
 - Western Cape: Purple
 - Eastern Cape: Orange
 - Free State: Pink
 - North West: Blue
 - Limpopo: Light Purple
 - Mpumalanga: Green
 - KwaZulu Natal: Yellow
 - Northern KwaZulu Natal: Light Green
- Neighboring Countries:**
 - Zimbabwe (North)
 - Botswana (West)
 - Namibia (West)
 - Lesotho (South)
 - Swaziland (East)
- Major Cities and Airports:**
 - Western Cape:** Cape Town, Simonstown, Mossel Bay, Port Elizabeth.
 - Eastern Cape:** Port Elizabeth, East London.
 - Free State:** Bloemfontein.
 - North West:** Potchefstroom, Pretoria (Leroor Airport).
 - Limpopo:** Polokwane, Tlokweng (Leroor Airport).
 - Mpumalanga:** Johannesburg (Leroor Airport), Durban.
 - KwaZulu Natal:** Durban.
 - Northern KwaZulu Natal:** Pietermaritzburg.
- Harbors:** Saldanha, Cape Town, Simonstown, Mossel Bay, Port Elizabeth, East London, Durban, Richards Bay.
- Other Features:**
 - Transvaal Dam, Transvaal Park, and other parks are marked in the Northern Cape.
 - Various smaller towns and cities are labeled throughout the provinces.

Priorities going forward...

- Enhance technical capability of staff
- Single registration of taxpayers across government
- Implement Customs Bills
- Refined approach to taxpayer segments (e.g small business)
- Regulation of intermediaries
- Enhanced collaboration with other government institutions
- Border management

THANK YOU

QUESTIONS?