08 May 2017

South african Revenue service

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| Table of Contents[1. IntroductioN 1](#_Toc482031342)[2. STRATEGY AND Policy priorities 2017/18 1](#_Toc482031343)[3. BUDGET ANALYSIS 2](#_Toc482031344)[3.1. Programme Analysis 2](#_Toc482031345)[Table 1: Programme Plans 2](#_Toc482031346)[4. References 3](#_Toc482031347) |

# IntroductioN

The South African Revenue Service (SARS) aims to contribute to the economic and social development of the country by collecting all taxes, duties and levies due to fund the South African government’s public service programs and priorities. The global economy has remained subdued with low growth prospects. Despite the challenging economic conditions, SARS during the course of 2017/18 is expected to collect R1.265 trillion in revenue

# STRATEGY AND Policy priorities 2017/18

The 2017/18 Annual Performance Plan has clear and measurable targets and SARS will be focused on the following broad institutional priorities:

* Base Erosion and Profit Shifting: Finalisation of the implementation of the OECD Common Reporting Standards (CRS, solution for Automatic Exchange of Information (AECI)
* New Customs Acts
* Implementation of new corporate real estate strategy – reduction in rental costs, renewal of high value procurement contracts
* Trade Facilitation – implementation of Trade Facilitation Agreement (TFA)
* Carbon Emissions Tax
* Roll out of additional baggage and cargo scanners at key ports.

# BUDGET ANALYSIS

South African Revenue Service receives an allocation of R10.2 billion in 2017/18, up by R854.5 million or 2.6 percent in real terms from R9.3 billion in 2016/17. Over the MTEF, SARS will receive R34 billion for administering the tax system.

With regards to economic classification of the current financial year, SARS compensation of employees amounted to R8 billion. The allocation for capital assets amounted to R311 million and goods and services amounted to R3 billion.

## Programme Analysis

## Table 1: Programme Plans

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| **Performance Area** | **Planned Performance**  | **Comments/ Issues for consideration**  |
| Increased Customs and Excise Compliance | Collect customs and excise revenue | SARS had launched a pilot project in 2014/15 with Swaziland and Mozambique to establish an IT network linking regional customs authorities, as the first step in developing an international customs network.* What were the outcomes/lessons learnt from that project?
 |
| Improve flow of goods and travelers entering and leaving the country- cargo scanners |
| Risk identification and targeting capabilities |
| Increased Tax Compliance | Total revenue(excluding customs)  | It is alleged in the media that the revenue downward revision enabled SARS to reach their target or else they would have fallen short off the target. It is also alleged that there are “administrative challenges faced by SARS hence the downward revisions.Tax buoyancy is defined as the ratio of growth in tax revenue to economic growth. This measure includes the effect factors such as tax policy changes (eg. immediate dividend tax) and tax payer behavior.NT revised the revenue target by R30 billion and implemented the dividend tax windfall which allegedly enabled SARS to achieve its target for the latest tax year”.* Given the issues outlined, can SARS explain to SCOF members how this assessment could be incorrect?
* The issue with revenue target is not whether they meet the target but more the calculation and process/methods in which SARS uses to get to the target. It is understood that the process is driven by Treasury's economic assumptions and SARS estimates. MP’s would benefit from a presentation fully detailing the revenue target formula.
* Are VAT refunds deliberately being withheld to meet the target? These are some of the issues in the public domain that would be useful if the Commissioner would clarify.
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| Debt book management | Debt collection was outsourced by SARS to debt collectors.* What percentage of the debt has the company recovered?
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| Taxpayer compliance |
| Collaborate with other tax and customs jurisdictions |
| Enforcement capabilities* Implement a SARS/ National Prosecuting Authority inter- agency strategy by June 2017
 | Does SARS have plans to implement inter-agency strategy with FIC to strengthen investigations into serious tax crimes. |
| Increased ease and fairness of doing business with SARS | Reduce manual activity for SARs and tax payers through automation and digital migration |  |
| Average processing turnaround time for PIT returns (working days) |  |
| Average processing turnaround time for CIT returns (working days |  |
| Average processing turnaround time for VAT refunds (working days |  |
| Increased cost, effectiveness, internal efficiency and institutional respectability | Improve information communications technology capacity | Can SARS quantify the actual value of 5% reduction in real estate? It was reported that SARS moved its offices to an upmarket area in George, how does this property acquisition align with this new rental estate strategy? |
| Practice prudent financial management and discipline to ensure SARS operates within the budget allocation and to increase efficiency |
| Identify and recruit highly skilled people |
| Governance frameworks and processes |
| Increased public trust  | Trust and credibility to sustain tax compliance  | Given the zero tolerance to fraud and corruption, how many staff members have been suspended, convicted and dismissed from reported incidents of fraud in the last year? |
| Adopt zero tolerance approach to fight fraud and corruption  |

# References

South African Revenue Services (SARSa) (2016) Strategic Plan 2015/16 – 2019/20

South African Revenue Services (SARSb) (2017) Annual Performance Plan 2017/18