South African Revenue Service

1st Quarter update 2017/18

SCOF

September 2017

Detailed Revenue Collection – YTD 30 June 2017

R millions	PE 2017/18	PE Q1	Actuals Q1	Variance Q1	Variance % Q1
PIT (incl. interest)	483 328	110 038	104 414	**-5 623**	-5.1%
CIT (incl. interest)	221 104	57 076	54 401	**-2 676**	-4.7%
Dividends Tax / STC	34 237	9 509	7 228	**-2 280**	-24.0%
VAT	312 750	64 730	63 223	**-1 507**	-2.3
Specific Excise	39 871	9 238	8 388	**-850**	-9.2%
Fuel Levy	70 902	16 442	16 312	**-130**	-0.8%
Customs duties	52 608	9 655	8 973	**-682**	-7.1%
Other	50 688	11 779	12 477	**697**	5.9%
Total (accounting)	1 265 488	288 467	275 415	**-13 051**	-4.5%

Customs & Excise revenue	342 482	69 576	66 473	**-3 104**	-4.5%
Tax revenue (excl. customs & Excise)	923 006	218 891	208 943	**-9 948**	-4.5%
Total (accounting)	1 265 488	288 467	275 415	**-13 051**	-4.5%

Overview of Revenue Collection – YTD 30 June 2017

R275.42bn revenue collected YTD, a deficit of **R13.1bn** against the Printed Estimate (PE).

Lower Import VAT than PE by R1.6bn (5.2%), mainly due to declining contributions in key chapters namely machinery, original equipment components and photographic instruments.

PIT was lower against PE by R5.6bn (5.1%) mainly due to lower than expected PAYE of R4.7 billion (4.3%) and lower PIT assessment payments of R0.5 billion (20.1%). The lower than expected PAYE was partly due to the early PAYE payments that were received in March 2017 instead of April 2017.

Lower Customs duties, than PE by R2.2bn (6.3%), mainly due to shrinking contributions in key chapters namely clothing (combined) and footwear as well as cereals.

Lower VAT refunds against PE by R0.7bn(1.5%), as real gross fixed capital formation recorded a slower growth of 1.0% quarter-on-quarter in Q1-2017, from the 1.7% quarter-on-quarter in Q4-2016 and continues to affect refund claims. Temporary shutdowns by automotive manufacturers for plant upgrades also have a direct impact on exports.

Lower Specific Excise Duties, by R0.9bn (9.2%) mainly due to lower collections in cigarettes and cigarette tobacco of R1.2 billion (30.2%). Smaller companies closed down operations during the previous year in order to move operations outside South Africa.

CIT Collections were **lower** against PE by R2.7bn (4.7%), The shortfall was due to lower than expected CIT Provisional tax payments of R2.4 billion (4.1%), as well as lower than expected CIT Assessment payments of R0.4 billion (17.6%).

Taxes on Properties, higher by R0.3bn (7.9%). Collections in June 2017 were driven by a once-off payment of R0.5 billion, a deposit relating to a deceased estate.

SARS' 2017/18 Performance against strategic deliverables as per APP – Q1

Outcome 1: Increased Customs & Excise Compliance

Revenue

R69.6 billion Q1 target | **R66.5 billion** achieved in Q1

R3.1 bn deficit against printed estimate

R342.5 billion - Annual target

Customs Seizures

Q1 total seizures – R21.1 million

Major seizures

- Cocaine – R9.6 million
- Heroin – R6.0 million
- Amphetamine – R2.0 million

New Customs Act (NCAP)

Registration, Licensing and Accreditation – Customs Sufficient Knowledge (CSK) system implemented on **12 May 2017**.

Excise Audits

20% Q1 target | **14.48%** achieved in Q1

Majority (40%) audits targeted diesel refunds as this remains a high risk area

Accreditation for Preferred Traders

28 applications approved

Bill was passed by the National Assembly – **8 June 2017**

Border Management Agency (BMA)

Procurement of **2 Cargo Scanners for ORTIA and City Deep** in progress

Non-intrusive examination capabilities

% of Trade attributable to Preferred Traders

20% Q1 target | **26.39%** achieved in Q1

On-track preferred trade volume coverage

% Of goods targeted for detecting under-declarations

13% Q1 target | **13.16%** achieved in Q1

alert rate moving towards target

SARS South African Revenue Service

SARS' 2017/18 Performance against strategic deliverables as per APP – Q1

Outcome 2: Increased Tax Compliance

Revenue

R218.9 billion Q1 target | **R208.9 billion** achieved in Q1

R9.9 bn deficit against printed estimate

R923.0 billion - Annual target

Debt Performance

7.5% Q1 target | **7.16%** achieved in Q1

on track for annual target – 7.00%

Audit Coverage

3% Q1 target | **2%** achieved in Q1

Inventory will grow with start of Filing Season on 1 July

Mobile Business Services

Enhancements successfully released into production **– 12 May 2017**

FATCA and CRS AEOI **Penalties**

The solution was successfully implemented on **30 June 2017** – post-implementation support commenced.

GRAPD - Disputes

Phase IIA – functionality implemented on **12 May 2017**

Phase IIB – disputes management process extended to include PAYE - implemented on **30 June 2017**

PAYE Compliance

Filing:

65% Q1 target | **59.52%** achieved in Q1

Payments:

85% annual target | **86.17%** achieved to date

OECD CRS

Solution for AEOI to ensure SARS receives data from financial institutions as well as send and receive data from foreign jurisdictions – implemented on **12 June 2017**

VAT Compliance

Filing:

60.00% Q1 target | **52.06%** achieved in Q1

Payment:

85% Q1 target | **87.70%** achieved in Q1

One Stop Shops

The process of launching One Stop Shops for investors commenced for Cape Town and Durban

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SARS' 2017/18 Performance against strategic deliverables as per APP – Q1

Outcome 3: Increased ease & fairness of doing business with SARS

PIT Processing

Less than 1 day
Q1 target

0.20 day
achieved in Q1

average turnaround time in line with service level promise

eFiling Uptake (PIT)

30.00%
Q1 target

57.00%
achieved in Q1

SARS received 7 003 returns of which 3 989 were submitted electronically

Filing Season 2017 - TRUSTS

Legal updates were made to the ITR12T

Project successfully implemented on **12 May 2017**

Filing Season 2017 – PIT/IRP 6

Filing Season changes were implemented on **30 June 2017**

Filing Season 2017 – Directives Phase 2

Legal changes implemented on **30 June 2017**

eFiling Platform Admin Password Project

implemented on **12 May 2017**. Password reset functionality moved to the Branch Office

CIT Processing

Less than 1 day
Q1 target

0.17 days
achieved in Q1

average turnaround time in line with service level promise

VAT Refunds Processing

21 days
Q1 target

16.63 days
achieved to date

Achievement within desired service level

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South African Revenue Service

SARS' 2017/18 Performance against strategic deliverables as per APP – Q1

Outcome 4: Increased cost effectiveness & internal efficiency

Improve Physical and Information Security Systems

Goal of IT Security Programme is to protect SARS information. Cyber security quick wins were identified

Workforce plan – briefing sessions with Chief Officers scheduled to prepare for the roll-out process

Recruitment process – policy review and enhancement process completed and approved by EXCO for implementation.

Human Capital and Development

Divisional Boards and Talent Council – Talent Management Plan developed; implementation will commence during Q2

Exco **approved** the following **ToR** for **SARS committees:**

- Enterprise Risk Management
- Internal Control committee
- Executive Committee
- Operational Management Committee
- Compliance Risk Management Committee

SARS Wide Governance Framework

SARS needs to be **GRAP compliant** by **31 March 2018**

GRAP

Transitional provisions provided for under **Directive 6** are extended by at **least 5 year – 31 March 2023**

External email gateway

Service was replaced with an advanced solution and additional security protection was implemented – includes advanced anti-spam, anti-phishing and anti-virus protection.

Finalisation of **eSourcing** project underway

Procurement

Design for the integration with **National Treasury Central Supplier Database (CSD) – finalised; development** of interface underway

SARS' 2017/18 Performance against strategic deliverables as per APP – Q1

Outcome 5: Increased public trust & credibility

Employment Equity

Race

75.50% annual target	75.36% achieved in Q1

Gender

48.90% annual target	48.65% achieved in Q1

Disability

1.6% annual target	1.73% achieved in Q1

SARS Tax Branches now **activated** with eDNA and TPV solution

eDNA and TPV project

Enhancements to the solution was successfully implemented on **26 May 2017**

Tax Clearance Status (TCS)

YTD **271 082** TCS requests were received

Fraud and Corruption – Internal Investigations

Most of the investigations relate to PIT profile hijacking and misconduct

- 96 cases referred for investigation
- 10 completed investigations referred for internal disciplinary processes
- 8 external individuals convicted
- 5 cases finalised by the NPA

Human Resource demographics

37.56% male

50.55% of **management** level **(grade 6 – 9B)**

23.61% African

4.07% Coloured

2.73% Indian

7.14% White

62.04% female

48.65% of **management** level **(grade 6 – 9B)**

34.61% African

6.84% Coloured

3.49% Indian

17.10% White

75.36% of the total workforce is **Black**

Average of **41.48** years **old**

Average of **13.95** years **service**

1.73% of the total workforce has some form of **disability**

	African	Coloured	Indian	White	Total
Headcount	7 964 (58.22%)	1 493 (10.91%)	852 (6.23 %)	3 316 (24.24%)	13 679*

*this total includes 54 Foreigners (not part of race distribution)

Budget vs. Expenditure

Description	YTD Actual 30 June	YTD Budget 30 June	Variance	Prior year to date Actual 30 June	2017/18 Annual Budget
	R'm	R'm	R'm	R'm	R'm
Grants	2 770	2 770	-	2 502	11 078
SARS Grant	**2 761**	**2 761**	-	**2 502**	**11 043**
OTO Grant	**9**	**9**	-	-	**35**
Interest	47	40	7	62	161
Other Income	77	77	-	75	309
Total Revenue	**2 894**	**2 887**	**7**	**2 639**	**11 548**
Personnel Expenses	1 772	1 801	29	1 718	7 732
Goods & Services *	515	708	193	498	3 051
Capex - Business as usual	6	54	48	15	126
Transfers and subsidies (OTO)**	7	9	2	6	39
Total Projects	**53**	**53**	**-**	**65**	**600**
Interfront	-	-	-	-	**95**
SARS	**53**	**53**	-	**65**	**505**
Expenses	**2 353**	**2 625**	**272**	**2 302**	**11 548**
Surplus	**541**	**262**	**279**	**337**	**-**

Discussion
&
Questions

Thank you

Re a leboha

Re a leboga

Ndza Khensa

Dankie

Ndi a livhuwa

Ngiyabonga

Enkosi

Ngiyathokoza

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