

PRESENTATION TO SCOF

SARS ANNUAL PERFORMANCE PLAN (APP) 2021/22

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SARS STRATEGIC CLARITY

SARS DERIVES ITS MANDATE IN LAW...

SARS DERIVES ITS MANDATE FROM THE SARS ACT, 1997.

To make provision for the efficient and effective administration of the revenue collecting system of South Africa.

The following Acts are examples of the primary legislation SARS administers:

- Income Tax Act, 1962
- Customs and Excise Act, 1964
- Value-Added Tax Act, 1991
- Tax Administration Act, 2011
- Employment Tax Incentives Act, 2013

CLARITY OF PURPOSE

Whilst our Mandate is to:

- Collect all revenues due
- Ensure optimal compliance with tax and customs legislation
- Provide a customs service to optimize revenue, border protection & facilitate legitimate trade

SARS exists to serve the **HIGHER PURPOSE** of

***ENABLING GOVERNMENT TO BUILD A CAPABLE STATE THAT FOSTERS
SUSTAINABLE ECONOMIC GROWTH & SOCIAL DEVELOPMENT THAT
SERVES THE WELLBEING OF ALL SOUTH AFRICANS***

SARS VISION 2024

SARS VISION 2024

*A SMART, MODERN SARS WITH UNQUESTIONABLE
INTEGRITY, TRUSTED & ADMIRABLE*



SARS STRATEGIC INTENT

***DEVELOP A TAX & CUSTOMS SYSTEM
BASED ON VOLUNTARY COMPLIANCE***

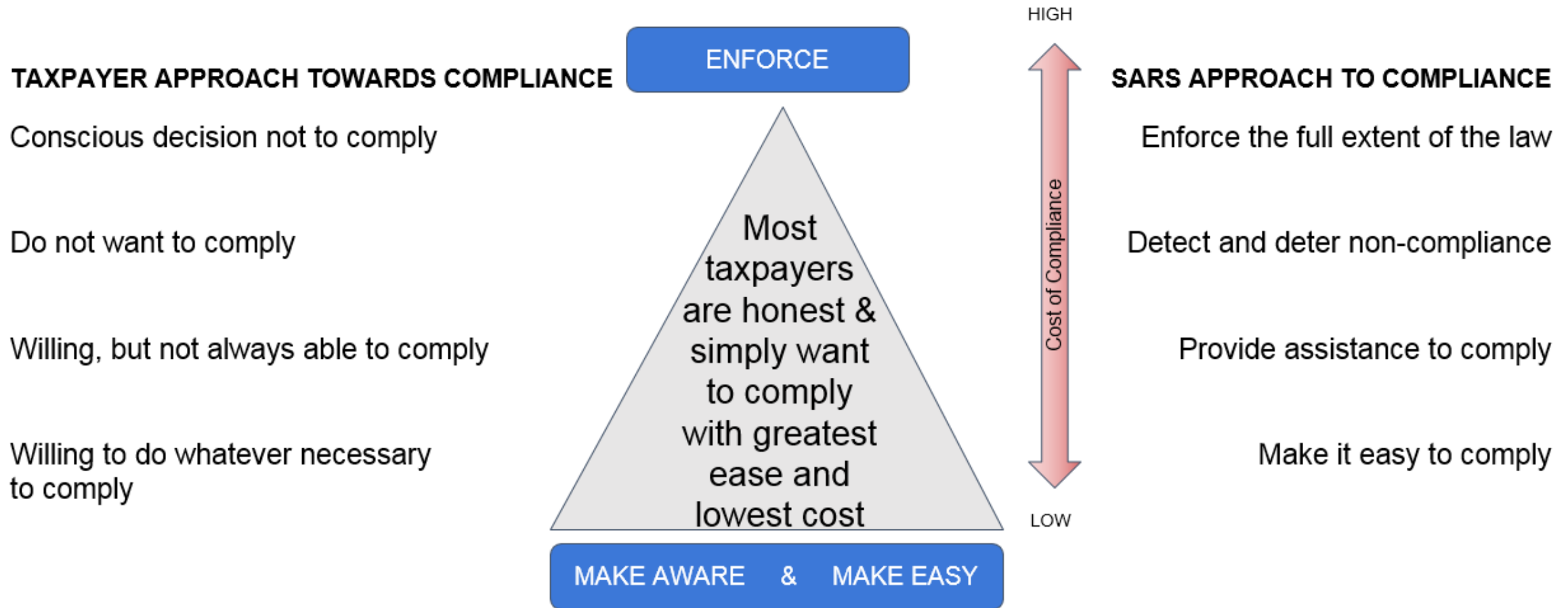


COMPLIANCE PROGRAMME

SARS THEORY OF COMPLIANCE

*WE BELIEVE THAT **MOST** TAXPAYERS ARE HONEST AND SIMPLY WANT TO FULFIL THEIR OBLIGATION WITH THE LEAST AMOUNT OF EFFORT & COST*

OUR THEORY OF TAX COMPLIANCE DRIVES OUR MODEL OF COMPLIANCE



SARS STRATEGY 2020-2024

STRATEGIC INTENT:

Develop a Tax & Customs system based on Voluntary Compliance

In support of our Strategic Intent we have **9 Strategic Objectives:**

1. Provide **Clarity & Certainty** for Taxpayers & Traders of their obligations
2. Make it **Easy** for Taxpayers & Traders to Comply with their obligations
3. **Detect** Taxpayers & Traders who do not Comply, and make non-compliance **Hard & Costly**
4. Develop a **High Performing, Diverse, Agile, Engaged** and **Evolved** workforce
5. Increase and expand the use of **Data** within a comprehensive knowledge management framework to ensure integrity, drive insight and improve outcomes
6. Modernize our systems to provide **Digital and Streamlined** online services
7. Demonstrate effective **Resource Stewardship** to ensure efficiency and effectiveness in the delivery of quality outcomes and performance excellence
8. Work with and through **Stakeholders** to improve the tax ecosystem
9. Build **Public Trust and Confidence** in the tax administration system

SITUATIONAL ANALYSIS

SITUATIONAL ANALYSIS: KEY EXTERNAL FACTORS

1. Economy
2. Government Debt
3. Public Confidence
4. Illicit Economic Activities
5. Emerging Technologies
6. Political Environment
7. Changing Demographics
8. Social Media
9. COVID-19 impact
10. Africa Free Trade Agreement

SITUATIONAL ANALYSIS: KEY INTERNAL FACTORS

1. Governance and Leadership
2. Employee Engagement
3. Evolving Modes of Work

STRATEGIC PRIORITIES

1-5 Years

STRATEGIC PRIORITIES

Accelerate the work towards:

1. Improving Voluntary Compliance & Fiscal Citizenship
2. Broadening the tax base:
 - a. Ensure the completeness of the Tax Register
 - b. Developing a Single view of Taxpayer across all tax types, integrated across the economic activities & value chain
 - c. Collaborating with whole of government
3. Leveraging our resources and effort intelligently to achieve more with less
4. Re-establish International Partnerships
5. Building an organization with integrity that can be trusted by Government and the Public

IMPROVE COMPLIANCE & FISCAL CITIZENSHIP

1. Embed the Compliance Theory & Model - Taxpayers are honest and wants to honour their obligations. therefore
 - a. Educate & Create awareness of obligations
 - b. Provide world class service to fulfill obligations
 - c. Enforce decisively and responsibly where there's non-compliance
2. Reformulate & Launch the Taxpayer Charter
3. Reformulate and Manage the Compliance Programme
4. Repurpose and Retool appropriately - research based

BROADENING THE TAX BASE

Expand SARS collaboration with relevant government departments and ensure SARS is appropriately “wired” into the economic and social activities to ensure a “LIFE CYCLE ” inclusion of all eligible taxpayers.

To achieve this we must address aspects such as:

1. Intelligent assessment of Tax Gap
2. Single identification and registration within government
3. Single view of Taxpayer
4. Consolidation of Registers: Population, Business & Taxpayer identities
5. Better instrumentation of economic activities across value chain
6. Appropriate use of Big Data & Trends: behavioral, economic, social

SMART LEVERAGE

To achieve more with less, SARS has to employ smart leverage – Resource Stewardship (SO7):

1. Build an Intelligent Organization:

- a. Predictive Analytics, Machine Learning, Artificial Intelligence
- b. Data & Insight driven Taxpayer Profiling, Risk Management & Case Selection
- c. Greater bias towards Omni-channel interaction, including social media
- d. Upskill the Workforce for future world of work
- e. Retool & Repurpose

2. Inform well designed tax and customs policy in conjunction with NT

3. Modernize customs & border management capacity and capability

4. Provide greater Certainty and Clarity

- a. Advanced Rulings
- b. Publications & Awareness Campaigns : Business Practices, Risk Management Frameworks, Acceptable Compliance Behaviour, Self-Assessment Procedures and Tools
- c. Rapid Dispute Resolution of high integrity and consistency
- d. SMME's: Enabling support, On-line Resources, Help Centres

RE-ESTABLISH INTERNATIONAL PARTNERSHIPS

1. Membership and Participation in organizations such as:
 - a. OECD
 - b. ATAF
 - c. CIAT
 - d. WCO
 - e. IMF

2. Other Revenue & Customs Organizations for:
 - a. Benchmarking best practices & International Trends
 - b. Exchange of Information Agreements
 - c. Tax Treaties

Critical to accelerate our own learning and leverage our effort

BUILDING A TRUSTED & RESPECTED ORGANIZATION

1. Ongoing review and enhancement of the SARS organisational arrangements
2. Building a workforce that has unquestionable integrity
3. Maintaining an engaged workforce
4. Remain responsive to the evolving context
5. Continue to act on evidence of non-compliance and making it hard and costly for non-compliant taxpayers

WHAT WOULD SUCCESS LOOK LIKE - 24 MONTHS

A STABLE SARS having substantially arrested and addressed the effect of the past five years:

SUCCESS MEASURE	PROGRESS TO DATE
Governance and Leadership	<ul style="list-style-type: none">• A revised governance model has been implemented and being continuously refined.• The Cluster model facilitates a more collaborative rather than a hierarchical culture.• New committees has been established and membership has been changed to reflect the new organisational arrangements• The new leadership model that has been developed to embed the desired leadership behavior• Many individual leaders have been assigned to roles more suited for them.• SARS has in the last Financial Year implemented an integrated Integrity and Anti-Corruption Framework.• This framework is an efficient and effective tool in ensuring the Integrity of systems (fidelity) and the Integrity of People (trust).
Institution Substantially Recovered	<ul style="list-style-type: none">• SARS has begun the re-building and slowly one can start seeing results, but still have a long way to go.• The decline of SARS was severe and will take some time to re-build.

WHAT WOULD SUCCESS LOOK LIKE - 24 MONTHS

A STABLE SARS having substantially arrested and addressed the effect of the past five years:

SUCCESS MEASURE	PROGRESS TO DATE
Revenue Collection Substantially Recovered	<ul style="list-style-type: none">• A revenue recovery programme has been established• The tax gap report has been completed.• The recommendation of the report and SARS assigned dedicated capacity to implement it and track progress• The work of the Revenue Recovery Programme are being driven by a newly appointed Chief Revenue Officer.
Compliance Programme Substantially Restored	<ul style="list-style-type: none">• A dedicated Compliance Programme has been implemented and for the two years , we have collected R 172.0bn (2020/21) and previous year R 128.4bn (2019/20) that can be specifically referenced to compliance activities.• We plan to continue with this programme, but as voluntary compliance increases, the revenue yield from compliance revenue , will decrease.

WHAT WOULD SUCCESS LOOK LIKE - 24 MONTHS

A STABLE SARS having substantially arrested and addressed the effect of the past five years:

SUCCESS MEASURE	PROGRESS TO DATE
Clear Strategic Path next 5 years	<ul style="list-style-type: none">• A clear path has been presented and is embedded throughout the organisation
Employee Morale & Pride Restored	<ul style="list-style-type: none">• We implemented an Employee rights Charter and is in the process of embedding it.• We had the first employee engagement survey and was very encouraged by the participation of 76% of the staff.• We are analysing the outcomes; have appointed a person dedicated to making sure we formulate action plans and implement it.• We are also in the process of enhancing the Employee Value Proposition of SARS, which will make SARS again an employer of choice.

WHAT WOULD SUCCESS LOOK LIKE - 24 MONTHS

A STABLE SARS having substantially arrested and addressed the effect of the past five years:

SUCCESS MEASURE	PROGRESS TO DATE
Able to Retain and Attract Top Talent	<ul style="list-style-type: none"> We had a very great response from South Africans to our latest Recruitment drive. Despite the fact that we only have 570 vacancies, we received in excess of 88 000 applications. Many people apply for as many as 17 jobs. We had 18 000 unique external applications and 2000 internal applications. This is very encouraging as we have opened the vacancies to all internal staff - we had a moratorium on vacancies for the past 4 years. This has been welcomed by our staff.
.Implement Nugent Recommendation	<ul style="list-style-type: none"> All recommendations by Nugent, assigned to SARS has been substantially implemented.
Functional Stakeholder Relationships in place	<ul style="list-style-type: none"> We have an established stakeholder and relationship management unit that focusses on private; public and government sectors specifically. Internationally, we are starting to re-build our profile as a tax administration that can participate and share experiences with the rest of the world. We have been privileged to be nominated to a few organisations as deputy chair, such as OECD; ATAF; SACU

FOCUS OF OUR MUST WIN BATTLES

1. Improve operational excellence - people, data, technology
2. Fight against corruption and tax crime
3. Amplify our focus on internal governance and integrity
4. Working with and through stakeholders

STRATEGIC PLAN 2020-24

KEY RESULTS	BASELINE	FIVE-YEAR TARGETS 2024/25
Printed revenue estimates are met and/or exceeded – <u>% collection of revenue as agreed with Minister</u>	2020/21 revenue collection	100.00% collection of revenue as agreed with Minister
Total compliance revenue collected – <u>revenue collected from identified compliance initiatives as a % of total revenue collections</u>	2020/21 actual compliance revenue performance	Compliance revenue collection = 5.00% of total revenue Collections
Voluntary compliance index has increased as measured by a credible voluntary compliance index – <u>approved voluntary compliance index</u>	Voluntary Compliance Index (using PAYE and Employers as test cases)	Achieve a voluntary compliance index of 85.00%
Cost of compliance study implemented - <i>Lower cost of compliance index established</i>	New measure	Cost of compliance measure
Employee engagement index score based on an annual survey of employees - <u>% score achieved based on annual survey</u>	64%	Increase by 5% over the next 5 years

ANNUAL PERFORMANCE PLAN 2021

KEY RESULTS	ANNUAL TARGETS	Q1	Q2	Q3	Q4
Printed revenue estimates are met and/or exceeded – <u>% collection of revenue as agreed with Minister</u>	As agreed with Minister	100% of Q1 target	100% of YTD Q2 target	100% of YTD Q3 target	100% of YTD Q4 target
Total compliance revenue collected – <u>revenue collected from identified compliance initiatives as a % of total revenue collections</u>	Compliance revenue collection = 10.00% of total revenue collections	10.00% of YTD revenue collections	10.00% of YTD revenue collections	10.00% of YTD revenue collections	10.00% of YTD revenue collections
Voluntary compliance has increased as measured by a credible voluntary compliance index - <u>approved voluntary compliance index</u>	Voluntary Compliance Index Implemented for PAYE, VAT and CIT	Review and refine the Compliance Index for PAYE	Implement the voluntary compliance index for VAT	Implement the voluntary compliance index for CIT	Report on the voluntary compliance index for PAYE, VAT and CIT (baseline established)
Cost of compliance study completed – <u>approved cost of compliance study</u>	Cost of Compliance baseline developed (for all segments)	Develop the questionnaire(s) for the segments	Data Collection	Data collection and Analysis	Baseline Report on the cost of compliance for all segments
Employee engagement index score based on an annual survey of employees - <u>% score achieved based on annual survey</u>	65%	-	-	-	65%

STRATEGIC OBJECTIVE 1: Provide CLARITY & CERTAINTY of taxpayers and traders of their obligations

The overall taxpayer and trader experience is empowering and enabling. Taxpayers and traders proactively receive clarity guidance and where required, have easily accessible additional customised support. Certain segments of taxpayers and traders may also access leverage products such as advance pricing agreements, advance rulings (inclusive of Value Added Tax (VAT) rulings and Binding General Rulings) and cooperative compliance programmes.

STRATEGIC OBJECTIVE 1

KEY RESULTS	ANNUAL TARGETS	Q1	Q2	Q3	Q4
The majority of taxpayers and traders surveyed perceive the guidance SARS provides to be clear, unambiguous and easy to follow - <u>% of taxpayers and traders that are satisfied with the clarity and certainty of guidance provided by SARS</u>	65.00% of taxpayers and traders surveyed are satisfied	Survey proposal and charter approved	Survey questionnaire developed	Data collection completed	Survey completed and report finalised
There are fewer taxpayers and traders that need SARS to help them resolve their tax and customs queries – <u>% reduction in the number of taxpayers and traders requiring to visit a SARS branch office</u>	20.00% reduction in inbound volumes	-	-	-	20.00% reduction in inbound volumes
We have a continuous downward trend in overall disputes - <u>% reduction in the number of disputes lodged with SARS</u>	10.00% reduction	Ditto -	-	-	10.00% reduction

STRATEGIC OBJECTIVE 1

Key results	Annual targets	Q1	Q2	Q3	Q4
Leveraged products introduced – <u>Advance Pricing Agreement (APA)</u> <u>Programme introduced</u>	APA model released	Draft APA model released internally	Combined staffing needs for transfer pricing audit, together with pilot and full APA Programme, determined.	Draft APA model revised and released for public comment.	Public comments received and processed.
Uptake of AEO programme by traders - <u>% uptake of AEO Programme by active economic operators</u>	30.00% of targeted active economic operators	15.00%	20.00%	25.00%	30.00%

STRATEGIC OBJECTIVE 2: Make it EASY for taxpayers and traders to comply with their obligations

Engagements with taxpayers and traders in the fulfilment of their obligations will be mainly online, intuitive and self-managed with minimal face-to-face visits. For standard taxpayers (largely non-provisional taxpayers), the fulfilment of their registration, filing, declaration and payment obligations will be seamless. Exceptions will be resolved with ease and minimal intervention. Complex taxpayers (largely provisional taxpayers - individuals and entities) as well as their intermediaries will experience engagements customised to their specific needs. Increasingly, trusted intermediaries will be empowered and enabled as authorised agents acting on our behalf.

STRATEGIC OBJECTIVE 2

KEY RESULTS	ANNUAL TARGETS	Q1	Q2	Q3	Q4
Increased number of taxpayers and traders using digital platforms - <u>% of taxpayers and traders using digital platforms to interact with SARS</u>	80.00%	-	-	-	80.00%
Standard taxpayers are auto assessed by SARS - <u>% of standard taxpayers returns auto assessed by SARS (individual taxpayers)</u>	85.00%	-	-	-	85.00%
When taxpayers and traders are satisfied with SARS as evidenced by - <u>% Net Easy Score (NES)</u>	Completed review and testing of the NES methodology - 100.00% complete	Identify procurement method for NES solution.	Procurement of NES solution	Integrate the NES solution into current systems	Review and test the NES methodology
Service Charter achievement index - <u>% Service Charter Performance score</u>	80.00%	-	-	-	80.00%

STRATEGIC OBJECTIVE 3: DETECT taxpayers & traders who do not comply, making noncompliance HARD & COSTLY

Taxpayers and traders who negligently, deliberately, aggressively, or criminally stay out of the tax system or do not comply will be detected immediately when non-compliance occurs. They will experience a response appropriate to the nature and degree of their non-compliance, which progressively, may include friendly reminders to more intrusive and investigative engagements that enforce compliance. Where necessary, hard enforcement may include court action, asset seizure and criminal prosecution. Non-compliant taxpayers and traders may under certain circumstances be named and shamed. The cost of non-compliance will be high and severe.

STRATEGIC OBJECTIVE 3

KEY RESULTS	ANNUAL TARGETS	Q1	Q2	Q3	Q4
Detection and selection methodology for non-compliance completed – <u>approved detection and selection methodology document</u>	Refinement of detection and selection methodology completed to achieve 95.00% hit rate	-	-	Refined methodology completed and approved	-
Increase in employer compliance - <u>% employer compliance index</u>	75.00%	72.00%	73.00%	74.00%	75.00%
Achieve a high success rate in the number of cases we take to court (via NPA) for prosecution - <u>% success (conviction) rate of cases referred for prosecution</u>	90.00%	90.00%	90.00%	90.00%	90.00%

STRATEGIC OBJECTIVE 3

KEY RESULTS	ANNUAL TARGETS	Q1	Q2	Q3	Q4
Declared customs values are above the reference price - <u>% of declared customs values above reference price</u>	90.00% of declarations with values are above the reference price in identified industries	Finalise the list of industries based on risk and other considerations	Develop a reference pricing approach in partnership with industry player	65.00% of declarations with values above the reference pricing	90.00% of declarations with values above the reference pricing
Evasion schemes and / or syndicates involved in illicit economic activities are reduced - <u>number of evasion schemes resolved</u>	At least 1 scheme Resolved	-	-	-	At least 1 scheme Resolved
Recovery of revenue from illicit activities - <u>total revenue recovered from illicit activities</u>	R2.5bn	Identified & secured preservation orders and other enforcement actions	-	-	R2.5bn

STRATEGIC OBJECTIVE 4: Develop a HIGH performing, DIVERSE, AGILE and ENGAGED workforce

Our employees consider us to be an Employer of Choice and are engaged to deliver the best taxpayer and trader experience characterised by professionalism and actions that are beyond reproach. Tasks have become less administrative, more analytical and service oriented. They easily collaborate to leverage their combined strengths. We invest in them appropriately and provide them with the right tools for the job. They are able to respond to future demands of the work environment and changing needs of taxpayers and traders with ease.

STRATEGIC OBJECTIVE 4

KEY RESULTS	ANNUAL TARGETS	Q1	Q2	Q3	Q4
Diversity and Employment Equity - <u>% Racial Equity, Gender Equity (grade 6 – 9), Disability Equity</u>	Racial Equity – 81.36% Gender Equity – 51.75% Disability Equity – 3.16%.	-	-	-	Racial Equity – 81.36% Gender Equity – 51.75% Disability Equity – 3.16%
Employee engagement index score based on an annual survey of employees - <u>% score achieved based on annual survey</u>	65%	Employee engagement survey preparations completed	Employee engagement survey field work completed	Report results	Employee engagement index – 65.00%
Employer Brand (Employer of choice) - <u>Certified top employer by the Top Employer Institute</u>	Top employer certification achievement	-	-	-	Top employer certification achievement

***STRATEGIC OBJECTIVE 5:* Increase the USE of DATA to improve integrity, derive insight & improve outcomes**

By expanding and increasing the use of data, data analytics and artificial intelligence, we create the capability to understand the compliance behaviour of taxpayers and traders to provide clarity and certainty where it is needed, simple, easy and seamless service that fosters voluntary compliance, and timely/early detection of risks, trends and instances of non-compliance that enable us to enforce responsibly. We have incorporated data into a comprehensive system of knowledge management. The composite effect of the expanded and increased use of data must substantively support our strategic intent of voluntary compliance.

STRATEGIC OBJECTIVE 5

KEY RESULTS	ANNUAL TARGETS	Q1	Q2	Q3	Q4
Data governance framework developed and implemented - <u>% of milestones achieved</u>	Data governance framework implemented 90% of milestones achieved	-	-	-	90% of milestones achieved
Risk detection, assessment and profiling is largely automated and substantively informs case selection for standard matters. Manual risk profiling and case selection is only used for complex matters - <u>% utilisation of automated risk assessment for taxpayers and traders</u>	80.00% Standard	80.00% Standard	80.00% Standard	80.00% Standard	80.00% Standard
	60.00% Complex	60.00% Complex	60.00% Complex	60.00% Complex	60.00% Complex
SARS interventions achieve intended outcomes - <u>% of interventions that yield the intended results</u>	60.00%	60.00%	60.00%	60.00%	60.00%

STRATEGIC OBJECTIVE 6: Modernize our systems to provide DIGITAL & STREAMLINED services

Our digital platforms will provide reliable and secure services to all our constituencies. Specifically, for taxpayers and traders to enable them to meet their obligations simply, easily and where appropriate seamlessly, anywhere. For our employees to enable them to deliver world-class and best-in class taxpayer and trader experience and to ensure performance excellence. For our stakeholders, provide reports and analysis that enable them to hold us accountable.

STRATEGIC OBJECTIVE 6

KEY RESULTS	ANNUAL TARGETS	Q1	Q2	Q3	Q4
Digital platforms availability for taxpayers and traders - <u>% of planned capacity to be available for mission critical systems</u>	100.00%	100.00%	100.00%	100.00%	100.00%
Security of taxpayer and trader information and interactions via digital platforms - <u>number of security breaches on digital platforms from known risks</u>	No security breaches risk from known risks Address new risks as they manifest	No security breaches risk from known risks Continually review risk universe & mitigation measures	No security breaches risk from known risks Continually review risk universe & mitigation measures	No security breaches risk from known risks Continually review risk universe & mitigation measures	No security breaches risk from known risks Continually review risk universe & mitigation measures
All SARS service offerings made available digitally - <u>% SARS taxpayer and trader service offerings made available online</u>	77.00% of all SARS taxpayer and trader service offerings available on online channels	Project Initiation - Business requirement specification for identified service migration completed	Project Planning – Functional Specifications and Solution Design completed	Project Execution – Development and Testing completed	77.00% of all manual service offerings available on digital channels

STRATEGIC OBJECTIVE 7: Demonstrate effective RESOURCE STEWARDSHIP to ensure efficiency and effectiveness in the delivery of quality outcomes and performance excellence

We steward the limited resources entrusted to us in a manner that creates value to achieve quality outcomes and performance excellence. The way we organise ourselves reflects agility and responsiveness to deliver the best experience for all of our constituencies. We demonstrate a high work ethic, strive for performance excellence and achieve the most with the least effort and cost, and best-in class innovations that enable us to achieve our strategic intent.

STRATEGIC OBJECTIVE 7

KEY RESULTS	ANNUAL TARGETS	Q1	Q2	Q3	Q4
Reconfigured SARS' cost structures to align with international peers – <u>ICT investment as % of total allocation</u>	Increase ICT spend by 2.00%	0.5%	1.00%	1.50%	2.00%
Revenue is collected at a level in line with comparable international peers' cost – <u>cost to revenue ratio</u>	1.00%	-	-	-	1.00%
Clean audit opinion achieved from the Auditor-General - <u>Unqualified audit opinion</u>	Unqualified audit opinion	-	-	-	Unqualified audit opinion
Increased productivity achieved across SARS - <u>% productivity levels achieved across SARS</u>	80.00% productivity achieved across SARS		-	-	80.00% productivity achieved across SARS

STRATEGIC OBJECTIVE 8: Work with & through STAKEHOLDERS to improve the tax system

We have effective and beneficial partnerships with all stakeholders in the tax ecosystem that deliver maximum benefits for the taxpayers and traders, government and the public. We leverage each other's strengths to resolve tax administration challenges and improve voluntary tax compliance. Our interactions and exchanges are formal, professional, and transparent. Intermediaries experience their engagement with us as empowering and enabling mainly through online digital services.

STRATEGIC OBJECTIVE 8

KEY RESULTS	ANNUAL TARGET	Q1	Q2	Q3	Q4
We have satisfied all of SARS' commitments in terms of OECD Exchange of Information (EOI) standards - <u>% of commitments met</u>	100.00% compliance in terms of OECD EOI standards	100.00% compliance in terms of OECD EOI standards	100.00% compliance in terms of OECD EOI standards	100.00% compliance in terms of OECD EOI standards	100.00% compliance in terms of OECD EOI standards
A high number of intermediaries that are satisfied with our cooperation and collaboration - <u>% of intermediaries that are satisfied with our assistance</u>	60.00%	Start and finalise survey preparations	Start fieldwork	Complete fieldwork	Finalise report and publish results internally - 60.00% achievement
We have met SARS' commitments in terms of FATF Mutual Evaluation findings - <u>% of FATF deliverables met</u>	80% Achievement on SARS' deliverables to South Africa's Action Plan	20% Achievement	40% Achievement	60% Achievement	80% Achievement

STRATEGIC OBJECTIVE 9: Build PUBLIC TRUST and CONFIDENCE in the tax administration system

The public is confident that our stewardship of the country's tax system is professional, unbiased and fair; we always act and do the right thing all the time; we maintain the highest standards of integrity and ethics; we have transparent governance systems and processes and we have capable and trustworthy leaders. We accept that ultimately we are accountable to taxpayers, traders, and their representatives, the general public and elected public office bearers, whose trust we must earn.

STRATEGIC OBJECTIVE 9

KEY RESULTS	ANNUAL TARGET	Q1	Q2	Q3	Q4
Public opinion survey results reflects high trust and confidence in SARS - <u>% score as per public opinion survey</u>	75.00%	Start and finalise survey preparations	Start fieldwork	Complete fieldwork	Finalise report and publish results Internally – % score = 75.00%
Sentiments analysis continuously reflects high confidence in SARS - <u>top 3 words that the public associates with SARS are positive</u>	Top 3 words the public associates with SARS are positive	Start and finalise survey preparations	Start fieldwork	Complete fieldwork	Finalise report and publish results internally

SARS STRATEGIC RISKS

RISK MITIGATION OF STRATEGIC RISKS

STRATEGIC RISK	RISK MITIGATED BY STRATEGIC OBJECTIVES
Taxpayers are unclear and uncertain	Strategic Objective 1
Taxpayer compliance burden is too high	Strategic Objective 2 and 6
SARS has an inability to detect and respond to non-compliance	Strategic Objective 3; 4 and 5
Poor leadership resulting in poor choices, poor ethos and poor culture at SARS	Strategic Objective 4
SARS workforce is not engaged	Strategic Objective 4
SARS has insufficient resources	Strategic Objective 7
Declining economy	Strategic Objective 1 - 9
Tax morality in South Africa is poor	Strategic Objective 8 & 9
The impact of COVID-19 on society and SARS remains uncertain	Vision 2024 & Voluntary Compliance

***SARS STRATEGIC INTENT & 9
STRATEGIC OBJECTIVES ARE
SPECIFIC MITIGATING RESPONSES
TO THE STRATEGIC RISKS***

STRATEGIC INTENT: *Develop a Tax & Customs system based on Voluntary Compliance*

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2. Make it **Easy** for Taxpayers & Traders to Comply with their obligations
3. **Detect** Taxpayers & Traders who do not Comply, and make non-compliance **Hard & Costly**
4. Develop a **High Performing, Diverse, Agile, Engaged** and **Evolved** workforce
5. Increase and expand the use of **Data** within a comprehensive knowledge management framework to ensure integrity, drive insight and improve outcomes
6. Modernize our systems to provide **Digital and Streamlined** online services
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RESOURCES OVER MTEF PERIOD

RESOURCES SUMMARIZED OVER THE MTEF PERIOD...

Funding and expenditure estimates (ENE view)	2021/22 (R '000)	2022/23 (R '000)	2023/24 (R '000)
Total Income	11 708 520	11 944 668	12 078 052
Operational Expenditure	12 777 161	12 861 411	13 064 442
Capital Expenditure	430 000	490 000	490 000
Project Costs	750 000	750 000	750 000
Total Expenditure	13 957 161	14 101 411	14 304 442
Estimated Surplus/(Shortfall)	-2 248 641	-2 156 743	-2 226 390

Head Count

Projected Headcount

NOTE 1: Current Headcount totals 12 479 employees

NOTE 2: Recruitment underway for 570 critical skilled professionals

13 049	13 049	13 049
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SARS FUNDING CONSTRAINTS

SARS FUNDING CONSTRAINTS - EXPLAINED

The underfunding experienced over the past years has seriously compromised the autonomy of SARS to give effect to its legal mandate, and in turn severely impacts the fiscal integrity of the Republic.

The approach to funding has resulted in:

- the **inability to replace critical skills** that essential to the effective and efficient functioning of SARS
- the **inability to merely maintain the current technology infrastructure** for successive years
- the **significant underinvestment in the modernisation** of SARS in an evolving context
- SARS is **unable to do any forward planning**, whereas the **capital investments are all multi-year programmes**
- **SARS has compromised its employee value proposition** which affects its ability to attract the scarce talent necessary to give effect to its mandate

THE OVERALL EFFECT OF UNDERFUNDING HAS RESULTED IN A MATERIAL NEGATIVE IMPACT ON THE INSTITUTIONAL INTEGRITY OF SARS, ITS REVENUE COLLECTION MANDATE, AND ULTIMATELY FISCAL INTEGRITY OF SOUTH AFRICA...

FUNDING REDUCTIONS AND IMPACT

- The SARS grant allocation in the 2013/14 financial year was R9,5bn against a revised 2020/21 allocation of **R10,2bn comparing to the revenue collected in 2013/14 of R899bn against the R1 249.9bn** collected in the past year **2020/21**.
- SARS has been subject to a number of funding reductions over the last 7 years that has become unsustainable. **The 2013/14 grant escalated by MTEF CPI would have resulted in a SARS grant allocation for 2020/21 of R14bn vs the actual 2020/21 grant post AENE reduction of R10,2bn.**
- Continuous **annual funding reductions/fluctuations** makes **multi-year planning impossible**.
- **Cost to revenue collection in 2020/21 was at 0.82% compared to 2013/14 which was at 1.06% that is aligned to the OECD recommendation of 1% for developing countries. This would not be the case if the SARS grant was accordingly adjusted by the MTEF prescribed CPI over the last 7 years.**
- The **estimated cost to revenue ratio** based on the latest ENE grant allocation for 2021/22 against the revenue collection estimate of R1 365.1bn will be at **0.83%** and will reduce to **0.79% and 0.75% in 2022/23 and 2023/24**

SARS FUNDING TRENDS

SARS GRANT ALLOCATION BROKEN DOWN	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Preliminary AFS	MTEF view	MTEF view	MTEF view
	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24
	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
Actual Grant received per AR/AFS (inc OTO +- R40m)	9 534 393	9 440 321	9 334 439	10 009 152	10 218 198	9 984 460	9 529 031	10 271 873			
Budgeted Grant receivable (inc OTO +- R40m)									11 295 167	11 527 781	11 657 596
Total 2013/ 2014 Grant Allocation @ CPI*	9 534 393	10 049 250	10 612 008	11 269 953	11 968 690	12 650 905	13 321 403	14 000 795	14 700 834	15 406 474	16 145 985
Actual grant less 2013/14 grant escalated with CPI	-	-608 929	-1 277 569	-1 260 801	-1 750 492	-2 666 445	-3 792 372	-3 728 922	-3 405 667	-3 878 693	-4 488 389
CPI per MTEF guidelines		5.4%	5.6%	6.2%	6.2%	5.7%	5.3%	5.1%	5.0%	4.8%	4.8%
Revised Revenue estimates per AR**	899 000 000	979 000 000	1 069 700 000	1 144 382 000	1 227 307 000	1 302 201 000	1 358 935 000	1 212 200 000	1 365 100 000	1 457 700 000	1 548 500 000
year on year Increase		80 000 000	90 700 000	74 682 000	82 925 000	74 894 000	56 734 000	-146 735 000	152 900 000	92 600 000	90 800 000
YOY revenue Increase %		8.90%	9.26%	6.98%	7.25%	6.10%	4.36%	-10.80%	12.61%	6.78%	6.23%
Actual grant as % of revised revenue estimates	1.06%	0.96%	0.87%	0.87%	0.83%	0.77%	0.70%	0.85%	0.83%	0.79%	0.75%

- The cumulative funding reduction inclusive of the medium term period amounts to R3.4 billion notwithstanding the fact that the grant allocation from 2013/14 did not increase by inflation rate to date.

* CPI is as per MTEF guidelines for specific years, 2023/24 4.8% is kept static from 2022/23. The CPI for 2021/22 and 2022/23 period is per 2020 MTEF guidelines. 2021 MTEF guidelines does not have CPI as the government plan to reduce spending.

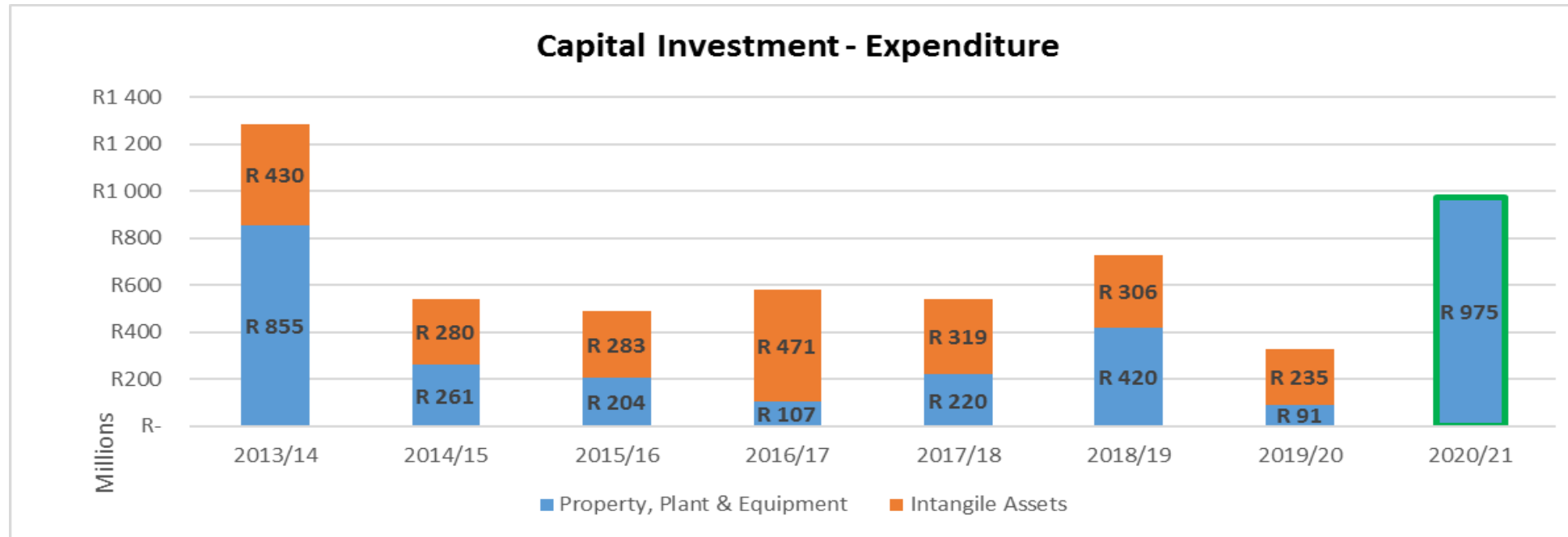
** The 2020/21 revenue estimates is as per budget 2021

SARS HUMAN RESOURCE TRENDS

Employee Group	FY2014/15	FY2015/16	FY2016/17	FY2017/18	FY2018/19	FY2019/20	FY2020/21
Permanent	13 978	14 198	13 072	12 785	12 488	11 927	12 435
Graduate / Trainees	444	-	346	273	253	57	41
Contract Workers	436	12	17	16	3	6	3
Seasonal Workers	-	-	148	305	-	-	-
Short Term Contracts	-	-	-	-	-	156	-
Total	14 414	14 210	13 583	13 379	12 744	12 146	12 479

- The SARS Head Count (HC) has been on a declining trajectory over the recent years – with a total HC of 14 414 (2014/15) to 12 479 (2020/21) that represents -12% (1 935) reduction. The main job functions impacted by this reduction were: Audit; Investigations; Legal (including Legal policy); Customs and Excise & Information Technology.
- Noteworthy, that in the past year (2020/21), we had insourced 723 cleaners that has increased on baseline headcount.
- The primary reasons for the reduction is attributed to the funding constraints experienced due to grant allocation reduction and state of SARS to attract the required skilled resources.
- We immediately require +500 resources in the specialised disciplines of: Information Technology; Data Analytics/Science; Audit & Risk, Investigations and re-establishing a graduate pipeline – our Recruitment Drive is underway.

DECLINE IN CAPITAL INVESTMENT



- Due to **budget constraints** and a lack of capacity the **annual infrastructure refresh program** has had to be continuously **delayed** over the last number of years. The appropriate investment in ICT assets would aid in ensuring stability and supportability of the equipment and ICT landscape.
- Sharp decline in investment in PPE as well as Intangible Assets from 2013 to 2020. The increase in cost for 2018/19 relates to the e-filing hosting upgrade which was the single largest project for the financial year and for the past 6 years.
- SARS has built its asset/infrastructure base (at acquisition value) from R1,3bn in 2007 to R8,7bn in 2020 but is now left with an ageing infrastructure that it is unable to renew and attracts high maintenance cost.
- In the **past year (2020/21)** a total of **R975m** was spent on **Capital Investment**, as we have emphasised focus on ICT spending in line with our Vision 2024.

SIGNIFICANCE OF AN ADEQUATELY FUNDED REVENUE AUTHORITY...

Excerpt from the New York Times – 25 April 2021:

Biden Seeks \$80 Billion to ***Beef Up I.R.S. Audits of High-*** ***Earners***

The president's "American Families Plan," which he will detail this week, will be offset in part by a tax enforcement effort that administration officials believe will raise \$700 billion over a decade.



**WHAT WINNING
MEANS FOR SARS...?**

...WE WOULD HAVE ACHIEVED THIS WHEN

1. We have **rebuilt our capability to collect revenue** according to mandate
2. Significantly moved towards **achieving voluntary compliance**
3. Whilst **achieving our vision 2024** towards ***a SMART, MODERN SARS with UNQUESTIONABLE INTEGRITY, TRUSTED and ADMIRER***

THANK YOU!

DISCUSSION...?