



South African Revenue Service

**PRESENTATION TO
STANDING COMMITTEE ON FINANCE**

“ANNUAL REPORT 2020/21”

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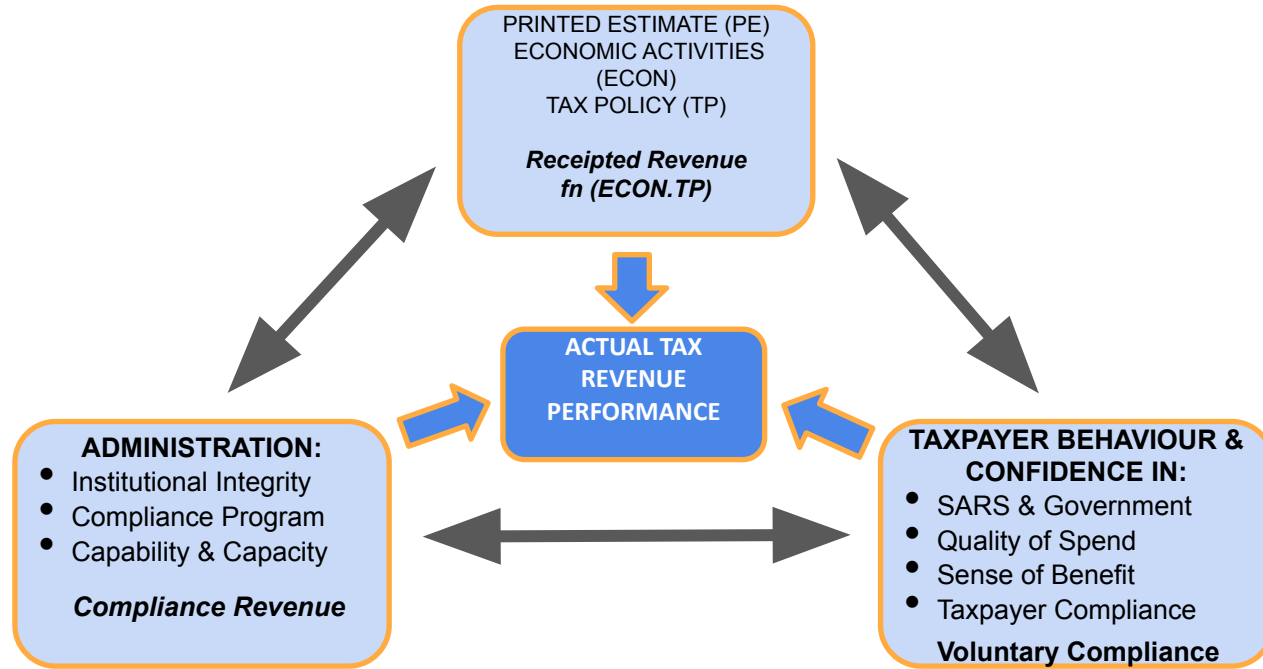
1. Context
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CONTEXT

- During the year under review, the organisation went through enormous change transforming itself into a SMART Modern SARS.
- The work in rebuilding SARS as an institution, as well as restoring public confidence is progressing well.
- The unprecedented impact of the COVID-19 global pandemic.
- Economic Impact:
 - COVID-19 has resulted in a severe contraction in both economic growth as well as tax revenue. the resultant economic shock led to a 7.0% contraction in GDP growth in 2020 after a marginal increase of only 0.2% in 2019.
 - The tax-to-GDP ratio in the 2020/21 fiscal year is estimated to be less than the long-term average of 24.3% due to the contraction in nominal GDP. In contrast the buoyancy ratio, which is an indication of tax revenue growth in relation to GDP growth, increased from 1.14 in 2019/20 to an estimated 1.79 in 2020/21.
 - Due to better than expected economic recovery and improved revenue collections, the revenue estimate was upwardly revised by R 99.6bn, resultant full year revenue estimate of R 1,212 trillion.

SARS REVENUE MANAGEMENT SYSTEM



When the **ECONOMY & TAX POLICY** saturates – the only other 2 levers to raise additional revenue are: **improving tax administration efficiencies** and **positively influencing taxpayer behavior and confidence**.

REVENUE PERFORMANCE UP R38B



REVENUE COLLECTION

1. Davis Tax Committee - Tax Gap Study
2. Revenue Recovery Programme

COMPLIANCE PROGRAMME - R 172 BILLION

STANDARD OPERATIONS

- Debt Collection (**R16.5bn**)
- Compliance & Estate Duty Audits (**R0.2bn**)
- Par 19(3) – SMMEs (**R1.62bn**)

- Filing & Payment Compliance (**R6.53bn**)
- PPE Tender Compliance (**R0.14bn**)
- VAT on Imported Services (**R0.11bn**)

SEGMENTED OPERATIONS

- Large Business Debt (**R12.3bn**)
- High Wealth Individuals Debt (**R42mill**)
- Corporate Actions (**R6.79bn**)

- Investigative Audit Debt (**R5.7bn**)
- Par 19(3) Large Businesses (**R14.6bn**)

CUSTOMS

- Inspections (**R1.12bn**)
- Compliance Audit (**R1.52bn**)

- Industry Teams (**R0.07bn**)
- Admin. Actions (**R2.62bn**)

SPECIALISED DEBT

- Outstanding Returns (**R5.4bn**)
- Automated & Service Channel debt (**R3.6bn**)

- Customs and Excise debt (**R23.1bn**)
- Specialised Debt (**R1.3bn**)
- Restricted Entities Debt (**R65mill**)

VOLUNTARY DISCLOSURES

- Voluntary Disclosure Programme (**R4.64bn**)

CRIMINAL & ILLICIT ACTIVITIES

- Targeted Criminal Investigations
- Prosecutions
- Preservation Orders (**R1.92bn incl. all of the above**)

REFUND LEAKAGE PROTECTION

- Refund risk management (**R45.84bn**)
- Reduced refunds (**R4.28bn**)
- Debt Equalisation (**R11.81bn**)

CREDIT BALANCE

- Refunds processed during the financial year totalled R300bn
- Credit as at 31 March 2021 was R75bn, up R11bn from the prior year.
 - 90% of the credit balance relates to refunds yet to be verified.
 - 10% relates to taxpayer account issues
- Refunds fraud detected and prevented R57bn.
- Significant drivers of the credit balance are Domestic VAT (60%) and Income Tax (28%). Income tax recorded a net decrease of 7% whilst PAYE net increased by 3%
- Challenge is to balance risk to the fiscus with service to the taxpayer

DEBT BALANCE

- R66bn taxpayer debt collected in a suppressed economy aggravated by COVID-19.
- Debt balance increased from R210bn to R276bn as at 31 March 2021.
- Increased focus on debt collection:
 - Reorganised debt collection teams based on aging during the 3rd and 4th quarter of the financial year
 - Specialised debt teams allocated with liquidations and business rescue cases
 - Introduced debt propensity modelling
 - Enhanced Reporting Framework for debt
- Targeted enforcement steps for those that are unwilling to comply.

TAX MORALITY

- A Public opinion Survey was commissioned and the Attitude to Tax compliance index of 74.5% vs. 70.00% (previous survey).
- Tax morality came as the top driver of tax compliance from the 11 drivers.
- Tax morality ranks higher on the drivers of tax compliance.
- The highlights directed to SARS are:
 - operational efficiency,
 - accessibility and
 - Trustworthiness
- Taxpayer compliance in many aspects is a reflection of the state of compliance across the nation. Whilst most South Africans that are law abiding, wanting to do the right thing, there is worryingly a culture of non-compliance that permeates our society.

TAX COMPLIANCE

- **Tax Compliance** levels are under strain.
- The composite **compliance level at 62.61%** (PY - 65.05).
- A focus area has been the compliance levels of the various segments, such as Employers; SMME; Large Businesses & International and High Wealth Individuals.
- In addition, compliance levels of tax products such as PAYE and CIT has been a concern and SARS embarked on focus programmes to address this trend.

OUR STRATEGIC CLARITY

RESPONDS TO FOUR DEFINING QUESTIONS:

1. **Our Mandate: What we do?**
2. **Our Higher Purpose: Why we exist?**
3. **Our Vision: Our aspiration for a future SARS?**
4. **Our Strategic Intent: How we will approach delivering our mandate?**

These inform:

1. **How we work**
2. **How we are organized**
3. **How we allocate resources**
4. **How we define success**

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

A SMART, MODERN SARS WITH UNQUESTIONABLE INTEGRITY, TRUSTED & ADMIRERD



SARS STRATEGIC INTENT

DEVELOP A TAX & CUSTOMS SYSTEM BASED ON VOLUNTARY COMPLIANCE



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*

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

A MORE DETAILED REVIEW OF PERFORMANCE 2020/21

PERFORMANCE HIGHLIGHTS

SO1: Provide **CLARITY** and **CERTAINTY** for taxpayers and traders of their obligations

- o 76.2% of Taxpayers & Traders are clear on obligations
- o Advance Pricing Agreement discussion paper published
- o 931 Rulings and Opinions issued

SO2: Make it **EASY** for taxpayers and traders to comply with their obligations

- o 86.3% of SARS interactions done through **Virtual Channels**
- o 83.2% of standard taxpayers were **Auto Assessed**
- o AEO Programme launched and **14 new clients** signed up
- o 5.6 million **Customs declarations** processed >95% under 10 seconds

SO3: **DETECT** taxpayers and traders who do not comply and make non-compliance **HARD** and **COSTLY**

- o **R58.5 billion** in **Refund Savings**
- o **Customs Seizures** to the value of **R2.7 billion**
- o **R147 million** recovered from **PPE fraud**
- o **96% Conviction Rate** through **NPA**

SO4: Develop a **HIGH** performing, **DIVERSE**, **AGILE**, **ENGAGED** and **EVOLVED** workforce

- o **Employee Engagement** participation rate of **76%**
- o **Runner-up Employer** of the year award
- o **SARS leadership model** conceptualised
- o **280 staff members** concluded the **Management Development Programmes**

SO7: Demonstrate Effective resource stewardship to ensure efficiency and effectiveness in delivering quality outcomes and performance excellence

- o **2.22% reduction** in non-people cost savings after absorbing **COVID-19** related cost
- o **Space reduction** and related cost savings of **R43 million**
- o **2.90% increase** in **ICT spending**
- o **Other operational** expenditure reduced from **7.39%** to **4.33%** of total budget

STRATEGIC INTENT
R1.25 trillion Collected
(R38 billion more than Revised Estimate)
Refunds of R300.6 billion paid
(R20 billion more than 2019/20)
R172.0 billion Compliance Revenue
collected through
Compliance Interventions
R38.9 billion COVID-19
relief granted
Facilitated Trade to the
value of **R2.6 trillion**

SO5: Increase and expand the use of **DATA**

- o **3.6 million** taxpayers identified for **Auto Assessment**
- o **Machine Learning** models deployed, **26 000** individuals identified to register for tax
- o **Automated Risk Engine** yield improved by **20%**

SO6: Modernise our systems to provide **DIGITAL** and **STREAMLINED** online services

- o **>30 Application enhancements** deployed during the **first 100 days** of lockdown
- o **99.76%** Systems Availability
- o **Zero ITC security breaches** from known risks
- o **>76%** of **SARS Services** accessible through **virtual channels**

SO8: Work with and through Stakeholders to improve the tax ecosystem

- o **Full compliance** to **OECD AEOI** standards, info used to **identify > 200 instances** of "unexplained" **offshore wealth**
- o **Extensive Engagements** with stakeholders across different sectors

SO9: Build **PUBLIC TRUST** and **CONFIDENCE** in the tax administration system

- o **Public Opinion Survey** on attitude to tax compliance yields **74.5%** against target of **70%**

DELIVERY AGAINST OUR MANDATE



1. PROVIDE CLARITY AND CERTAINTY FOR TAXPAYERS AND TRADERS OF THEIR OBLIGATIONS

Taxpayer Experience: The overall taxpayer and trader experience is empowering and enabling. Taxpayers and traders must proactively receive clarity guidance, and where required, have additional, easily accessible customised support.

1.1 The majority of taxpayers and traders surveyed perceive the guidance SARS provides to be clear, unambiguous and easy to follow - % of taxpayers and traders that are satisfied with the clarity and certainty of guidance provided by SARS

New Measure

Target 2020/21
Survey conducted

Actual 2020/21
Survey conducted

Deviation 2020/21
None

1.2 Leverage products introduced – Advance Pricing Agreement Programme introduced

New Measure

Target 2020/21
Discussion paper to inform legislation completed

Actual 2020/21
Discussion paper to inform legislation completed

Deviation 2020/21
None

1.3 Uptake of AEO programme by traders - % uptake of AEO programme by active traders

New Measure

Target 2020/21
10.00% of targeted active traders

Actual 2020/21
16.20%

Deviation 2020/21
6.20%

1. PROVIDE CLARITY AND CERTAINTY FOR TAXPAYERS AND TRADERS OF THEIR OBLIGATIONS

- 76.2% of Taxpayer and Traders surveyed are clear about their obligations
- Advance Pricing Agreement discussion paper published
- 931 Rulings and Opinions issued
- Expanded communications via directed messages, social media, SARS website, and educational videos and webinars – “How To” YouTube videos.
- Simplified letters to standard taxpayers – specify what information is outstanding when further verification is required.
- Launched the SARS Artificial Intelligence Chatbot Lwazi.
- COVID-19 Relief measures administered R38bn relief granted.

2. MAKE IT EASY FOR TAXPAYERS AND TRADERS TO COMPLY WITH THEIR OBLIGATIONS

Taxpayer Experience: Engagements by taxpayers and traders in the fulfilment of their obligations will be mainly on-line, intuitive and self-managed, with minimal face-to-face visits.

2.1 Increase the number of taxpayers and traders using digital platforms - % of taxpayers and traders using digital platforms to interact with SARS

New Measure

Target 2020/21
75.00%

Actual 2020/21
86.31%

Deviation 2020/21
11.31%

2.2 Standard taxpayers are auto assessed by SARS - % of standard taxpayers returns auto assessed by SARS (individual taxpayers)

New Measure

Target 2020/21
80.00%

Actual 2020/21
83.28%

Deviation 2020/21
3.28%

2.3 SARS Taxpayer Service Charter review completed – approved Taxpayer Service Charter

New Measure

Target 2020/21
Achievement against
current service charter
and new service charter

Actual 2020/21
Service
charter reviewed

Deviation 2020/21
Service charter
not approved

2.4 Service Charter achievement index - % increase in service charter performance score

Actual 2019/20
71.88%

Target 2020/21
75.00%

Actual 2020/21
54.88%

Deviation 2020/21
-20.12%

2.5 SMME engagement programme established – approved SMME engagement programme

New Measure

Target 2020/21
Proposal to enhance
SMME service offering and
compliance completed

Actual 2020/21
The discussion paper was
completed, premised on the
outcome of research projects
and key stakeholders were
engaged

Deviation 2020/21
None

2. MAKE IT EASY FOR TAXPAYERS AND TRADERS TO COMPLY WITH THEIR OBLIGATIONS

- 86.3% of SARS interactions done through Virtual Channels
- 83.2% of standard taxpayers (3.4 million taxpayers) were Auto-Assessed
- Launched our appointment booking system – 800 000 telephonic and video appointments facilitated
- AEO Programme launched 132 participants were granted the Preferred Trader status. Frontline interventions for Preferred Traders dropped by 22% in this period
- 5.6 million Customs Declarations processed > 95% under 10 seconds
- Customs trade facilitation – reduced inspection times from 109 hours to 44 hours.

3. DETECT TAXPAYERS AND TRADERS WHO DO NOT COMPLY AND MAKE NON-COMPLIANCE HARD AND COSTLY

Taxpayer Experience: taxpayers and traders who negligently, deliberately, aggressively, or criminally stay out of the tax system or do not comply, will be detected. They will experience a response appropriate to the nature and degree of their non-compliance.

3.1 Detection and selection methodology for non-compliance completed – approved methodology document	New Measure	Target 2020/21 New, improved methodology	Actual 2020/21 New, improved methodology	Deviation 2020/21 None
3.2 Responses developed for all instances of non-compliance – approved document	New Measure	Target 2020/21 Document published internally	Actual 2020/21 Approved document published internally	Deviation 2020/21 None
3.3 Review of capability to successfully respond to non-compliance – approved document	New Measure	Target 2020/21 Review conducted and report issued internally	Actual 2020/21 Report issued internally	Deviation 2020/21 None
3.4 Increase in Employer Filing Compliance - % increase in employer filing compliance	Actual 2019/20 57.38%	Target 2020/21 70.00%	Actual 2020/21 54.55%	Deviation 2020/21 -15.45%
3.5 Compliance Programme milestones and targets achieved - % achievement of Compliance Programme milestones and targets	New Measure	Target 2020/21 60.00%	Actual 2020/21 81.25%	Deviation 2020/21 21.25%

3. DETECT TAXPAYERS AND TRADERS WHO DO NOT COMPLY AND MAKE NON-COMPLIANCE HARD AND COSTLY

- Tax base broadening 1.6 million taxpayers added to our tax register that resulted in R4.6 billion added to the net collections for the year.
- R57 billion in Refund Savings
- Customs seizures to the value of R2.7 billion
- R147 million recovered from PPE fraud
- 96% Conviction rate through NPA
- 26k individuals had economic activity in excess of R1m were detected to be unregistered
- Our newly launched High Wealth Individual Segment, reviewed 275 wealthy individuals who have financial assets abroad

4. DEVELOP A HIGH PERFORMING, DIVERSE, AGILE, ENGAGED AND EVOLVED WORKFORCE

User Experience: 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, and more analytical and service oriented. Our employees easily collaborate to leverage their combined strengths, and we invest in them appropriately and provide them with the right tools for the job.

4.1 Capability model to evolve workforce for future work environment developed – approved (model) document

New Measure

Target 2020/21
Methodology completed
Model completed

Actual 2020/21
Methodology completed
and SARS capability
model defined

Deviation 2020/21
Approach agreed,
approval of model
outstanding, which
requires continuous
refinement

4.2 Capability to ensure we can respond to current and future work environment demands developed and implemented – approved document

New Measure

Target 2020/21
New capability
model completed

Actual 2020/21
SARS capability model
defined and implementation
plan drafted

Deviation 2020/21
Approach agreed,
approval of document
outstanding

4.3 Mentorship and the job training programme as a mechanism to develop leaders implemented – approved programme documentation

New Measure

Target 2020/21
Mentorship
Framework developed
and implemented

Actual 2020/21
Conceptual mentorship
framework developed.
Implementation guidance
and plan designed

Deviation 2020/21
Roll out/
implementation
delayed

4.4 Diversity and Employment Equity: - Racial Equity
- Gender Equity
- Disability Equity

Actual 2019/20
Racial Equity: 76.38%
Gender Equity: 49.20%
Disability Equity: 2.22%

Target 2020/21
Racial Equity: 80.37%
Gender Equity: 51.37%
Disability Equity: 2.66%

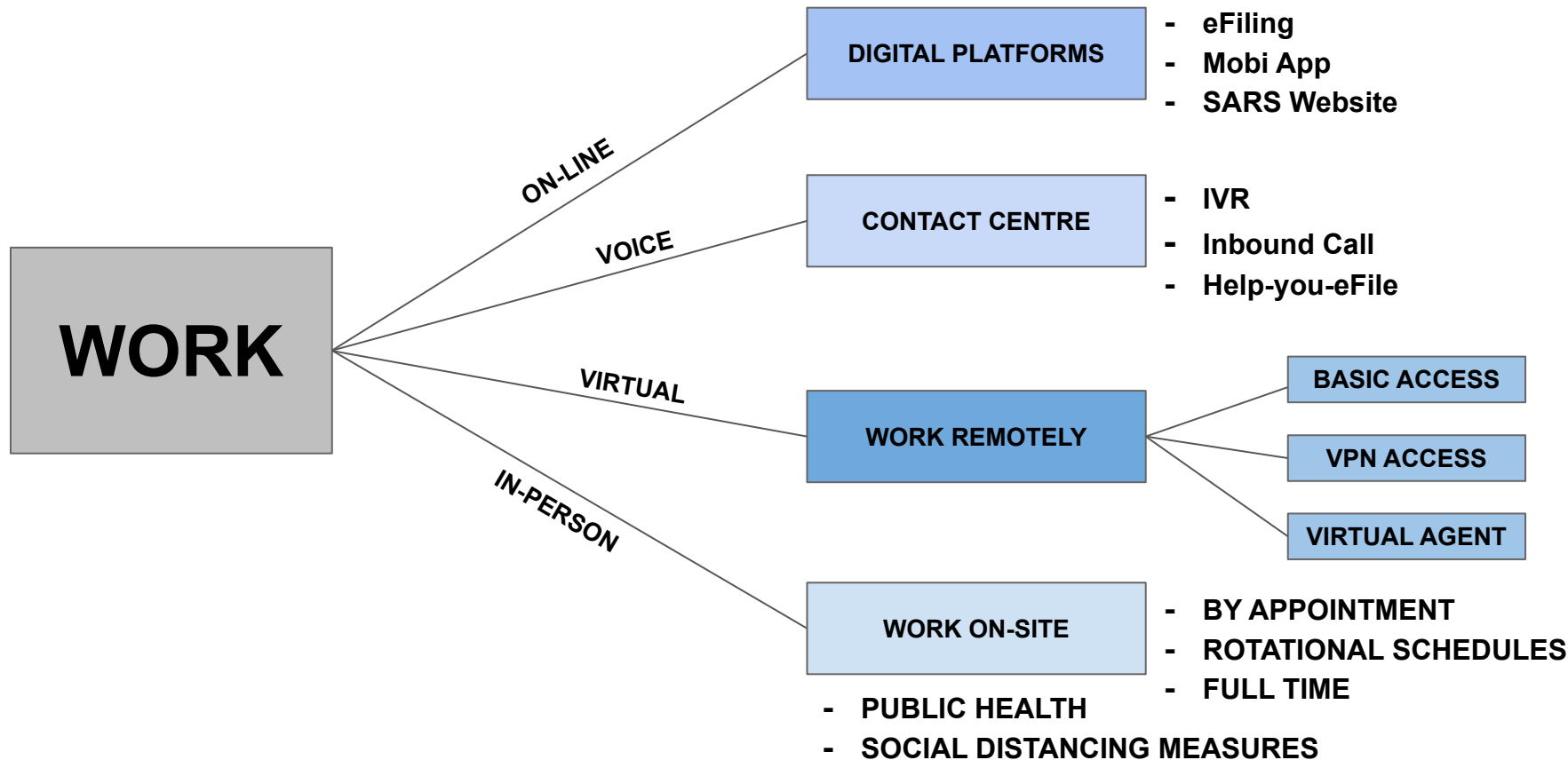
Actual 2020/21
Racial Equity: 78.17%
Gender Equity: 49.63%
Disability Equity: 2.08%

Deviation 2020/21
Racial Equity: -2.20%
Gender Equity: -1.74%
Disability Equity: -0.58%

4. DEVELOP A HIGH PERFORMING, DIVERSE, AGILE, ENGAGED AND EVOLVED WORKFORCE

- Employee Engagement participation rate of 76%
- SARS Leadership Model developed
- Invested significantly in leadership development – competency & integrity:
 - Women in Leadership,
 - Gender Based violence programme
 - Junior Board,
 - Pipeline Development of staff
- Enhancing Employee Value Proposition
- Operations management:
 - Focus on core Operational management competencies and deliverables
 - Capacity management by scheduling and managing our supply versus demand

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, DERIVE INSIGHT AND IMPROVE OUTCOMES

User Experience: Internally, an operating model that is data driven, technology enabled and human effort augmented by machine learning algorithms and artificial intelligence

5.1 Completeness of data achieved

New Measure

Target 2020/21
Completeness of taxpayer register substantially achieved

Actual 2020/21
Completeness of taxpayer register substantially achieved

Deviation 2020/21
None

5.2 Methodology and algorithms to improve case selection completed

New Measure

Target 2020/21
Capability framework delivered

Actual 2020/21
Capability framework delivered

Deviation 2020/21
None

5.3 Data governance framework developed and implemented

New Measure

Target 2020/21
Updated data governance framework developed

Actual 2020/21
Updated data governance framework developed

Deviation 2020/21
None

6. MODERNIZE OUR SYSTEMS TO PROVIDE DIGITAL AND STREAMLINED ONLINE SERVICES

User Experience: Our digital platforms will provide reliable and secure services to all our constituencies. Greater convergence between Tax & Customs development for the administration core value chain, with the smart applications relevant to a specific experience

6.1 Digital platforms availability for taxpayers and traders - % of planned capacity to be available for mission critical systems

Actual 2019/20
99.44%

Target 2020/21
100.00%

Actual 2020/21
99.76%

Deviation 2020/21
-0.24%

6.2 Security of taxpayers and traders information and interactions via digital platforms - number of security breaches on digital platforms for known risks

New Measure

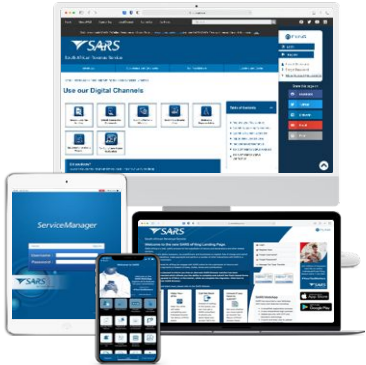
Target 2020/21
No security breaches from known risks

Actual 2020/21
No security breaches from known risks

Deviation 2020/21
None

LEVERAGING DATA AND TECHNOLOGY

Online Digital Services a Key Enabler of SARS Strategy, Operations and Successes



99.76% systems availability

NO ICT Security Breaches

1 Provide **Clarity & Certainty** for Taxpayers & Traders of their obligations

89.9%
Individuals Tax Returns received via eFiling & Mobi

100%
VAT Returns and Customs Declarations received Electronically

2 Make it **Easy** for Taxpayers & Traders to Comply with their obligations

7.6 million
Electronic Letters & Correspondence 2020/21

+800,000
Fully Online PIT Registrations

16.5 million
Electronic payments processed 2020/21

R1.55 trillion
Revenue Collected via eFiling platform 2020/21

99.5%
Disbursements made Electronically to SARS

R300 billion
Refunds disbursed to Taxpayers & Trades

3 Detect Taxpayers & Traders who do not Comply, and make non-compliance Hard & Costly

+138 million
Third Party Data records / certificates submitted to SARS (Employers, Medical Aids, Financial Institutions) 2020/21

2.2 million
Uploaded Electronic Supporting Documents for Review, Verification and Audit 2020/21

+780,000
Audit and Verification cases created by SARS Risk Engines 2020/21

5 Increase and expand the use of Data within a comprehensive KM framework to ensure integrity, drive insight and improve outcomes

6 Modernize our systems to provide Digital and Streamlined online services

5. INCREASE AND EXPAND THE USE OF DATA WITHIN A COMPREHENSIVE KNOWLEDGE MANAGEMENT FRAMEWORK TO ENSURE INTEGRITY, DERIVE INSIGHT AND IMPROVE OUTCOMES

- 3.6 million taxpayers identified for auto-assessment
- Machine learning models deployed
- Data-driven Enterprise Capacity Model instituted
- Enhanced our data-driven Compliance Risk Detection
- Automated Risk engine yield improved by 20%
- Expanded the SARS Data Factory that enables our data products

7. DEMONSTRATE EFFECTIVE RESOURCE STEWARDSHIP TO ENSURE EFFICIENCY AND EFFECTIVENESS IN THE DELIVERY OF QUALITY OUTCOMES AND PERFORMANCE EXCELLENCE

User Experience: 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 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.

7.1 Reconfigured SARS' cost structures to align with international peers – ICT investment as % of total grant

New Measure

Target 2020/21
Increase ICT investment by 2%

Actual 2020/21
2.90%

Deviation 2020/21
0.90%

7.2 Achieve 5% non-people cost savings

New Measure

Target 2020/21
5.00%

Actual 2020/21
2.22%

Deviation 2020/21
-2.78%

7.3 Revenue is collected at a level in line with comparable international peers' cost – Cost to Revenue Ratio

Actual 2019/20
0.80%

Target 2020/21
1.00%

Actual 2020/21
0.85%

Deviation 2020/21
-0.15%

7.4 Clean audit opinion is achieved from the Auditor-General

Actual 2019/20
Unqualified Audit Report with findings

Target 2020/21
Clean Audit
(Unqualified with no findings impacting the audit report)

Actual 2020/21
Unqualified Audit Report with findings

Deviation 2020/21
Findings raised impacting the audit report

7. DEMONSTRATE EFFECTIVE RESOURCE STEWARDSHIP TO ENSURE EFFICIENCY & EFFECTIVENESS IN THE DELIVERY OF QUALITY OUTCOMES & PERFORMANCE EXCELLENCE

- 2.22% reduction in non-people cost savings after absorbing COVID-19 related cost
- Space reduction and related cost savings of R43 million
- 2.90% increase in ICT spending as a result of cost containment measures
- Other Operational expenditure reduced from 7.39% to 4.33% of total budget
- Cost reconfiguration evaluation regarding physical footprint informed by need and optimal usage perspective, including SARS Head Office and Regional offices
- Cost to revenue for 2020/21 was 0.85% against the target of 1.00%, is below OECD benchmark for developing economies (1-2%)

7. DEMONSTRATE EFFECTIVE RESOURCE STEWARDSHIP TO ENSURE EFFICIENCY & EFFECTIVENESS IN THE DELIVERY OF QUALITY OUTCOMES & PERFORMANCE EXCELLENCE

- SARS Revenue Accounts Annual Financial Statements/ Accounts has received an unqualified audit opinion with no findings (clean audit report).
- SARS Own Accounts received an unqualified audit report with findings due to irregular expenditure and fruitless and wasteful expenditure.
- Consequence management and remedial actions implemented to address irregular expenditure and fruitless and wasteful expenditure.
- Furthermore, recommendations have been made to improve and address the challenges with the Supply Chain Management framework.

7. DEMONSTRATE EFFECTIVE RESOURCE STEWARDSHIP TO ENSURE EFFICIENCY & EFFECTIVENESS IN THE DELIVERY OF QUALITY OUTCOMES & PERFORMANCE EXCELLENCE

Reflecting on the 2022 financial year – MTEF Submission to National Treasury

	2022/23	2023/24	2024/25
Funding requirement	14 226 354	15 177 066	16 123 404
Funding available	11 870 417	12 000 213	12 585 626
Deficit	(2 355 937)	(3 176 853)	(3 537 778)
Funding allocation	14 226 354	15 177 066	16 123 404
Personnel cost (CTC and related)	9 853 715	10 467 754	10 963 782
Physical facilities and related expenditure	901 923	975 198	1 055 052
Information and Communication technology(Maintenance and support)	1 436 297	1 660 543	1 953 778
Other operational expenditure	556 080	580 825	606 904
Capital Expenditure	644 500	621 800	633 836
Projects - e-Filing enhancements, Tax and Customs modernisation ect	833 840	870 946	910 051

8. WORK WITH AND THROUGH STAKEHOLDERS TO IMPROVE THE TAX ECOSYSTEM

User Experience: We have effective and beneficial partnerships with all Stakeholders in the tax ecosystem, which benefit the taxpayers, Government and the public. We leverage each other's strengths to resolve tax administration challenges and improve voluntary tax compliance.

8.1 We have satisfied all our commitments in terms of EOI agreements (automatic Exchange of Information happens seamlessly in both/multi directions)

New Measure	Target 2020/21 Full compliance in terms of OECD rating	Actual 2020/21 Full compliance in terms of OECD rating	Deviation 2020/21 None
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8. WORK WITH AND THROUGH STAKEHOLDERS TO IMPROVE THE TAX ECOSYSTEM

- SARS exchanged information - 70 partner jurisdictions (CRS)
- Public Sector stakeholders: Engagement improved tax and customs compliance, enhance service delivery and promote tax morality
- Private Sector stakeholders: Engagements in sharing operational changes , reinforce value attributes and sharing of SARS leadership intent
- Virtual Awareness Sessions(4 webinars):
 - Carbon Tax,
 - Registration Licensing and Accreditation Awareness
 - African Continental Free Trade Agreement

STAKEHOLDER MANAGEMENT



SARS' credibility is key to the delivery of its mandate, and it is imperative that the organisation rebuild public trust.

9. BUILD PUBLIC TRUST AND CONFIDENCE IN THE TAX ADMINISTRATION SYSTEM

User Experience: 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 things 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.

9.1 Public opinion survey results reflect high trust and confidence in SARS – score as per public opinion survey

Actual 2018/19
66.00%

Target 2020/21
70.00%

Actual 2020/21
74.50%

Deviation 2020/21
4.50%

9. BUILD PUBLIC TRUST AND CONFIDENCE IN THE TAX ADMINISTRATION SYSTEM

- The Public Opinion Survey represents to SARS the “voice of the taxpayers and traders”.
- A Public opinion Survey was commissioned and the Attitude to Tax compliance index was 74.5% vs. 70.00% (previous survey).
- Tax morality came as the top driver of tax compliance out of 11 drivers.
- Tax morality in South Africa is slightly improving; however, it is not translating into higher tax compliance.
- Develop an action plan to ensure translation of high tax morality into actual tax compliance.

GOVERNANCE, LEGAL & RISK MANAGEMENT

GOVERNANCE, LEGAL AND RISK MANAGEMENT

In 2019, National Treasury with the support of SARS, initiated the review of the governance of SARS. In parallel, the Commissioner initiated the review of governance in SARS and, to that end, committed SARS to the following governance goals:

- Embed strategic clarity and direction
- Strengthen culture of ethics derived from the impeccable integrity of individuals and align the tone from the top
- Protect the sacrosanctity of taxpayer information
- Embed risk-based governance as the basis for combined assurance

It will take resilience, consistent focused effort and time to reverse the breakdown in governance, rebuild capability and restore public confidence. These will not be achieved without a commitment to provide SARS with adequate resources. The work of rebuilding SARS as an institution, and restoring public confidence has begun.

STATUTORY OVERSIGHT

[GOVERNANCE OF SARS]

MINISTER OF FINANCE

Legislation allows the Minister to establish additional Committees in consultation with the SARS Commissioner

PARLIAMENT

Audit & Risk Committee (ARC) ito Regulation 27.1.1 issued under PFMA, 2005

SARS

SARS/AG Steering Committee

Bodies to which SARS accounts

Legislatively required Committees

Convened in terms of MOU between SARS & AG

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SARS GOVERNANCE AND MANAGEMENT COMMITTEES

[GOVERNANCE IN SARS]

- **Executive Committee** - Strategy and Health of Organisation
- **Executive Management Committee** - Performance Management
- **Executive Sub-Committees**
 - National Revenue Committee
 - Enforcement Committee
 - People Committee
 - Enterprise Governance & Risk Committee
 - Compliance Risk management Committee
 - Enterprise Investment Committee

Cluster Committees (Management Committees):

- **Taxpayer Engagement Cluster**
 - National Operations Committee
 - Directors Forum
 - Segmented Operations Committee
 - Centralised Operations Committee
 - Customs Committee
- **Enterprise Design and Enabling Cluster**
 - Segment Leaders Committee
 - Product & Process Owners Committee
 - Design & Enabling Committee
- **Enterprise Services & Support Cluster**
 - Governance & Legal Committee
 - Financial Committee

CONTINUED CHALLENGES

- The prolonged effect of COVID-19:
 - On the global and local economic conditions are likely to remain subdued and challenging for tax collection
 - The long term psycho-social impact not fully understood
 - Evolving to a new norm in society and the workplace
- The impact and prevalence of corruption are also not helpful for tax morale.
- Low compliance levels stubbornly persist across our entire tax base.
- Restoring and Modernizing SARS - is hard and will take time.
- Funding constraint - SARS remains underfunded relative to international norms.

CONCLUSION

- We are encouraged by the measured progress and early results.
- Continue to work at improving Taxpayer experience.
- Despite many challenges our Employee Engagement has improved.
- Our standing amongst international peers significantly enhanced.
- Working well with Other Government Agencies and broad stakeholders.
- Working with AGSA to implement various recommendations.
- Submitted to FinMin a revised APP in line with direction.

THANK YOU!