

PRESENTATION TO SCOF & SeCOF

“Responses Public Hearing on Budget 2022”

CONTEXT

1. Thank you for the opportunity to account!
2. We remind ourselves constantly that we do a privileged work, informed by the higher purpose of enabling the building of a capable state to improve the wellbeing of all South Africans.
3. SARS continues its rebuilding journey premised on its strategic intent of building a tax and customs systems that is premised on voluntary compliance, and the vision to build a SMART, MODERN SARS with an unquestionable integrity, and is trusted and admired.
4. The balancing of service to the taxpayer and risk to the fiscus is fundamental in our work. We don't always get it right and are continuously taking feedback, augmenting our abilities with greater use of data and enabling technologies and implementing continuous improvements to our systems.
5. One instance of service failure, is one too many!!
6. We used COVID-19 to accelerate our reform.
7. We need to accelerate our modernisation and fast track our ability to learn.

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

STRATEGIC OBJECTIVES 1 & 2

- 1. Providing greater clarity to taxpayers, and**
- 2. Making it easier for taxpayers to comply**

PROVIDING CERTAINTY AND CLARITY: TAXPAYER AND TRADER EDUCATION

TAXPAYER EDUCATION & AWARENESS

1. Total of 13 Webinars YTD, with some drawing up to 16 000 viewers per session

- Home Office Expenses - especially due to increase in remote work (had 219 k unique hits)
- VAT: covering registration requirements, VAT filing categories, payments, refunds and deregistration.
- SMME: tax obligation, eFiling navigation and TCS application processes Partnered with the following stakeholders to implement training/education topics:
 - Customs: Registration, Licensing and Accreditation (RLA).
 - Customs: Requirements for Travelers
 - Customs and Cargo: Clearance Procedures
 - Environmental Tax covering sugar beverage tax, tyre levy, plastic and carbon tax

2. Completed 19 Interpretative Tax Documents: guides, interpretation notes, rulings, etc

PROVIDING CERTAINTY AND CLARITY: TAXPAYER AND TRADER EDUCATION

TAXPAYER EDUCATION ACTIVITIES

1. Our Website - 59 million website hits:

- In an effort to boost the Specialised Audit education programme; the updates on the SARS Audit Website were completed and published. The scoping of the multi-year Customs Experience and Education Programme is underway

2. Partnerships with Other Government Agencies:

- Western provisional government: small business portfolio on Small, Medium and Micro Enterprise (SMME) obligations.
- Small Enterprise Development Agency (SEDA) on eFiling and Tax Compliance Status navigation.
- Rolled out newly registered SMME orientation pack and distribution made to +81 000 emails representing approximately 400k businesses.
- Through the department of Transport (DOT), engaged and obtained buy-in from national NTA and SANTACO committees on the intended Taxi Industry education partnership plan.
- Established relations with external stakeholders such as the Small Enterprise Development Agency (SEDA); Small Business Institute (SBI); South African Chamber of Commerce Institute (SACCI) to educate the SMMEs through their members and agreed to distribute SARS educational material via their communication channels.
- We developed a welcome pack containing useful information to explain tax obligation to **newly registered SMMEs**. The welcome pack was sent to all companies registered from January 2020 to July 2021.

SERVICE TO TAXPAYERS

SARS HAS 568 CONTACT CENTRE AND 1077 BRANCH SERVICE AGENTS WHO:

- Received 2.8 million inbound calls
- Made 6.9 million outbound calls made
- Attended to 1.2 million taxpayer service sessions by appointment, including:
 - 71 000 video appointments
 - 237 000 in person Branch visits
 - 786 000 telephonic appointments
- Attended to 600 000 Branch visits - no appointments
- Attended to 385 000 virtual sessions to assist taxpayer filing through Help-U-eFile

SIMPLIFYING TAXPAYER EXPERIENCE FOR INDIVIDUALS

SARS Auto-Assessment functionality strives to makes filing easy for millions of taxpayers:

- 3.4 million taxpayers initially selected for auto assessment, and
 - 9 out of 10 taxpayers (2.8 million, or 91%) taxpayers accepted the auto assessment results presented by SARS - enabled through 3rd Party Data and AI
 - 1 million of the auto assessed were issued with an estimated assessment largely because they earned below the R500k pa threshold (not required to file; habitual branch filers) ie. No effort required on their part at all
 - a number of taxpayers specifically excluded as they had a change in circumstances to their eligibility for auto assessment – taxpayers who had changed to a Provisional Taxpayer; Taxpayers that claimed Home Office Expenses.

From the entire population of 5,3 million who filed PIT returns:

- 93% assessed in under 5 seconds
- 85% received their refunds within 72 hours
- R19 billion in refunds already paid to 1.67 million taxpayers

SERVICE TO TAXPAYERS

WE HAVE SIGNIFICANT SERVICE CHALLENGES THAT NEED TO BE ADDRESSED:

- Whilst most of our service consultants are competent and professional, we still have too many instances of poor service experiences by own staff - currently being addressed
- The investment into, and modernisation of our service platform is urgent
- Examples where we fail to deliver to our own service aspiration include:
 - Instances of taxpayer complaints unacceptably high
 - Too many cases, for various reasons, takes more 21 days to resolve
 - Communications to taxpayers to report progress & manage expectations can improve
 - Taxpayers without an appointments results in long queuing times
 - Taxpayers experience long waiting time & dropped calls when calling

NEED TO DO MUCH MORE TO IMPROVE SERVICE TO TAXPAYERS

WE ASPIRE TOWARDS THE CONCEPT OF *"THE BEST SERVICE IS NO SERVICE"*

- Embed a Culture of Service Obsession in pursuit of Voluntary Compliance
- Ongoing development and investment in our staff
- Disintermediate the need for so many service interventions and/or complaints
- Improve the quality and frequency of communications (regular updates)
- Deploy more self-service terminals in and beyond our current footprint
- AI driven interactivity: interactive voice responses, chatbots, taxpayer call back
- Allow more interaction via “Non-Smart” Phones - previously only smart phones and handheld devices
- Migration to online Digital Channels – 6 million previous branch interactions migrated to our digital service offerings
- Commenced recruitment & development of 250 additional Service Consultants
- Modernisation of our administrative systems across our entire value chain - ***“Smart Modern SARS”***

STRATEGIC OBJECTIVE 3

- 1. Detecting instances of non-compliance**
- 2. Make non-compliance hard and costly**
- 3. Balancing risk to Fiscus with Taxpayer Service**
- 4. Improve resolution of taxpayer disputes**

MANAGEMENT OF VAT RISK

YEAR TO DATE SARS HAS RECEIVED 3.8 MILLION VAT RETURNS, PROCESSED AS FOLLOWS:

- 3.480 million resolved through automated risk assessment (data & machine learning algorithms)
- Only 320 000 (8.36%) cases selected by our risk engine for further verification
- In other words:
 - 92/100 returns processed without any intervention
 - 8/100 returns selected for verification
 - Just over half of the cases selected completed with a compliance revenue of R14.9 billion
 - Of which 75% had been completed within 21 working days
 - Noteworthy that more than half of the cases selected by our risk engine comes from habitual non-compliant taxpayers
- In addition, 138 000 VAT cases were completed from the prior FY that yielded compliance revenue of R21.5 billion
- Total revenue yield from our VAT risk management totals R36.4 billion YTD (PY YTD R26.3 billion)
- Secured 54 successful criminal prosecutions for VAT contraventions

MANAGEMENT OF PIT RISK

YEAR TO DATE SARS HAS RECEIVED 7.1 MILLION PIT (INDIVIDUAL TAX) RETURNS PROCESSED AS FOLLOWS:

- 5.7 million resolved through automated risk assessment (data & machine learning algorithms)
- 1.4 million (19.71%) cases selected by our risk engine for further verification
- In other words:
 - 80/100 returns processed without any intervention
 - 20/100 returns selected for verification:
 - More than 8/10 of the cases selected were completed with a compliance revenue of R8.2 billion
 - Of which 85% had been completed within 21 working days
 - Noteworthy that more than 2/3 of the cases selected by our risk engine comes from habitual non-compliant taxpayers
- In addition, 369 000 PIT cases were completed from the prior FY that yielded compliance revenue of R1.3 billion
- Total revenue yield from PIT risk management thus far totals R9.5 billion YTD (Full PY YTD R7.9 billion)
- 39 successful criminal prosecutions for PIT contraventions.

HOW ARE WE IMPROVING?

AS PART OF OUR CONTINUOUS IMPROVEMENT CULTURE:

- Working to increase and expand our Datasets to be more comprehensive & deepening our Data Science capability
 - to refine our risk engine, machine learning algorithms and AI technologies
 - to enhance our risk profiling capability
 - Improve a better balance between managing risk and providing excellent taxpayer service
- Enhance our engagement with taxpayers to improve:
 - Provision of greater clarity and certainty to taxpayers
 - Quality and timing of communications with taxpayers
- Verification cases: 163 VAT Auditors resolved 308k cases; 274 PIT Auditors resolved 1,362 million cases - clearly we need more staff in this area of work!
- Subject to funding by National Treasury:
 - continue to invest in our current Verification Auditors & recruit additional Auditors
 - Scoping and implementing the Modernisation of the VAT processes (i.e. e-Invoicing)

COVID-19 INTRODUCED ADDITIONAL RISKS (eg. Remote Work)

THE PREVAILING TREND OBSERVED WITH HOME OFFICE EXPENSE DEDUCTIONS CLAIMED:

- YTD received more than 76 000 returns with home office expenses claimed of which
- Risk engine stopped almost 66 000 or 86% of these claims:
 - About 79% of these cases have been completed
 - The adjustment rate of 60.4% with a total yield of R545 million

Breaking down in terms of actual home office expenses claimed:

- Taxpayers initially claimed R2.9 billion in home office expenses
- Verification resulted in > R1.8 billion of claimed expenses being disallowed
- Around 3 300 taxpayers who were identified for verification submitted a correction to reverse their initially claimed home office expenses to the value of R334 million
- Home office expenses claim post of verification stands at R1.1 billion

CIVIL LITIGATION

WE ENDEAVOUR TO RESOLVE DISPUTES THROUGH ENGAGEMENT RATHER THAN LITIGATION:

- Almost 85% of all Tax Court Appeals are finalised through engagement between the taxpayer and SARS:
 - 25% of Appeals were settled between taxpayers and SARS
 - 29% of Appeals were withdrawn by Taxpayers
 - 30% of Appeals were withdrawn by SARS

BUT, SOMETIMES LITIGATION IS UNAVOIDABLE:

- SARS litigated approximately 10% of Tax Court Appeals and won 21 of 28 cases including every appeal in the Constitutional Court and the Supreme Court of Appeal
- SARS also litigates to enforce compliance - In the past two years the success rate in all courts is around 85%

STRATEGIC OBJECTIVE 8

1. Working with & through Intermediaries to improve the tax ecosystem

TAX PRACTITIONER COMPLIANCE

SARS IS INTENT ON WORKING WITH AND THROUGH ALL STAKEHOLDERS TO IMPROVE THE TAX ECOSYSTEM. THIS INCLUDES TAX PRACTITIONERS TO THIS END WE HAVE NOTED THE FOLLOWING:

- 25 000 Tax Practitioners on Register
 - 47 Tax Practitioners were deregistered due to non-compliance
- R1.13 billion Outstanding Debt from 3905 Tax Practitioners
- 3762 Outstanding Returns
- Tax Compliance Indicators:
 - Filing:
 - 77% File On Time
 - 21% File Late
 - 2% Don't File At All
 - Payment:
 - 89% Pay On Time
 - 6% Pay Late
 - 5% Don't Pay At All

CONCLUSION

1. We welcome feedback from all stakeholders and assure you that we endeavour to respond with the seriousness it deserves.
2. We own every instance of service failure.
3. We are encouraged by the progress already made, and remain committed, within the available resources, to continue the rebuilding of SARS - it will take time!
4. If we have any frustration, it is that everything in government is hard, takes too long, and environment not always enabling.
5. Thank for the opportunity to engage and your support!

THANK YOU!