

PRESENTATION TO SCOF

SARS ANNUAL PERFORMANCE PLAN

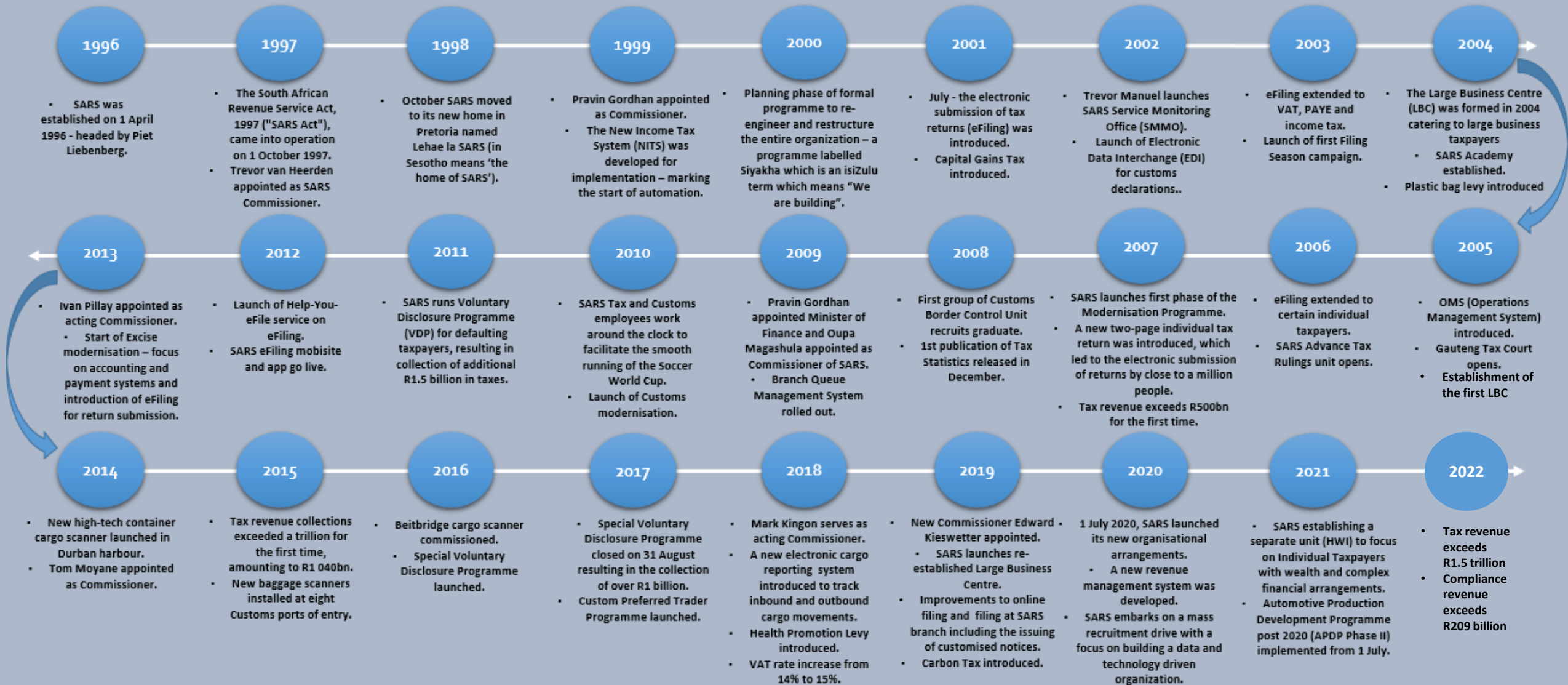
(APP) 202₂/2₃

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 - Performance Highlights 2021/22
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INSTITUTIONAL CONTEXT

25 YEAR EVOLUTION OF SARS 1997 - 2022

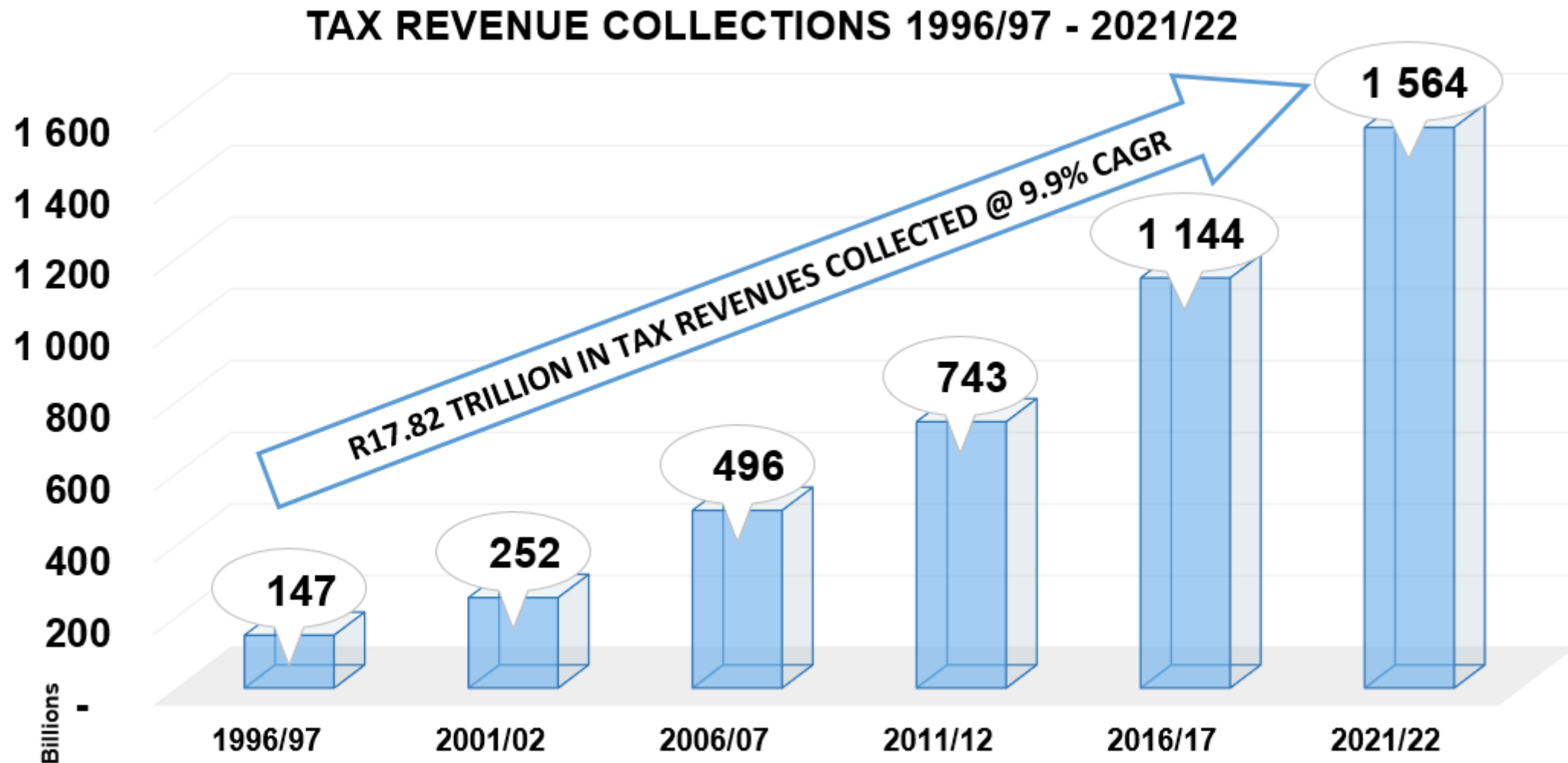


EVOLUTION OF THE SARS LOGO



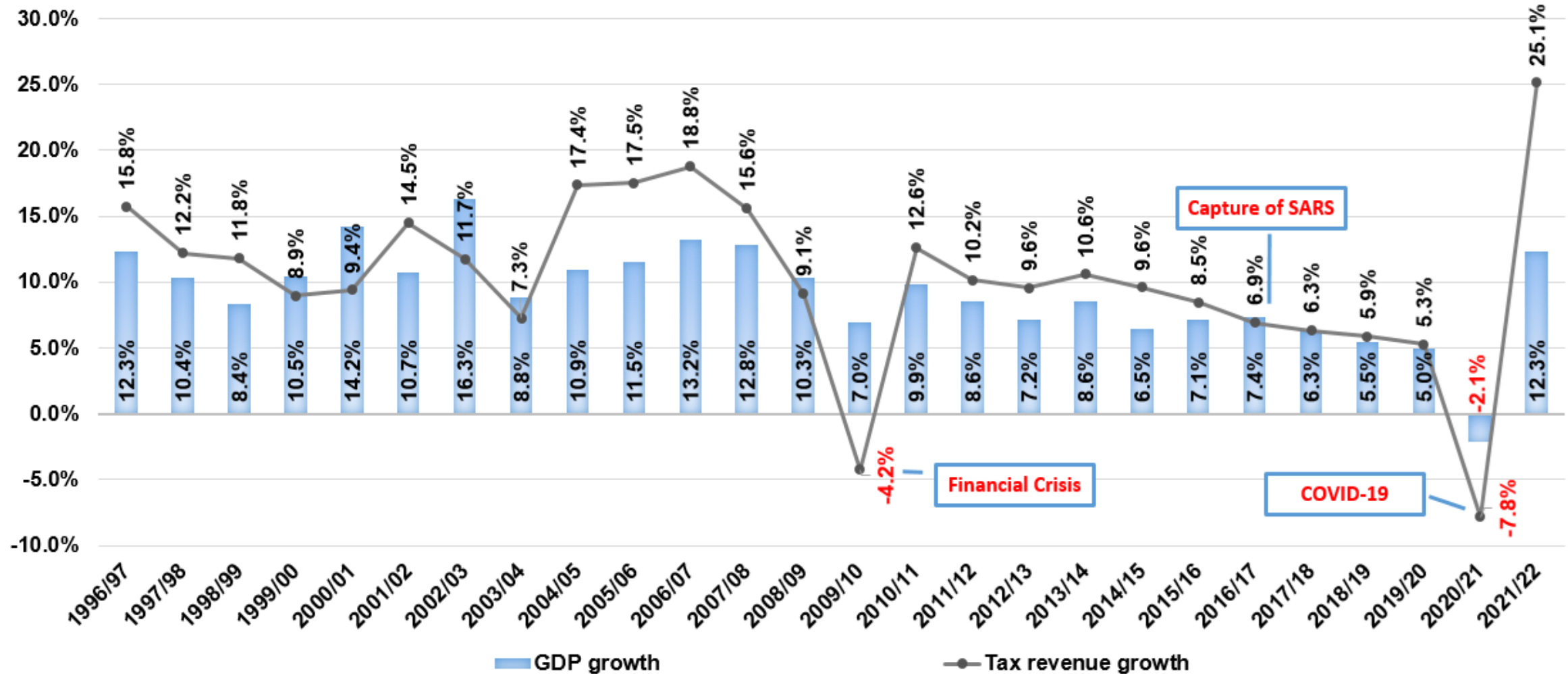
South African Revenue Service

25 YEAR EVOLUTION OF SARS 1997 - 2022

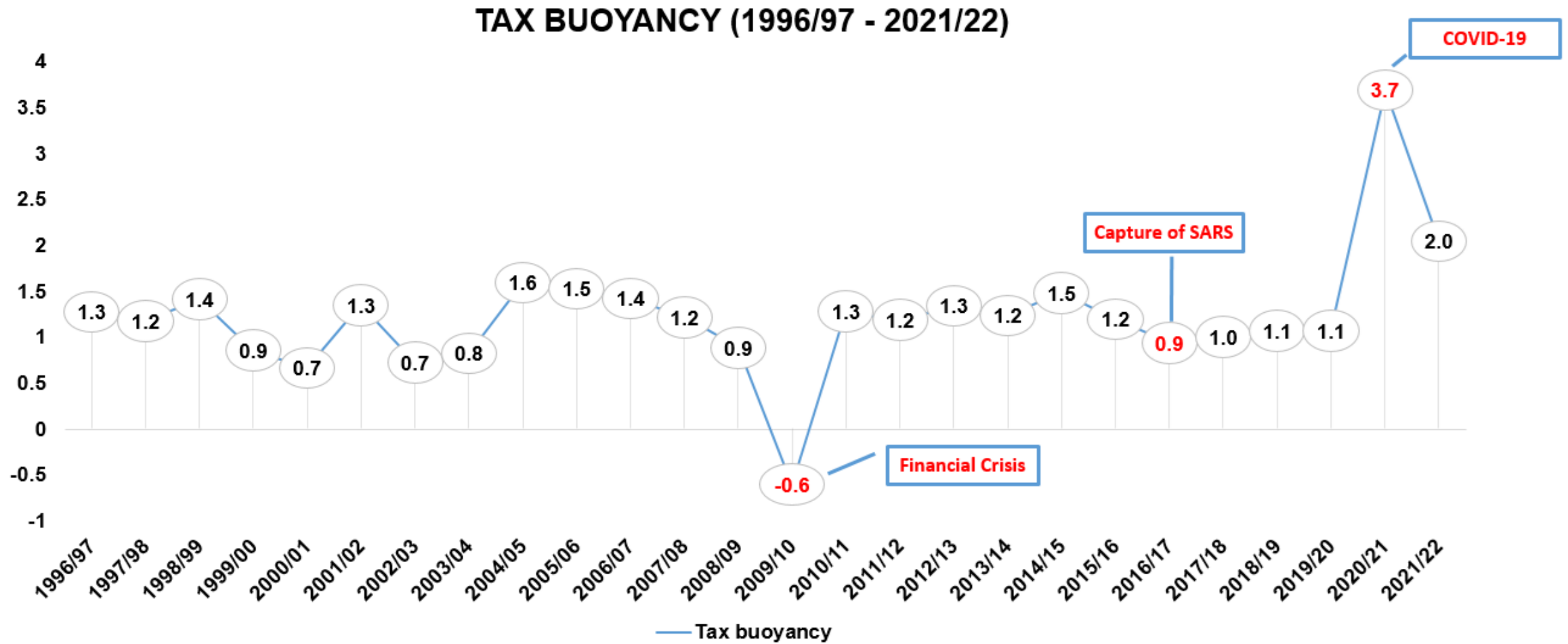


25 YEAR EVOLUTION OF SARS 1997 - 2022

GDP GROWTH VS. TAX REVENUE GROWTH (1996/97 - 2021/22)



25 YEAR EVOLUTION OF SARS 1997 - 2022



STRATEGIC CONTEXT

2020 - 2025

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

Our Mandate remains, to:

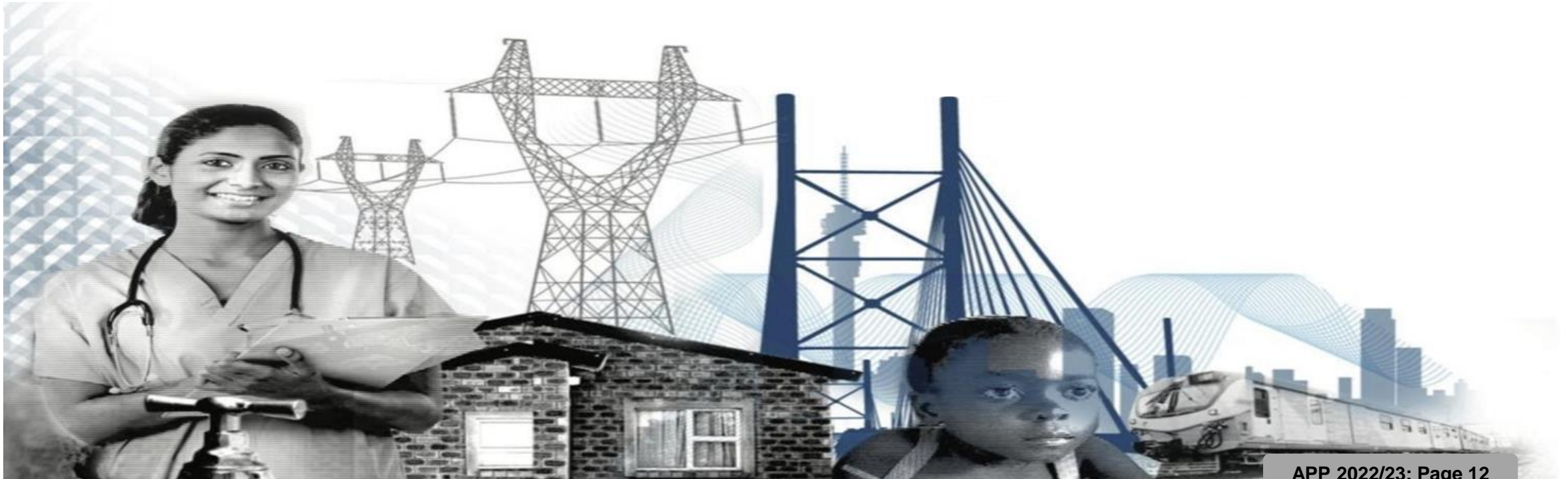
- Collect all revenues due
- Ensure optimal compliance with tax and customs legislation
- Provide a customs service to optimize revenue, border protection & facilitate legitimate trade

In pursuing this mandate, at SARS we believe the **HIGHER PURPOSE** below will be adequately met,

***TO ENABLE 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 THEORY OF COMPLIANCE

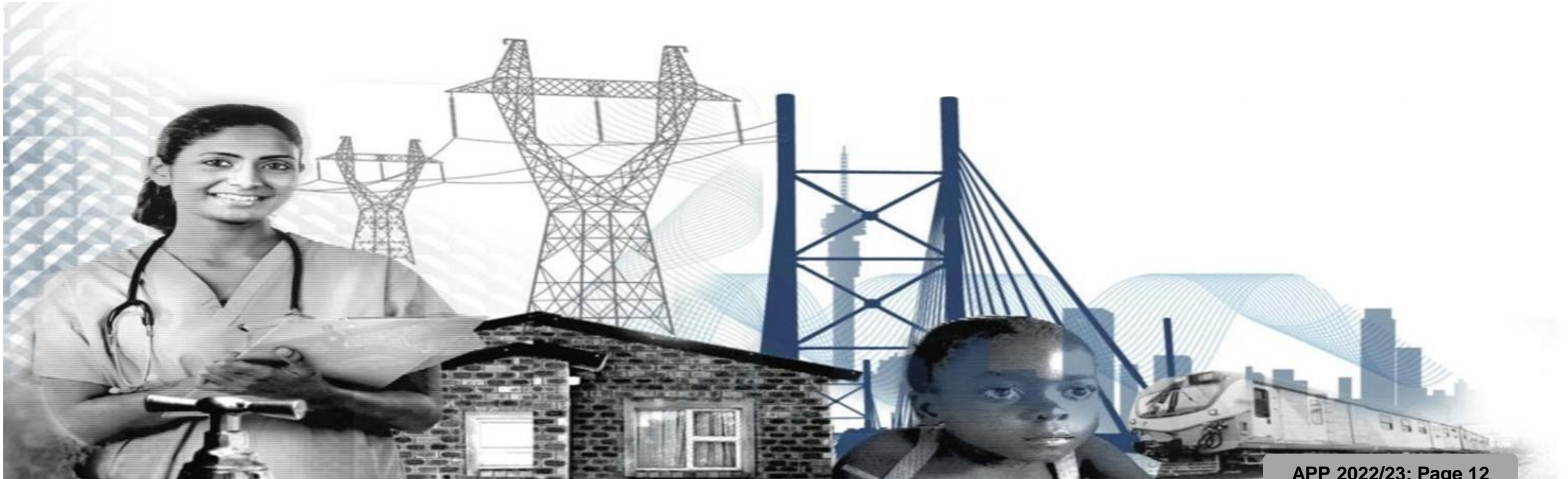
*WE BELIEVE THAT **MOST** TAXPAYERS ARE
HONEST AND SIMPLY WANT TO FULFIL
THEIR OBLIGATIONS WITH THE LEAST
AMOUNT OF EFFORT & COST*

OUR COMPLIANCE PHILOSOPHY DRIVES OUR COMPLIANCE MODEL



SARS STRATEGIC INTENT

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



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

“KEY MUST-WIN BATTLES” 2020 – 2025

KEY MUST-WIN BATTLES

Continuing our focus on:

1. Broadening the Tax Base
2. Improving Voluntary Compliance & Fiscal Citizenship
3. Leveraging our Resources & efforts Intelligently to achieve more with less
4. Maintaining crucial Partnerships within Government, Stakeholders locally & internationally
5. Building an organization with Integrity that can be Trusted and Admired

BROADENING THE TAX BASE

1. Intelligent assessment and determination of the Tax Gap
2. Develop a Single view of the Taxpayer and Trader across tax types
3. Continuously review and modernisation of our systems: Business Model to synthesise Data & Technology towards greater automation and augment Human Effort with Artificial Intelligence
4. Knowledge insights into key trends Trends: behavioral, economic, social

As well as:

1. Single identification and registration within government
2. Consolidation of Registers: Population, Business & Taxpayer/Trader identities
3. Better instrumentation of economic activities across value chain
4. Enhance co-operative compliance with international partners

IMPROVE COMPLIANCE & FISCAL CITIZENSHIP

1. Continuously seeking ways to embed the SARS Compliance Theory & Model
2. Develop a system of Voluntary Compliance, therefore:
 - a. Educate & create awareness of their obligations
 - b. Make it easy for taxpayers to fulfil their obligations
 - c. Detect and respond responsibly to non-compliance
3. Provide world class service to fulfill obligations in terms of Taxpayer Service Charter
4. Effectively Compose and Execute the Compliance Programme
5. Repurpose and Retool appropriately based on evidence - research based

SMART LEVERAGE

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

1. Build an Intelligent Organization to enable realization of a no service vision:
 - 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 and repurpose the Workforce for future world of work
2. Continuously modernise Customs & enhance border management capacity and capability
3. Provide greater Clarity & Certainty
 - 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

MAINTAINING PARTNERSHIPS

Maintaining beneficial partnerships with all stakeholders: Intermediaries, Government and the Public.

1. Government – engaging with all-spheres: National, Provincial, Local, Other Government Agencies, Director-Generals Forums etc...
1. Intermediaries – working together to positively impacting the tax eco-system
1. Public/Private associations – industry and segment interactions
1. Media – communicating to foster public trust and confidence
1. International – membership and participation: OECD, ATAF, WCO, IMF, World Bank, etc...
1. Other Revenue Authorities: Benchmarking best practices & International Trends, Exchange of Information Requests, Tax Treaties, etc...

Crucial to accelerate our own learning and leverage our efforts ...

BUILDING A TRUSTED & ADMIRED ORGANISATION

1. Ongoing review and enhancement of the SARS organisational arrangements
2. Building a workforce that has unquestionable integrity
3. Maintaining an engaged and learning 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
6. Strengthen Leadership within SARS
7. Implementation of the SARS strategic intent

IN TABLING THE APP 2022/23

WE WOULD LIKE TO SHARE:

- 1. 2021/22 PERFORMANCE HIGHLIGHTS**
- 2. RECAP THE 2020 – 2025 STRATEGIC PLAN**
- 3. TABLE THE 2022/23 APP**

PERFORMANCE HIGHLIGHTS

2021/22

Preliminary

DELIVERY AGAINST OUR MANDATE



REVENUE RESULT 2021/2022

R1.563 trillion

+25% Y-O-Y growth

REVENUE PERFORMANCE PRIOR FINANCIAL YEAR (2020/21)

Data as at 31 Mar 2022						
R'million	2021/22 Actuals	2020/21 Actuals	2020/21 Growth			
Total Gross Receipts	1,884,901	1,540,499	↑	344,402	↑	22.4%
Refunds	-321,135	-290,746	↓	-30,389	↑	10.5%
National (Cash)	1,563,765	1,249,753	↑	314,013	↑	25.1%
PIT Net	555,780	488,446	↑	67,334	↑	13.8%
CIT Net	323,577	204,399	↑	119,178	↑	58.3%
VAT Net	390,697	331,197	↑	59,501	↑	18.0%
Import Duties	57,970	47,290	↑	10,679	↑	22.6%
Taxes on Prop.	21,978	15,947	↑	6,032	↑	37.8%
DT/STC	33,397	24,845	↑	8,552	↑	34.4%
Spec. Exc. Dom.	49,552	32,273	↑	17,279	↑	53.5%
Net Fuel Levy	88,877	75,503	↑	13,375	↑	17.7%
Other	41,936	29,853	↑	12,083	↑	40.5%
National (Cash)	1,563,765	1,249,753	↑	314,013	↑	25.1%

COMPLIANCE REVENUE FROM SARS ADMINISTRATION

<div>Gross RevenueR1,884.9 bn</div> <div>RefundsR 321.1 bn</div> <div>Net RevenueR1,563.8 bn</div>		
Business As Usual (economy)	Administrative Actions (Compliance Programme & Revenue Recovery Programmes. e.g. Tax Gap) <u>R210 bn</u>	Tax Policy (e.g. carbon tax; increase in VAT; increase in fuel levy)

COMPLIANCE ACTIVITIES

GENERAL COMPLIANCE INTERVENTIONS:

- Outstanding debt 3.6 million cases completed yielding R67.2bn
- Outstanding returns - over 3 million returns that resulted in debt collected amounting to R3bn
- 1635 VDP applications finalized yielding R3.0bn and prevented refund leakage of R865m.
- 21,540 cases Paragraph 19(3) finalised resulting in R20bn
- Detected and finalised 1,87 million instances of risk – prevented an outflow of R70bn
 - Impermissible refunds R61.36bn
 - Debt equalization for R8.62bn of outstanding debt

COMPLIANCE ACTIVITIES

TAX & CUSTOMS AUDITS AND INVESTIGATIONS:

- Investigative Audit raised a number of additional assessments totalling R25bn
- Response to illicit trade resulted in more than 3 945 seizures value of goods totalled R3.9bn
- Customs interventions yielded R2.7bn from contraventions that include misclassification of goods, duty evasion, under valuation of goods and Rules of Origin infringements
- Transfer pricing and international taxes – 345 cases completed yielding R11.9bn including (11 Transfer Pricing cases). 45 cases reversed assessed losses of almost R1 billion.

COMPLIANCE ACTIVITIES

INVESTIGATIONS INTO SYNDICATED TAX & CUSTOMS CRIME:

- Syndicated Crime – 46 projects comprising of 557 active investigations focusing on the criminal and illicit economy. Estimated prejudice value of the active investigations amounts to R42,28 billion with a revenue recovery achieved totalling of R7.73 billion.
- Tax appeals – success rate is 87% resulting in judgements in SARS favor amounting to R465 million
- Litigation – the administration of tax the success rate is 82% and Customs and Excise litigation the success rate is 85%.
- Criminal Convictions – 116 convictions; 13 cases resulting in custodial sentences totaling 73 years.
- Personal Protective Equipment (PPE) Tenders non-compliance – collected undeclared revenue – R176 million, 77 cases are now registered with SAPS, 50 cases are now with NPA. 20 cases are on the court roll and 13 convictions attained.

RECAP THE 2020 – 2025 STRATEGIC PLAN

RECAP STRATEGIC PLAN 2022-25

KEY RESULTS	KEY RESULT INDICATORS	BASELINES	2022/23 TARGETS	2023/24 TARGETS	2024/25 TARGETS	2025/26 TARGETS
Printed revenue estimates are met and/or exceeded	% collection of revenue as agreed with Minister of Finance	2021/22 collection	100% collection of revenue as agreed with Minister	100% collection of revenue as agreed with Minister	100% collection of revenue as agreed with Minister	100% collection of revenue as agreed with Minister
Overall compliance has increased as measured by a compliance index	Level of overall tax compliance (%)	2021/22 actual performance	5% improvement on baseline	5% improvement on baseline	5% improvement on baseline	5% improvement on baseline
Enhanced Trade Facilitation	A trade facilitation index is developed and approved	New measure	A trade facilitation index is developed and approved, baseline determined and future targets set	-	-	-

ANNUAL PERFORMANCE PLAN

2022/23

SITUATIONAL ANALYSIS

SITUATIONAL ANALYSIS: KEY EXTERNAL FACTORS

1. Economy: Recovery still sub-optimal
2. Government Debt: Still high but stabilising due to improved revenue performance
3. Public Confidence: Steadily improving but we have a long way to go
4. Illicit Economy: Remain a challenge and progress unacceptably slow; erodes social and economic integrity
5. Emerging Technologies: Digitalisation and virtualization of business models has huge impact on how we engage the public
6. Political Environment: Globally and domestically remain a challenge
7. Demographics: Unemployment particularly among the Youth remain a concern
8. Social Media: Presents huge opportunities and also significant risk

SITUATIONAL ANALYSIS: KEY INTERNAL FACTORS

1. Governance and Leadership: Substantively addressed recommendations from the COI on Tax; launched a new leadership model
2. Staff Morale: Investment in employee engagement showing encouraging progress
3. Evolving Modes of Work: Redefining a hybrid approach for a post COVID-19 world
4. Institutional Capability: Remain a challenge due to resource constraints, scarce skills, aging workforce and other factors

OBJECTIVES & KEY RESULTS

2022/23

ANNUAL PERFORMANCE PLAN 2022/23

KEY RESULTS	KEY RESULT INDICATORS	ANNUAL TARGETS	Q1	Q2	Q3	Q4
Printed revenue estimates are met and/or exceeded	% collection of revenue as agreed with Minister of Finance	100% collection of revenue as agreed with Minister	100% of Q1 target	100% of YTD Q2 target	100% of YTD Q3 target	100% of YTD Q4 target
Overall compliance has increased as measured by a well-defined compliance index	Level of overall tax compliance (%)	75.00%	-	-	-	75.00%
Enhanced Trade Facilitation	A trade facilitation index is developed and approved	A trade facilitation index is developed and approved, baseline determined and future targets set	Methodology to conduct the assessment developed	Conduct the first trade facilitation assessment	An enhanced version of the trade facilitation index circulated for inputs and comments	A trade facilitation index is developed and approved, baseline determined and future targets set

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

KEY RESULTS	KEY RESULT INDICATORS	ANNUAL TARGETS	Q1	Q2	Q3	Q4
Majority of taxpayers and traders surveyed perceive the guidance SARS provides as clear, unambiguous and easy to follow	% of taxpayers and traders surveyed are satisfied with the clarity and certainty provided by SARS	75.00%	-	-	-	75.00%

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

KEY RESULTS	KEY RESULT INDICATORS	ANNUAL TARGETS	Q1	Q2	Q3	Q4
Increased number of taxpayers and traders using digital and self-help platforms	% of taxpayers and traders using digital and self-help platforms to interact with SARS	88.00%	-	-	-	88.00%
Standard taxpayers are auto assessed by SARS	% of standard taxpayer's returns auto assessed by SARS (individual taxpayers)	90.00%	-	-	-	90.00%

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

KEY RESULTS	KEY RESULT INDICATORS	ANNUAL TARGETS	Q1	Q2	Q3	Q4
Extent to which SARS enables the NPA to successfully prosecute criminal cases referred by SARS (quality of the document)	% of cases SARS referred to the NPA that is accepted for prosecution	90.00%	-	-	-	90.00%
Increase compliance through the accurate detection of risk	Risk detection rate	95.00%	95.00%	95.00%	95.00%	95.00%

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

KEY RESULTS	KEY RESULT INDICATORS	ANNUAL TARGETS	Q1	Q2	Q3	Q4
Improve the engagement of SARS employees	Employee Engagement Index score achieved based on survey of employees	62.00%	Engagement survey preparations started	Engagement survey preparations completed	Field work completed	Reporting on the 62.00% target
Attainment of Employment Equity Plan as approved	% attainment of targets as per approved Employment Equity Plan	Racial Equity = 80.30% Gender Equity = 49.47% Disability Equity = 1.95%	-	-	-	Racial Equity = 80.30% Gender Equity = 49.47% Disability Equity = 1.95%

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

KEY RESULTS	KEY RESULT INDICATORS	ANNUAL TARGETS	Q1	Q2	Q3	Q4
Risk detection, assessment and profiling is largely automated, data-driven and substantively informs case selection for standard matters. (Manual risk profiling and case selection is only used for complex matters.)	% utilisation of automated risk assessment for taxpayers and traders	85.00% Standard 65.00% Complex	85.00% Standard 65.00% Complex	85.00% Standard 65.00% Complex	85.00% Standard 65.00% Complex	85.00% Standard 65.00% Complex

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 access to reports and analysis that enable them to hold us accountable.

STRATEGIC OBJECTIVE 6 – KEY RESULTS

KEY RESULTS	KEY RESULT INDICATORS	ANNUAL TARGETS	Q1	Q2	Q3	Q4
Digital platforms availability for taxpayers and traders	% of planned capacity to be available for mission critical systems	99.00%	99.00%	99.00%	99.00%	99.00%
Security of taxpayer and trader information and interactions via digital platforms	Number of security breaches on digital platforms from known risks	0	0	0	0	0

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

KEY RESULTS	KEY RESULT INDICATORS	ANNUAL TARGETS	Q1	Q2	Q3	Q4
Reconfigure SARS' cost structure to align with international peers	Increase ICT investment as % of total allocation	2.00%	0.25%	0.50%	1.00%	2.00%
Unqualified audit opinion received from the Auditor-General	Unqualified audit opinion	Unqualified audit opinion	-	-	-	Unqualified audit opinion
Demonstrate effective stewardship through the appropriate spending of the budget allocation received from National Treasury	% Deviation between SARS' spending for the year and the allocation SARS received from National Treasury	5.00%	-	-	-	5.00%

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

KEY RESULTS	KEY RESULT INDICATORS	ANNUAL TARGET	Q1	Q2	Q3	Q4
The majority of intermediaries surveyed are satisfied with SARS' cooperation and collaboration	% of intermediaries surveyed that are satisfied with SARS' cooperation and collaboration	65.00%	Start and finalise survey preparations	Start fieldwork	Complete fieldwork	65.00%

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

KEY RESULTS	KEY RESULT INDICATORS	ANNUAL TARGET	Q1	Q2	Q3	Q4
Public opinion survey results reflect high trust and confidence in SARS	% score per public opinion survey	75.50%	Start and finalise survey preparations	Conduct fieldwork	Complete fieldwork	75.50%
Adherence to Service Charter commitments	% Service Charter performance score	82%	-	-	-	82%

SARS STRATEGIC RISKS

RISK MITIGATION OF STRATEGIC RISKS (1/2)

STRATEGIC RISK	MITIGATING STRAT OBJ.	MITIGATING ACTIONS 2020/21 – 2024/25
Taxpayers that are unclear and uncertain	• SO1	<ul style="list-style-type: none"> • Provide clarity of legal obligations through campaigns, education, awareness, advance rulings, advance pricing agreements, interpretations notes, and explanatory guidelines. • Conduct regular research to gauge taxpayer, trader perceptions of clarity and certainty of tax and customs laws.
Taxpayers who find the compliance burden too high	<ul style="list-style-type: none"> • SO2 • SO6 	<ul style="list-style-type: none"> • Provide a seamless registration, filing, declaration and payment experience for standard taxpayers and traders (Eg Auto Assessment) • Expanding secure digital platforms that host digital offerings, data, available 24/7.
When SARS does not present a credible threat detection	<ul style="list-style-type: none"> • SO3 • SO4 • SO5 	<ul style="list-style-type: none"> • Improve capabilities to detect, profile, and select instances of non-compliance. • Develop capability to manage interventions to address non-compliance instances. • Assess and develop the competencies required to meet the future mode of work. • Continue identifying new data sources to augment our datasets. • Deepen our Data Science and Artificial Intelligence (AI) Technologies

RISK MITIGATION OF STRATEGIC RISKS (1/2)

STRATEGIC RISK	MITIGATING STRAT OBJ.	MITIGATING ACTIONS 2020/21 – 2024/25
When leadership is inadequate	• SO4	<ul style="list-style-type: none">• Completed the development of a SARS Leadership Model• Commenced the development of competent, professional and ethical Leaders in line with the Model• Ensuring Leaders are assigned to appropriate roles and held accountable for delivery• Ongoing refinement of governance and operational arrangements to drive efficient and effectiveness
When employees are not appropriately engaged	• SO4	<ul style="list-style-type: none">• Ensure that we have a caliber of capable operational managers• Developed an Employee Rights Charter - clarifying 5 employee rights• Ongoing review of the Performance and Productivity Management• Creating more meaningful roles and career progression - commencing with Service Consultants

RISK MITIGATION OF STRATEGIC RISKS (1/2)

STRATEGIC RISK	MITIGATING STRAT OBJ.	MITIGATING ACTIONS 2020/21 – 2024/25
When SARS has insufficient resources	• SO7	<ul style="list-style-type: none"> • Continuing to make appeal to Minister of Finance & National Treasury to address funding shortfall • Effective and efficient deployment of SARS resources through maintaining a strong focus on cost management and productivity gains • Responsible procurement, in line with Government's transformation imperatives • Build capability within SARS to improve Business Case development • Developing an effective Enterprise Programme Management Office (EPMO) • Reviewing the Employee Value Proposition (EVP) with non-financial benefits to reduce pressure on the overall salary costs
Declining economy	• SO1 – 9	<ul style="list-style-type: none"> • Adopt tax broadening strategies and develop a full understanding of the economy to improve the tax collections from a wider base of taxpayers. • Implementation of a revenue recovery programme that is aimed at raising 5-10% of overall revenue from compliance activities. • Increase investigative and audit capacity, which is a deterrent to possible non-compliant taxpayers. • Continuing to improve the Operationalising of the SARS Compliance Programme

RISK MITIGATION OF STRATEGIC RISKS (1/2)

STRATEGIC RISK	MITIGATING STRAT OBJ.	MITIGATING ACTIONS 2020/21 – 2024/25
<p>Tax Morality in South Africa decline</p>	<ul style="list-style-type: none"> • SO8 • SO9 	<p>SARS must build Public Confidence by:</p> <ul style="list-style-type: none"> • Acting with visible independence - without fear, favour and prejudice • Demonstrating professionalism beyond reproach • Showing measurable success tax non-compliance and crime <p>SARS must play an Advocacy role by:</p> <ul style="list-style-type: none"> • Demonstrating exemplary Stewardship within Government • Appealing to the rest of Government to demonstrate resource stewardship • Work with and through all intermediaries to strengthen the Tax eco-system
<p>The impact of COVID-19 on society remain uncertain</p>	<ul style="list-style-type: none"> • Vision 2024 • Strategic Intent 	<ul style="list-style-type: none"> • Develop strategies for a post-Covid environment • Implement modern technological solutions to minimise the impact of the Coronavirus on business continuity and overall taxpayer compliance. • Monitor the uptake of the COVID-19 Tax Relief measures in order to gauge the degree of the impact on business and ensure the wellbeing of staff. • Maximize internal processes to ensure the wellbeing of staff - working towards hybrid workplace arrangements

RESOURCES OVER MTEF PERIOD

FUNDING CONTEXTUALISED

- SARS was subject to a number of funding reductions over the last 8 years that has become unsustainable.
- If the 2013/14 grant escalated by CPI, SARS grant allocation for **2021/22 would be R14,7bn**, in contrast to the **actual 2021/22 grant of R11,3bn** (-R3.4bn shortfall for the year). YoY funding increase by CPI from 2021/22 to 2022/23 should be approx. **5.76%** whilst the actual grant is only growing at **2.05%**.
- Cost to revenue collection ratio (**OECD recommendation of 1.00%**):
 - 2021/22 is 0.69% significantly lower when compared to 2013/14 that was at 1.06%
 - **2022/23 is estimated to be 0.72% and will reduce to 0.69% and 0,62% in 2023/24 and 2024/25**
- The R1bn additional (R3bn over MTEF period) allocation addressed some of the immediate needs **BUT** doesn't allow for any further investment:
 - Required human resources capacity
 - Maintaining and upgrading our technology stack
 - Towards achieving our mandate and realising A SMART Modern SARS

**CONTINUOUS ANNUAL FUNDING REDUCTIONS/FLUCTUATIONS MAKES
MULTI-YEAR PLANNING IMPOSSIBLE!**

SARS HUMAN RESOURCES TRENDS

Employee Group	FY2014/15	FY2015/16	FY2016/17	FY2017/18	FY2018/19	FY2019/20	FY2020/21	FY2021/22
Permanent	13,978	14,198	13,072	12,785	12,488	11,927	12,435	12,158
Graduate/Trainees	444	-	346	273	253	57	41	234
Contract workers	436	12	17	163	6	3	4	
Seasonal workers	-	-	148	305	-	-	-	-
Short term contractors	-	-	-	-	-	156	-	486
Total	14,858	14,210	13,583	13,379	12,744	12,146	12,479	12,882

- SARS headcount has been on declining trajectory over recent years – 14 414 (2014/15) to 12 882 (2021/22). The main job functions impacted were: Audit & Risk, Investigations; Debt Collection; Legal; Customs & Excise; Data Analytics/Science and Information Technology.
- SARS recruited 486 employees from the external market and internally appointed 279 employees as well as insourcing 723 cleaners (2020/21). It has been challenging to attract and recruit in these specialized areas of work.
- We have an aging workforce – this is a significant risk:
 - Average age = 44.5 years old with an average 16 years of service
 - Over the next two years possible retirements could total 4355 employees (131 compulsory, 1427 voluntary & 2797 early)
- Current funding does not allow for required investment in modernisation; immediate critical skills as well as jobs of the future.

SARS HUMAN RESOURCES REQUIRED

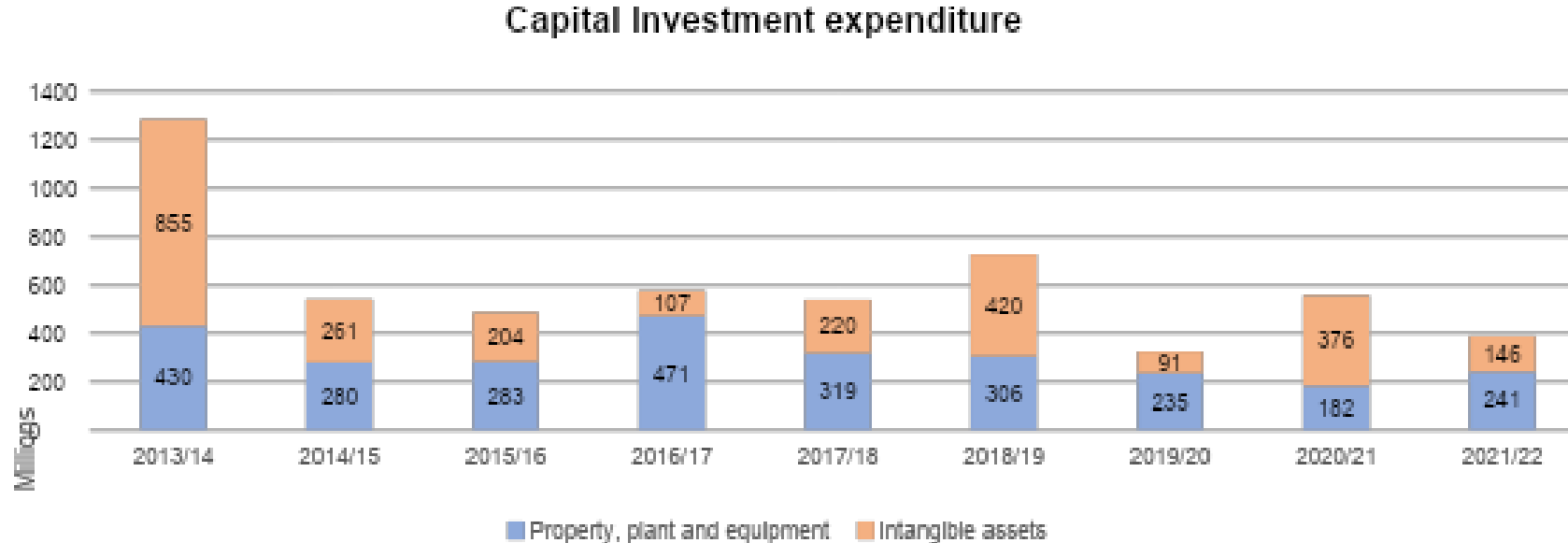
RECRUITMENT UNDERWAY (1270 PERSONS):

- 570 Critically Skilled Professionals
- 250 Service Consultants
- 450 Seasonal Workers

HUMAN RESOURCES REQUIRED OVER THE MTEF (2300 PERSONS) [Unfunded!]:

- 2200 resources for Compliance Work (Filing, Payment & Declaration Compliance)
- 100 Customs Cadets

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.
- 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 8 years.
- SARS has built its asset/infrastructure base (at acquisition value) from R1,3bn in 2007 to R9,7bn in 2021, but is now left with ageing infrastructure that it is unable to refresh to enable a SMART modern SARS and attracts high maintenance cost.
- In the past year (2021/22) a total of R387m (preliminary) was spent on Capital Investment, as we have emphasised focus on ICT spending in line with our Vision 2024, a further amount of R421m (preliminary) was awarded through a procurement process but will only realise in the 2022/23 financial year.

RESOURCES SUMMARIZED OVER THE MTEF PERIOD 2022/23

Funding and expenditure estimates (ENE view)	2022/23 (R '000)	2023/24 (R '000)	2024/25 (R '000)
Total Income	11 870 417	11 966 811	11 446 740
Operational Expenditure	12 809 399	13 825 805	14 707 465
Capital Expenditure	682 200	622 200	612 000
Project Costs	1 747 263	2 090 432	1 219 926
Total Expenditure	15 238 862	16 538 437	16 539 391
Estimated Surplus/(Shortfall)	-3 368 445	-4 571 626	-5 092 651
<p>Note 1: Inclusive of the project cost is an estimated R3,5bn over the MTEF period to enable a SMART borders.</p> <div> <div>Head Count</div> <div>Projected Headcount</div> </div>			
	13 432	14 532	15 632

R 13.02bn Shortfall over the MTEF
(incl. R3.5bn Beit Bridge SMART Borders modernisation)

NOTE 2: Current Headcount totals 12 882 employees

FUNDING REDUCTION AND IMPACT 2022/23

SARS had to reduce its planned 2022/23 Budget of optimal funding requirement (what we need) to the actual allocation per ENE (reduced funding) as follows:

Reduction in employee cost mainly for additional capacity and the employee value proposition	-R1,38bn
Physical Facilities (reduction in footprint in the main)	-R0,05bn
Capital & Modernization Projects*	-R1,94bn
Total funding reduction/shortfall for current year	-R3,37bn

** Note: Requirements to modernize Beit Bridge as a SMART border could not be accommodated in this year's Budget Allocation together with a number of other critically required projects due to the funding shortfall.*

SARS FUNDING CONSTRAINTS - EXPLAINED

Underfunding experienced over the past years has seriously compromised SARS' ability to effectively perform its compliance work that give effect to its legal mandate, and in turn severely impacts the fiscal integrity of the Republic.

This will result 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 (incl. Smart Borders – Beit Bridge)
- **SARS compromising its employee value proposition** which affects its ability to attract the scarce talent necessary to give effect to its mandate

SARS IS UNABLE TO DO ANY FORWARD PLANNING, IN TERMS OF CAPITAL INVESTMENTS ARE ALL MULTI-YEAR PROGRAMMES DUE TO THE UNPREDICTABILITY OF THE FUNDING CYCLE...

LOOKING TO THE YEAR AHEAD...

WE REQUIRE RESOURCES – AS OUR MUST-WIN BATTLES ARE AT RISK...

KEY MUST-WIN BATTLES

Continuing our focus on:

1. Broadening the Tax Base
2. Improving Voluntary Compliance & Fiscal Citizenship
3. Leveraging our Resources & efforts Intelligently to achieve more with less
4. Maintaining crucial Partnerships within Government, Stakeholders locally & internationally
5. Building an organization with Integrity that can be Trusted and Admired

CHALLENGES

- Global and local economic conditions are likely to remain subdued and challenging for tax collection.
- 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.

REVENUE PLAN 2022/23

Gross Revenue	R1,938.7bn
Refund	R340.2bn
Net Revenue	R1,598.5bn

**Business As Usual
(economy)**

Administrative Actions
(Compliance Programme &
Revenue Recovery
Programmes. e.g. Tax Gap)

**Tax Policy (e.g. carbon tax;
increase in VAT; increase in
fuel levy)**

COMPLIANCE PROGRAMME FOCUS 2022/23

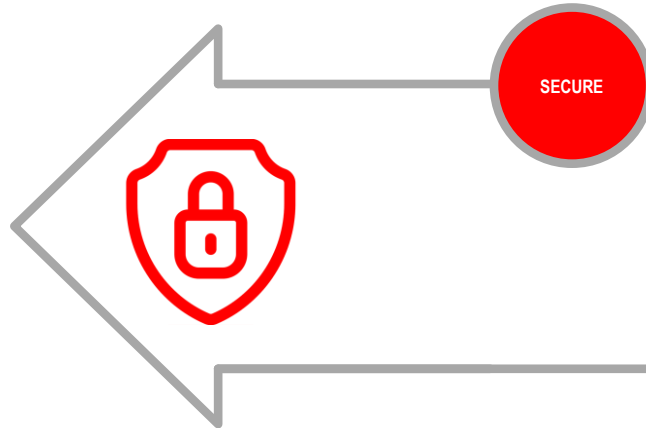
In order to maximise revenue collections in the year ahead (FY22/23) a number of focus areas will guide our work, some are new whilst others a continuation and deepening of work previously explored:

- International Taxes with focus on Transfer Pricing
- Trade Mispricing & Undervaluation Fraud
- Debt Cash Collections
- Illicit Economy including focus on Illicit Financial Flows
- Syndicated VAT Fraud and other Tax Crimes
- Tax base broadening through the use of 3rd Party Data (Formal & Informal Economy)
- VAT on e-Commerce
- High Wealth Individuals (Service & Compliance)
- Voluntary Disclosures
- Prosecuting Tax Crimes – e.g. off-shoots from the Commissions

WHAT WINNING MEANS FOR SARS

FINDING THE BALANCE BETWEEN RISK AND SERVICE

Balancing the Need for Controls to Fight Fraud and Making it Easy for Taxpayers & Traders



Additional Controls to Combat Fraud

- **SO3:** Implement additional controls to monitor, detect and combat **potentially** fraudulent behaviour
- **SO5 & SO6:** Additional authentication and verification measures

Make it Easy for Taxpayers & Traders

Aligned to our SARS Strategic Objectives (SO):

- **SO2:** Make it **Easy** for Taxpayers & Traders to Comply with their obligations
- **SO6:** Modernize our systems to provide **Digital and Streamlined** online services



WINNING MEANS...

STRATEGIC INTENT
Voluntary Compliance

1. Clarify Obligations
2. Make it Easy to Comply
3. Detect and Respond to Non-Compliance

CHALLENGE:
Balancing Taxpayer Experience with Risk to Fiscus

- OPERATIONAL ASPIRATION:**
1. Reduce waiting times
 2. Improve turnaround times
 3. Reduce the need for Taxpayer support

***THE BEST SERVICE IS
NO SERVICE!***

END STATE
What if we could eliminate the need for any service related enquiry by taxpayers and make the fulfilment of their obligations seamless

CREATING THE ULTIMATE SERVICE

TAXPAYERS DON'T WANT A RELATIONSHIP WITH SARS. THEY ARE OBLIGED IN LAW TO FULFIL VARIOUS TAX OBLIGATIONS. THESE OBLIGATIONS COMPEL THEM TO ENGAGE WITH SARS.

IN REALITY TAXPAYERS WOULD BE HAPPIEST IF THEY:

- NEVER HAVE TO CALL OUR CONTACT CENTRES;
- NEVER HAVE TO VISIT OUR OFFICES;
- NEVER HAVE TO SEND US A LETTER, EMAIL, OR MAY MESSAGE
- NEVER HAVE TO TWEET ABOUT US

THEREFORE, EVERY FORM OF CONTACT, VIA ANY CHANNEL, FOR ANY REASON IS ONE TOO MANY. TO THE EXTENT THAT WE HAVE TO HAVE CONTACT, ITS NOT CREATED BY OUR INTERNAL INEFFICIENCIES, AND WHEN UNAVOIDABLE, ENGAGEMENT WILL SEAMLESS, INTUITIVE AND LARGELY TAXPAYER ADMINISTERED

“THE BEST SERVICE IS NO SERVICE”

Bill Price & David Jaffa, 2008

...WE WOULD HAVE ACHIEVED THIS WHEN

1. We have **rebuilt our capability to collect revenue, facilitate legitimate trade and ensure compliance** according to mandate
2. Significantly moved towards taxpayer and trader self-service and **achieving voluntary compliance**
3. Whilst **achieving our vision 2024** towards ***a SMART, MODERN SARS with UNQUESTIONABLE INTEGRITY, TRUSTED and ADMIRER***

THANK YOU!

DISCUSSION