

**PRESENTATION TO
WESTERN CAPE PROVINCIAL PARLIAMENT
STANDING COMMITTEE ON FINANCE, ECONOMIC
OPPORTUNITIES AND TOURISM**

CONTENT

1. The Story of SARS and our Strategic Context
2. Discussion:
 - SA Traveller Management System
 - New Ways Of Working & Associated Tax Implications – Remote Working Visas
3. Engagement
4. Conclusion

THIS IS THE STORY OF SARS AND THE HIGHER PURPOSE WE SERVE

BUILDING A SOLID FOUNDATION FOR SUSTAINABLE REVENUE GROWTH

“Winning means that we go after every inch!”

THE STORY OF SARS IS A STORY ABOUT PEOPLE:
*EVERYTHING WE DO IS ABOUT HAVING TRANSFORMATIONAL IMPACT
ON THE WELL-BEING OF THE LIVES OF PEOPLE - ESPECIALLY THE MOST
VULNERABLE AMONG US*



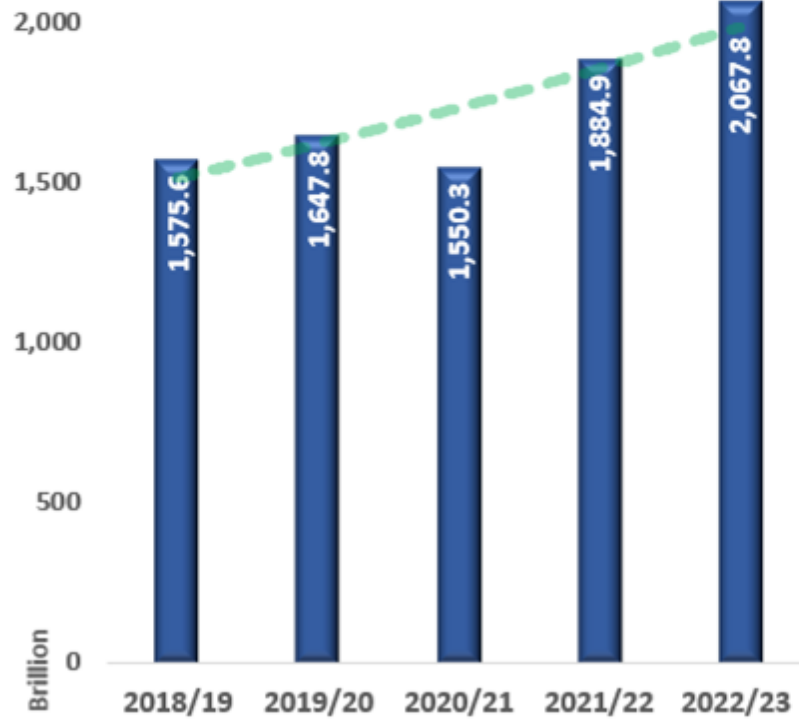
THE REBUILDING OF SARS

Over the past 4 years, the rebuilding of SARS post state capture, has received focused attention to restore governance and integrity, institutional capability and the overall performance of the organizational mandate to collect revenue, improve compliance and facilitate legitimate trade.

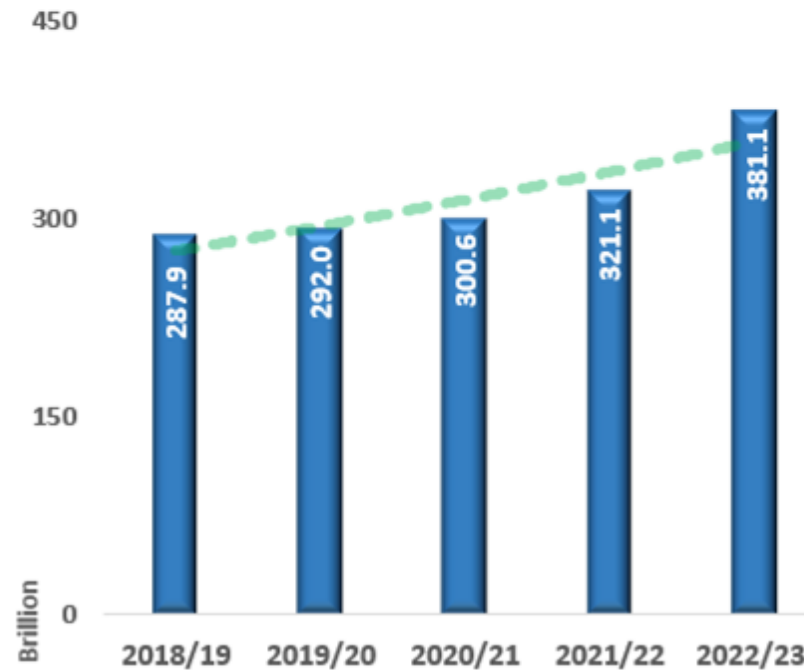
Whilst we still have along way to go, and funding challenges remain, we can report encouraging positive trends in the key areas of SARS ...

PROGRESSIVE REVENUE COLLECTIONS

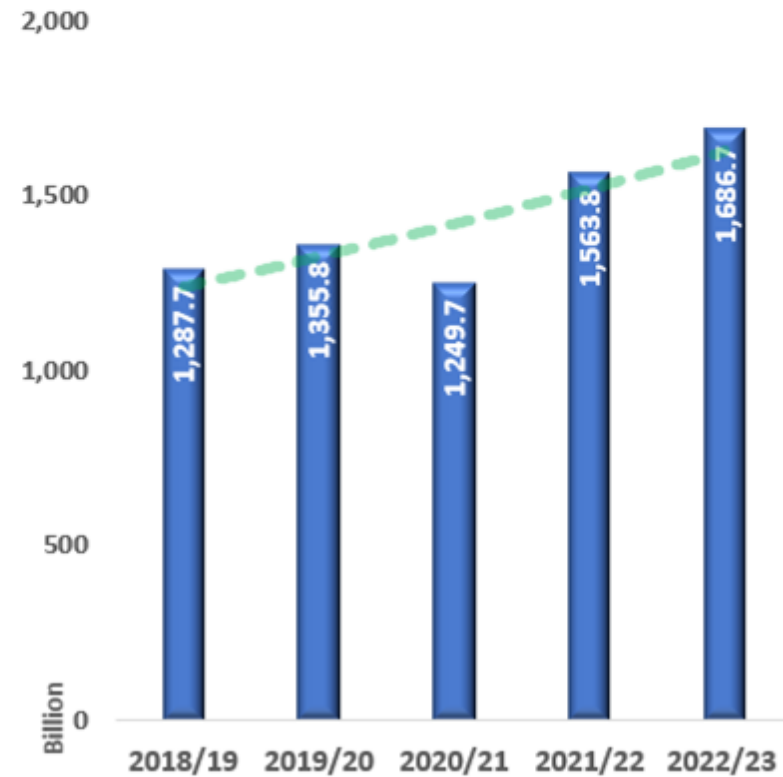
Gross 2022/23: R2,067tn
CAGR: 7.03%



Refunds 2022/23: R381bn
CAGR: 7.26%



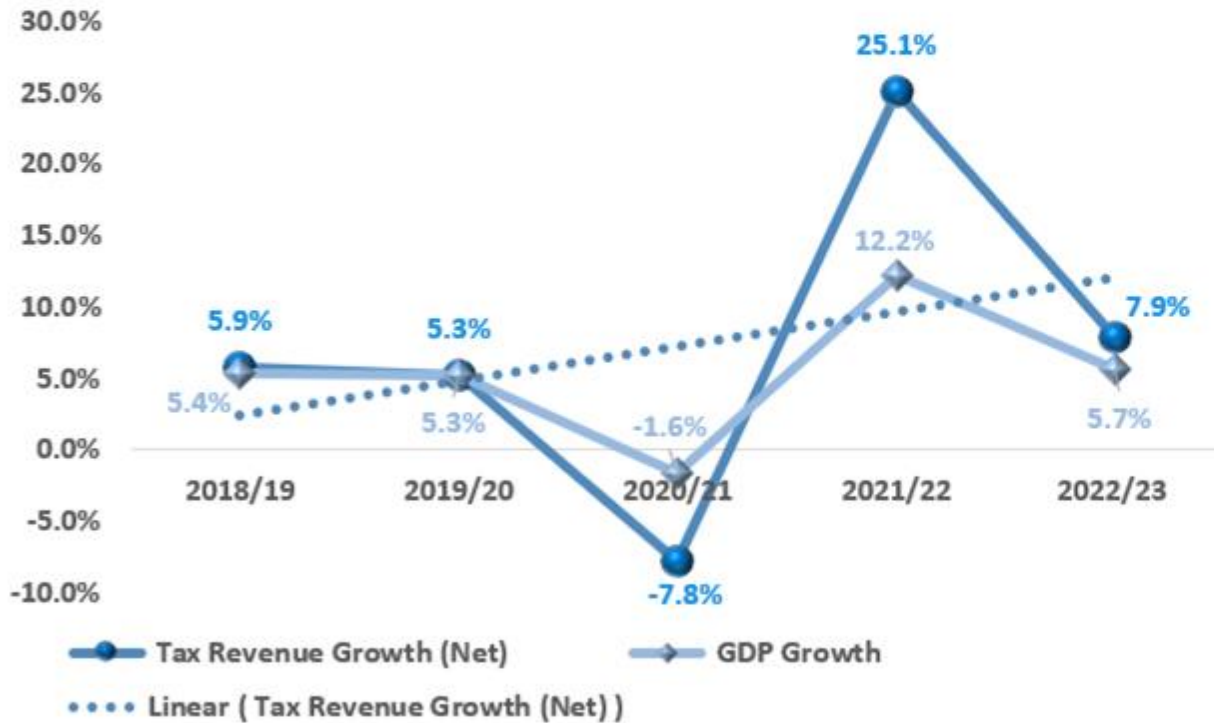
Net 2022/23: R1,687tn
CAGR: 6.98%



PROGRESSIVE REVENUE COLLECTIONS

2022/23
GDP Growth: 5.6%
Tax Revenue Growth: 7.9%

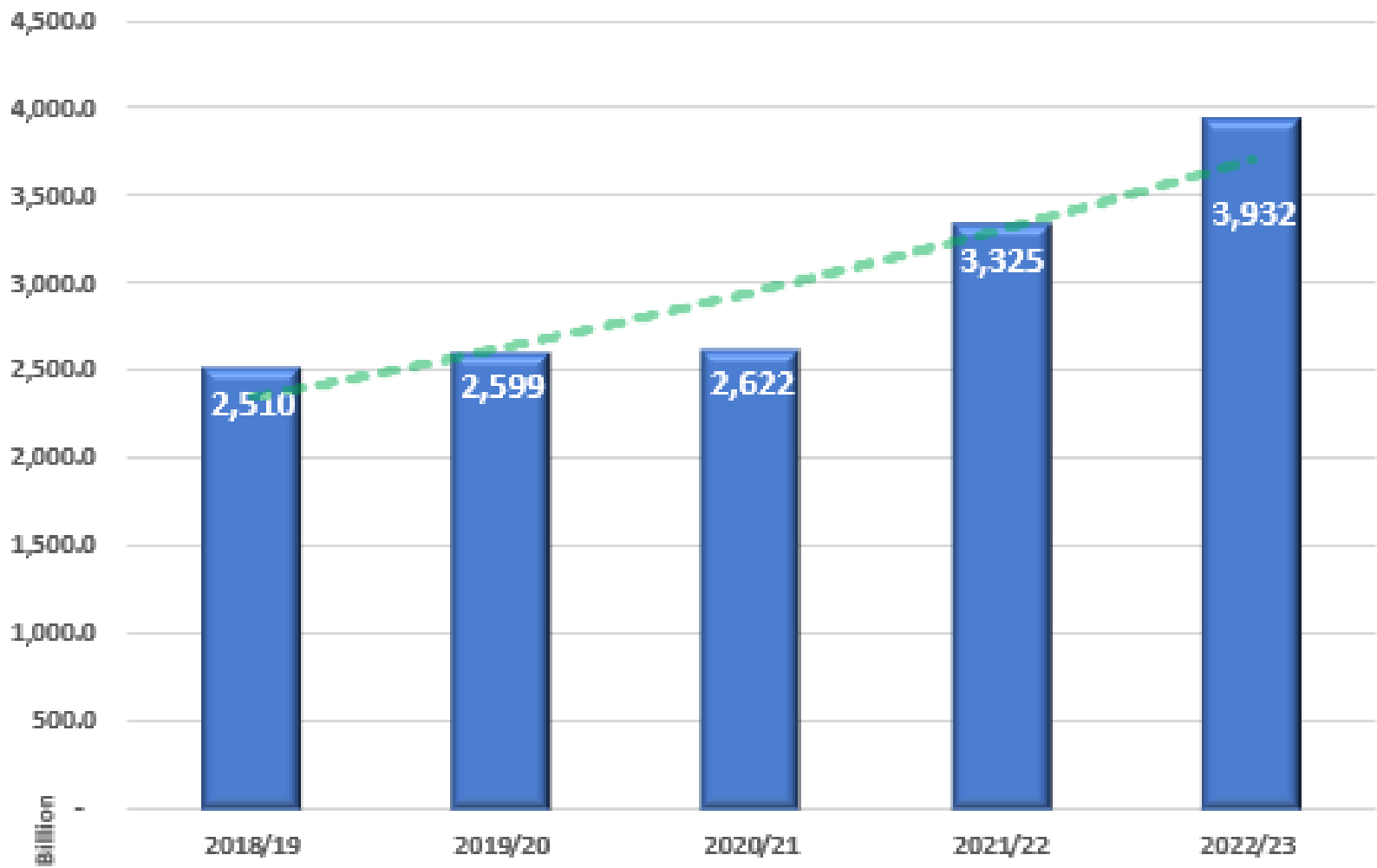
2022/23
Tax Buoyancy: 1.38
Above Unity (1:00)



PROGRESSIVE TRADE FACILITATION

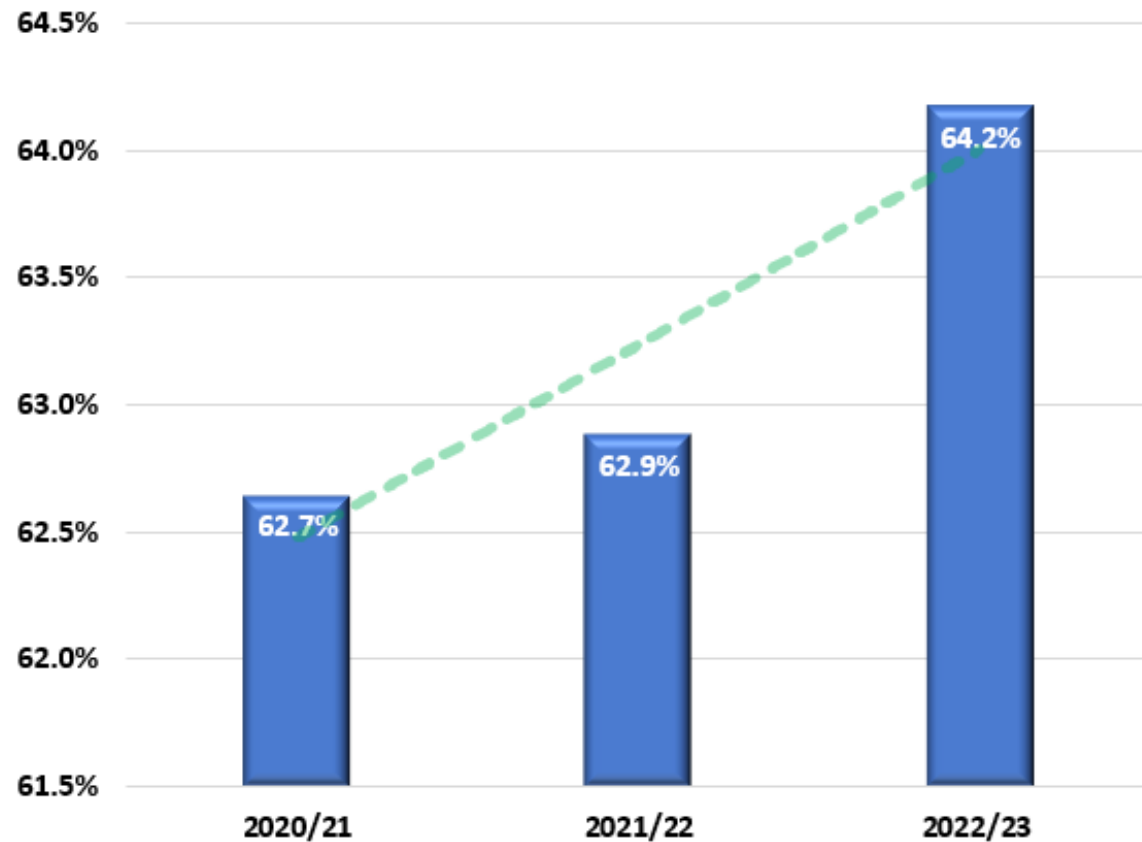
Trade Facilitation 2022/23: R3,93tn

CAGR: 11.87%

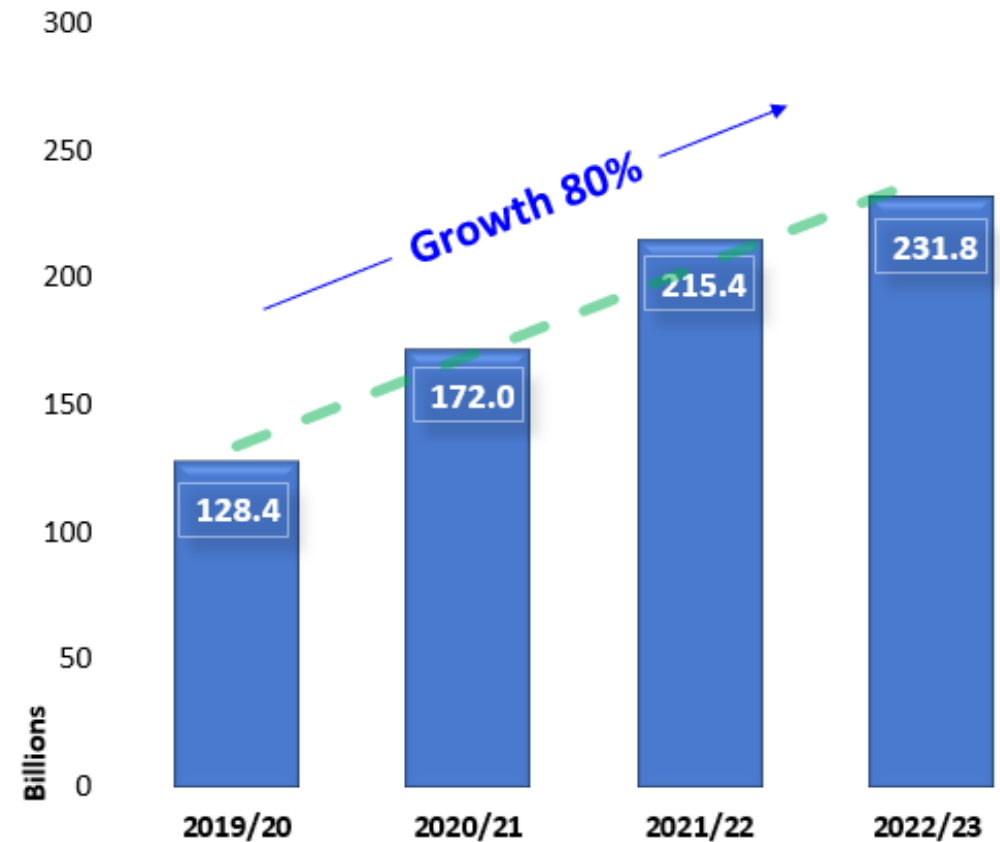


INCREASED COMPLIANCE

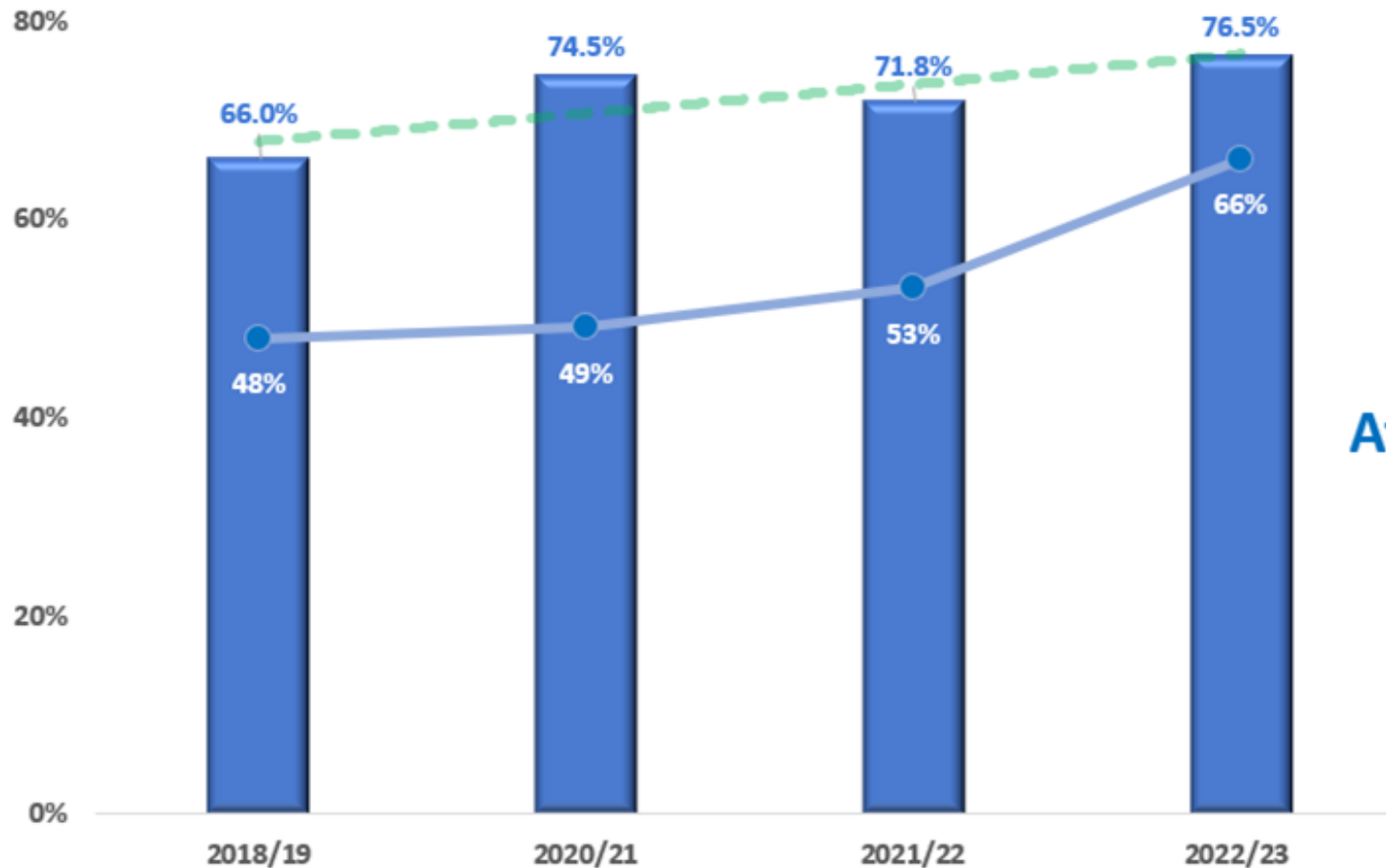
Voluntary Compliance Index 2022/23:
VCI = 64.2%



Compliance Programme 2022/23:
Compliance Revenue = R232bn



IMPROVED TAXPAYER BEHAVIOR



Public Opinion Survey 2022/23:

Attitude toward Compliance = 76.5%

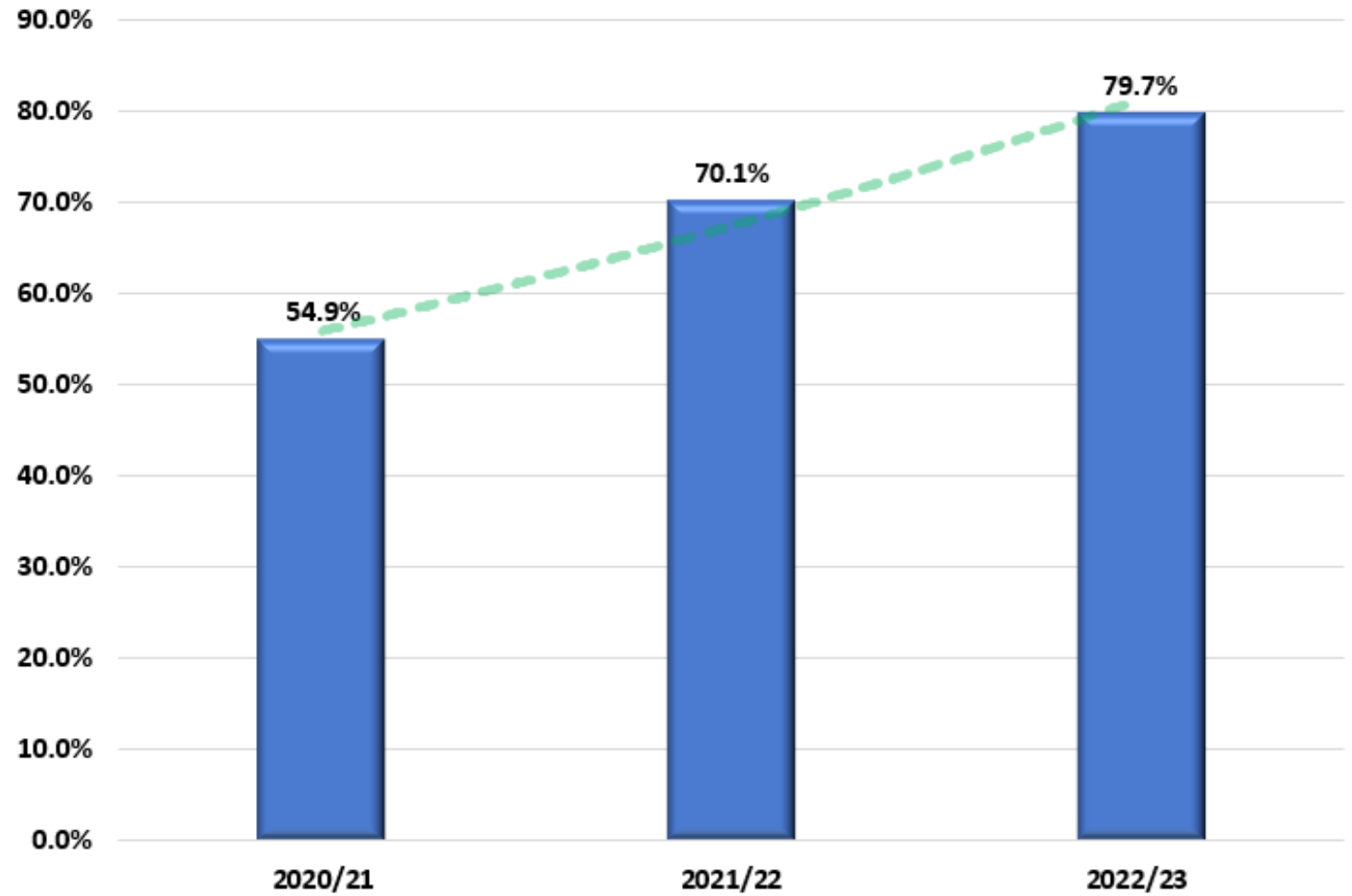
Trust in SARS = 66%

■ Attitude towards Compliance - ● Trust in SARS - - Expon. (Attitude towards Compliance -)

IMPROVED TAXPAYER SERVICE

Service Charter Index 2022/23:

79.7%



ENGAGED PEOPLE

Employee Engagement Benchmarking Results

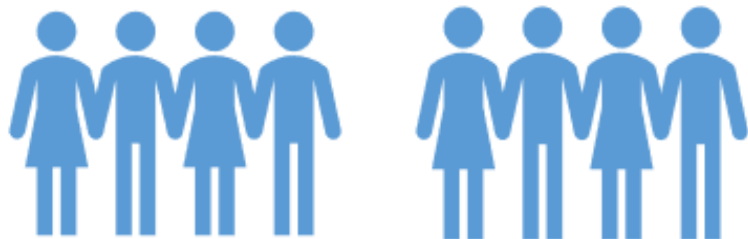
	2019	2020	2021
Global	66%	68%	65%
Africa	65%	62%	61,2%
RSA	66%	61%	62,1%

Source Emergence 2021 / 2022 Report

Response rate range 30% - 47%

Employee Engagement Index

2019/20: **61.6%**

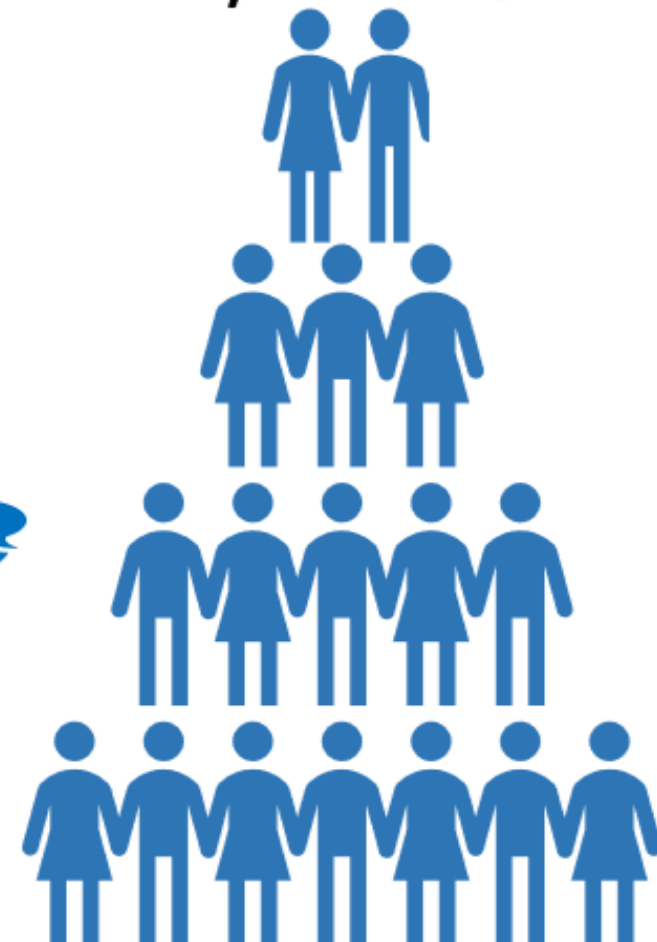


Survey Response Rate 2023: 69%



Employee Engagement Index

2022/23: **69.4%**



SARS Ranked #1 Admired Employer in young professionals BCOM field 2022¹⁴

Note – Survey conducted by an Independent Service Provider.

DELIVERY AGAINST OUR MANDATE 2022/23

STRATEGIC INTENT

R2.07 trillion in Gross Revenue Collections

(R183bn or 9.7% more than 2021/22)

R381 billion worth of Refunds paid

(R60 billion or 18.7% more than 2021/22)

R1.687 trillion Net Revenue collected

(R123 billion or 7.8% more than 2021/22)

64.2% Voluntary Compliance Index

(+1.3% movement than 2021/22)

R231 billion Compliance Revenue

(R17 billion or 7.5% more than 2021/22)

R3.93 trillion Trade Facilitated

(R606 billion or 18.2% more than
2021/22)

WHAT IS BEHIND THIS POSITIVE ACHIEVEMENT

STRATEGIC CONTEXT

2020 - 2025

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

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

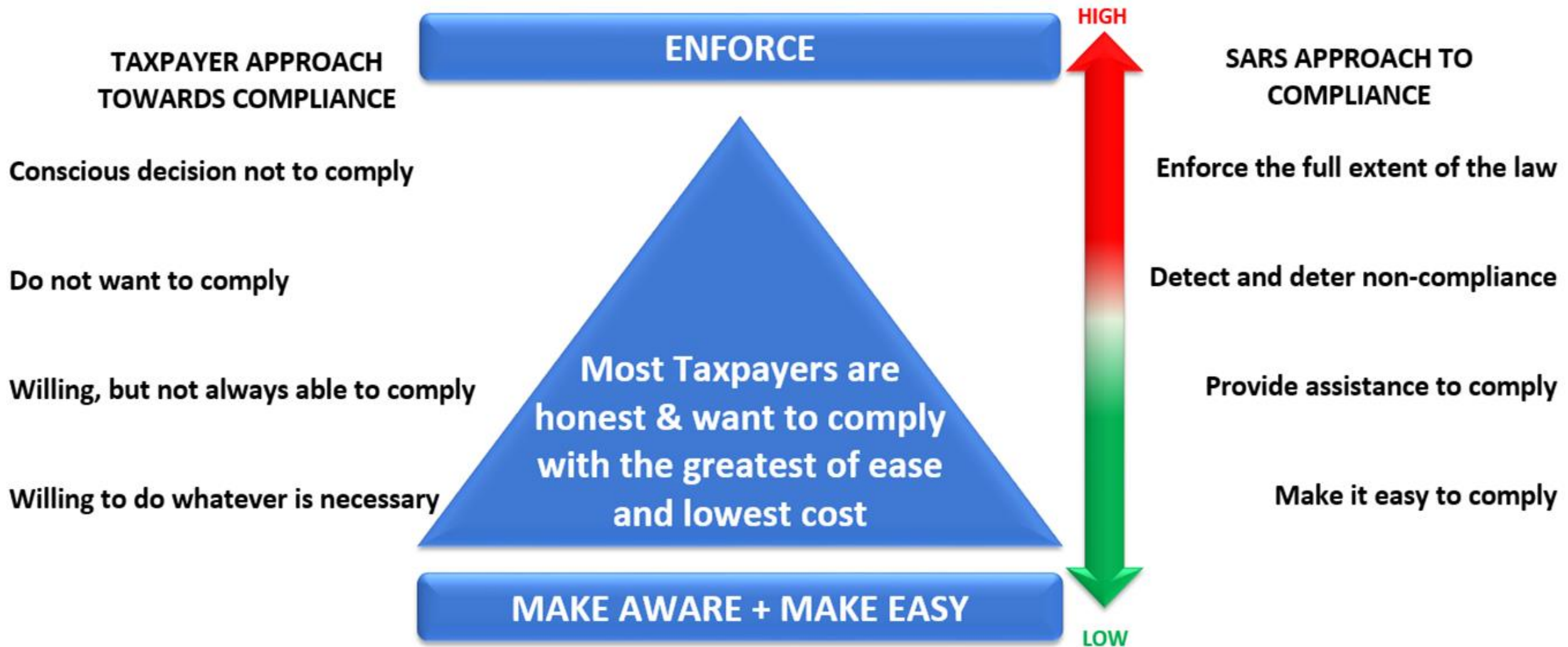
*A SMART, MODERN SARS WITH UNQUESTIONABLE
INTEGRITY, TRUSTED & ADMIRERD*



SARS 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



FINDING THE BALANCE BETWEEN SERVICE & RISK



EASY

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

Additional Controls to Combat Fraud

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



SECURE



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

IMPLEMENTING OUR STRATEGIC INTENT

Everything we do is inspired by creating a **taxpayer and trader experiences that will drive VOLUNTARY COMPLIANCE.**

In support of voluntary compliance, we aim to modernise and build an **enabling environment of People, Data & Technology, and leverage the relationships with all stakeholders, including the general public**

Demonstrable Examples:

- *Auto Assessment experience for Standard Taxpayer on income tax*
- *Co-operative Compliance Programme for a Large Corporate on income tax*
- *AEO Programme to provide a “green lane” experience for preferred traders.*
- *Seamless experience to a Traveller or Trader when passing through a port of entry – Pre-clearance of goods & our new South African Traveller Management System*

FOR DISCUSSION TODAY:

- SOUTH AFRICA TRAVELER MANAGEMENT SYSTEM
- REMOTE WORKING VISA AND ASSOCIATED TAX IMPLICATIONS

SOUTH AFRICAN TRAVELER MANAGEMENT SYSTEM

- 1. Providing clarity and certainty;***
- 2. Making it easy to comply; and***
- 3. Making it hard and costly for those that choose not to non-comply.***

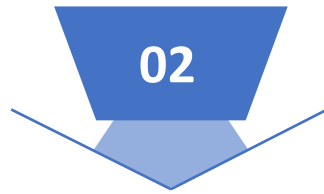
SARS CUSTOMS MODERNISATION PROGRAMME

Customs Border Operations



SMART Border

The concept allows Customs to automate all ports of entry to a technology driven environment including automated gate management, in-line scanning, number plate recognition, real-time tracking of goods, automated traveller management systems, etc.



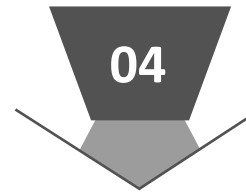
AIP

Brings together data and processes from Authorised Dealers in foreign currency and exchange, SARS, and SARB to increase regulatory controls relating to advance foreign exchange payments in order to prevent Illicit Financial Flows, as well as duty and tax losses through customs undervaluation



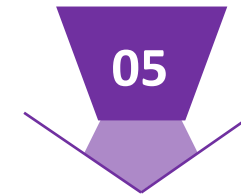
Single Window

Single Window allows parties involved in international trade and transport to lodge standardised information and documents once at a single-entry point to fulfil all import, export, and transit-related regulatory requirements



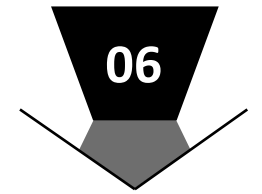
IT Connectivity

This concept enables live customs data exchange between the customs administrations on import and export



Cadet Program

Aims to recruit, select, assess and enrol successful applicants in the Cadet Programme where the required technical, behavioural and transversal competencies will be developed through a blended learning approach



Fiscal Risk Tools

To aid SARS in identifying instances of possible undervaluation. will be used to assess potential risk in terms of the accuracy of the declared Customs value on imported goods, with particular focus on clothing and textile, as well as other high-risk commodities

Incl. the new SA TRAVELLER MANAGEMENT SYSTEM

LEGISLATIVE CONTEXT FOR TRAVELERS

- This is an existing requirement, in line with the provisions of Section 15 of the Customs and Excise Act No. 91 of 1964.
- Travellers are required to make declarations of goods in their possession on entering or leaving South Africa as prescribed - used to have a paper based system
- That includes declarations in respect of:
 - Goods that are prohibited, restricted or controlled by any law (e.g. cash, food, medicines, etc.)
 - Goods purchased or otherwise required (e.g. gifts)
 - Goods remodelled, processed or repaired abroad and
 - Goods carried on behalf of others
 - Cash beyond the set limits
- The current on-line declaration system is on a voluntary basis.
- Legislation enhancements underway for mandating the on-line Traveler Declarations – this is expected to be promulgated in 2024.

CREATING A SEAMLESS TRAVELLER EXPERIENCE WHILE FULFILLING YOUR LEGAL OBLIGATION

- Improving the Traveller Declaration process.
- In line with SARS' strategic objectives, the new systems provide a number of benefits:
 1. Providing clarity to travellers on their obligations i.e. Dutiable Allowances, Duty Free Allowances, etc...
 2. Making it easy for travellers to comply with the submission of their Traveller Declarations i.e. Pre-arrival/departure and seamless passage through all ports of entry
 3. Detecting potential risks and non-compliance i.e. Travellers requiring inspection, FATF compliance, FIC link, etc.
- When fully implemented, the system will leverage pre-arrival data to enhance an effective risk management approach, introduce automated arrival processes to provide a “green lane” experience for compliant travellers while enabling, at a later stage, the online payment of appropriate duties seamlessly.
- The automation of a paperless process also has an added benefit of dealing with traveler information in a more secure manner.

SARS understands the importance of facilitating the movement of legitimate travellers in supporting tourism and contributing to our economy whilst also putting necessary controls to detect any illicit movement of goods and currency...

THE SA TRAVELLER MANAGEMENT SYSTEM

Lessons learnt and Success Factors:

- Provide sufficient Clarity & Certainty to both Travellers and Stakeholders in the Travel/Tourism sector:
 - Marketing, Education and Awareness campaigns through multimedia platforms both locally and internationally
 - SARS Website – Dedicated information portal
 - SARS Webinars – Introduction to the SA Traveller Management System
- Make it easy for Travellers to comply:
 - Provided a convenient ease to access web-based system from anywhere in the world
 - Provided internet connectivity via WiFi facilities at the ports of entry
 - Customs Officers assisting Travellers that need help declaring upon arrival and departure via handheld devices
- Successful implementation of the on-line Traveller Declaration system at 3 ports of entry.
- To date 42 000 voluntary on-line Traveller Declarations have been submitted.

IMPLEMENTATION ROADMAP

- **Phase 1 (2022): *(Completed)***
 - Developed the SA Traveller Management System (People, Processes, Technology, Legislation)
 - Successfully conducted pilot phase at King Shaka International Airport

- **Phase 2 (2023): *(In progress)***
 - Implemented enhancements from the pilot phase
 - Implemented at: Cape Town International Airport (Feb'23) & OR Tambo International Airport (Mar'23)
 - Implementation planned for remaining International Airports (May – Sept'23)
 - Implementation planned for Land Borders starting with: Beit Bridge & Skilpadshek (Oct'23)
 - Implementation planned for Sea Port starting with Cape Town (Nov'23)

IMPLEMENTATION ROADMAP

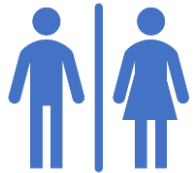
- **Phase 3 (2023/24): *(In progress)***
 - Rollout to remainder of ports of entry and borders
 - Legislative enhancements for mandatory Traveller Declarations (as per Budget Review 2023)
 - Enhancing our risk-based detection capabilities (interfacing 3rd Party Data sources incl. AIP & PNR)
 - Development of the Mobi Application
- **Phase 4 (2024/25): (Planning)**
 - Automation for the payment of duties and VAT Refunds processes for Travellers
 - Addition of the temporary importation of motor vehicles application functionality
 - Addition of the registration of goods for re-importation functionality

NEW WAYS OF WORKING & ASSOCIATED TAX IMPLICATIONS

- 1. Providing clarity and certainty;***
- 2. Making it easy to comply; and***
- 3. Making it hard and costly for those that choose not to non-comply.***

CONTEXT: PERSONAL INCOME TAX VALUE CHAIN

TAXPAYERS ON REGISTER



PIT Tax Register

2006 = 5.9M
2022 = 25M

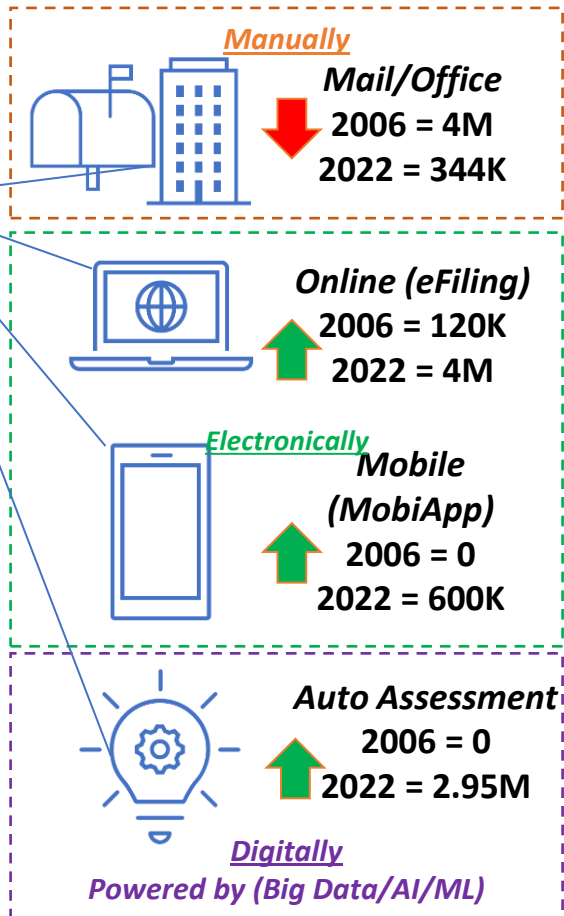
Segmentation – Individual Taxpayers:

- Standard
- Provisional
- Wealthy & Complex

INDIVIDUAL RETURN FILING BY CHANNEL



Number of Returns Filed:
2006 = 4.12M
2022 = 7.45M



3RD PARTY DATA FILING

Third Party:	2022
Employers	16M
Banks	118M
Medical Aids	4.5M
Insurers	2.2M
CRS	1.5M
TOTAL	142M

RETURN ASSESSMENT



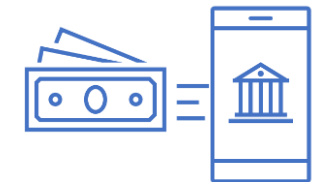
Return Assessment (TAT)
2006 = 180 Days
2022 = 5 seconds

REVENUE LEAKAGE PREVENTION



Return Verification 2022:
1.3M returns detected
63% assessments revised
R17 billion adjustments

REFUNDS PAYMENT



Refunds Paid (TAT)
2006 = 50 Days
2022 = 72 hours
R36 billion
100% electronically

2006

...THE SARS DIGITAL TRANSFORMATION & MODERNISATION JOURNEY IN EFFECT...

2022...

Tax Year: 2022

Legend: M = Million | K = Hundred Thousand

REMOTE WORKING VISA

- One of the most notable adjustments during the global lockdowns, has been the introduction of remote working policies for employees.
- While the world was in a pandemic-induced bubble, companies and employers were forced to adjust their operations and introduce new ways of working.
- Remote Working Visa will allow employees from foreign jurisdictions to work remotely while physically present in SA.
- The best way to illustrate the consequences, is to view it in degrees of complexity.
 - Scenario 1: Remote working in your own country
 - Scenario 2: Remote working while in another country

DOMESTIC LAW

- South Africa works on a residence-based tax system for individuals.
- Tax residents would be subject to tax on worldwide income (excluding certain exemptions or exclusions).
- Non-residents would be subject to tax on income from a source within South Africa in accordance with the ordinarily resident/physical presence residence tests:
 - Physical presence test deliberately has a five-year window period before it applies to allow for temporary presence without triggering full taxation as a resident.
 - This caters for secondments by multinational enterprises and other temporary employment by local enterprises, which facilitates skills transfer.
 - It would also cater for remote workers who are in South Africa temporarily.
- For an employee, “source in SA” means where the work is physically done.
- Include full salary, allowances, bonuses & benefits attributable to SA services, even if paid outside SA.

TAX TREATY

- SA as the “source” country has the primary right to tax employment income
- Exception applies for temporary work done in SA:
 - Less than 183 days in 12 months; or
 - No remuneration paid by or on behalf of an SA employer; or
 - No remuneration borne by a permanent establishment in SA.
- Could claim tax credit in home country for SA taxes paid

COMPLIANCE OBLIGATIONS: SA EMPLOYER

- Unlikely to arise in the Remote Working Visa context
- SA employer must withhold Pay-As-You-Earn (PAYE) tax and will issue IRP5 certificate
- Tax payable if taxable income is above tax threshold (2023: under 65 – R91 250; 65 to 74 – R141 250; over 75 – R157 900)
- Remote employee must file SA tax return if income is –
 - above filing threshold (2022: R500 000); or
 - from more than one employer); or
 - In the form of any allowance or a company car.

COMPLIANCE OBLIGATIONS: FOREIGN EMPLOYER

- Foreign employer who does not have an SA agent paying remuneration, not obliged to deduct PAYE tax
- Remote worker will be a provisional taxpayer:
 - Must pay provisional tax end of August and end of the next February
 - Can make a top-up payment by end of the following September
 - Must file a tax return unless gross income is below the taxable threshold

DISCUSSION

IN CONCLUSION

THANK YOU!