ANNUAL REPORT

South African Revenue Service **2022/23**

South African Revenue Service

ANNUAL REPORT

South African Revenue Service **2022/23**

ISBN: 978-0-621-51500-8
RP315/2023

MESSAGE FROM THE MINISTER OF FINANCE

South Africa found itself in an inhibited economic environment during the 2022/23 fiscal year, which was slowed down by adverse international and domestic events, further exacerbating financial hardship, poverty and unemployment. Although the world is beginning to recover from the devastating effect of the COVID-19 pandemic, the negative impact of the spill overs from the war in Ukraine and higher global inflation resulted in tougher global financial conditions, increased interest rates and delayed investment and job creation.

South Africa's economic growth was further hampered by several structural impediments, including increasingly unreliable electricity supply; crime and corruption; costly and inefficient port and rail networks; high energy and food prices, as well as natural disasters such as the KZN floods during the 2022/23 financial year.

To achieve government's developmental aspirations amidst challenging economic circumstances, a well-functioning revenue agency plays a pivotal role through its revenue collection efforts. The successful implementation of SARS' Vision 2024 - to build a smart modern SARS, with unquestionable integrity that is trusted by government, the public and our international peers - is progressing well.

SARS collects more than 90% of all Government revenue. In addition to its mandate to collect tax and customs revenue through improved voluntary tax compliance, SARS also facilitates legitimate trade to protect the integrity of the domestic economy, while connecting our country to international trade.

Due to the relentless efforts to rebuild the institution following state capture, including the implementation of the Nugent Commission's recommendations, SARS is bearing the fruit of improvements in terms of its capability and internal stability, while restoring public confidence.

Taxation is a critical part of the social contract between any Government and its citizens. Adherence to the principles of robust tax and customs administration, e.g., efficiency, equity, simplicity, transparency and certainty, establishes a fair distribution of the tax burden and improves compliance levels. SARS will continue to expand the tax register, investigate syndicate tax and customs crimes, respond to illicit trade by removing illegal imports from circulation, as well as investigate and hand over serious criminal cases to the National Prosecuting Authority.

SARS celebrated its silver jubilee this year, marking 25 years since SARS was established as an organ of state within the public administration but outside the public service, reinforcing the guiding principles of creating and maintaining a modern revenue agency, which is able to compete with the best in the world in terms of fairness and efficiency.

SARS' revenue collection efforts have enabled the South African Government to provide much-needed relief to millions of South Africans and businesses, not only during the COVID-19 pandemic, but also during the recent floods in KZN. SARS delivered on its obligation to collect revenue that enables the Government to build a capable state. SARS collected R1 686.7 billion for the financial year under review, from R2 067.8 billion gross revenue collections and R381.1 billion refund payments, reflecting year-on-year net revenue collection growth of R122.9 billion, which is 7.9% higher than the previous financial year.

I wish to thank the SARS leadership and staff for their continued dedication and commitment to execute on the SARS mandate, as well as restoring integrity and public trust in the organisation. Under the leadership of Commissioner Kieswetter and team, staff employed their skills and talents and, together with compliant taxpayers, traders and intermediaries enabled the creation of a better future for all South Africans.

Mr Enoch Godongwana, MP
MINISTER OF FINANCE

COMMISSIONER'S OVERVIEW

This year, SARS celebrated its silver jubilee having been formally established on 1 October 1997 in terms of the South African Revenue Service Act. The legislation gave the organisation a clear mandate to collect all revenues due, ensure optimal compliance by taxpayers and facilitate trade, as well as protect the economy, our society and our borders. Since its inception 25 years ago, SARS has collected over R18 trillion for the country's social and economic development.

We are continuing to make progress in shaping the organisation to improve our effectiveness and efficiency to deliver on our legislative mandate. On our journey to strive towards our vision of a 'smart, modern SARS with unquestionable integrity that is trusted and admired', we continue to serve the higher purpose of enabling Government to build a democratic state that fosters sustainable economic growth and social development in the interest and wellbeing of all South Africans.

In line with our Strategic Objectives, we must continue to provide clarity and certainty to taxpayers and traders about their obligations, as well as make it easy and seamless for them to meet their legal obligations. There is a demonstrable improvement in areas of governance, leveraging on technology, greater use of data analytics and machine learning. This will help us to continue to do our work while complementing government's efforts to build an inclusive economy resulting from sustainable development.

As the world recovers from COVID-19, South Africa has had to deal with a range of new challenges in 2022. Systemic supply chain disruptions, rampant global inflation, tight monetary policy stance and the beginning of a global recession, among others—all exacerbated by the war in Ukraine. Russia's invasion of Ukraine and the ongoing war caused severe trade disruptions. South Africa was affected through trade spill overs, the impact on global commodity prices, and higher inflation. This resulted in monetary policy tightening through higher interest rates in order to curb inflation. Rising inflation and resultant price pressure, is slowing domestic consumption.

Over the past year, the revenue collection estimate has seen two significant upward revisions from R1.598 trillion originally announced as the Printed Estimate (PE) at Budget 2022. R1.682 trillion (R83.5 billion higher than the PE) was announced during Medium Term Budget Policy Statement (MTBPS) in October 2022, and at Budget speech in February 2023, the estimate was further adjusted by R10.3 billion to R1.692 trillion, bringing the total upward revision to R93.7 billion for the period under review.

Global geo-political events, as well as domestic increased levels of load shedding had a significant impact on the normal rhythm of businesses, both in terms of turnover, as well as on capital input Value-Added Tax (VAT) that they could claim. Net revenue collections for the financial year yielded R1 686.7 billion, which is a deficit of R5.5 billion (0.3%) against the Revised Estimate (RE) of R1 692.2 billion, while growing year-on-year by R122.9 billion (7.9%). The gross revenue collections of R2 067.8 billion fell short of the RE by R3.2 billion, but grew year-on-year by R182.9 billion (9.7%) and refund payments for the financial year of R381.1 billion exceeded estimations by R2.3 billion (0.6%), reflecting an increase of R60.0 billion (18.7%) when compared to the Previous Year (PY). The variances against estimations on both the gross revenue and refunds, only transpired during the final week of the financial year. Despite the marginal deficit of 0.3%, the tax buoyancy ratio of 1.4 is indicative of effective tax administration and accentuated by the year-on-year growth in refunds paid, which reflected a growth rate of more than double that of gross collections.

It is our commitment to the Higher Purpose and our dedication to serve our country that will help us overcome the socio-political and economic challenges we face, including job creation, poverty and inequality.

The Voluntary Compliance Index developed in 2020 in support of our Strategic Intent, measures the overall compliance behaviour of taxpayers across the compliance value chain. We will continue to engage in an extensive tax register review exercise and focused compliance interventions to improve voluntary compliance.

The compliance actions administered by SARS focuses on ensuring that the South African public receive an efficient, effective and professional service from SARS, but also that Government receives the tax revenues due, and the country’s fiscal integrity is underpinned.

While the performance of the economy is important for revenue collection, SARS’ initiatives have counterbalanced the negative impact of the local and global economy. SARS continuously improves the efficiency in tax revenue administration through targeted strategic compliance interventions to achieve higher taxpayer compliance levels.

SARS’ compliance efforts have contributed 13.7% to the net revenues collected. This is in line with our revenue management philosophy that has seen our efforts result in an additional R231.8 billion that is included in the total revenue of R1 686.7 billion collected for the year.

Included in the compliance efforts are areas that relate to debt cash collections, curbing impermissible and fraudulent refund claims, voluntary disclosure management, countering syndicated tax and customs crimes, as well as valuation fraud and Customs seizures. SARS has to strike a fine balance between managing service to taxpayers and risk to the national revenue account. We continue to use sophisticated data science and Artificial Intelligence (AI) to detect the risks and just in this reporting year, we have prevented impermissible and/or fraudulent refund outflows of R76.3 billion from almost two million verifications. I remain concerned about the refund risk, which in my view, remains stubbornly high and we will continue our efforts to mitigate this risk.

For the 2022/23 financial year, SARS has processed 9.4 million tax assessments which is 200k more than the 9.2 million processed during the same period in the previous year.

Results show that by the end of our Personal Income Tax (PIT) filing season, individual and trust submissions for 2022 and other tax years, filed in 2022, totalled 4.806 million. This is an 11.8% increase from the previous year. Included in this number is 2.9 million auto assessments issued as of 1 July 2022. The auto assessments have been well received, with 94.7% of taxpayers issued with an auto assessment electing to accept their assessment without making any changes. Only 5.3% of those issued with an auto assessment opted to edit and include additional income or claims not covered in the assessment issued.

SARS carries the critical responsibility of ensuring that all taxes due are collected. At the core of this responsibility, we as SARS employees believe that most taxpayers are honest and want to fulfil their tax obligations. Pursuant to this mission, we must as per our first strategic objective provide taxpayers with clarity and certainty, so that they can easily and seamlessly meet those obligations. Linked to this, is our responsibility to meet our service commitment to taxpayers and traders. In continuously striving to attain this objective, we have adopted a new Service Charter. The achievement against the new Service Charter was 79.3% for 2022/23.

SARS will continue to improve its service to taxpayers and traders by providing clarity and certainty to enable them to meet their legal obligations, and by making it hard and costly for taxpayers and traders who wilfully remain non-complaint. The drive to increase the use of technology, especially the use of big data, machine learning and algorithms and the use of third-party data will also continue to be expanded.

We had a good year in terms of meeting our Key Result Indicator targets. We achieved 15 of the 19 key results which is vital for measuring our progress in delivering on our mandate and strategic intent. Some operational highlights for the year include:

- 75.3% of taxpayers and traders surveyed, are satisfied with the clarity and certainty provided by SARS (PY:69.1%).
- 89.4% of taxpayers and traders used digital and self-help platforms to interact with SARS against an 88% target.
- More than 96% of compliance risks detected by SARS' automated risk engines were accurately identified, yielding more than R70 billion in preventing impermissible refunds.
- Customs seizures to the value of R5.8 billion were undertaken (PY: R4.1 billion).
- 98% conviction rate was achieved through the National Prosecuting Authority (NPA).
- 100% of verification cases were selected through the automated risk assessment functionality.
- Unstructured Supplementary Service Data (USSD) was introduced as an additional service channel.
- 90.3% of intermediaries surveyed were satisfied with SARS' assistance.
- Public Opinion survey score was 76.5%, which is a significant improvement from the previous year's 71.8%.

SARS is on course to further improve its revenue performance in alignment with its Vision 2020-2025 and Strategic Intent of Voluntary Compliance. Customs valuation fraud, Excise under declaration and syndicated tax crimes, including illicit activities and interventions linked to cases relating to state capture, will remain major focus areas.

Relevant to our employees, SARS continues to review and improve its employee's level of engagement through various initiatives. We continue to embed the SARS Leadership Model. This model specifies leadership responsibilities to display personal proficiency, manage people and work, as well as impact others positively. An important development this year was the piloting of an enhanced Employee Value Proposition (EVP) from December 2022. The pilot facilitated the monitoring of remote working arrangements, testing the perceived value for employees and measuring the impact on the desired taxpayer and trader experience and service. This pilot will continue into the 2023/24 financial year. Another encouraging outcome was the Employee Engagement Survey which resulted in a score of 69.4%. This is a significant improvement at a time when post-COVID-19 employee engagement levels has declined globally and in South Africa.

On 2 June 2023, I announced the appointment of three Deputy Commissioners, to strengthen the executive team within SARS. The appointment of deputies is also one of the recommendations by the Commission of Inquiry into Tax Administration and Governance by SARS headed by Judge Robert Nugent. The Deputy Commissioners are Mr Johnstone Makhubu (internal) as Deputy Commissioner for Taxpayer Engagement and Operations; Mr Carl Scholtz (external) as Deputy Commissioner for Enterprise Strategy, Enablement and Modernisation and Ms Bridgitte Backman (external) as Deputy Commissioner for Corporate and Enterprise Services. I look forward to work with the newly appointed Deputy Commissioners to ensure we consolidate wins and strengthen the resilience of SARS to sustain continuous progress and innovation in the years ahead.

I would like to extend my sincere gratitude to President Ramaphosa for his continued trust, Minister of Finance, Mr Enoch Godongwana and the Deputy Minister of Finance Dr David Masondo, for their support along with our colleagues in National Treasury under the leadership of acting National Treasury DG Ismail Momoniat. I also acknowledge the role of the Parliamentary Committees for their oversight and support, as well as the community of intermediaries across all sectors with whom and through whom we work. In this, the year of our 25th anniversary, I wish to thank approximately 12 500 SARS employees, who are continually and diligently in pursuit of "serving a higher purpose". I wish to congratulate them on these milestones for the organisation and for the sterling work they continue to do.

To the compliant taxpayers and traders, who have made these historic results a reality, on behalf of SARS, I wish to express my heartfelt gratitude.

Thank you.

Edward Chr Kieswetter
SARS COMMISSIONER

CONTENTS

ABOUT THIS REPORT

This report is primarily intended, but not limited to, addressing the information requirements of the Public Finance Management Act, 1999, (PFMA) and National Treasury's Annual Report guidelines. This Annual Report includes information on SARS' performance for the 2022/23 FY, governance, risks, stakeholder, human resources, as well as the Annual Financial Statements for SARS' Own Accounts.

SARS presents its performance information in accordance with Government's performance monitoring methodology and has therefore aligned this report with its 2020/21 to 2024/25 Strategic Plan, and its 2022/23 Annual Performance Plan (APP). The Annual Financial Statements (Own Accounts) for the year ended 31 March 2023, were prepared in accordance with the effective Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board (ASB), in accordance with section 91(1) of the Public Finance Management Act (PFMA).

As part of SARS' commitment to align the organisation with the King Report on Corporate Governance, it continues its journey to inculcate the principles of integrated thinking and reporting, to promote a more cohesive approach to reporting, that considers a broad range of reporting dimensions, and communicates all relevant factors that materially affect the ability of SARS to create value over the short, medium, and long term. On the journey towards a fully integrated report, SARS embedded some of the concepts from the International Integrated Reporting Framework (IIRF) into this report.

The Annual Financial Statements in this report were audited by the Auditor-General of South Africa who expressed an opinion. This report is approved by SARS' Accounting Officer, the Commissioner for SARS.

STATEMENT OF RESPONSIBILITY AND ACCURACY OF THE ANNUAL REPORT

To the best of my knowledge, I confirm the following:

All information and amounts disclosed in the Annual Report are consistent with the Annual Financial Statements audited by the Auditor-General. The Annual Report is complete, accurate and free from any omissions. This report has been prepared in accordance with the Annual Report guidelines issued by National Treasury.

The Annual Financial Statements (Part 6) included in this Annual Report were prepared in accordance with the applicable accounting standards.

The Accounting Officer is responsible for preparing the Annual Financial Statements, the Annual Performance Report, as well as the Annual Report and the judgements contained therein.

The Accounting Officer is also responsible for establishing and implementing a system of internal controls that have been designed to provide assurance as to the integrity and reliability of the performance information, the human resource information, and the Annual Financial Statements.

The Auditor-General was engaged to express an independent opinion on the Annual Financial Statements.

In my opinion, the Annual Report fairly reflects the operations, the performance information, the human resource information, and financial affairs of SARS for the FY ended 31 March 2023.

Edward Chr Kieswetter
SARS COMMISSIONER

1 PART ONE
GENERAL INFORMATION

Who We Are

SARS was established in terms of the South African Revenue Service Act, 1997, (SARS Act) as an organ of state within the public administration, but as an institution outside the public service. It is listed as a National Public Entity in schedule 3A of PFMA. In terms of the SARS Act, the Commissioner for SARS is the Chief Executive Officer and Accounting Authority of SARS.

Our Mandate

SARS derives its mandate from the SARS Act which is to ensure that the Tax and Customs revenue due to the State is collected as and when it becomes due, by building a high level of taxpayer compliance and facilitating legitimate trade.

Clarity of Purpose

SARS exists to serve the higher purpose of enabling government to build a democratic state that fosters sustainable economic growth and social development in the interest and wellbeing of all South Africans.

Strategic Intent

To give effect to our mandate, our strategic intent is to develop and administer a tax and customs system based on voluntary compliance, and where appropriate, enforce responsibly and decisively.

Vision

To become a smart, modern SARS with unquestionable integrity that is trusted and admired. Internally, this aspiration implies that we:

- Engage our stakeholders ethically and beyond reproach.
- Use technology and data to build an intelligent organisation.
- Evolve our staffing model towards high-value knowledge and service work.
- Become an employer of choice with a high-performing and engaged workforce.

Externally, this aspiration implies that we:

- Substantially achieve our strategic intent of voluntary compliance.
- Benchmark well against the best among our peers internationally.
- Regain public trust and confidence.
- Provide the financial resources for Government to deliver on its mandate.

Our Compliance Theory

In SARS' context, compliance refers to the degree to which taxpayers and traders fulfil their tax obligations (registration, filing, declaration and payment) accurately and on time, as required by the law. In the fulfilment of SARS' legislative mandate, its main work is to ensure taxpayer and trader compliance.

SARS aims to engage with society in a way that earns public confidence and trust, while fostering the principle of fiscal citizenry. Voluntary compliance refers to society fulfilling their obligations without being prompted by SARS to do so. SARS believes that most taxpayers and traders are honest and will therefore strive to promote a culture where compliance is viewed as a positive social contribution. The behaviour of taxpayers and traders may range from willing and intentional compliance to non-compliance, largely because of a lack of knowledge or means. SARS is aware that some taxpayers and traders consciously choose not to comply and will engage in aggressive tax avoidance or even criminal behaviour to evade paying tax.

SARS is of the view that many taxpayers and traders will always do the right thing, while some will not. Most taxpayers and traders fit between these two extremes. SARS will seek to move as many taxpayers and traders as possible up the continuum and ensure that they are more willing to comply voluntarily.

Voluntary compliance will be achieved when taxpayers and traders are aware of their tax obligations (clarity and certainty), it is reasonably easy and affordable to meet these obligations (make it easy), and when there is a credible threat of detection and consequences for those who do not comply with their obligations (detection and enforcement).

To achieve this, SARS needs to build an administrative and institutional capability that has integrity and serves the public beyond reproach.

Our Values

Endeared by a sense that we serve a higher purpose in the service of South Africans, and committed to the fulfilment of our mission and mandate, we hold the following values dear:

- Uncompromising regard for Taxpayer Confidentiality.
- Unquestionable Integrity, Professionalism and Fairness.
- Exemplary Public Service.
- Incontestable insights from Data and Evidence.

Strategic Objectives

1 Provide CLARITY and CERTAINTY for 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.

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.

3 DETECT taxpayers and traders who do not comply, making non-compliance HARD and 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.

4 Develop a HIGH performing, DIVERSE, AGILE, ENGAGED and EVOLVED 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. 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. They are able to respond to future demands of the work environment and changing needs of taxpayers and traders with ease.

5 Increase and expand the use of DATA within a comprehensive knowledge management framework to ensure integrity, derive insight and improve outcomes

The expanded and increased use of data, data analytics and artificial intelligence improved the understanding of taxpayers' and traders' compliance behaviour, enabling improved service offerings that fosters voluntary compliance. Timely/early detection of risks, trends and instances of non-compliance allows responsible enforcement. Data was incorporated into a comprehensive knowledge management system, allowing data to substantively support our strategic intent of voluntary compliance.

6 Modernise our systems to provide DIGITAL and STREAMLINED online services

Our digital platforms will provide reliable and secure services to all our constituencies. Specifically, to enable taxpayers and traders 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.

7 Demonstrate effective STEWARDSHIP of our resources 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 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.

8 Work with and through STAKEHOLDERS to improve the TAX ECOSYSTEM

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.

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.

SARS Organogram

Commissioner

Taxpayer Engagement Cluster

NATIONAL OPERATIONS
(OPERATIONS ORCHESTRATION AND ENABLING) performs mission critical orchestration of all activities across the operations environment.

STANDARD OPERATIONS (x9)
have end-to-end accountability for taxpayer engagement, service, compliance and revenue collection within defined geographic regions.

SEGMENTED OPERATIONS (x3)
have end-to-end accountability for a one-stop service offering taxpayer engagement experience, service, compliance and revenue within a defined segment (Large Business and International (LBI), High Wealth Individuals (HWI), Prominent Individuals and Related Entities (PIRE)).

CUSTOMS OPERATIONS
is accountable for trader engagement, compliance and legitimate trade facilitation.

CENTRALISED OPERATIONS
are responsible for specialised compliance related interventions and complement standard operations within a respective functional area.

Enterprise Design & Enablement Cluster

SEGMENTS
are responsible to provide specialised insights for segment specific needs and requirements.

PRODUCT-PROCESS
are responsible for the design of processes including policies, standard operating procedures, and functions across the value chain for a specific tax product.

ENTERPRISE ENABLEMENT
is accountable for creating and maintaining the design and enabling environment across the enterprise in terms of people, data and technology capability and capacity.

Enterprise Services & Support Cluster

CORPORATE AND REGULATORY
Corporate Legal
Health, Occupational and Safety
Governance and Risk

ENTERPRISE SERVICES
Physical Facilities
Procurement
Finance

PEOPLE MANAGEMENT
Employee Engagement
Remuneration and Benefits
Employee Shared Services
SARS Training (Technical)
Talent and Career development
Leadership development
Gender Equity and People with Disabilities
Recruitment
Employee and Labour relations

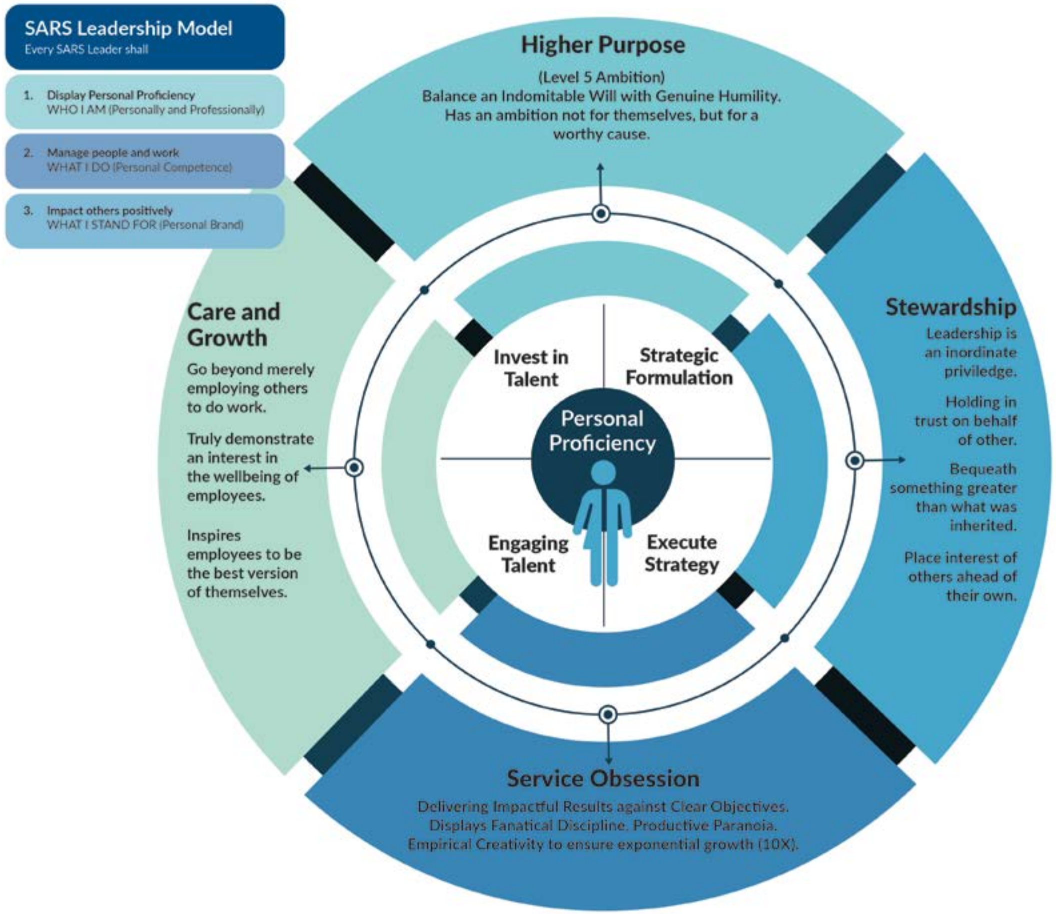
Corporate Cluster

STRATEGY AND INNOVATION
Chief Technology and Innovation
Enterprise Planning
Capital Investments

STAKEHOLDER RELATIONS
Corporate and Professional Bodies
Stakeholder Liaison – Other Government Agencies
International Relations
Public Relations/Media
Internal Communications

ANTI-CORRUPTION AND INTEGRITY
INTERNAL AUDIT
WOMEN IN LEADERSHIP

Leadership Model and Employee Value Proposition



How managers should behave towards employees

The intellectual, psychological and emotional contract between SARS and its Employees that renders a highly engaged workforce to deliver the institutional mandate effectively, while providing an experience to every employee that is fulfilling and rewarding

Financial and Non-Financial Components of Rewards and Benefits

Employee Engagement Model (Employee Rights Charter)

Every Employee has the right to:

1. Do work they enjoy
2. Understand the meaning of their work
3. Know what "winning" means
4. Receive helpful performance feedback
5. Experience a "fair deal"

What employees should expect from their managers

SARS Employee Value Proposition =

The Intellectual, Psychological and Emotional "Contract" + Financial and Non-Financial Rewards

2022/23 Highlights: Positioning our Progress Towards Achieving Vision 2024

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

- **75.3%** of taxpayers and traders **surveyed**, are **satisfied** with the clarity and certainty provided by SARS (PY 69.1%)
- **1 126 Rulings** and **opinions** issued
- **Chatbot Lwazi** provided 1 048 275 positive responses from **1 053 163** questions

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

- **89.4%** of taxpayers and traders used **digital and self-help platforms** to interact with SARS against 88% target
- **94.7%** standard taxpayers accepted **Auto Assessments** (PY 91.0%)

SO3: DETECT taxpayers and traders who do not comply, making non-compliance HARD and COSTLY

- More than **96.0% of compliance risks** detected by SARS' **automated risk engines** were accurately identified, yielding **>R70 billion** in preventing impermissible refunds
- **Customs seizures** to the value of **R5.8 billion** (PY R4.1 billion)
- **98.0%** Conviction Rate through NPA

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

- Employee Engagement Index score **69.4%** against target of 62.0%; **69.0% participation** rate
- Modernisation of **Annual Recognition Programme** and on-the-spot reward system is in progress
- **Employee Value Proposition significantly enhanced** through Hybrid working pilot project
- **Racial equity** improved from 79.9% to **80.3%**
- **Disability equity** improved from 1.9% to **2.1%**

STRATEGIC INTENT

R1 686.7 billion
Net Revenue Collected (7.9% growth YoY)

R231.8 billion
Compliance Revenue collected through **compliance interventions** (7.6% growth YoY)

Facilitated Trade to the value of
R3.9 trillion
(18.3% growth)

SO5: Increase and expand the use of DATA to ensure integrity,derive insight and improve outcomes

- **100%** of verification cases were selected through the **automated risk assessment** functionality
- Updated **Data Governance Framework** published, to include the use of AI, ethics framework & Cloud computing
- **>97% of SARS staff** completed e-Learning modules on data governance
- **Entity Compliance** model developed
- **AEOI data used to detect risk** regarding offshore wealth

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

- **99.7% Systems Availability** achieved from disciplined routine maintenance and upgrades to ICT infrastructure
- **Zero ICT security breaches** from known risks achieved through continued focus and vigilance regarding cyber security threats
- **USSD introduced** as an additional service channel
- Several **feature/function enhancements implemented**
- Scooped the **CIO Visionary of the year award**

SO7: Demonstrate EFFECTIVE STEWARDSHIP of our resources to ensure EFFICIENCY and EFFECTIVENESS in the delivering of quality of outcomes and performance excellence

- **Clean AG Audit Report** from AG
- **Deviation** between **SARS' actual spending** and the **NT allocation** SARS received was 0.4% against an annual target of 5%
- **1.8% of budget reconfigured** towards technology spent
- **Significant savings realised** through property portfolio consolidation and renegotiated supplier contracts

SO8: Work with and through STAKEHOLDERS to improve the TAX ECOSYSTEM

- **Extensive engagement** with stakeholders across tax and customs intermediaries as well as private and public sectors
- **90.3% of intermediaries** were satisfied with SARS' assistance
- Active participation in **OECD, WCO, ATAF, SACU** events

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

- **New Service Charter** performance score was **79.3%**
- **Public Opinion survey index** was **76.5%**, which is a significant improvement from the previous year's **71.8%**

Revenue Collection 2022/23

Gross Revenue Collected

R2 067.8 bn
2023

R1 884.9 bn
2022

9.7% growth

−

Refunds Paid

R381.1 bn
2023

R321.1 bn
2022

18.7% growth

=

Net Revenue Collected

R1 686.7 bn
2023

R1 692.2 bn
Revised Estimate

R1 563.8 bn
2022

7.9% growth

Active Register

PAYE	VAT	Individual Income Tax	Company Income Tax	Trust Income Tax	Customs
643 370 31 March 2023	953 665 31 March 2023	25 944 562 31 March 2023	3 926 252 31 March 2023	379 280 31 March 2023	379 690 31 March 2023
632 599 31 March 2022	941 406 31 March 2022	24 832 105 31 March 2022	3 532 646 31 March 2022	373 084 31 March 2022	373 924 31 March 2022
618 478 31 March 2021	880 553 31 March 2021	23 850 668 31 March 2021	3 112 509 31 March 2021	367 540 31 March 2021	357 653 31 March 2021

The Volumes Processed

Tax Volumes	2019/20	2020/21	2021/22	2022/23
New Registrations	1.4 million	1.6 million	1.8 million	**1.8 million**
Tax Returns Submitted	17.3 million	19.1 million	19.7 million	***22.5 million**
Taxpayers Serviced in Branches	5.0 million	1.3 million	1.2 million	**1.4 million**
Payments Processed	17.2 million	16.4 million	18.7 million	**16.7 million**
Complaints Received	31 445	34 327	61 677	**115 833**
Audits and Verifications Conducted	1.4 million	1.5 million	2.1 million	**1.8 million**
Rulings Issued	287 Binding rulings 621 Non-binding opinions	268 Binding rulings 666 Non-binding opinions	268 Binding rulings 620 Non-binding opinions	**207 Binding rulings** **919 Non-binding opinions**
Appeals Finalised	7 981	8 931	9 961	**7 865**
Tax Compliance Status Requests	1.2 million	1.2 million	1.5 million	**1.5 million**
Inbound Calls Answered	3.7 million	3.7 million	3.0 million	**2.7 million**
Outbound Calls	1.4 million	4.0 million	1.6 million	**1.8 million**

**NOTE: A historic understatement of IRP6 (provisional tax) returns was detected and subsequently rectified, causing a noticeable increase of returns from previous years*

Customs Volumes	2019/20	2020/21	2021/22	2022/23
New Importers	9 821	6 532	9 163	**9 858**
New Exporters	8 701	5 122	11 597	**11 490**
Licensed Clearing Agents	212	170	478	**641**
New Accredited Clients (AEO launched 2021/22)	(Preferred Trader) 28	14	17	**13**
Import Declarations	3.4 million	2.7 million	3.9 million	**4.1 million**
Export Declarations	3.8 million	2.8 million	3.6 million	**3.8 million**
Customs Inspections	673 408	194 000	199 325	**229 121**
Customs Seizures	5 832	4 978	4 295	**5 801**
Post Clearance Audits	1 758	1 343	1 529	**1 519**

2

PART TWO

PERFORMANCE INFORMATION

Overview of SARS' Performance

In reflecting on the privileged work of the SARS, it is mindful that its work enables Government to build a capable state, to foster sustainable economic growth and social development that serves the wellbeing of all South Africans. This is the true reason for SARS' existence and the Higher Purpose it serves.

The legal mandate of SARS is clearly set out in law, viz.: to collect tax revenues, ensure a culture of taxpayer compliance and facilitate trade across our borders. However, how effectively SARS deliver on this mandate depends on a few other factors. Key factors for SARS include:

- Its technical competence to administer the relevant acts.
- How it conceptualises a Compliance Programme.
- Its ability to understand and respond to attendant risks.

The strategic direction in the SARS 2019/20 – 2024/25 Strategic Plan remained unchanged, however, the outcomes and learnings from the Audit of Predetermined Objectives for the 2020/21 FY motivated SARS to reduce and consolidate the number of key result indicators with the objective of optimising the indicators to be more meaningful and relevant as strategic measures in the current SARS environment. Specific enhancements were also made to the Technical Indicator Descriptions. This continuous evolution of the key results underpinning SARS' Strategic Intent (SI) and the nine Strategic Objectives (SO) is taking SARS closer to establishing and building a solid nucleus of measurement criteria. Furthermore, it embraces the principle of continuous learning in a changing environment, where static plans may pose certain limitations if there is no room for improvement or changes. The 2020/21, 2021/22 and 2022/23 APP's document the updates to the Key Performance Indicators relevant to the SARS Strategic Plan.

SARS' Higher Purpose

SARS enables government to build a capable state, to foster sustainable economic growth and social development that serves the wellbeing of all South Africans. The Strategic Statement 2020-2025 presents an inspirational vision to build "a smart modern SARS, with unquestionable integrity, trusted and admired". It sets out a clear Strategic Intent "to develop and administer a tax and customs system of voluntary compliance, and where appropriate, enforce responsibly and decisively" and further translates this intent into nine clear strategic objectives.

A set of sub-objectives, each with clear key results are set out against which progress can be measured, and accountability maintained.

Connecting Our Higher Purpose, Our Mandate, to our Strategic Objectives and Core Value Chain

HIGHER PURPOSE

Enabling Government to Build a Capable State that Fosters Sustainable Economic Growth & Social Development that Serves the Wellbeing of all South Africans

SARS VALUE CHAIN
(What we administer)

Registration
Filing of Declarations
Assessment of Filing
Investigations & Audits
Dispute Resolution
Payments
Debt Collection

STRATEGIC INTENT
(How we administer)

Build an Administration Platform based on Voluntary Compliance

Underpinned by 9 clear Strategic Objectives

SARS MANDATE
(The Impact of our Work)

1. **Collect Tax & Customs Revenue**
2. **Improve Compliance**
3. **Facilitate Legitimate Trade**

MEANS

ENDS

PROGESS AGAINST THE FIVE YEAR 2020/21 - 2024/25 STRATEGIC PLAN

Achievements for the first 3 years of SARS' Strategic Plan

Strategic Intent:

To give effect to our mandate, our strategic intent is to develop and administer a tax and customs system of voluntary compliance, and where appropriate, enforce responsibly and decisively.

The purpose of this section is to reflect on the progress made over the first 3-years against the SARS Strategic Plan five year period – the measures defined in SARS' various Annual Performance plans are continuously updated and refined to consider learnings and updated dynamics, but remain aligned to the Strategic Objectives. The themes on which SARS reports, however, remain largely similar. The next section reports on SARS' performance against its 2022/23 Annual Performance Plan as reflected in the Annual Performance Report for the 2022/23 financial year.

SARS measures success in terms of three outcomes with long term impact and which demonstrate the successful implementation of its mandate.

Revenue Estimates are met and/or exceeded:

SARS over performed on both the 2020/21 and 2021/22 FYs Revised Estimates as set by the Minister of Finance, while in 2022/23 the Revised Estimate (RE) was narrowly missed.

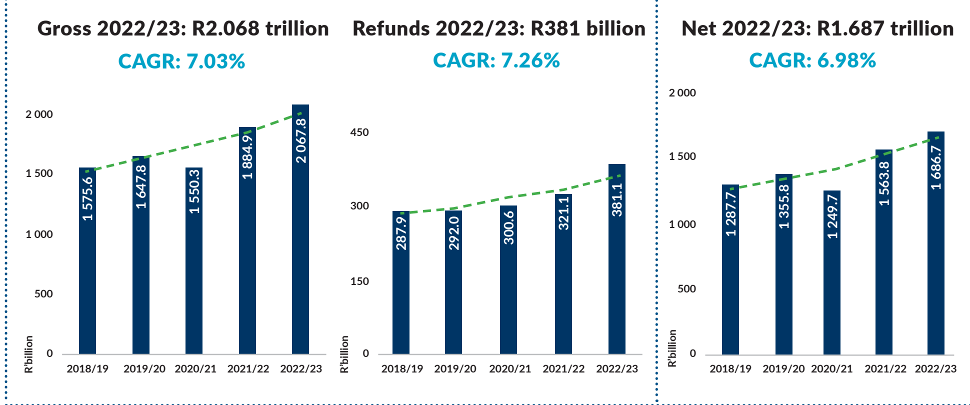
» For 2020/21, the full year revenue collections of R1 249.7 billion recorded a surplus of R37.5 billion against the RE.

» For the 2021/22 FY, SARS collected a net revenue amounting to R1 563.7 billion, with gross receipts of R1 884.9 billion, offset by refund payments worth R321.1 billion. The RE was exceeded by R16.6 billion (1.1%), while year-on-year growth of R314.0 billion (25.1%) was realised compared to the 2020/21 FY, and R207.9 billion (15.3%) compared to the 2019/20 FY.

» For the 2022/23 FY, the Printed Estimate (PE) was set at R1 598.4 billion as per the 2022 Budget Review. The estimate was then revised to R1 692.2 billion in the 2023 Budget Review RE, due to projected improvements in tax revenue collections. The 2022/23 FY's net revenue collection amounted to R1 686.7 billion, which was R5.5 billion (0.3%) below the RE.

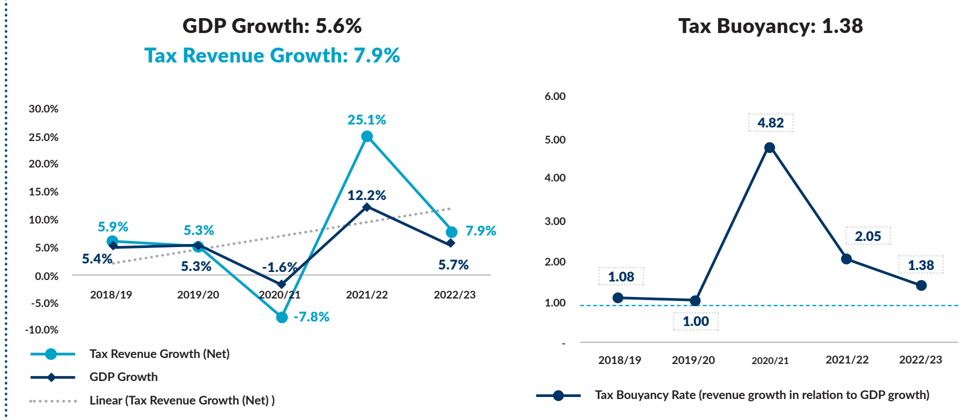
Revenue collection is driven by economic activity and an impact of a more efficient and effective tax administration that is premised on building trust to increase voluntary compliance and boost revenue collections.

Progressive Revenue Collections



CAGR: Compound Annual Growth Rate

Progressive Revenue Collections



Overall Voluntary Compliance increased:

In the SARS environment, compliance refers to the degree to which taxpayers and traders fulfil their tax obligations (registration, filing, declaration and payment) accurately and on time, as required by the law registrations. In the fulfilment of SARS' legislative mandate, the main work of SARS is to ensure taxpayer and trader compliance.

Voluntary compliance will be achieved when everyone is aware of their tax obligations (Objective 1: clarity and certainty), it is reasonably easy and less costly to meet these obligations (Objective 2: make it easy), and when there is a credible threat of detection and consequences for those who do not comply with their obligations (Objection 3: detection and enforcement).

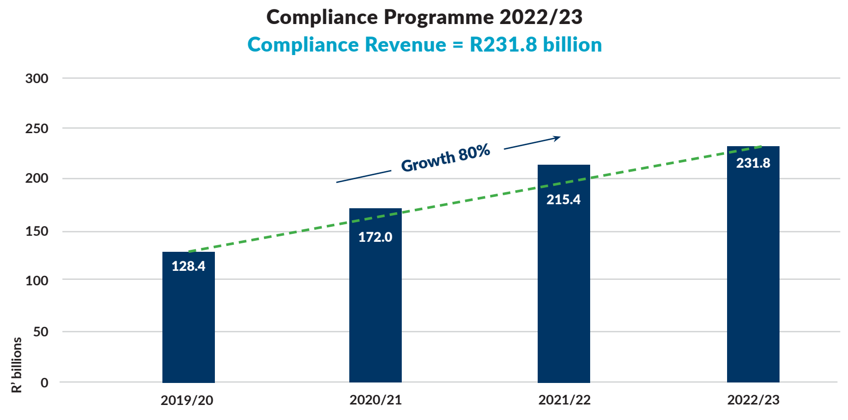
SARS successfully implemented the Voluntary Compliance Index (VCI) methodology for Pay-As-You-Earn (PAYE), Value-Added Tax (VAT) and Corporate Income Tax (CIT) in 2021/22. The index was also computed for Personal Income Tax (PIT) to ensure coverage of all the main tax products. The index tracks and measures voluntary compliance and is an aggregation of the assessment on four compliance pillars – registration, filing, reporting and payment – to provide a composite score. The approved VCI methodology is based on a hybrid model which combines statistical modelling and professional judgement applied to the allocation of weightings to the compliance pillars. The baseline index was established in 2021/22 at 62.89%. The overall compliance index for 2022/23 is 61.61%. This performance is 1.28 percentage points below the 62.89% baseline of 2021/22.

The reason for this is, among others, the integrity of the register, the extremely low filing behaviour of new entities and the large number of entities that were not required to file, whose status changed to 'required to file' as per SARS in the last quarter of 2022/23. The large number of newly 'required to file' entities contributed to the number of non-compliant taxpayers. Since the last register clean up in 2018/19, the CIT register has grown by 94% and the active register by 114%. However, the compliance behaviour of the new registrations in the last four years has been extremely low.

At 31 March 2023, SARS secured R231.8 billion from identifiable compliance activities. Of this amount, R146.1 billion was collected in cash revenue while R85.7 billion was secured through leakage protection.

In the PY, compliance revenue worth R215.4 billion was collected (Cash = R142.4 billion and Leakage Protection = R73.0 billion). For the 2022/23 financial year, performance of R231.8 billion is reflective of a 7.6% growth compared to the PY. SARS is optimising further compliance revenue opportunities through its Revenue Recovery Programme. As part of this Programme, SARS is leveraging exchange of information with both local and international entities to identify areas of non-compliance. However, these initiatives are only expected to yield results over the medium to long term, as it involves multiple stakeholders.

Increased Compliance



Breakdown of Compliance Revenue	2020/21	2021/22	2022/23
	R billion	R billion	R billion
Risk Management	61.3	79.8	82.6
Debt Cash Collections	60.8	69.3	77.9
Large Business and International	21.4	21.8	24.7
Specific Initiatives	9.4	16.3	14.7
Criminal and Illicit Economic Activities	1.9	8.2	6.7
Customs	5.3	7.2	13.8
Excise		0.8	1.3
Voluntary Disclosures	4.6	5.9	3.7
Outstanding Returns	5.4	3.1	2.6
Revenue Recovery Programme	-	0.5	1.2
Estates & Small Medium and Micro Entities (SMMEs) Par 19(3)	1.8	2.7	2.5
Total Compliance Revenue	**172.0**	**215.4**	**231.8**

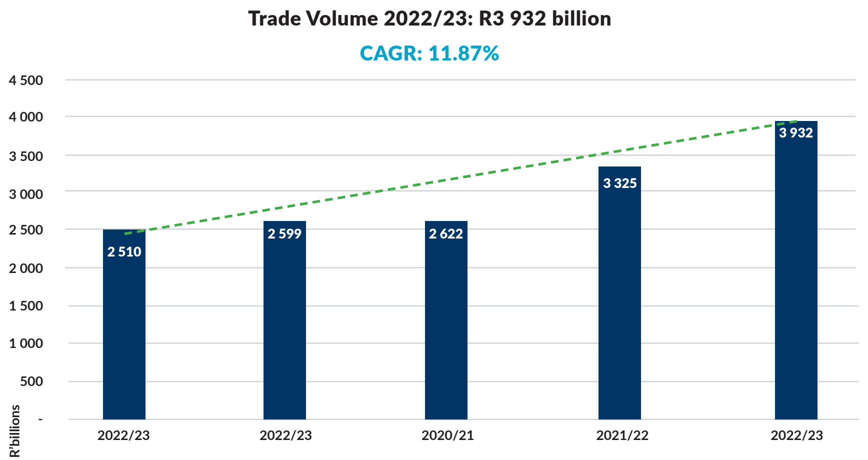
Enhanced Trade Facilitation:

Trade facilitation generally refers to the ease with which a country's cross-border processes enable the seamless flow of legitimate trade in a way that reduces unnecessary and unwarranted delays. This concept however recognises the important role that a regulatory border agency plays in ensuring compliance with various laws and requirements that keep the country, its industry, and citizens safe from harm that can be inflicted by the illegal/unlawful movement of goods and people across borders.

For the year under review, SARS Customs facilitated a total number of over 7 million trade transactions amounting to R3.937 trillion. This represents 18.4% increase from the prior year. Exports amounted to R2.031 billion and imports of R1.906 billion, resulting in a trade balance surplus of R125.83 billion. Of interest is that the current year trade represents a growth of over 51% compared to the pre-COVID 2019/20 period. Noteworthy is that this trade surplus has contracted from the prior year surplus of R392 billion.

SARS' Programme for Authorised Economic Operators is designed to facilitate trade by providing a "green lane" experience to licensed operators. In 2022/23, SARS added 13 new and renewed 31 licenses. The total AEO licenses stands at 159.

Progressive Trade Facilitation



The measure of trade facilitation required a design of a credible index and as such SARS undertook a benchmark study. The purpose of this study was to eventually develop a Trade Facilitation Index (TFI) for SARS, Customs and Excise Division. A Trade Facilitation Agreement (TFA) was developed by the World Trade Organisation (WTO) with the aim of improving trade efficiency worldwide, encouraging economic growth, and taking advantage of new technologies.

Following a set of focus group discussions between SARS and its critical stakeholders, a pilot study was developed and administered. The pilot study adopted a quantitative approach whereby a survey was conducted with 15 Customs and Excise intermediaries who volunteered as respondents. The pilot study was the first step in the practical application for the development of the TFI. The OECD survey methodology was followed when designing the questionnaire was designed. The survey focused on 11 WTO indicators that are within SARS control. The development of the TFI allowed SARS to adopt and use internationally recognised and accepted methodologies when building trade facilitation indicators. An electronic survey questionnaire was administered as an instrument to collect primary data. This survey was conducted among the Trade industry and 1 090 traders completed all the survey questions.

In 2022/23, a TFI score of 52.8% was established, which was approved and subsequently used as a baseline to set future targets and develop action plans to monitor performance improvement.

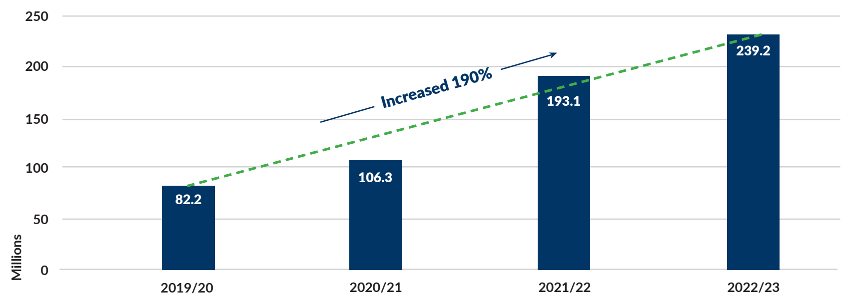
STRATEGIC OBJECTIVE 1 Provide CLARITY and CERTAINTY for taxpayers and traders of their obligations

Taxpayers and traders who are aware, clear and certain of their rights and obligations are more likely to comply voluntarily. In 2021/22, 69.06% and in 2022/23, 75.33% of taxpayers and traders were satisfied with the clarity and certainty of the guidance provided by SARS, based on an annual survey. To the greatest extent possible, SARS endeavours to administer tax and customs laws in a manner that is sufficiently simple, clear and easily understood and applied by taxpayers and traders. Through the increased self-help platforms available to taxpayers and traders, SARS reduced the number of taxpayers and traders required to use physical SARS channels for services or queries, from 5 million in 2019/20 to 1.4 million in 2022/23. SARS provided easy to understand and easy to access clarity and guidance to taxpayers and traders, through e.g., prompt rulings (743 binding rulings and 2 205 non-binding opinions for the 2021, 2022 and 2023 financial years), interpretation notes and explanatory guidelines. SARS is also in the process of developing a legislative framework for advance pricing agreements, which was released for comment in 2021/22, and announced as a legislative proposal in the 2023 Budget. Further to these accomplishments in the past three years, SARS had 39.9 million SARS website hits in the 2021, 2022 and 2023 FYs and 2.3 million interactions with its ChatBot – Lwazi.

Some of the mechanisms and instruments used in aid to the provision of clarity included:

- New defined segments to tailor engagements e.g. HWI Unit, LBI and SMME.
- Advertisements in various forms of media.
- YouTube videos on product usage.
- Risk-specific letters, when alerted for a verification.
- Outreach campaigns.
- Increased number of targeted commmunication through SMS's.

Increased Communication through SMS's



STRATEGIC OBJECTIVE 2

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

SARS recognises that providing an easily accessible, professional and efficient service promotes voluntary compliance. Its service must enable taxpayers and traders, throughout their lifecycle, to meet their obligations as far as possible as fair, easy, cost-effective and convenient manner. SARS endeavours to provide equitable access to service channels, and a seamless service from registration, filing, declaration, payment and deregistration to taxpayers and traders, using mainly its online self-service digital channels.

In line with SARS' strategic objectives to improve taxpayer experience and service delivery, enabled by the increased and expanded use of data as well as innovative technology solutions, SARS piloted with the auto assessment of tax returns in the 2019 filing season. The population of taxpayers who were auto assessed is on average, above two and a half million per year.

These taxpayers are referred to as "standard taxpayers", and are loosely defined as "largely non-provisional taxpayers" in the Annual Performance Plan (APP). This category typically includes taxpayers in formal employment, where SARS has all relevant third-party data at its disposal to auto assess them. During the 2021/22 FY, 91.03% and for the 2022/23 FY 94.70%, of standard taxpayer returns were auto assessed by SARS.

SARS embarked on a service offerings identification by means of consultation across the enterprise value chain. The process commenced with an initial analysis of available service offerings, segmented into online vs. manual. With the pandemic situation, more people opted to register and file returns via the online channels, being eFiling and the MobiApp. For the 2020/21 FY, of the total number of taxpayer and trader interactions, 86.31% unique taxpayers and traders used the SARS digital platforms, which increased to 89.38% in 2022/23. SARS uses unique taxpayers and traders for the purpose of the calculation to prevent double counting, where a single taxpayer or trader may have had more than one interaction with SARS.

Service offerings are attuned to the needs and behaviours of groups of taxpayers and traders e.g. the Small Business engagement programme and the Accredited Economic Operator Programme for traders. Where appropriate, SARS uses intermediaries (accredited, certified or trusted) to provide services that enable taxpayers and traders to meet their obligations with the least effort and cost.

Shifts in Digital Channels Usage

Branch Offices

In-Branch volume **decreased by**
>250%

5 million in 2019/20

1.4 million in 2022/23

Auto Assessment

Auto Assessments increased by
290%

>2.8m in 2022/23

<800k in 2019/20

Kiosks

Kiosk interactions increased by
64%

216k in 2022/23

132k in 2021/22

Active from October 2022

Mobi-App

Enhanced Mobi-App PIT Filing volume increased by
143%

487k in 2022/23

200k in 2021/22

New USSD Channel

>506k interactions during 22/23

Active from 15 March 2023

SARS is currently accessible through a variety of channels:

- SARS Branch Offices
- Kiosks
- Mobile Tax Units
- eFiling
- SARS Mobi–App
- E@syFile
- Contact Centre
- Help-u-eFile
- Lwazi Chatbot
- USSD
- Business-to-Business gateway
- SARS Website and Online Query System

STRATEGIC OBJECTIVE 3

DETECT taxpayers and traders who do not comply, making non-compliance HARD and COSTLY

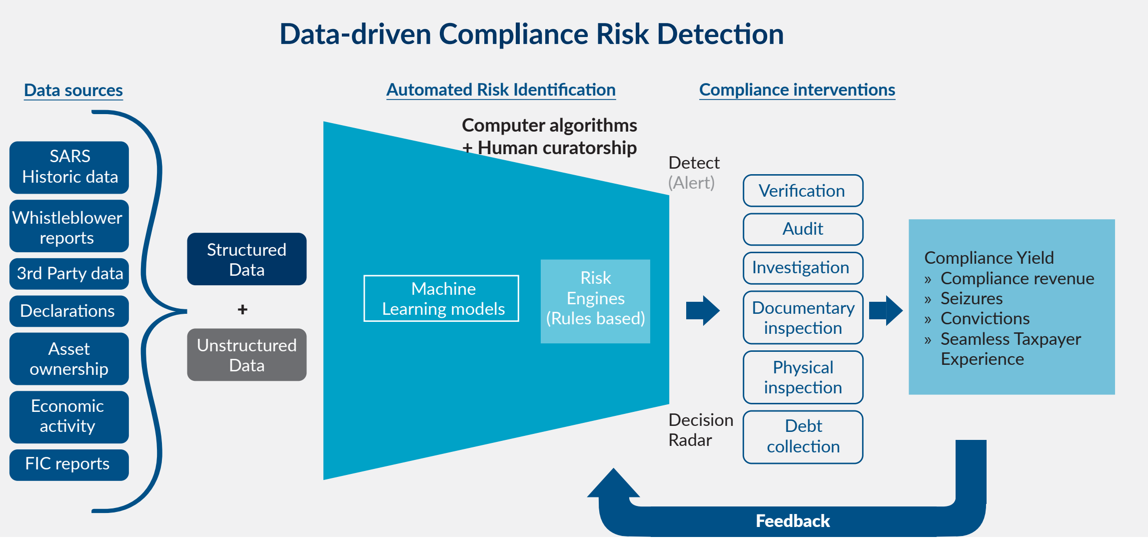
The aim of SARS' enforcement activities is to promote fairness and deter non-compliance with tax and customs laws by creating an environment where a taxpayer and trader's compliance is consistently monitored. SARS' actions will be proportional to the level of non-compliance behaviour detected, moving through a continuum of "soft" enforcement to "hard" enforcement. SARS is building sufficient capabilities and resources (data, intelligence, skills, people and systems) to detect and investigate non-compliance early, and aims to communicate promptly with taxpayers and traders when non-compliance is detected. SARS does give non-compliant taxpayers and traders reasonable time and clear guidance to respond and correct non-compliance, and when this fails, uses sufficient enforcement tools to respond. SARS has focused on increasing compliance through the accurate detection of risk.

To enable SARS' increased focus on risk detection, SARS introduced a data-driven risk detection philosophy that leverages the use of data, as well as the utilisation of computer algorithms and machine learning models to propose the appropriate compliance intervention. The accuracy of risk detection is tracked through a formal feedback loop to ensure algorithms are continuously optimised.

The data-driven risk detection philosophy enabled SARS to exponentially expand its ability to detect risk beyond its automated risk engines, that predominantly focused on historic and current tax return or customs declaration content. Prior to this philosophy there were the constraints in terms of the limited number of profilers to analyse large data sets and the time it took to establish linkages in data points spanning multi-year periods. The data-risk detection philosophy also placed more emphasis on those taxpayers that are deliberately non-compliant, such as those who are not registered for tax, do not file their returns or significantly under-declare their income. Machine learning models were for instance deployed to detect:

» 26 000 people with economic activity exceeding R1 million but who have not been registered for tax when they ought to have been registered. Around 1 000 of these people were also found to be involved in money laundering activities. These cases are part of ongoing investigations and due to its complexity will span across several financial years to conclude.
» Taxpayers with significant assets, including offshore wealth that could not have been accumulated through the gross income declared on historic tax returns. 20 cases were initiated, of which 2 have been concluded, for which letters of findings were issued and additional assessments to the value of R1.3 million were raised. The balance of the cases is still in progress.

The above example are testament of how SARS worked with the Financial Intelligence Centre (FIC) and data availed through the OECD's Automatic Exchange of Information programme to detect illicit financial flows.



SARS also enhanced the ability to track the impact of compliance interventions and how it manifests in compliance revenue. In terms of cases referred to the NPA and the prosecution thereof, the success rate continued to increase; from 96% in 2020/21, to 97.67% in 2021/22 and 98.2% in 2022/23.

Some outcomes from other various enforcement interventions over the period were as follows:

- During the 2022/23 financial year, Specialised Audit completed 4 034 (2021/22: 4 532; 2020/21: 5 106) audit cases. In-depth audits achieved a success rate of 91% and standard audits 63% (2021/22: 91% and 68% respectively; 2020/21: 92% and 79% respectively). The financial result for the year was R13.2 billion (Cash and Savings), resulting from several significant payments received and reduced refund savings (2021/22: R25.8 billion; 2020/21: R10 billion).
- 100 large assessment cases (2021/22: 75) were approved with a capital assessment value of R8.8 billion (2021/22: R8.04 billion). During the financial year, R6.8 billion was collected on large assessment cases.
- 270 Illicit Economy investigations and debt cases (2021/22: 239; 2020/21: 159) were completed, with assessments (IT and VAT) raised for R4.0 billion (2021/22: R13.96 billion; 2020/21: R6.9 billion). The focus areas include Fuel, Tobacco, Alcohol, Clothing and Textiles, Leather and Footwear, VAT Carousels – specifically relating to the gold sector, phoenixism, abusive liquidation and business rescue practices, illicit financial flows, and tax evasion.
- In terms of state capture related cases, 13 projects have been allocated for civil audits and/or criminal investigations. In the audit area, one project was finalised in the 2021/22 financial year and two projects were finalised in the month of October 2022 and March 2023 respectively. At the end of March 2023 there were 50 audit and 79 criminal investigation cases in progress. 29 audit cases have been completed with a total assessment value of R571.2 million. In addition to these, 26 criminal complaints were registered with the South African Police Service (SAPS), for prosecution by the National Prosecuting Authority (NPA).
- 275 Large business and international audit cases were completed with an assessment value of R16.6 billion (2021/22: 463 cases; R23.3 billion assessment value; 2020/21: 507 cases; R18.2 billion assessment value).
- During the financial year, the National Rapid Response Team (NRRT), conducted 211 interventions and 207 seizures (2021/21: 342 interventions, 156 seizures). NRRT seizure value was estimated at R560.8 million.
- For total seizures, 74% (2021/22: 76%; 2020/21: 80%) of narcotics seizures were reported by OR Tambo International Airport (ORTIA) (R674 million; 2021/22: R394.4 million; 2020/21: R172.1 million), including Cannabis, Cocaine, Crystal Meth, Ecstasy, Ephedrine, Heroin, Ketamine, Khat, Magic Mushrooms, and Mandrax. There were 35% more seizures conducted in 2022/23, compared to the previous year. Seizures totalled 5 801 (2021/22: 4 295) for the financial year.
- Customs completed more than 240 000 (2021/22: 199 325; 2020/21: 194 000) inspections worth R598.8 million (2021/22: R491.4 million; 2020/21: R539.7 million) and 1 519 (2021/22: 1 529; 2020/21: 1 343) post clearance audits.

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

This objective speaks to the approach that SARS follows to ensure an engaged workforce with the requisite competences, capabilities and attributes are available within workplace arrangements, and an ethos conducive to the higher purpose orientation and desired culture. A leadership system with integrity and capable leaders across all levels in the organisation are essential in the conceptualisation, design and delivery of appropriate people policies and practices.

SARS embarked on a journey to rebuild its organisational capability and restore institutional integrity. Integral to this drive, and in a major shift from the previous three years, the recruitment of a skilled and capable workforce received substantial impetus mainly due to:

- Allocation of additional funding by National Treasury to SARS for the recruitment of critical, scarce, and future oriented skills.
- Identification of the skills SARS requires to run the organisation effectively and efficiently today and into the future.
- Decision to allow for the backfilling of critical skills that became vacant due to business-as-usual attrition.

Various initiatives were undertaken to develop employees to meet the changing demands in the core, enabling and support roles, as guided by the personal development plans and business prioritisation. While dealing with the challenges and constraints associated with COVID-19, SARS continued to deploy blended learning modes of which virtual approaches became a dominant feature.

In order to ensure the delivery of the SARS mandate during and post the COVID-19 pandemic, SARS had to reconfigure its way of working at an unprecedented speed. Through the deployment of additional digital offerings and enabling up to 90% of employees to work remotely, continued taxpayer service was ensured, allowing taxpayers to fulfil their tax obligations.

The Employee Engagement survey conducted during February 2023, reported a pleasing result. Whereas globally, in Africa, as well as South Africa, a decline was reported from 2019 (pre-COVID) to 2021, in SARS we saw a significant upward improvement from 61.6% (2021) to 69.4%.

Integral to the work of rebuilding SARS and ensuring institutional integrity is the development of an appropriate leadership system. The SARS Leadership Competency and Brand must not only give effect to the legal mandate of SARS but also build public trust and confidence. In this respect the Leadership Model serves as the guiding compass that guides our journey

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 2021/22 Report

Response rate range 30% - 47%

69%

Survey Response Rate 2023

61.6%
2019/20
Employee Engagement Index

69.4%
2022/23
Employee Engagement Index

SARS Ranked #1 Admired Employer in young professionals BCOM field 2022

Note–Survey conducted by an Independent Service Provider.

of rebuilding SARS, considering the passing of time, the changing context, and the future world of work. Led by the Commissioner the SARS leadership embarked on a participative and inclusive process that followed a scholarly, yet action-orientated approach with reference to recognised resources and personified studies as set out in The SARS Leadership Model.

The Women in Leadership (WIL) Forum under the leadership of the Commissioner, was established as one of the enterprise forums of SARS. The mandate of the WIL Forum is to serve as a catalyst to develop and empower women leaders aligned to the Leadership Model and equip them with skills to respond to the specific issues that women face. The WIL Forum and working arrangements include an Enterprise Forum which serves as the centre of excellence to guide implementation of the WIL mandate, Terms of Reference, and Business Plans into operational execution. Reporting against business plan is provided to the relevant governance structures.

The establishment of the SARS Junior Board in 2021, under the leadership of the Commissioner, is an intentional thrust towards SARS' strategic direction and in support of developing a high performing, diverse, agile, engaged, and evolved workforce. The establishment of the Junior Board has provided fertile ground to invest in talent and engage within the framework of the SARS leadership model. The mandate of the Junior Board is to share their insights of the organisation to enrich the broader strategic conversations, accelerate positive and meaningful change, be the provocateurs of a different way of thinking, act as a catalyst to employees who are in the under 35 age group and embark on a developmental orientation under the philosophy of "leading to learn and learning to lead". Part 4 contains more detailed information on Human Capital and Development.

STRATEGIC OBJECTIVE 5

Increase and expand the use of DATA within a comprehensive knowledge management framework to ensure integrity, derive insights and improve outcomes

By expanding and increasing the use of data, data analytics and AI, SARS creates the capability to understand the compliance behaviour of taxpayers and traders. The effective use of data continues 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 SARS to enforce responsibly.

SARS is making solid progress on its journey to become an information-driven enterprise and shifting its focus from traditional descriptive analytics to predictive- and prescriptive analytics.

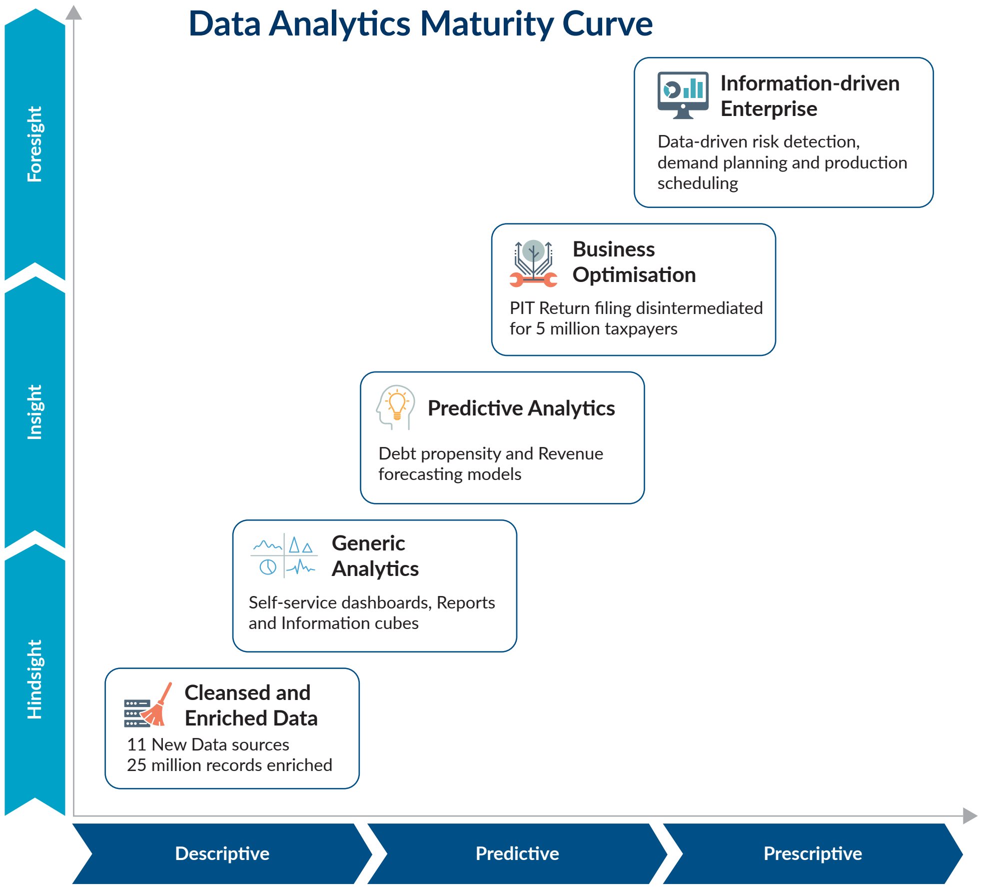
Eleven new data sources were added to SARS' vast portfolio of third-party data to enable improved risk detection and enrichment of SARS' datasets.

The use of data enabled targeted communications to taxpayers to drive digital channel usage and migration to digital channels the issuing of, risk-specific letters leveraging behavioural economics, identification of the target population for auto assessments, as described in both SO1 and SO2. Return filing and the associated risk interventions were disintermediated for more than five million taxpayers over three years.

A broader variety of both structured and unstructured data were consumed by machine learning models to detect risk on a scale not previously possible, as described under SO3, where 26 000 people not registered for tax when they should have been, were detected. Case yield through refined automated risk engine cases increased by almost R20 billion over the past three years. 100% of all verification cases are now created through the automated risk detection process, and 66.95% of the complex cases are being created with the assistance of automated, data related processes in line with our data-driven risk detection philosophy.

Intuitive data products, such as revenue cubes, dashboards and automated production- and capacity plans enabled a productive and empowered workforce, as well as informed decisions on staffing numbers (SO's 4 and 7).

Two iterations of the Data Governance framework were published over the past three years.



STRATEGIC OBJECTIVE 6

Modernise our systems to provide DIGITAL and STREAMLINED online services

SARS' digital platforms provide reliable and secure services to all our constituencies. Specifically for taxpayers and traders who are enabled to meet their obligations simply, easily and anywhere. They also enable the employees to deliver world-class and best in class taxpayer and trader experience together with performance excellence.

A comprehensive assessment was undertaken during the financial year 2020/21, aiming to distinguish between services offered online and those requiring manual processing. Almost 90% of all taxpayer engagements is now digital.

Ensuring high availability of our digital platforms and systems was a priority, and SARS consistently outperformed our target of 99% uptime. For 2020/21, SARS reported 99.76% of planned capacity to be available for mission critical systems, 99.83% for 2021/22 and 99.7% for 2022/23. Mission critical systems encompass those digital platforms used by taxpayers and traders to fulfil their tax and customs obligations, which include, inter alia, filing of declarations, making payments and submitting supporting documents.

SARS also recorded zero security breaches from known risks for all three financial years, resultant from rigorous patch management and responsiveness to security alerts by our world-class security operations centre.

Our proven, agile development methodology enabled us to deliver several enhancements and features during the COVID-19 pandemic to improve SARS' digital offerings, to reduce traffic in branches and significantly brought forward SARS' aspirations in terms of digital updates envisaged for 2024.

Digital Platforms – Innovation

45+
Additional technology and data enhanced functionalities

SOQS
Digital queries processed on our SARS Online Query System (SOQS)

Automated registrations
for Personal Income Tax

NEW
Tax Clearance Requests
now on eFiling Function

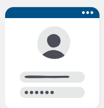
NEW
COVID relief measures
- PAYE Relief
- SDL Payment Holiday
- Employment Tax Incentive Scheme
- VAT Relief Measures
- Provisional Tax Relief
- Excise Relief

NEW
Notice of Registration for VAT
now on eFiling

ENHANCED
Taxpayers offered simplified filing through
Auto-Assessment

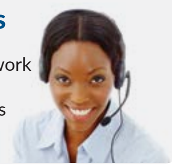
Branch e-booking
for taxpayer visits

ENHANCED
VAT PRE-REG INTERVIEWS
Suspended Need for VAT Interviews

ENHANCED


Streamlined
Banking Detail Verification
Process

ENHANCED
Virtual Agents
empowered to work remotely in our Service Channels



NEW


MobiApp
Supporting Document Upload

ENHANCED
YouTube
SARS TV Webinars

Previous Branch Office Taxpayer Interactions Migrated to Self-Service Digital Channels.

STRATEGIC OBJECTIVE 7

Demonstrate EFFECTIVE STEWARDSHIP of our resources to ensure EFFICIENCY and EFFECTIVENESS in the delivery of quality outcomes and performance excellence

In support of this strategic objective, SARS received unqualified audit reports from the AG for all three years under review.

Moreover, SARS achieved a variance of actual expenditure vs. budget of 0.38% in 2022/23 against a target variance of less than 5%, which was a new measure to the APP for 2022/23. In addition, SARS is configuring its cost structure to ensure ICT infrastructure is optimally positioned to give full support to the mandate and align with its international peers.

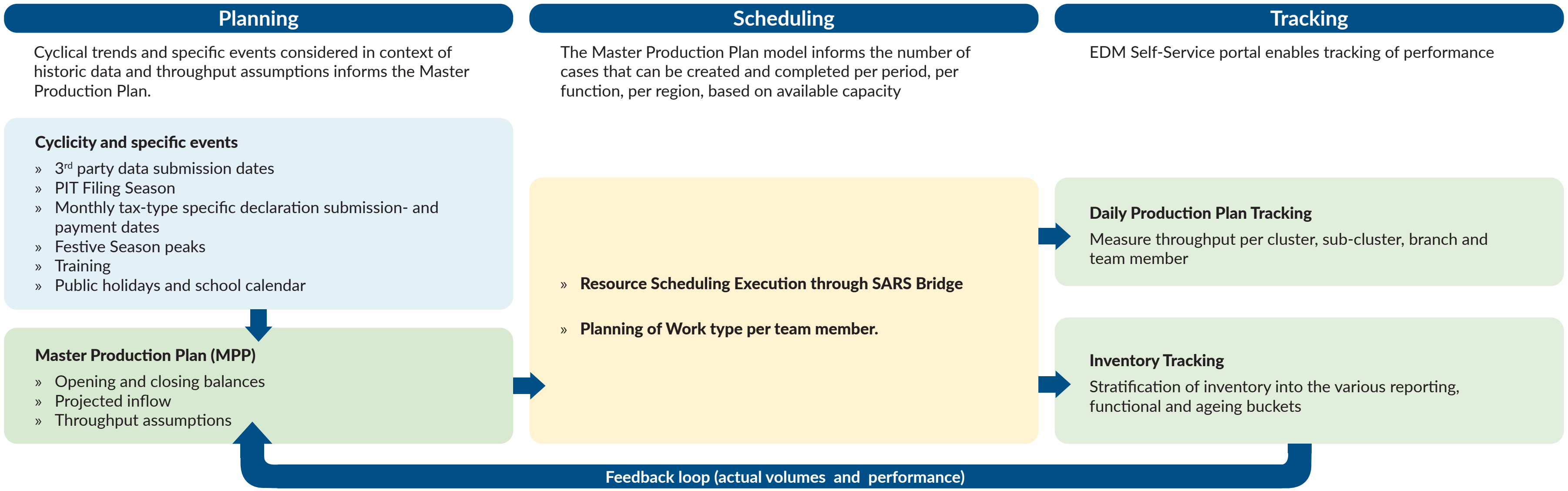
SARS has embarked on a cost reconfiguration journey to enable a more variable budget in the long term, and optimal resource allocation and utilisation that support the Strategic Intent and that will realise Vision 2024 and beyond. The ICT funding allocation is therefore a focus area for additional investment to align with international peers. This journey commenced in the 2020/21 FY and SARS continues to increase its investment in ICT to enable a smart modern SARS with unquestionable integrity that is trusted and admired. This focus/determination is aligned to the OECD benchmark for ICT budget of between 10% and 25% of the total budget. SARS' five year target for this was 15% of the total grant received.

In the 2021/22 FY, the outcome of the actual expenditure against total funding allocated was 13.82%, and inclusive of commitments was 15.65%, compared to the spending in the 2020/21 FY of 14.36%. SARS saved R217 million in the 2021/22 FY because of robust procurement negotiations. The National Treasury (NT) directive, emanating from the Constitutional Court ruling on the Preferential Procurement Regulations, 2017, halted the procurement process for close to four weeks. This resulted in several procurement transactions being delayed or restarted which resulted in a number of commitments that realised as opposed to the actual expenditure as at financial year-end. The total estimated impact, not limited to ICT, was R90 million that SARS was unable to spend or commit from the allocated budget.

2022/23 indicated ICT expenditure equal to 15.62% of allocated funds. This increased investment ensured, among others, the various ICT enhancements deployed to support the continued service to taxpayers during the COVID-19 lockdown and beyond, as well as enabling the enhancements to a smart and modern SARS. SARS has already surpassed the 2024/25 target of 15% in the 2022/23 financial year.

The largest portion of SARS' operational budget is allocated to human resources. SARS leverages data, such as historic and projected tax and customs transaction volumes, as well as cyclical trends, in context of SARS' business calendar and calculated standard times, to automate production scheduling and tracking to enable the optimal use of its scarce resources.

Automated Production Scheduling and Tracking



STRATEGIC OBJECTIVE 8 Work with and through STAKEHOLDERS to improve the TAX ECOSYSTEM

SARS aims to have effective and beneficial partnerships with all Stakeholders in the tax ecosystem, that deliver maximum benefits for taxpayers, Government and the public. SARS strives to have interactions and exchanges that are formal, professional, and transparent.
SARS' annual stakeholder engagement programme and calendar of events were developed and implemented to build, leverage, and enhance effective and beneficial relationships, as well as promote fiscal citizenship. SARS has hosted regular strategic and operational engagements (at national and regional level), that seek to improve tax and customs compliance, enhance service delivery, and promote tax morality. SARS has utilised the official inter-governmental relations framework to prepare a "whole of government" collaborative response and initiatives, especially those related to enforcement activities, and to ensure the optimal use of government resources. Participation in these forums ensures a collaborative approach with critical government stakeholders.

In the 2021/22 FY, a survey was conducted to investigate stakeholders' satisfaction with regards to the following services:

» Stakeholder engagements through virtual platforms.
» Suitability of agendas for various meetings.
» Effectiveness of the Head Office Stakeholder Relations Unit's communication.
» Head Office Stakeholder Relations Unit's escalation management and feedback process.
» Head Office Stakeholder Relations Unit's relationship management (Associations only).

SARS made a concerted effort to proactively engage intermediaries, and maintained an approach that was receptive to feedback and/or escalation of issues.

SARS achieved 93.75% for the survey in 2021/22 and 90.32% in 2022/23, which was above the annual target of 65%.

Recommendations to further improve the satisfaction rate of SARS' intermediaries and achieve the 2024/25 target of 70% include that SARS should establish service level agreements with various departments within SARS to avoid unnecessary delays in the resolution of cases, and to that regular timeous feedback is provided to stakeholders.

In addition, SARS underwent several external peer reviews. Results were mainly very positive.

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

The public should be confident that SARS' stewardship of the country's tax system is professional, unbiased and fair; it maintains the highest standards of integrity and ethics; it has transparent governance systems and processes, and has capable and trustworthy leaders.

Even though the Service Charter performance score of 79.32% shows an improvement of 9.2 percentage points higher than the 2020/21 outcome of 70.09%, the achievement is lower than anticipated. It must be noted that SARS launched a refined Service Charter in 2022/23. Areas that hindered performance were mostly Engagements, Registrations, Inspections/Audit/Verifications and Debt, Disputes and Complaints, due to its ageing inventory. SARS is not adequately funded to capacitate all areas sufficiently to meet the Service Charter expectations.

The Public Opinion Survey is the voice of the taxpayers and traders. SARS gauged public opinion on the following drivers of tax compliance: tax morality, operational efficiency, accessibility, trustworthiness, tax diligence, fiscal citizenship, fiscal responsibility, followership, stewardship, socio-economic factors and affinity. SARS also used the data collected to develop the Attitude to Tax Compliance Index (or Public Opinion Score).

For the 2020/21 financial year, SARS achieved the Attitude to Tax compliance index of 74.5% vs. 70.0% target. Tax morality came in at the top driver of tax compliance from the 11 drivers of tax compliance identified and assessed. The highlight of the study is that tax morality ranks higher on the drivers of tax compliance. Tax morality in South Africa is high, however, it is not translating into higher tax compliance. South Africans believe it is their responsibility to pay tax – directly or indirectly, knowingly or unknowingly.

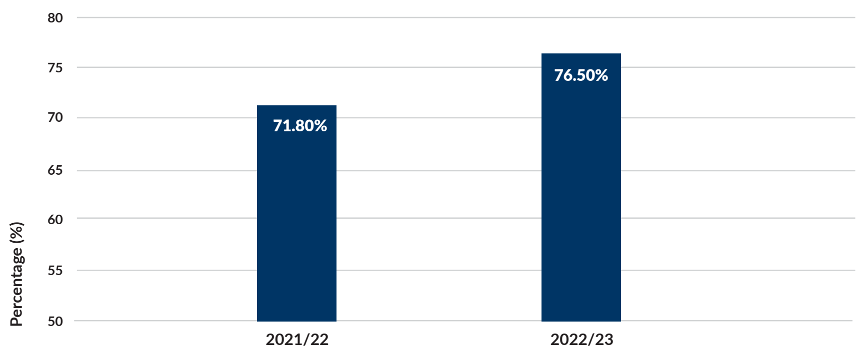
The highlights directly linked to SARS are the operational efficiency, accessibility and trustworthiness, which are in the top five drivers of tax compliance from the study. The Public Opinion Score of 71.80% can be attributed to the underperformance of external drivers (factors) such as tax morality, tax diligence, fiscal citizenship, fiscal responsibility, followership, stewardship, and rationale (socio-economic). The external drivers' index dropped from 75.8% in 2020/21 to 70.0% in 2021/22, whereas the internal drivers' index increased from 72.7% in 2020/21 to 74.6% in 2021/22. Although these external drivers have an impact on tax compliance, they are beyond the influence and control of SARS. Improvements in the performance of internal drivers (factors) such as operational efficiency, accessibility, affinity, and trustworthiness have been observed in 2021/22.

The highlight of the study is that SARS carries the highest leverage in improving tax compliance, and therefore more attention should be focused on what SARS does to improve voluntary compliance and influence public opinion on tax compliance.

SARS ran a survey again in the second half of the 2022/23 FY, and scored 76.5% against a target of 75.5%. This is an improvement and on track towards meeting the 2024/25 target of 76.5%.

An enterprise-wide action plan is being developed to respond to the recommendations and findings of the Public Opinion study.

% Public Opinion Survey Score



PERFORMANCE AGAINST 2022/23 ANNUAL PERFORMANCE PLAN

SARS Performance for 2022/23

The Strategic Statement 2020-2025 presents an inspirational vision to build "a smart modern SARS, with unquestionable integrity, trusted and admired". It sets out a clear Strategic Intent "to follow the internationally recognised approach of Voluntary Compliance", and further translates this intent into 9 clear Strategic Objectives (SO).

The 9 objectives, each with clear key results are defined against which progress can be measured, and accountability maintained. The emphasis of the SARS' strategy is on developing and administering a tax and customs system underpinned by voluntary compliance and where appropriate, enforced with responsibility and decisiveness. In working towards achieving its strategy, SARS implemented the Objectives and Key Results (OKR) methodology which is a goal-setting framework, intended to help companies establish "objectives" along with the measurable "key results" that support the achievement of each objective.

This continuous evolution of the key results underpinning the Strategic Intent (SI) and the 9 Strategic Objectives (SO), is to ensure that indicators, targets and technical indicator descriptions are enhanced and updated to support the performance information process. Furthermore, it embraces the principle of continuous learning in a changing environment.

In support of SARS' strategic intent and to give effect to its compliance philosophy, SARS has identified and committed to achieving 9 Strategic Objectives to guide and inform its efforts, decisions and establish resource priorities. The key strategic objectives that play a crucial role in SARS achieving its mandate, also considering that these three Strategic Objectives utilise 64% of the Estimates of National Expenditure (ENE), are Objectives 1-3:

» Strategic Objective 1: Provide Clarity and Certainty of tax obligations.
» Strategic Objective 2: Make it Easy for taxpayers and traders to comply and fulfil their obligations.
» Strategic Objective 3: Detect taxpayers and traders who Do Not Comply, making non-compliance Hard and Costly.

The bedrock of voluntary compliance is an efficient, capable and disciplined administration that adheres to the highest standards of integrity and governance which is covered in Objectives 4 - 9.

Overall performance achievements on the 2022/23 APP key indicators were very positive under very difficult economic and social circumstances. Of the 19 indicators, SARS achieved the targets on 15, while marginally underperforming on four.

SARS achieved favourable results of 94.7% in the auto assessment of standard taxpayers (SO 2.2), making it easy for them to comply, and also ensuring the accurate detection of risk (SO 3.2). SARS managed to improve its Employee Engagement Index score from 61.6% in 2021 to 69.4% (SO 4.1) and its Employee Equity ratios (SO 4.2) on race, women in management and disability. SARS also achieved 99.7% availability of critical systems (SO 6.1) with no security breaches from known risks (SO 6.2), while SARS' Public Opinion survey showed an encouraging improvement from 71.8% to 76.5% (SO 9.1) in the 2022/23 financial year.

On Strategic Intent SARS missed the revenue Revised Estimate (RE) with a marginal -0.3% deviation and the Voluntary Compliance Index with a -6.28% deviation. SARS achieved all targets for Objectives 1-9, except for increased spending on Information Communication Technology (ICT) with a -0.2% deviation on a target of 2.0% and adhere to Service Charter commitment with a deviation of -2.68% against the target of 82.0%. SARS has, in the spirit of complying with the Annual Report Guide for Schedule 3A and 3C Public Entities, attempted to provide sufficient transparency on how it arrived at the calculated results, such that the objective of presenting both negative and positive information in an understandable and concise manner is maintained.

Auditor-General (AG) Report on Audit of Predetermined Objectives (AoPO)

In the Auditor-General's management report regarding the 2022/23 Audit of Predetermined Objectives, the Auditor-General commended SARS for the effective processes implemented to ensure that the performance reported on, is valid, accurate and complete throughout the reporting period. The overall conclusion on the Audit of Predetermined Objectives for 2022/23 is unqualified.

The full report is available on page 128 of this publication.

Internal and External Environment

Global Economic Environment

The 2022/23 financial year began with heightened scepticism about global economic prospects. The global economy continued to recover from a pandemic-induced slowdown. However, the recovery was uneven across countries and sectors. Early in the year the International Monetary Fund (IMF) assessed risks to the economic outlook to the downside as chances of a hard landing rose sharply. The war in Ukraine has triggered a costly set back to global economic recovery. Fuel and food prices were increasing rapidly, impacting low-income countries the hardest. In April 2022, the IMF in its World Economic Outlook (WEO) Report forecasted that global growth would be moderate in the short-term before picking up the pace moderately. The global economy grew by 3.4% in 2022 and inflation was measured at 8.7% for the same period.

From the April 2022 WEO publication, war-induced commodity price increases and broadening price pressures led to 2022 inflation projections of 5.7% in advanced economies and 8.7% in emerging market and developing economies. However, actual inflation for advanced economies and emerging market and developing economies was above the estimates in 2022 at 7.3% and 9.8% respectively.

Tighter financial conditions triggered by higher-than-expected inflation worldwide, especially in the United States and major European economies emerged as a major drag to global recovery. This was exacerbated by the economic slowdown in China, reflecting COVID-19 outbreaks and lockdowns and further negative spill overs from the war in Ukraine. Some challenges persist and have become entrenched in the global economy, while new ones have emerged and include the threat to financial stability. The failure of two regional banks in the United States in mid-March 2023 and the collapse of confidence in Credit Suisse, a globally significant bank, has upset financial markets. Uncertainty therefore remains high, and the balance of risks is ascertained by the IMF to have shifted firmly to the downside.

Domestic Economic Environment

As the world recovers from COVID-19 without closing down economies in the face of rising infections, South Africa has had to deal with a range of new challenges in 2022 that is: systemic supply chain disruptions, rampant global inflation, tight monetary policy stance and the beginning of a global recession, among others - all exacerbated by the war in Ukraine. At the same time, lockdowns in China (South Africa's major trading partner) worsened the country's real Growth Domestic Product (GDP) growth materially and exacerbated global supply chain disruptions, adversely impacted small, open economies like South Africa. These, together with ongoing local challenges such as power cuts, underperforming utilities, long overdue structural reforms, and the devastating impacts of climate-related events, weighed on South Africa's GDP growth outcome. Some sectors of the South African economy, most notably mining, were weighed down by weak commodity prices as a result of the fallout from the Russia-Ukraine war and rolling blackouts.

South Africa's rand was the tenth-most volatile and 18th-most traded currency during 2022. The rand weakened from below R17/$ in November to nearly R18/$ in December 2022. Power cuts or load-shedding on 208 days reduced real GDP growth by higher percentage points in 2022, as key sectors of the economy were negatively affected. The headwinds were diverse, including weaker consumer confidence weighing on retail spending; lower business confidence impacting investment decisions; and tainted international perceptions limiting foreign investment.

The Reserve Bank increased the repo rate by 425 basis points since November 2021 to cushion the impact of high inflation. The inflation rate was above the Reserve Bank's target band, resulting in high cost of living and having grim implications for demand, consumption and consumption taxes. The inflation rate at 7.2% for the 2022/23 financial year is the highest rate since 2008/09, encouraging further interest rate hikes. The economy grew in real terms by 1.3% for the 2022/23 financial year, which is less than the 6.0% real growth for the 2021/22 financial year.

In Q4-2022 the official unemployment rate eased further to 32.7% from 32.9% in Q3-2022 and 35.3% in Q4-2021, which remains relatively high in comparison to other countries. However, the country's labour market has not fundamentally changed compared to the pre-pandemic period in terms of the quality of skills and the nature of regulation. As such, upside potential is limited.

Towards the end of 2022 there has been a surge in the value of imports mainly due to higher global prices and the depreciation of the rand. This has led to growth in imports outpacing the growth in exports and narrowing the trade balance surplus relative to the comparable period in the previous year. In 2022, there has been an increasing upward trajectory for Customs Duties and VAT on imports, given the macro-economic driver of customs taxes being the nominal value of merchandise imports into South Africa.

The ongoing war in Ukraine caused severe trade disruptions. South Africa was affected through trade spill overs, the impact on global commodity prices, and higher inflation. This resulted in monetary policy tightening through higher interest rates. While inflation is slowing, domestic consumption has been severely constrained and higher interest rates have raised the domestic cost of doing business in South Africa as most companies are highly geared. Consumption driven taxes like VAT will be constrained while pressure on income and profits will limit growth of CIT and PAYE.

The Effects of Tax Policy Measures

The broad-based strengthening in tax revenue collections provided the fiscal space for government, during the height of the COVID-19 pandemic. The 2022 Budget provided R5.2 billion in tax relief to support the economic recovery, provided partial relief from fuel tax increases and supported youth employment. The tax relief granted was aimed at providing support to households and the economy by not adjusting the General Fuel Levy and the Road Accident Fuel Levy, while fully adjusting the personal income tax brackets for inflation. The employment tax incentive was expanded to encourage businesses to increase youth employment.

The corporate tax system was restructured whereby companies are restricted by the offsetting of assessed losses brought forward to 80% of taxable income and therefore companies with assessed losses that matched or exceeded the current year taxable income needed to pay tax on 20% of their taxable income. The one percentage point reduction in the corporate income tax rate to 27% is to be funded by the restriction on taxable losses brought forward and additional interest deduction limitations. Due to the timing of companies' provisional tax payments, only about 25% of the full effect of each measure affected tax revenue collected in 2022/23.

The carbon tax rate increase from R134 to R144 per tonne of carbon dioxide equivalent, was effective from 1 January 2022. The carbon fuel levy for 2022 increased by 1c to 9c/l for petrol and 10c/l for diesel from 6 April 2022, as prescribed by legislation.

Environmental tax increases were implemented from 1 April 2022 for the plastic bag levy, vehicle emissions, and incandescent globes. Excise duties on alcohol and tobacco were increased by a range of 4.5% to 6.5%.

The table below summarises the value of these tax policy changes.

Year	Direct				Indirect				Other	Total Relief/ Increases
	PIT	CIT	Other	Total	Excise	Fuel levy	Other	Total		
	R million	R million	R million	R million	R million	R million	R million	R million	R million	R million
2017/18	16 516	-	6 374	22 891	1 936	3 197	-	5 133		28 024
2018/19	7 510	-350	150	7 310	2 360	1 220	25 110	28 690		36 000
2019/20	13 800	-	-	13 800	1 000	-500	700	1 200		15 000
2020/21	-2 000	-	-	-2 000	-	-	2 000	2 000		-
2021/22	-2 200	-	-	-2 200	1 800	-	400	2 200		-
2022/23	-2 200	-	-	-2 200	500	-3 500	-	-3 000		-5 200
										-
Total	31 426	-350	6 524	37 601	7 596	417	28 210	36 223	-	73 824

STRATEGIC INTENT

To give effect to our mandate, our strategic intent is to develop and administer a tax and customs system based on voluntary compliance, and where appropriate, enforce responsibly and decisively.

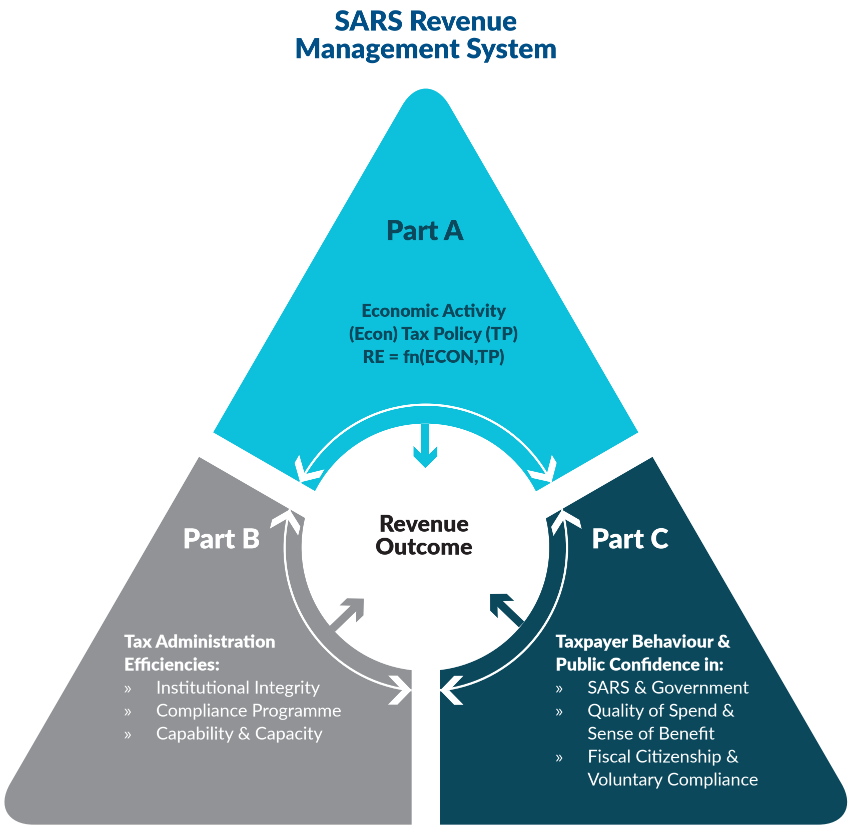
The Revenue Management System Overview

SARS has three key mandate objectives namely (1) Revenue Collection, (2) Compliance Improvement, and (3) Trade Facilitation. The revenue collected by SARS provides 90% of Government funding to enable delivery on its social contract with the citizens. SARS exists to serve the higher purpose of enabling Government to build a democratic state that fosters sustainable economic growth and social development in the interest and wellbeing of all South Africans. SARS aims to create a conducive tax ecosystem where the majority of tax revenue is efficiently and easily receipted from voluntarily compliant taxpayers and traders that are willing to comply with relevant legislation. On the other hand, SARS recognises the need to augment receipted revenue with compliance revenue collected through executing focused compliance enhancing efforts by means of deploying commensurate enforcement interventions to make it hard and costly for those taxpayers and traders that are wilfully non-compliant.

Revenue collection is mainly the result of three interrelated factors, as depicted in the diagram:

- **Part A:** The state of the economy, which sets the tone for the general collection climate as well as the Tax and Customs policy framework, informs the parameters of collection e.g. tax rates for specific tax types, customs duties for specific products, rebates and relief measures.
- **Part B:** Efficacy of tax administration, which represents the institutional integrity and ability to collect revenues due to the State through the effective execution of its Compliance Programme.
- **Part C:** Public confidence and trust in Government and SARS, from both the collections and spending perspective, which influences compliance behaviour of taxpayers and traders – compliance is normally directly proportionate to trust and public confidence.

A deliberate focus on improving compliance levels and maximising revenue collections requires a decisive approach to managing all revenue generating activities undertaken within the SARS value chain. Accordingly, the **SARS Revenue Management System** was conceptualised to galvanise a clear understanding that revenue outcome culminates from the optimal leveraging of three inextricably related variables. These variables are (1) economic activity and tax policy interventions; (2) revenue administration efficiencies and efforts, as well as (3) improvements in taxpayer and trader voluntary compliance behaviour.



Revenue Performance in 2022/23

For the 2022/23 financial year (FY), SARS collected a net revenue amounting to R1 686.7 billion, with gross receipts of R2 067.8 billion, offset by refund payments worth R381.1 billion. The Printed Estimate (PE) was exceeded by R88.3 billion (5.5%), while year-on-year growth of R122.9 billion (7.9%) was realised compared to the 2021/22 FY.

Total gross tax revenue collections for the financial year ended 31 March 2023, amounted to R2.068 trillion. Annual gross collections grew by R183 billion or 9.7% from the prior year and were offset by refunds of R381.1 billion that grew by R59.9 billion or 18.7% from the prior year. For the 2022/23 financial year net revenue collections amounted to R1.687 trillion, posting an annual growth of R123 billion or 7.9% compared to the prior year. The economy's strong recovery post the COVID-19 pandemic, evident in buoyant total trade values, was partly diluted by the adverse effects of geo-political tensions, particularly the Russian invasion of Ukraine that disrupted global supply chains and increased energy costs resulting in the global inflation reaching unprecedented levels.

SARS' efforts to improve the efficiency of tax revenue administration through targeted strategic compliance and enforcement interventions have counterbalanced the negative impact of the local and global economic risks on tax revenue collection. Compliance revenue efforts contributed R231.8 billion (13.7%) to the net revenue collection of R1 686.7 billion in 2022/23. This reflects a growth of R16.4 billion or 7.6% from 2021/22. Through the Compliance Programme, the total tax register grew by 5.4%, contributing R7.8 billion in net revenue as part of base broadening initiatives.

Compliance interventions include initiatives that relate to debt collection and the reduction of outstanding returns (R80.5 billion); a focus on syndicated tax and customs crime activities (R6.7 billion); improved declaration compliance among large businesses (R6.1 billion); compliance verification and investigative audits triggered by risk management system (R82.6 billion); fair estimation of provisional tax liabilities by large taxpayers (R20.6 billion); Customs and Excise investigations (R15.1 billion); Voluntary Disclosures (R3.7 billion); and targeted and focused compliance activities (R16.4 billion).

True to Vision 2024, SARS is on course to continually increase the use of data and AI and augmenting human effort with insights from data, to enhance SARS' ability to profile taxpayers and traders more accurately for compliance risks and to inform intelligent case selection methodology. SARS' focused compliance efforts (averaging 13% of total revenue collection) played a significant role in enhancing South Africa's tax-to-GDP ratio. This will be further enhanced as more funding is made available to, bolster tax administration, compliance risk identification and enforcement capability.

For the 2022/23 FY, the PE was set at R1 598.4 billion as per the 2022 Budget Review. The estimate was then revised upwards to R1 692.2 billion in the 2023 Budget Review Revised Estimate, due to projected improvements in tax revenue collections. The 2022/23 FY's net revenue collection amounted to R1 686.7 billion, which was R5.5 billion (0.3%) below the RE.

Budget Estimates for 2021/22 and 2022/23

Revenue estimates for the next three years and the medium term are set or adjusted on three occasions during the FY. For the 2022/23 FY, estimates were announced in the February 2022 budget (generally referred to as the PE), in October 2022 in the Medium-Term Budget Policy Statement (MTBPS), and in the February 2023 budget also referred as RE. Revenue estimates are predicted using various statistical models. They consider prevailing and forecasted economic conditions and provide detailed estimates of the likely performance of the different tax types.

Estimate description	Date announced	2021/22 Estimate	Date announced	2022/23 Estimate
		R million		R million
Printed Estimate (PE)	24 February 2021	1 365 124	23 February 2022	1 598 447
Medium Term Budget Policy Statement Estimate (MTBPS)	11 November 2021	1 485 415	26 October 2022	1 681 918
Revised Estimate (RE)	**23 February 2022**	**1 547 071**	**22 February 2023**	**1 692 177**

Figures have been rounded off, and discrepancies may show between the component items and totals in the tables.

Budget Revenue Performance for 2022/23

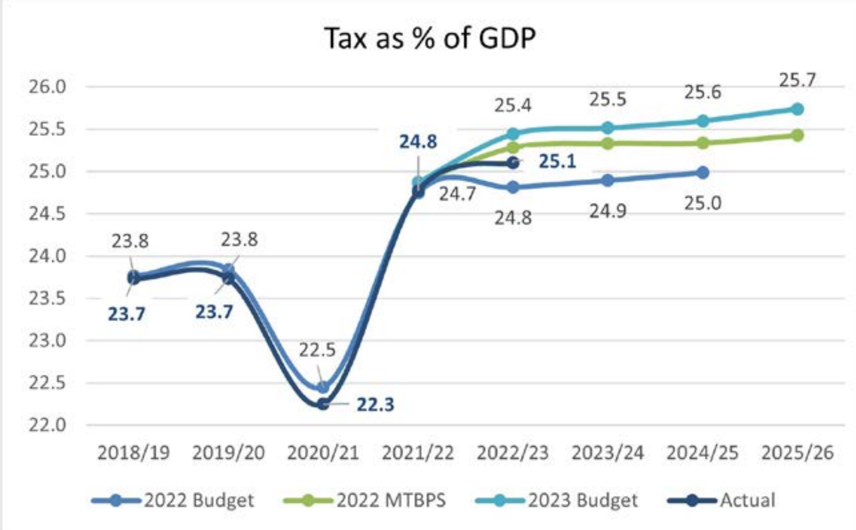
The table shows the contribution of tax revenue and non-tax revenue to total national budget revenue. Payments to Botswana, eSwatini, Lesotho and Namibia (BELN), in terms of the Southern African Customs Union (SACU) agreement, are deducted. Included in the total non-tax revenue that SARS collects, are Mineral and Petroleum Resources Royalties (MPRR), mining leases and ownership, as well as receipts from other state departments and extraordinary receipts. SARS also collects Unemployment Insurance Fund (UIF), Skills Development Levy (SDL) and the Road Accident Fund (RAF) contributions on behalf of the Departments of Labour, Higher Education and of Transport respectively.

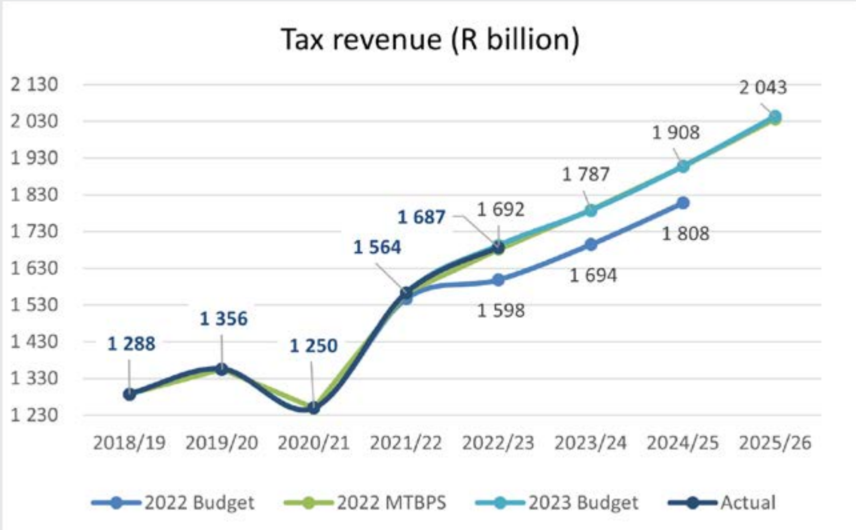
Tax Type	Printed Estimate Feb 2022	Revised Estimate Feb 2023	Actual Result	Surplus/Deficit on Printed estimate	Surplus/Deficit on Revised Estimate
	R million	R million	R million	R million	R million
Tax revenue	1 598 447	1 692 177	1 686 697	88 250	-5 479
Non-tax revenue	33 280	55 078	54 497	21 217	-581
Mineral and Petroleum Resource Royalties	*18 554*	*25 483*	*25 338*	*6 784*	*-145*
Mining leases and ownership	*-*	*-*	*-0*	*-0*	*-0*
Other non-tax revenue and extraordinary receipts	*14 725*	*29 595*	*29 159*	*14 434*	*-436*
Less: SACU payments	-43 683	-43 683	-43 683	-	-
Total budget revenue	**1 588 044**	**1 703 571**	**1 697 511**	**109 467**	**-6 060**

Budget Revenue Performance for 2021/22

Tax Type	Printed Estimate Feb 2021	Revised Estimate Feb 2022	Actual Result	Surplus/Deficit on Printed estimate	Surplus/Deficit on Revised Estimate
	R million	R million	R million	R million	R million
Tax revenue	1 365 124	1 547 071	1 563 754	198 630	16 684
Non-tax revenue	32 629	47 964	43 484	10 855	-4 480
Mineral and Petroleum Resource Royalties	*16 052*	*27 979*	*28 456*	*12 404*	*478*
Mining leases and ownership	*-*	*-*	*-117*	*-117*	*-117*
Other non-tax revenue and extraordinary receipts	*16 577*	*19 985*	*15 145*	*-1 432*	*-4 841*
Less: SACU payments	-45 966	-45 966	-45 966	-	-
Total budget revenue	**1 351 787**	**1 549 068**	**1 561 272**	**209 485**	**12 204**

Upward revision of revenue estimates





Analysis per Tax Type for 2022/23

Tax Type	Printed Estimate Feb 2022	Revised Estimate Feb 2023	Actual Result	Surplus/Deficit on Printed Estimate	Surplus/Deficit on Revised Estimate
	R million	R million	R million	R million	R million
Personal Income Tax (PIT)	589 947	603 069	601 983	12 036	-1 086
Company Income Tax (CIT)	273 449	347 525	347 677	74 229	152
Dividends Tax (DT)/Secondary Tax on Companies (STD)	30 450	38 515	38 119	7 669	-396
Value-Added Tax (VAT)	439 681	426 283	422 416	-17 264	-3 867
Domestic VAT	*475 948*	*489 820*	*486 437*	*10 489*	*-3 382*
Import VAT	*215 534*	*251 032*	*254 984*	*39 450*	*3 952*
VAT refunds	*-251 802*	*-314 568*	*-319 005*	*-67 203*	*-4 437*
Fuel levy	89 113	79 131	80 473	-8 640	1 342
Customs duties	61 095	74 176	73 946	12 851	-230
Specific excise duties	51 864	55 228	55 155	3 290	-73
Taxes on property	20 291	22 656	21 238	947	-1 418
Skills development levy	20 619	21 238	20 892	273	-346
Other taxes and duties	21 939	24 356	24 798	2 860	442
Total tax revenue	**1 598 447**	**1 692 177**	**1 686 697**	**88 250**	**-5 479**

PIT collections (including interest) for the full 2022/23 FY of R602.0 billion, was lower than the RE and surpassed the PE, mainly because of a growth in PAYE.

PAYE collections, compared to prior year increased by R43.6 billion (7.9%), mainly driven by the Finance, Social and Manufacturing sectors. PAYE collections are driven by tax policy and tax rates, employment levels, job losses, wages, bonus pay-outs, emigration levels, etc. Year-to-Date (YTD) PAYE collections from incentives and bonus payments predominantly from the Finance sector, were higher compared to PY. Payments were affected by Government employees receiving backdated salary increases during September 2021, however general salary increases for the current year were implemented during November 2022. The salary increase equates to a 3.0% pensionable salary adjustment backdated to April 2022. The balance of the proposed increase was paid and was a continuation of a non-pensionable allowance paid since September 2021, when backdated payments from April 2021 were implemented.

PAYE on directives finalised is normally paid out the following month after being finalised. Finalised tax directives data for April 2022 to March 2023 reported a year-on-year PAYE net contraction from retrenchments, deaths, share incentives and emigration withdrawals, largely from the Finance and Mining sectors. The above contractions offset the growth in resignations (mainly from the Manufacturing, Wholesale and Agriculture sectors).

CIT collections of R347.7 billion were significantly higher by R24.2 billion (7.5%), compared to the 2021/22 FY. The growth is slightly above the full year projected growth rate of 7.4% against 2021/22 FY. The growth was mainly driven by the surge in CIT Provisional tax payments during the highest collection months of June, August, September, December 2022, February as well as March 2023, respectively. These months recorded significant growth against the 2021/22 FY of R13.4 billion (14.1%), R3.8 billion (14.7%), R1.4 billion (5.5%), R4.1 billion (4.4%), R3.7 billion (9.6%) and **R1.8** billion (6.4%) respectively.

The overall year-on-year growth was driven by a continuing positive trajectory in the Manufacturing, Finance, as well as Transport sectors which recorded the largest growth when compared to the 2021/22 FY. However, this is partially offset by the negative performance of the Mining sector, which contracted year-on-year by R4.4 billion (4.9%).

DT/STC collections of R38.1 billion were marginally lower than RE by R0.4 billion (1.0%); however, year-on-year it grew by R4.7 billion (14.0%) against the 2021/22 FY, which is slightly below the full year projected growth rate of 15.2%. The DT/STC growth was mainly driven by the Finance sector; despite economic developments such as the unreliable electricity supply as well as stagnant commodity prices which are some of the factors that have impacted companies' profitability negatively.

Domestic VAT collections of R486.4 billion fell short of the RE by R3.4 billion (0.7%). This, as South African consumers' ability to spend was constrained by high unemployment, low/no salary adjustments or salary cuts, and the rising interest rates cycle. Consumer constraints were further exacerbated by sharp increases in fuel prices and other administered prices, rising food inflation and below-inflation adjustments to social grants.

Customs collections of R330.9 billion for the FY exceeded the RE by R3.5 billion (1.1%) and grew year-on-year by R66.8 billion (25.3%). Collections performed favourably by registering double-digit positive year-on-year growth rates in each month of the 2022/23 FY; and concluded with March 2023 being boosted by a substantial inflow from the 13th Deferment statement.

The performance of Customs collections was attributable to the increases of trade imports into the country. The overall 25.3% year-on-year growth in Customs collections was driven by a 30.2% growth rate recorded in nominal merchandise imports during the 2022/23 FY; with some of the key contributing commodities registering significant year-on-year increases - namely vehicles, original equipment components, mineral fuels, machinery, electrical machinery, clothing, footwear and beverages, among others.

Specific Excise collections of R55.2 billion were R5.4 billion (11.0%) higher than the PY. Payments in total were on target with the RE; the estimate was exceeded by higher-than-expected collections from wine by R0.5 billion (8.1%) and beer by R0.3 billion (1.6%), offset by lower-than-expected payments from cigarettes by R0.7 billion (6.7%) and spirits by R0.3 billion (2.1%).

Net Fuel Levy collections of R80.5 billion were R1.3 billion (1.7%) higher than the RE and R8.4 billion (9.5%) lower than the PY. General Fuel Levy collections, a sub-component of Fuel Levy, were higher than the RE by R0.2 billion (0.2%) and R9.1 billion (10.2%) lower than the PY, mainly as a result of the Fuel Levy relief announced during the year.

» Fuel from local manufacturers was lower than the PY by R12.3 billion (17.3%).
» Imported fuel is higher than the PY by R3.1 billion (16.5%).

Ad Valorem was higher than PY by R0.8 billion (16.8%) and higher than RE by R1.0 billion (23.7%).

Cost of Revenue Collection

The cost-to-revenue for 2022/23 was 0.71% (0.72% for PY) and remained below the 1.00% benchmark for developing economies. The SARS cost-to-tax-revenue ratio does not take collections of non-tax revenue on behalf of other institutions into account. Such revenue includes RAF levies and UIF contributions, as well as MPRR collections. If these amounts were included in the revenue collections, then the cost-to-tax-revenue ratio would have been even lower at 0.68%, which is the same as the PY.

Breakdown of Tax Revenue Collections and Contributions

PIT, VAT and CIT remain the largest sources of tax revenue, and comprise approximately 80% of the total tax revenue collections. The table provides a breakdown of the relative contributions of the different taxes to the tax revenue portfolio over the past six years. The relative contribution of CIT increased from 18.1% in the 2017/18 FY to 20.6% in 2022/23, while PIT decreased from 38.1% to 35.7% for the same period. VAT increased from 24.5% in the 2017/18 FY to 26.5% in 2020/21, thereafter decreasing to 25.0% in the year under review. The tax-to-GDP ratio has decreased from 23.7% in the 2017/18 FY to 22.3% in 2020/21 and increased to 25.4% in the year under review.

Year	PIT	CIT	DT/STC	VAT	Fuel levy	Customs duties	Other	Total tax revenue	GDP*
	R million	R million	R million	R million	R million	R million	R million	R million	R million
2017/18	462 903	220 239	27 894	297 998	70 949	49 152	87 330	1 216 464	5 135 257
2018/19	493 829	214 388	29 898	324 766	75 372	54 968	94 469	1 287 690	5 413 620
2019/20	529 172	214 986	27 930	346 761	80 175	55 428	101 314	1 355 766	5 699 235
2020/21	488 446	204 399	24 845	331 197	75 503	47 290	78 031	1 249 711	5 606 652
2021/22	555 507	323 465	33 429	390 895	88 889	57 994	113 575	1 563 754	6 293 337
2022/23	601 983	347 677	38 119	422 416	80 473	73 945	122 083	1 686 697	6 651 300
	%	%	%	%	%	%	%	%	%
2017/18	38.1%	18.1%	2.3%	24.5%	5.8%	4.0%	7.2%	100.0%	23.7%
2018/19	38.3%	16.6%	2.3%	25.2%	5.9%	4.3%	7.3%	100.0%	23.8%
2019/20	39.0%	15.9%	2.1%	25.6%	5.9%	4.1%	7.5%	100.0%	23.8%
2020/21	39.1%	16.4%	2.0%	26.5%	6.0%	3.8%	6.2%	100.0%	22.3%
2021/22	35.5%	20.7%	2.1%	25.0%	5.7%	3.7%	7.3%	100.0%	24.8%
2022/23	**35.7%**	**20.6%**	**2.3%**	**25.0%**	**4.8%**	**4.4%**	**7.2%**	**100.0%**	**25.4%**

Source: * Q1-2022 GDP, Statistics SA., released 8 June 2022

Maximum Marginal Tax Rate

During the past six years, maximum marginal tax rates remained unchanged across most tax types. The exception was PIT and DT. The highest marginal tax rate for PIT increased from 41% to 45% effective 1 March 2017. From 22 February 2017, the Dividends Tax rate increased from 15% to 20% and the standard VAT rate increased from 14% to 15%, effective 1 April 2018.

Period	PIT*	CIT	DT	VAT
	%	%	%	%
22 Feb 2017 – 28 Feb 2017	41.0%	28.0%	**20.0%	14.0%
01 Mar 2017 – 31 Mar 2017	*45.0%	28.0%	20.0%	14.0%
01 Apr 2017 – 31 Mar 2018	45.0%	28.0%	20.0%	14.0%
01 Apr 2018 – 31 Mar 2019	45.0%	28.0%	20.0%	***15%
01 Apr 2019 – 31 Mar 2020	45.0%	28.0%	20.0%	15.0%
01 Apr 2020 – 31 Mar 2021	45.0%	28.0%	20.0%	15.0%
01 Apr 2021 – 31 Mar 2022	45.0%	28.0%	20.0%	15.0%
01 Apr 2022 – 30 Mar 2023	45.0%	28.0%	20.0%	15.0%
31 Mar 2023 – 31 Mar 2023	45.0%	**** 27.0%	20.0%	15.0%

Note: * An individual's tax year starts on 1 March and ends at the end of February the subsequent year. The marginal rate for Individuals increased from 41% to 45% on 01 March 2017.
** The rate of DT was increased to 20% on 22 February 2017.
*** VAT rate increased from 14% to 15% as from 1 April 2018.
**** CIT rate decreased from 28% to 27% as from 31 March 2023.

Compliance Revenue

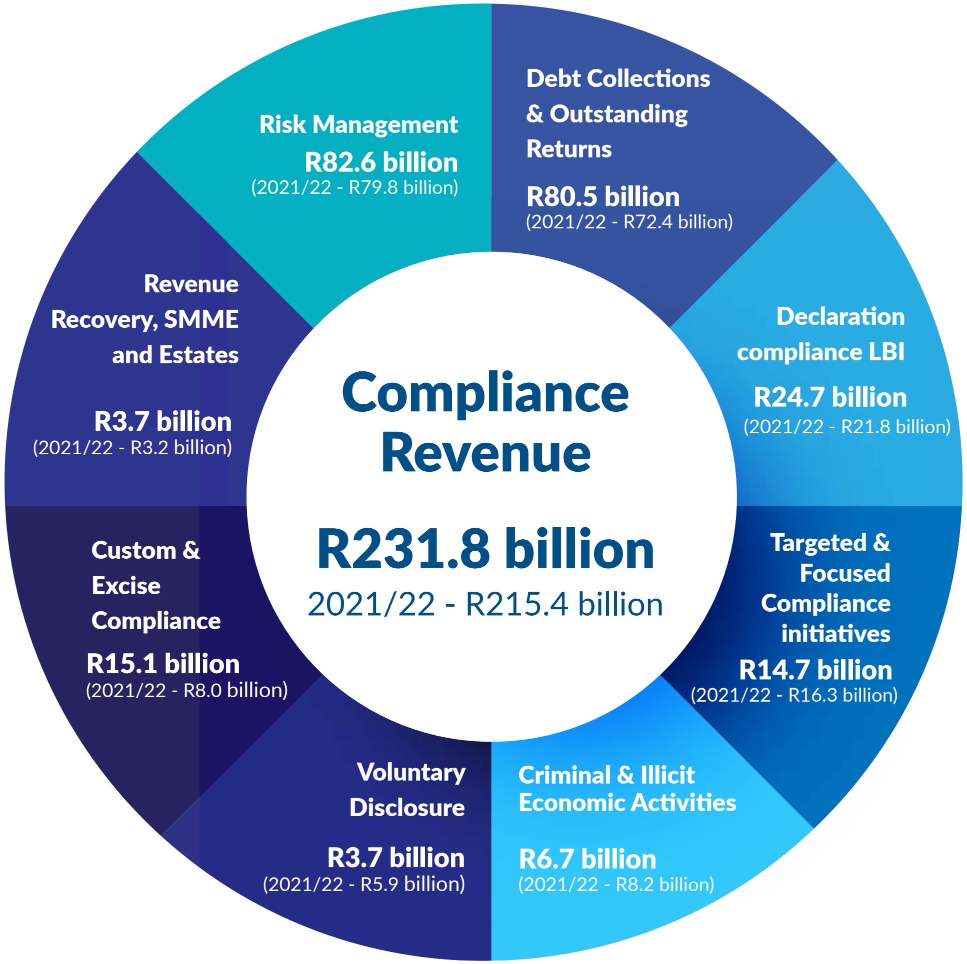
Compliance revenue is a result of focused compliance activities and efforts aimed at improving the levels of overall compliance culture and trust in the tax ecosystem. These efforts are underpinned by the SARS Compliance Programme and Strategic Intent to develop and administer a tax and customs system of voluntary compliance and enforce decisively and responsibly where appropriate. The key contributing compliance activities include:

- Enhancing Risk Management to mitigate impermissible refund outflows.
- Collecting old debt and outstanding returns.
- Detecting and responding to Syndicated Tax and Customs Crimes.
- Fair and accurate estimation and timely payment of Provisional Taxes.
- Regularising tax and customs obligations through the Voluntary Disclosure Programme.

Optimal revenue collections are best achieved in an efficient and effective **Revenue Administration** (1st dimension) where institutional integrity and good corporate governance is observed and valued. The prevailing **Economic Climate** (2nd dimension) will shape the base from which this revenue will be collected. A healthy, solid base will enable high revenue collections from taxpayers that are mostly compliant while a weak, eroded base will result in ailing revenue collections that must be boosted by targeted compliance initiatives. If revenue is collected within a society that embraces fiscal citizenship, **Public Confidence** (3rd dimension) in the Revenue Administration will be boosted as citizens experience a sense of purpose and benefit when paying their taxes. The point of convergence of these three dimensions represents the **Actual Tax Revenue Performance.**

At 31 March 2023, SARS secured R231.8 billion from identifiable compliance activities. Of this amount, R146.1 billion was collected in cash revenue while R85.7 billion was secured through leakage protection.

In the PY, compliance revenue worth R215.4 billion was collected (Cash = R142.4 billion and Leakage Protection = R73.0 billion). For the 2022/23 financial year, performance of R231.8 billion is reflective of a 7.6% growth compared to the PY. SARS is optimising further compliance revenue opportunities through its Revenue Recovery Programme. As part of this Programme, SARS is leveraging exchange of information with both local and international entities to identify areas of non-compliance. However, these initiatives are only expected to yield results over the medium to long term, as it involves multiple stakeholders.



Payables and Receivables

Receivables and payables represent the balance on taxpayer statements of account at year-end. Accounts with a debit balance are classified as receivables (due to SARS), whereas accounts in credit are classified as payables (due to taxpayers). A taxpayer may appear in both categories if an unverified or unallocated credit exists on one tax and there is an overdue debt on another, or because of a timing difference in equalising a verified tax credit against an overdue debt.

Adjusted receivables grew by 8.4% over the prior year, which is significantly less than the growth experienced in prior years of 22% (2022) and 31.5% (2021). The growth in payables is also lower at 9%, down from the prior levels of 11.9% (2022) and 17.1% (2021).

Taxpayer and Trader Receivables and Payables	31 March 2023	% Change	31 March 2022
	R million		R million
Receivables (Debit Accounts)	365 370	8.4%	337 138
- Accounts included in the above that are regarded as significant	154 885	7.3%	144 289
Payables (Credit Accounts)	-91 960	9.2%	-84 238

The increase in receivables is primarily attributed to:

» An increase in audit assessments that invariably lead to objection and appeal, inhibiting recovery actions. This includes cases involving actual and suspected fraud and/or fictitious transactions that attract high additional tax, penalty, and interest charges and are largely uncollectable.

» The decrease in economic activity due to current rise in inflation and economic crisis in the country and continent. This is one of the main contributors to increase in the debt book since the COVID-19 period to date.

» An increase in interest rates and energy costs. This has constrained business cash flows, which has contributed to an inflow of new debt with many taxpayers defaulting on payment deferral obligations, and/or failing to meet current tax filing and payment obligations.

The ageing of receivables, which is the length of time that the tax has remained unpaid from the date it became due, has deteriorated over the prior year with 53% (R180 billion) in overdue accounts older than 25 months (2022: 48% or R164 billion).

Ageing of receivables	31 March 2023	31 March 2022	Growth	
Accounts	R million	R million	R million	%
Receivables not yet overdue	25 863	21 889	3 974	18%
0 - 3 Months	39 055	32 681	6 374	20%
4 - 6 Months	29 099	28 844	255	1%
7 - 9 Months	17 296	19 478	-2 182	-11%
10 - 12 Months	15 238	20 482	-5 244	-26%
13 - 24 Months	57 954	49 479	8 475	17%
25 - 36 Months	41 701	47 998	-6 297	-13%
37- 48 Months	42 405	33 017	9 388	28%
49 - 60 Months	26 497	21 535	4 962	23%
More Than 60 Months	70 262	61 735	8 527	14%
Receivables that are overdue	339 507	315 249	24 258	8%
Total Receivables	**365 370**	**337 138**	**28 232**	**8%**

No impairment has been taken to adjust for these factors. This is a planned initiative, which will be implemented progressively from the 2024 financial year and will result in receivables that better reflect the amount that is likely to be recovered.

Collection Approach

A differentiated collection approach is applied to ensure that recovery actions are tailored to fit taxpayer payment behaviour. This aligns to SARS' overarching compliance approach to assist those willing to comply, and to enforce recovery actions against those that do not.

» Proactively engage and assist taxpayers willing to comply. This is aimed at ensuring obligations are settled on time, or if financial difficulties are encountered, that an appropriate arrangement for payment is made. Payment arrangements can be made on-line via SARS eFiling and taxpayers are encouraged to make use of this approach before accounts become overdue.

» Consequence-based collection steps for taxpayers that are unwilling to comply. These include referred cases, and those escalated based on ageing (length of time that an account remains unpaid). This typically includes cases aged between 90 to 365 days. These activities follow the whole collection process and utilise all available legal remedies to secure payment.

» Targeted enforcement. This area focuses on referred cases and those older than 365 days. Referred cases cover areas such as international debt collection, business rescues and liquidations, cases involving possible criminal sanction, and appeal cases enforcing "Pay Now Argue Later" principles.

Initiatives to strengthen internal collection capacity and capabilities are continuing. Unfortunately, most of the benefits will only be realised from the next financial year.

- Debt case management improvements were implemented in December 2022. These included case selection and routing changes to improve collector effectiveness.
- New behavioural models were developed and successfully tested. This will improve the prioritisation and selection of debt cases and is planned for implementation in the 2nd quarter of 2023/24.
- The appointment of external debt collection firms was delayed and only finalised in February 2023. System development and testing is underway, and the first tranche of debt is planned to be outsourced in the 3rd quarter of 2023/24.
- Enhancements and fixes to SARS' third-party collection solutions (Employers, Banks, and Vendors) are underway. Most of these changes will only take effect from the 2nd quarter of 2023/24.
- Implementation of debt impairments and improved financial reporting. The initial focus is on the valuation of disputed debt, and the evaluation of related suspension of payment requests.

Overall View of Collection Performance

Total cash collected from receivables was R80.5 billion (2022: R81.6 billion), of which R73 billion was directly attributed to debt collection efforts (2022: R64.5 billion). The table below shows the distribution of collections across tax type. VAT was the largest contributor to the overall cash collections (R41.8 billion, 52%), followed by PAYE (R11.2 billion, 14%).

Schedule of collections by tax type	31 March 2023	2023 Contribution	31 March 2022	2022 Contribution
	R million	%	R million	%
VAT	41 836	52	24 108	37
PAYE	11 210	14	9 049	14
CIT	8 390	10	12 203	19
PIT	7 756	10	7 734	12
Excise	5 325	7	9 793	15
Withholding	4 457	6	-	
Customs	1 402	2	1 599	3
Other	124		-	
Total	**80 499**		**64 486**	

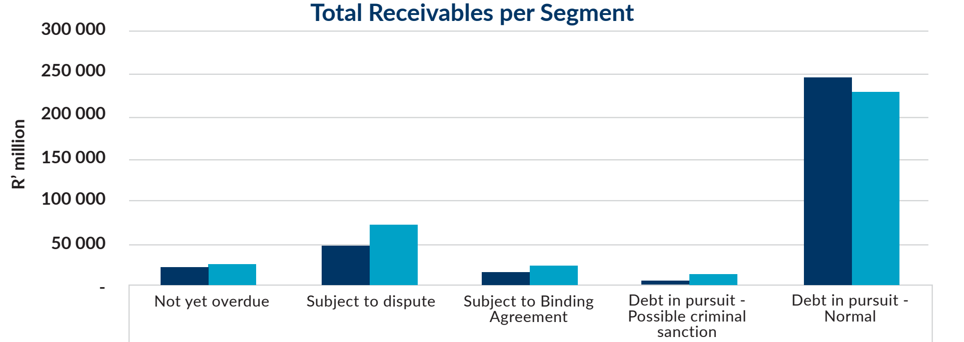
Revenue losses for the 2022/23 financial year amounted to R34.8 billion, which is net of reinstatement and recoveries of R1.7 billion. The increase over the prior year is due to temporary write-offs.

Schedule of Revenue Losses	31 March 2023	31 March 2022
	R millions	R millions
Temporary write-offs	31 991	20 287
Compromises	1 518	1 767
Permanent write-offs	1 265	597
Total	**34 774**	**22 650**

Compromised write-offs relate to agreements with taxpayers for SARS to forgo a portion of the tax debt provided this would secure the highest net return from the recovery of the debt. Temporary write-offs are debts capable of recovery, but which are uneconomical to pursue on grounds of value for money. There are therefore excluded from ongoing debt recovery actions.

Collections by Receivable Category

The figure below shows the movement in receivable categories against that of the prior year.



	Not yet overdue	Subject to dispute	Subject to Binding Agreement	Debt in pursuit - Possible criminal sanction	Debt in pursuit - Normal
	R'million	R'million	R'million	R'million	R'million
2022	21 889	47 319	15 614	6 423	245 894
2023	25 863	73 432	23 589	13 308	229 178

Active recovery steps are currently being taken against 66% (R242 billion) of the value of receivables, which are at varying stages in the collection cycle. During the current financial year R4.1 billion was collected from 4.8 million non-voluntary third-party appointments issued to employers, banks, and other institutions. Several system and process interventions are being implemented to improve the success rates, compliance levels, and internal productivity. Some benefits have already been realised with an average year-on-year improvement of 46% in collection yield on successful bank appointments.

Recovery steps are currently pended on 27% of the value of receivables due to on going disputes (R73 billion) and payment arrangements (R24 billion). The value of disputes has increased considerably over the prior year with appeals increasing by 84.39%, with objections growing by 14.46%.

Receivables Subject to Dispute	31 March 2023	31 March 2022	Growth	
	R million	R million	R million	%
Objections	22 618	19 761	2 857	14.5%
Appeals	50 814	27 558	23 256	84.4%
	73 432	**47 319**	**26 113**	**55.2%**

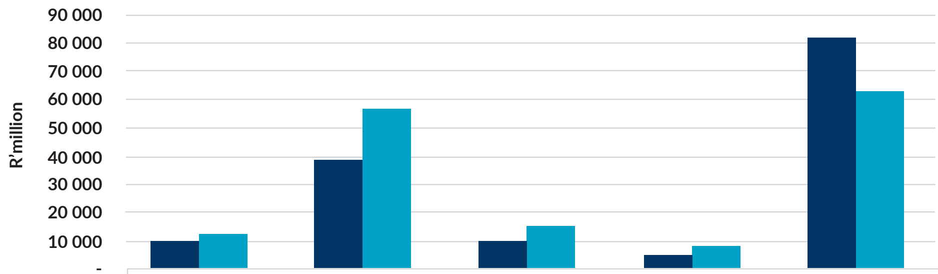
Receivables subject to a binding agreement increased by 51% over the prior year to R24 billion (2022: R15.6 billion), comprising mostly of payment deferrals. Approximately 74 370 arrangements were entered into during the financial year of which only 34% were successful, generating an arrangement yield of 9.4% (R3 billion). Defaults remain high and is a key focus for the 2024 financial year.

Collection of Significant Receivables

This reporting segment consists of taxpayers with a consolidated account balance of R50 million or more. These receivables are separately disclosed because of their materiality, and impact on reporting.

There were 736 taxpayers that met this criterion at the end of March 2023, up from 656 taxpayers in the prior year. This accounts for R155 billion, or 42% of total receivables. The categorisation of the R155 billion, together with comparatives, is reflected below.

Significant Receivables per Segment



	Not yet overdue	Subject to dispute	Subject to Binding Agreement	Debt in pursuit - Possible criminal sanction	Debt in pursuit - Normal
	R'million	R'million	R'million	R'million	R'million
2022	10 042	38 564	9 650	4 663	81 370
2023	12 296	56 890	15 171	7 856	62 672

Of the opening balance of R144 billion, R10 billion was collected and R13.8 billion was written off. 499 taxpayers that existed in the prior year remain, representing R115 billion (or 74%) of the current year's value of significant debtors of R155 billion. The low collection rate on these accounts is due to ongoing disputes (R49 billion, 43%) and the fact that some of these taxpayers are no longer trading, have insufficient assets, or are in the process of being wound up (R5 billion, 4%). The remaining value of R61 billion is also unlikely to be fully recovered given the high proportion of additional taxes, penalties, and interest (60%, R37 billion). As a result, higher write-offs and adjustments are expected at 70-75%, up from the prior year (2022: 65%). The remaining balance of R40 billion predominately relates to new assessments.

Unaudited Schedule of Taxpayer Credits as at 31 March 2023

Tax types	2022	2023
	Rands	Rands
Income tax	(24 661 428 043)	(27 076 916 045)
Unallocated receipts	(10 874 084)	(10 659 425)
Returns not received	397 220 940	396 106 736
Income tax	**(24 275 081 187)**	**(26 691 468 734)**
Pay-As-You-Earn	(113 878 329)	(140 980 929)
Unallocated receipts	(3 545 222 628)	(4 866 741 380)
Returns not received	14 098 107	14 244 138
Pay-As-You-Earn	**(3 645 002 850)**	**(4 993 478 171)**
Value-Added Tax	(47 402 376 469)	(43 016 772 184)
Unallocated receipts	(2 167 099 757)	(3 680 691 678)
Returns not received	1 445 818 227	654 447 006
Value-Added Tax	**(48 123 657 999)**	**(46 043 016 856)**
Unemployment insurance fund	(14 128 198)	(13 291 545)
Returns not received	2 102 141	1 988 627
Unemployment insurance fund	**(12 026 057)**	**(11 302 918)**
Skills development levy	(12 396 965)	(11 218 077)
Returns not received	897 109	841 328
Skills development levy	(11 499 856)	(10 376 749)
Diesel	(7 757 310 089)	(13 716 330 486)
Returns not received	8 794 638	16 315 985
Diesel	**(7 748 515 451)**	**(13 700 014 501)**
Secondary tax on companies	(2 918 877)	(2 138 853)
Unallocated receipts	(56 096 195)	(56 096 195)
Returns not received	516 766	243 237
Secondary tax on companies	(58 498 306)	(57 991 811)
Estate duty	(4 614 898 899)	(5 817 835 084)
Returns not received	4 614 898 899	5 817 835 084
Estate duty	**-**	**-**
Dividends tax	(517 140 274)	(685 055 905)
Unallocated receipts	(3 901 298)	(3 901 298)
Returns not received	517 140 274	685 055 905
Dividends tax	**(3 901 298)**	**(3 901 298)**
Administrative penalties	(12 796 453)	(22 834 086)
Unallocated receipts	(1 417 568)	(1 395 510)
Administrative penalties	**(14 214 021)**	**(24 229 596)**
Customs	**(253 202 307)**	**(273 492 061)**
Excise	**(91 946 961)**	**(150 584 408)**
Total Taxpayer Credits	**(84 237 546 293)**	**(91 959 857 103)**

Unaudited Schedule of Taxes, Duties and Administrative Penalties as at 31 March 2023

	0 - 3 Months	4 - 6 Months	7 - 9 Months	10 - 12 Months	13 - 24 Months	25 - 36 Months	37- 48 Months	49 - 60 Months	More Than 60 Months	Overdue Debt	Returns Received Taxes not yet due
	Rands	Rands	Rands	Rands	Rands	Rands	Rands	Rands	Rands	Rands	Rands
Income tax	25 163 206 209	15 285 865 941	10 606 390 507	7 272 121 386	31 413 214 108	19 945 348 552	13 292 831 445	6 914 182 994	13 555 011 951	143 448 173 093	10 587 856 648
Individuals	*10 060 847 791*	*5 231 535 204*	*3 255 782 944*	*3 326 756 619*	*10 240 666 405*	*5 943 878 580*	*5 064 994 052*	*2 948 635 643*	*7 773 254 743*	*53 846 351 981*	*4 300 334 266*
Trusts	*358 131 508*	*364 323 419*	*149 369 497*	*229 442 650*	*2 651 189 255*	*343 543 659*	*552 169 665*	*548 972 533*	*271 825 526*	*5 468 967 712*	*98 545 830*
Companies	*14 744 226 910*	*9 690 007 318*	*7 201 238 066*	*3 715 922 117*	*18 521 358 448*	*13 657 926 313*	*7 675 667 728*	*3 416 574 818*	*5 509 931 682*	*84 132 853 400*	*6 188 976 552*
Pay-As-You-Earn	4 524 809 027	6 361 050 691	1 977 861 841	1 785 836 884	8 112 450 048	4 553 887 203	3 984 969 919	3 108 608 062	9 937 899 279	44 347 372 954	8 072 060 081
Value-Added Tax	4 251 693 975	4 284 842 403	3 321 301 684	5 122 895 599	10 553 590 435	9 473 055 405	19 227 078 115	14 011 721 226	36 498 911 026	106 745 089 868	6 023 615 155
Secondary Tax on Companies	-	-	-	-	-	-	-	-	401 562 719	401 562 719	-
Sub-Total	**33 939 709 211**	**25 931 759 035**	**15 905 554 032**	**14 180 853 869**	**50 079 254 591**	**33 972 291 160**	**36 504 879 479**	**24 034 512 282**	**60 393 384 975**	**294 942 198 634**	**98 279 031 166**
Diesel	4 605 003	410 913	5 215 285	6 307 997	29 220 038	61 692 433	105 777 648	106 494 581	482 239 255	801 963 153	-
Skills Development Levy	286 295 620	512 921 642	135 572 797	129 370 293	429 571 193	225 448 425	264 239 343	223 007 351	1 059 353 265	3 265 779 929	283 680 285
Unemployment Insurance Fund	482 648 165	865 954 265	235 603 195	223 169 042	801 986 408	481 459 028	377 532 164	318 197 226	1 693 948 725	5 480 498 218	256 489 850
Customs	728 761 168	486 112 798	57 412 605	126 257 625	3 005 660 780	1 106 013 906	2 934 391 072	758 461 417	1 724 562 031	10 927 633 402	-
Excise	425 476 635	92 516 928	147 845 776	26 856 202	188 046 975	3 961 573 193	650 048 508	68 957 507	32 904 210	5 594 225 934	-
Sub-Total	**1 927 786 591**	**1 957 916 546**	**581 649 658**	**511 961 159**	**4 454 485 394**	**5 836 186 985**	**4 331 988 735**	**1 475 118 082**	**4 993 007 486**	**26 070 100 636**	**540 170 135**
Administrative Penalties	2 924 747 275	1 163 821 572	788 051 343	499 776 561	3 324 603 866	1 788 665 665	1 490 964 504	918 558 202	4 626 311 194	17 525 500 182	2 580 250
Estate duty	42 883 297	13 811 435	6 439 227	8 882 441	34 760 601	23 221 555	12 434 391	17 815 792	70 711 606	230 960 345	-
Dividends tax	220 371 991	31 892 343	15 088 527	36 673 318	60 668 958	80 354 140	64 495 921	50 638 918	152 384 918	712 569 034	636 185 063
Donations tax	-	-	-	-	-	-	-	-	26 468 650	26 468 650	-
Total Taxpayer Debt	**39 055 498 365**	**29 099 200 931**	**17 296 782 787**	**15 238 147 348**	**57 953 773 410**	**41 700 719 505**	**42 404 763 030**	**26 496 643 276**	**70 262 268 829**	**339 507 797 481**	**25 862 467 332**

Key Result Performance

Key Result	Indicator	Actual 2020/21	Actual 2021/22	Target 2022/23	Actual 2022/23	Deviation 2022/23	Reason for deviation
Printed revenue estimates are met and/ or exceeded	SI 1: % collection of revenue as agreed with Minister of Finance	R1 249.71 billion	R1 563.75 billion	100.00% collection of revenue as agreed with Minister R1 692.18 billion (Revised Estimate (RE))	99.68% collection of revenue as agreed with Minister R1 686.70 billion	- 0.32% - R5.48 billion	» Net revenue collections for the financial year yielded R1 686.70 billion, which is a deficit of R5.48 billion (0.3%) against the RE of R1 692.18 billion, while growing year-on-year by R122.94 billion (7.9%). » The gross revenue collections of R2 067.80 billion fell short of the RE by R3.21 billion and grew year-on-year by R182.90 billion (9.7%). The refund payments for the financial year of R381.10 billion increased by R59.96 billion (18.7%) when compared to the Previous Year (PY). » This performance equated to an overall deficit of R5.48 billion (0.3%) against the 2022/23 RE; consequent to gross revenue falling short of RE by R3.21 billion (0.2%), refund payments exceeding expectations by R2.27 billion (0.6%), and domestic VAT taking a strain (R3.4 billion lower than revised estimate) due to among others the impact of loadshedding.

Performance Context and Analysis

% collection of revenue as agreed with Minister of Finance

Revenue collection is mainly the result of three interrelated factors, namely:

- The state of the economy, which sets the tone for the general collection climate, as well as the Tax and Customs policy framework, which informs the parameters of collection e.g. tax rates for specific tax types, customs duties for specific products, rebates and relief measures.
- Efficacy of tax administration, which represents the institutional integrity and ability to collect revenues due to the State through the effective execution of its Compliance Programme.
- Public confidence and trust in Government and SARS, from both the collections and spending perspective, which influences compliance behaviour of taxpayers and traders – compliance is normally directly proportionate to trust and public confidence.

Over the past year, the revenue collection estimate has seen two significant upward revisions from R1.598 trillion originally announced as the Printed Estimate at budget 2022. R1.682 trillion (R83.5 billion higher than the Printed Estimate) was announced during MTBPS in October 2022, and at Budget speech in February 2023 the estimate was further adjusted by R10.3 billion to R1.692 trillion, bringing the total upward revision to R93.7 billion for the period under review.

Events, like the Russian conflict with Ukraine and increased levels of load shedding had a significant impact on the normal rhythm of businesses, both in terms of turnover as well as capital input VAT that they could claim. The variances on both the gross revenue line as well as refunds, would have transpired only during the final week of the financial year end. Despite the marginal deficit of 0.3%, the tax buoyancy ratio of 1.38 is indicative of effective tax administration and accentuated by the year-on-year growth in refunds paid, which reflected a growth of more than double that of gross collections.

Net revenue collections for the financial year yielded R1 686.70 billion, which is a deficit of R5.48 billion (0.3%) against the RE of R1 692.18 billion, while growing year-on-year by R122.94 billion (7.9%).

The gross revenue collections of R2 067.80 billion fell short of the RE by R3.21 billion and grew year-on-year by R182.90 billion (9.7%). The refund payments for the financial year of R381.10 billion increased by R59.96 billion (18.7%) when compared to the PY.

This performance equated to an overall deficit of R5.5 billion (0.3%) against the 2022/23 RE; consequent to both gross revenue falling short of RE by R3.2 billion (0.2%) and refund payments exceeding expectations by R2.3 billion (0.6%).

A detailed overview per product is provided below for key tax products on the basis of the PARETO principle. The key drivers to actual collections per tax type for the full FY 2022/23 are as follows; in order of largest negative variance against the RE:

- **VAT refund pay-outs** of R319.0 billion, which accounted for 83.7% of the overall refunds paid, exceeded the RE by R4.4 billion (1.4%) and grew against PY by R56.6 billion (21.6%). The year-on-year growth in VAT refunds was largely due to the submission of VAT credit returns in relation to increased input costs, while zero rated sales decreased month-on-month since July 2022 despite being overall higher than prior years. Furthermore, imported goods continued its gradual increase since May 2022 with Import VAT paid growing year-on-year by 24.7%; thereby also contributing to the increase in VAT Refund payments. The Manufacturing sector was the largest recipient of VAT refund pay-outs (R98.5 billion), followed by the Mining (R72.5 billion) and Finance (R58.9 billion) sectors, recording year-on-year growth rates of 24.8%, 11.3% and 23.3% respectively.
- **Domestic VAT** collections of R486.4 billion fell short of the RE by R3.4 billion (0.7%) and recorded a year-on-year growth of R37.7 billion (8.4%). The submitted number of debit returns for the financial year grew by 3.7% and the associated liabilities grew by 8.6%, with the July 2022 and March 2023 tax periods obtaining the highest liability growth rates of 12.4% and 10.9% respectively, both above the R4.0 billion liability value. An organic register growth was noticed, though it had a limited revenue impact with 61 502 new vendors being registered throughout the financial year, yielding a net revenue inflow of R3.2 billion. The financial year's growth rate of 8.4%, which was slightly below the required full year growth rate of 9.1%, was mainly driven by the Finance sector which grew by R19.0 billion (10.3%), followed by the Manufacturing sector which grew by R4.9 billion (6.9%) as well as the Wholesale sector which grew by R4.1 billion (7.1%).
- **Taxes on Property** collections for the financial year amounted to R21.2 billion, falling short of the RE by R1.4 billion (6.3%) and contracting against PY by R0.8 billion (3.6%). Again, this was largely driven by Securities Transfer Tax (STT) collections of R5.4 billion, which recorded a deficit of R1.0 billion (16.0%) against the RE and decreased year-on-year by R2.3 billion (29.7%). The year-on-year contraction is due to the fact that the PY's base included a single, once-off payment valued at R1.4 billion received in September 2021 from a company in the Finance sector which did not repeat in this financial year.
- The **RE for PIT Provisional tax** was R33.9 billion, requiring a year-on-year growth rate of 10.9%. Collections of R32.9 billion were recorded for the financial year; R1.0 billion (2.9%) lower than the RE and R2.4 billion (7.7%) higher than PY.
- **PIT Assessment (including interest)** collections for the financial year of R17.5 billion were R0.6 billion (3.4%) lower than the RE and grew year-on-year by R1.7 billion (10.5%).
- **CIT Assessment (including interest)** collections for the financial year amounted to R17.3 billion, thus registering a deficit of R0.5 billion (2.9%) against the RE and contracting by R4.3 billion (19.9%) against the PY. The year-on-year contraction was due to significant CIT Assessment collections of R3.0 billion and R1.0 billion which were received from a (single) company in the Manufacturing sector in September and October 2021 respectively, which did not repeat in this financial year.
- **DT/STC** collections for the financial year amounted to R38.1 billion, which was below the RE by R0.4 billion (1.0%) and grew year-on-year by R4.7 billion (14.0%). Growth from the PY was on the back of a positive trajectory in all sectors, except for the Agriculture and Electricity sectors which contracted against the PY.
- **CIT Refunds** for the financial year amounted to R18.9 billion, which were higher than the RE and PY by R0.3 billion (1.8%) and R1.2 billion (7.0%) respectively. The year-on-year growth was mainly driven by higher CIT refunds paid out to the Finance (R0.8 billion, 11.3%), Wholesale and Retail Trade (R0.7 billion, 39.0%) and Mining (R0.5 billion, 32.1%) sectors. These were partially offset by the Manufacturing and Transport sectors that refunded less when compared to PY by R0.5 billion (12.6%) and R0.4 billion (38.2%) respectively.
- The RE for **PAYE** was R593.3 billion. PAYE collections for the financial year amounted to R593.0 billion, marginally lower than the RE by R0.3 billion (0.05%) and higher than the PY by R43.6 billion (7.9%). The year-on-year growth was due to higher bonus payments mainly from employers in the Finance sector, which grew by R24.6 billion (10.4%). Salary increases, though smaller than the PY, paid to Government employees also contributed to the year-on-year growth in the Community sector (R7.4 billion, 4.6%). PAYE on directives finalised, is normally paid in the following month after finalisation. Finalised tax directives data for the financial year recorded a year-on-year PAYE net contraction of R2.7 billion; mainly from retrenchments (R1.3 billion), deaths (R1.1 billion), share incentives (R1.0 billion) and emigration withdrawals (R0.4 billion); largely from the Finance and Mining sectors. The above contractions partly offset the growth in resignations (R0.8 billion) mainly from the Manufacturing, Wholesale and Agriculture sectors.
- **Specific Excise** collections of R55.2 billion for the financial year were marginally below the RE by R73.3 million (0.1%); with surpluses in wine of R0.5 billion (8.1%) and beer by R0.3 billion (1.6%) being offset by lower-than-expected payments from cigarettes by R0.7 billion (6.7%) and spirits by R0.3 billion (2.1%). Total collections for the financial year were R5.4 billion (11.0%) higher than the PY, mainly due to growth in spirits (R1.9 billion, 16.5%), beer (R1.4 billion, 7.1%), cigarettes (R1.2 billion, 13.7%) and wine (R0.8 billion, 13.2%).
- **PIT Refunds** usually peak during the first months of each year's individual tax filing season as early return submissions are usually characterised by very high volumes of PIT refunds flowing from credit assessments. The 2022 annual filing season commenced on

1 July 2022. The improved auto-assessment process yielded higher volumes of credit assessments which resulted in the release of higher-than-expected refunds earlier in July 2022. PIT refund payments of R36.7 billion for the financial year were lower than the RE by R1.0 billion (2.7%) yet higher than PY by R3.0 billion (8.8%).

» **CIT Provisional tax** payments for the financial year amounted to R348.6 billion, thus exceeding the RE by R1.0 billion (0.3%) and growing year-on-year by R29.9 billion (9.4%). The year-on-year growth was mainly driven by the major contributing sectors such as Manufacturing, Finance and Transport sectors, recording the highest financial year growth of R16.9 billion (33.3%); R11.8 billion (11.6%), and R2.6 billion (17.5%) respectively. However, this was partially offset by the negative performance of the Mining sector which contracted year-on-year by R4.4 billion (4.9%). Paragraph 19(3) payments collected from the Large Business and International segment in the financial year totalled R18.6 billion compared to the R17.3 billion collected in the PY, recording a growth of R1.3 billion (7.8%), mainly from the Mining and Finance sectors. The growth in the Manufacturing sector was despite manufacturing production recording a further contraction of 3.7% in January 2023 from an upwardly revised contraction of 4.5% in December 2022. This contraction is the 3rd contraction since October 2022. The recent contraction of 3.7% in January 2023 was on the back of negative contributions from petroleum, chemical products, rubber and plastic products; motor vehicle, parts and accessories and other transport equipment as well as basic iron and steel, non-ferrous metal products, metal products and machinery which contributed 2.5, 0.7 and 0.7 percentage points respectively to the contraction.

» **Net Fuel Levy** collections of R80.5 billion for the financial year reflected a surplus of R1.3 billion (1.7%) against the RE, while contracting year-on-year by R8.4 billion (9.5%). The Fuel Levy shortfall against the PY is mainly from local manufacturers and on the back of the implementation of the fuel levy tax relief measures to soften the impact of rising fuel prices and the consequential increase in production input costs and the resultant inflationary pressure downstream.

» **Customs** collections for the financial year amounted to R330.9 billion; thereby exceeding the RE by R3.5 billion (1.1%) and growing against PY by R66.8 billion (25.3%). The R3.5 billion positive performance against the revised estimate was due to a R4.0 billion (1.6%) surplus in Import VAT being partly offset by deficits of R0.3 billion (20.3%) and R0.2 billion (0.3%) in Miscellaneous Customs and Excise receipts and Customs Duties respectively; while the latter was driven by significant year-on-year growth rates in Import VAT of R50.4 billion (24.7%), Custom Duties of R16.0 billion (27.5%) and Export Tax (on scrap metal) of R0.4 billion (107.1%). Collections in March 2023 were underpinned by a record 13th deferment statement of R22.0 billion, which grew by R4.0 billion (22.4%) from the PY's R18.0 billion. The year-on-year performance growth was driven by a 30.2% year-on-year increase in nominal merchandise imports into SA during the 2022/23 financial year. The key contributing commodities driving Import VAT collections during the financial year were mineral fuels (year-on-year growth of 82.0%), vehicles (39.8%), electrical machinery (34.7%), machinery (22.0%) and original equipment components (17.2%), among others. These five commodities made up 50.2% of the financial year's Import VAT total. The performance of Customs Duties for the financial year were largely driven by a year-on-year growth in vehicles (59.1%), footwear (28.0%), clothing (17.6%), beverages (17.6%) and electrical machinery (17.5%), among others. These commodities made up 64.2% of the financial year's Customs Duties total.

Voluntary Compliance Index

In the SARS environment, compliance refers to the degree to which taxpayers and traders fulfil their tax obligations i.e., registration, filing, reporting (declaration) and payment accurately and on time, as required by legislation. In the fulfilment of SARS' legislative mandate, the main work of SARS is to optimise taxpayer and trader compliance.

Voluntary compliance is achieved when taxpayers and traders are aware of their tax obligations (Objective 1: clarity and certainty), it is reasonably easy and less costly to meet these obligations (Objective 2: make it easy), and when there is a credible threat of detection and consequences for those who do not comply with their obligations (Objection 3: detection and enforcement).

To achieve this, SARS needs to build administrative and institutional capability that has integrity and serves the public beyond reproach.

SARS successfully implemented the Voluntary Compliance Index (VCI) methodology for PIT PAYE, VAT and CIT in 2021/22 to ensure coverage of all the main tax products. The index tracks and measures voluntary compliance and is an aggregation of the assessment on four compliance pillars – registration, filing, declaration and payment – to provide a composite score. The approved VCI methodology is based on a hybrid model which combines statistical modelling and professional judgement applied to the allocation of weightings to the compliance pillars. The baseline index was established in 2021/22 at 62.89%. The overall compliance index for 2022/23 is 61.6%. This performance is 1.3 percentage points below the 62.9% baseline of 2021/22 and 6.3 percentage points below the 67.9% annual target.

The allocation of weights is:

» Registration = 5%.
» Filing = 41%.
» Reporting (Declaration) = 15%.
» Payments = 39%.

The index as computed per tax product is presented below:

VCI per Tax Product	2021/22	2022/23
PIT (Individuals)	56.93%	52.54%
PIT (Trusts)	51.23%	50.39%
CIT	48.28%	47.30%
VAT	67.02%	65.95%
PAYE	74.42%	74.16%
Overall VCI	**62.89%**	**61.61%**

The index is also computed per compliance pillar, including the main tax products (PIT, CIT, VAT and PAYE).

VCI per Compliance Pillar	2021/22	2022/23
Registration (Registration on time)	96.54%	87.70%
Filing (Filing on time)	49.08%	46.03%
Reporting (Accurate declaration)	55.00%	55.26%
Payments (Payment on time)	76.53%	77.08%
Overall VCI	**62.89%**	**61.61%**

The overall filing compliance index declined by 3.05 percentage points from 49.1% in 2021/22 to 46.0% in 2022/23 compared to the 1.5 percentage points improvement in the payment compliance index. The trust's filing compliance of 19.3% in 2022/23 was 2.3 percentage points lower than the 21.5% of 2021/22. In 2022/23, the PIT individual filing compliance of 54.5% was 12.0 percentage points lower than the 66.3% in 2021/22. The CIT filing compliance of 2022/23 of 14.3% was 4.1 percentage points lower than the 18.4% in 2021/22.

VAT filing declined slightly from 48.74% in the previous year to 48.41%, while payment compliance improved from 85.72% to 86.01%. PAYE filing showed a slight improvement in filing compliance, where it improved from 55.93% to 56.35% in 2022/23. Payment compliance, however declined from 87.28% to 86.84%.

Key Result Performance

Key Result	Indicator	Actual 2020/21	Actual 2021/22	Target 2022/23	Actual 2022/23	Deviation 2022/23	Reason for deviation
Overall compliance has increased as measured by a compliance index	SI 2: Level of overall tax compliance (%)	Not applicable	Approved Compliance Index for PAYE, VAT and CIT as well as baselines established (62.89%)	5.00% improvement on baseline 67.89% (62.89% + 5%)	-1.28% decline on baseline 61.61% (62.89% - 1.28%)	- 6.28%	The deviation in the overall compliance index is attributable to the low filing compliance which was more pronounced in specific products, these are, CIT, Trusts, and PIT. The causes of low filing compliance in CIT, PIT and Trusts, among others, include the integrity of the register, low filing behaviour of newly 'required to file' taxpayers, and suboptimal management of defaulting taxpayers.

Performance Context and Analysis

Level of overall tax compliance (%)

The underperformance in the overall compliance index is mostly attributable to the low filing compliance in CIT, Trusts, and PIT. The cause of low filing compliance in PIT, CIT and Trusts is, amongst others, due to the integrity of the register, the extremely low filing behaviour of new entities and large number of entities that were not required to file whose status changed to 'required to file' as per SARS in the last quarter of 2022/23. The large number of newly 'required to file' entities contributed to the number of non-compliant taxpayers. Since the last register clean up in 2018/19, the CIT register has grown by 94% and the active register by 114%. However, the compliance behaviour of the new registrations in the last four years has been extremely low.

Challenges and Mitigation Plans

The integrity of the tax registers is affected by a significant number of taxpayers who are inactive/not in business but who remain as 'active' on the tax registers. As such, these taxpayers are then deemed as being required to submit returns when they should be 'deactivated'. This issue inflates the outstanding returns book and is one of causes of the low filing rates. It is observed that newly registered taxpayers have very low filing rates which is attributed to lack of awareness by these taxpayers of their filing obligations and the growth of the CIT register where many companies register but remain economically inactive. Some of SARS' compliance interventions have not yielded the desired results due to resource constraints and the prevailing economic conditions which places many taxpayers under severe financial pressures.

SARS has initiated a large scale project to clean up the tax registers and restore their integrity, thus ensuring that compliance and other metrics are more accurate. In addition, SARS has reaffirmed its commitment to review and implement its differentiated SARS Compliance Programme, which articulates how compliance risks across the compliance pillars will be addressed to meet the ambitious targets set for the Voluntary Compliance Index.

Trade Facilitation

Trade facilitation generally refers to the ease with which a country's cross border processes enable the seamless flow of legitimate trade in a way that reduces unnecessary and unwarranted delays. This concept however recognises the important role that a regulatory border agency plays in ensuring compliance with various laws and requirements that keep the country, its industry, and citizens safe from harm that can be inflicted by the illegal/unlawful movement of goods and people across borders.

Given that Customs processes are central to cross border movement of goods, it is not surprising that when trade facilitation is discussed, the role that Customs administration plays in the supply chain becomes central to such discussions. This in turn means that the more responsive and modernised the Customs process and approach to control is, the more benefits can be reaped by supply chain participants. There are benefits associated with efficient trade facilitation. The businesses benefit from trade facilitation by gaining market competitiveness nationally and internationally as it reduces costs and delays in movement of goods across borders. Government uses standard procedures and policies that are set for trade facilitation to collect revenues as there will be movement of goods entering or leaving the country. These will contribute to the development of the economy as it will encourage foreign investment in the country.

The WTO developed 12 global Trade Facilitation Indicators based on the world trade agreement. International multilateral bodies such as the Organisation for Economic Co-operation and Development (OECD), IMF, World Bank and World Customs Organisation (WCO) adopted the WTO 12 global indicators with the purpose of assisting all their members to improve their border procedures, reduce trade costs, boost trade flows, and reap greater benefits from international trade. Customs plays a critical role in international trade as it provides expedited clearing processes and implements effective controls that secure revenue, ensure compliance with national laws, and ensure security and protection of society. The efficiency and effectiveness of customs procedures have a significant influence on the economic competitiveness of nations, the growth of international trade and the development of the global marketplace. SARS has identified a need to develop a trade facilitation index for the organisation based on international best practice. To this end, SARS intended to finalise the development of the index, determine the baseline, and set future milestone targets during the 2022/23 FY.

Trade facilitation indicators of the country measures port efficiency, customs environment, regulatory environment, and service sector infrastructure. SARS adopted the indicators developed by international bodies such as the WTO and adopted by OECD, IMF and the WCO.

Only 11 indicators were adopted by SARS, namely: Information availability, Involvement of the Trade Community (Consultations), Advanced rulings, Appeal procedures, Fees and charges, Formalities (documents, automation and procedures), Internal and External cooperation, Governance, and Impartiality. Freedom of transit was not included as an indicator for this study. The freedom of transit measures are already covered in Information availability, Involvement of the Trade Community, Fees and charges, Formalities - automation, Internal and External cooperation, and Formalities- procedures indicators.

Following a set of focus group discussions between SARS and its critical stakeholders, a pilot study was developed and administered. The pilot study adopted a quantitative approach whereby a survey was conducted with 15 Customs and Excise intermediaries who volunteered as respondents. The pilot study was the first step in the practical application for the development of the Trade Facilitation Index (TFI). The OECD survey methodology was followed when designing the questionnaire. The survey focused on 11 WTO indicators that are within SARS' control. The development of the TFI allowed SARS to adopt and use internationally recognised and accepted methodologies when building trade facilitation indicators. An electronic survey questionnaire was administered as an instrument to collect primary data.

Key Result Performance

Key Result	Indicator	Actual 2020/21	Actual 2021/22	Target 2022/23	Actual 2022/23	Deviation 2022/23	Reason for deviation
Enhanced Trade Facilitation	SI 3: A trade facilitation index is developed and approved	Not applicable	Not applicable	A trade facilitation index is developed and approved, baseline determined and future targets were set	A trade facilitation index was developed and approved. A baseline was determined and future targets were set	No deviation	Not applicable

Performance Context and Analysis

A trade facilitation index is developed and approved

The measure of trade facilitation required a design of a credible index and as such SARS undertook a benchmark study. The purpose of this study was to eventually develop a TFI for Customs and Excise Division of SARS. A TFI was developed by the WTO with the aim of improving trade efficiency worldwide, encouraging economic growth, and taking advantage of new technologies.

An electronic survey questionnaire was administered as an instrument to collect primary data. This survey was conducted among the Trade industry and 1 090 traders completed all the survey questions.

The TFI scoring follows multiple binary schemes which are coded with 0, 1, or 2; where (0) corresponds to poor performance (below 50%), (1) corresponds to average performance (above 50%) and (2) corresponds to the best performance (80% - 100%).

A TFI score of 52.8% was established, approved and it was used as a baseline to set future targets and develop action plans to monitor performance improvement. Only two out of the 11 TFI dimensions scored below the average score of 50%. A summary of the findings was as follows:

Best performing indicators were as follows:

» Automation formalities, Fees and charges, Governance and Impartiality, and Appeal procedures indicators scored above the 2022/23 FY.

» The traders scored Automation formalities as the highest performing indicator (1.20 or 60.0%), followed by the Fees and charges indicator (1.11 or 55.5%) and Governance and Impartiality (1.10 or 55.0%).

» Industry-specific results show that most of the indicators are accessible in the Transportation and Storage and Telecommunication industries as the traders in these sectors scored the indicators higher than other industries.

» The traders in the Transportation and storage, as well as Telecommunication industries scored Automation’s Formalities indicator the highest (1.47 or 73.5% and 1.34 or 66.9% respectively).

Indicators that scored below average were as follows:

» Trader Involvement and Internal Cooperation indicators scored below average (0.90 or 45.0% and 0.99 or 49.5%).

» Traders from Manufacturing and Wholesale and Retail Trade industries indicated that their sectors need improvements in most of the indicators. Traders in these sectors scored Involvement of the Trade Community the lowest as compared to other industries (0.83 or 41.5% and 0.84 or 42.0% respectively).

» The Internal cooperation indicator was scored below average by the traders in the Wholesale and Retail Trade and Manufacturing industries (0.91 or 45.7% or 0.94 or 47.2% respectively).

» SARS needs to develop strategies to improve the low-scored indicators, namely, Involvement of the Trade Community (0.90 or 45.0%) and internal cooperation (0.99 or 49.5%).

Challenges and Mitigation Plans

Although there is sufficient evidence that, Customs and Excise has advanced and implemented the WTO trade facilitation agreements, the study findings make certain observations based on the traders’ experience and perception which necessitate interventions from SARS.

The survey results and proposed action plan have been developed. SARS will invest in awareness campaigns, education, and training programmes for customs officers and traders on the trade facilitation products and services available for traders in order to improve the TFI performance scores in the future and will particularly target traders that do not belong to industry bodies.

SARS' Strategic Objectives

In support of SARS' strategic intent and to give effect to its compliance philosophy, SARS has identified and committed to achieving nine Strategic Objectives to guide and inform its efforts, take decisions and establish resources priorities.

STRATEGIC OBJECTIVE 1

Provide CLARITY and CERTAINTY for taxpayers and traders of their obligations

Taxpayers and traders that are aware, clear and certain of their rights and obligations, are more likely to comply voluntarily. SARS endeavours to administer tax and customs laws that are clear, easily understood and applied by taxpayers and traders to the greatest extent possible.

This objective concentrates on the overall taxpayer and trader experience and explores how to make it empowering while enabling compliance. Taxpayers and traders must proactively receive guidance, and where required, be able to easily access additional customised support.

Certain segments of taxpayers and traders may also access leveraged products such as advance pricing agreements, advance rulings (inclusive of value-added tax - VAT rulings and binding general rulings) and co-operative compliance programmes.

SARS works to provide clarity and certainty through education and awareness using different mediums and channels. The objective is to provide timely, relevant education to ensure that taxpayers and traders are fully aware of their obligations and how to best interact with SARS to ensure compliance with tax laws.

To improve the understanding of taxpayer knowledge, a survey has been undertaken over the last three years. This provides insights and guides the production of education and awareness raising content that is required and relevant to effectively address taxpayer and trader knowledge gaps. As tax legislation and SARS processes can be seen as complex, SARS translates these concepts into digestible and accessible educational products that provide simple guidance that eases the burden of compliance.

In this financial year, the Clarity and Certainty Survey was a Key Result Area in the 2022/23 APP.

Interventions to Provide Clarity and Certainty to Taxpayers

Easy Access to Information and Guidance

SARS produces educational content and videos linked to policy, taxpayer data and administrative changes that occurs during the year and are available on the SARS YouTube channel for ease of access to facilitate an understanding of SARS' vision of building a smart modern organisation, provides flexibility concerning the themes, structure and frequency of content creation. 215 community workshops were also conducted in the SARS regions to educate taxpayers and traders on different tax related topics, based on targeted taxpayer needs.

An additional communication platform is the SARS website. In the year under review several enhancements were made to improve accessibility of guides and guidelines, including the search capability. This resulted in SARS' ability to identify the most frequently searched topics which can indicate the issues that mostly concern taxpayers. This acts as a trigger for educational and awareness programmes created by SARS. In addition, taxpayer guides were simplified to improve understanding and create clarity.

Further, easy to read infographic content were produced to assist non-digital taxpayers in the different regions to explain tax concepts in a relatable manner. To increase reach and depth to different communities in the country, articles were also written and published in local newspapers on the importance and access channels to SARS in order to facilitate voluntary compliance and tax-base broadening.

Community Education Programmes

SARS partners with the Department of Basic Education and National Treasury on a fiscal and financial literacy programme using a life experience approach. This collaborative approach is important to inculcate tax morality and fiscal citizenship from an early age among learners and school leavers. This programme caters for digital and non-digital learners, considering the digital footprint and uptake in South Africa. This initiative allowed SARS to be part of an international money smart week initiative which seeks to make financial literacy a national priority for at least one week in the year. Examples of topics covered include financial literacy for startups, SMMEs and tax obligations when starting a business.

Advanced Pricing Agreements (APA)

Transfer pricing legislation deals with the pricing of transactions between members of Multinational Enterprises (MNEs). One of the challenges MNEs face is that the process of setting transfer prices may be complex and requires an element of judgement. Transfer pricing may thus be a significant source of uncertainty for MNEs. APA programmes allow MNEs to approach tax administrations to agree, in advance, on the criteria for setting transfer prices for specific transactions for a set period. Following a consultative process that began with the release for public comment of a discussion paper in November 2020 and of a high-level model and draft legislation in December 2021, the proposed introduction of a legislative framework to empower SARS to conclude bilateral APAs, was announced in the 2023 Budget.

Primary Legislation

The Rates and Monetary Amounts and Amendment of Revenue Laws Act, 2022, Taxation Laws Amendment Act, 2022, and Tax Administration Laws Amendment Act, 2022, which gave effect to the 2022 Budget announcements, were promulgated on 5 January 2023. The amendments included the introduction of a legislative framework for advance rulings in Customs and Excise Act, 1964, to enhance clarity and certainty.

Multilateral Convention

The Multilateral Convention to Implement Tax Treaty Related Measures to Prevent Base Erosion and Profit Shifting (MLI) was approved by Parliament in terms of section 231(2) of the Constitution, its instrument of ratification was lodged on 30 September 2022, and it entered into force for South Africa on 1 January 2023. The MLI impacts on most of South Africa's Double Taxation Agreements (DTAs) with other countries. SARS is, therefore, developing synthesised texts that effectively consolidate the MLI and each affected DTA for ease of understanding. The texts are drafted in consultation with each DTA partner, and 23 texts were published on the SARS website during the year under review.

Leveraged Products

Leveraged Legal Products: Tax, Customs and Excise continued to issue interpretation notes, guides, binding general rulings, binding private rulings, and binding class rulings (the latter two items are taxpayer specific). Highlights during the period under review include the annual update of Taxation in South Africa 2022, which serves as a general guide across tax types informing taxpayers of their tax obligations, and guides and interpretation notes providing guidance to tax exempt entities, in the aftermath of the global COVID-19 pandemic. Examples of these include the interpretation note on associations: funding requirement, updating in draft format for comment the interpretation note relating to section 18A: audit certificate, and two guides relating to tax exemption of institutions, boards or bodies, and tax exemption of companies wholly owned by institutions, boards, or bodies.

Voluntary Disclosure Programme (VDP)

Taxpayers who are willing to subscribe to the VDP will receive advice from SARS to expedite the resolution of their tax issue. SARS is firmly committed to the pursuit of this strategic intent, which is to promote voluntary compliance while lowering the cost of compliance. To this end, SARS wants all taxpayers to understand that they always have an opportunity to regularise their tax affairs.

For 2022/23, 1 494 new applications were received; 1 540 were finalised (annual target: 1 440); 791 applications were successful of which 743 applications resulted in agreements to the value of R3.5 billion and 48 applications resulted in non-cash revenue of R397.4 million.

For the year, R3.3 billion cash was collected; in addition, the non-cash collection was R397.4 million. 26 applications were presented, amounting to R135.8 million.

Authorised Economic Operator (AEO) Programme

The AEO Programme campaign was launched across various digital and physical channels and aired throughout March 2023. This included selected online sites, social and SARS owned media, on television and in ads placed at selected physical sites. Additionally, adverts were placed on prominent online news. The AEO Communication and Marketing Campaign recorded 1.1 million views.

AEO mutual recognition agreements were signed with the Uganda Revenue Authority, Lesotho Revenue Service and Eswatini Revenue Service.

In support of this programme, SARS hosted its Authorised Economic Operator Forum on 29 November 2022. The objective was to re-enforce the flagship of the Customs business partnership to its recognised and trusted trader community and selected potential clients interested in joining the programme.

The annual forum was hosted with over 150 guests in attendance, including members from the private and public sectors, and representatives from government departments such as the Departments of Small Business, and Trade Industry and Competition (the dtic). This Other Government Agencies (OGA) collaboration is to ensure that the AEO programme is most effective in advancing and cultivating SMMEs in Customs for economic growth.

AEO has become a leading customs-to-business partnership for World Customs Organisation members, which offers an opportunity for Customs to share its security responsibilities with the private sector and, at the same time, reward them with trade facilitation benefits.

As border management requires a fine balance of trade facilitation, collection of the correct taxes and improving compliance, SARS' strategic objectives acknowledge that this cannot be done alone; working with and through stakeholders to achieve this intent is necessary. The AEO programme is a key intermediary tool to achieve this and will ensure achievement of the fine balance.

SARS' intent is to move towards a system of voluntary compliance, and this requires placing far more reliance on taxpayers who choose to be compliant – which is what the AEO programme does. It provides an international system for identifying businesses that offer a high degree of security guarantees in respect of their role in the supply chain and the quid pro quo is a level of accreditation, integrity and trust that is built between SARS and traders.

Key Result Performance

Key Result	Indicator	Actual 2020/21	Actual 2021/22	Target 2022/23	Actual 2022/23	Deviation 2022/23	Reason for deviation
Majority of taxpayers and traders surveyed perceive the guidance SARS provides as clear, unambiguous and easy to follow	SO 1.1: % of taxpayers and traders surveyed are satisfied with the clarity and certainty provided by SARS	Survey Conducted	69.06%	75.00%	75.33%	0.33%	Individuals have shown the highest satisfaction of the three categories (76%), followed by companies (74%) and traders (70%).

Performance Context and Analysis

% of taxpayers and traders surveyed are satisfied with the clarity and certainty provided by SARS

This indicator gauges the taxpayer's satisfaction with the clarity and certainty of guidance offered by SARS as they conduct their tax business.

The clarity survey is an annual survey which started in 2020. The survey measures taxpayers' (and traders') perceptions on the guidance provided by SARS and the usefulness of such guidance in offering an empowering experience. The survey, which ran from 14 November 2022 to 7 December 2022, is a third consecutive survey and focused on specific tax types (viz. Personal Income Tax (PIT); Company Income Tax (CIT); Value-Added Tax (VAT); Pay-As-You-Earn (PAYE)) and programmes (viz. Voluntary Disclosure Programme (VDP); Alternative Dispute Resolution (ADR), AEO Programme and the Advanced Pricing Agreement (APA)).

This study utilised a mixed method approach, that is, a combination of both qualitative and quantitative approaches. The approach utilised questionnaires specific to tax types and particular programmes and sought to test whether the taxpayers and traders understand the tax laws and whether the guides and guidelines provided by SARS are useful to them. The approach used further sought to obtain perceptions from taxpayers and traders on whether they are satisfied with the guidance provided by SARS for them to comply with the tax legislations in specific areas. These areas included probing into whether the guides and guidelines are simple to use; whether the taxpayers know their tax obligations on each tax type and programme and whether the overall taxpayer and trader experience is enabling and empowering.

The sample was comprised of 465 996 taxpayers and traders; 260 466 individual taxpayers and 205 530 companies and traders who were randomly selected from the SARS taxpayer register.

A total of 11 761 participants responded to the survey. The response rate for the survey was 2.88% broken down as follows:

» Individual taxpayers = 6 988 (3.19%).
» Companies and Traders = 4 773 (2.55%).
» Overall = 11 761 (2.88%).

The response rate above is in line with large scale survey studies, where responses are normally below 2% (Wagemaker 2014). It is difficult to standardise response rates as they differ depending on many factors including the nature of the survey. Survey response rates in the 1% to 30% range are far more typical (w5admin. 2022) relative to a variety of variables. 33% is reported to be the average survey response rate when it comes to short answers while for long answers, the number is further reduced. Annual surveys have the least response rate at 0.5% to 1% in general (Questionpro, 2022).

The number of people who are satisfied with the clarity and certainty on tax and customs guides and guidance received from SARS indicated that they are in positive agreement (Yes) with the satisfaction question asked. (This is based on one question on satisfaction: How satisfied are you with the clarity and certainty of guidance provided by SARS?). 8 858 of the valid surveyed population of 11 759 taxpayers and traders indicated that they were satisfied with the clarity and certainty provided. This is a 75.33% performance, which is higher than the prior year's performance of 69.06%.

The Clarity and Certainty Survey will continue to be an important impact measurement for the education and awareness as an input for determining the degree of clarity and certainty that SARS provides.

STRATEGIC OBJECTIVE 2

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

SARS recognises that providing an easily accessible, professional and efficient service promotes voluntary compliance. SARS service must enable taxpayers and traders to meet their obligations in a fair, easy, cost effective and convenient manner, most importantly for compliant taxpayers and traders.

Engagements with taxpayers and traders in the fulfilment of their obligations must 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 should 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.

PIT Filing Season

For the 2022/23 year, SARS has processed 9.4 million assessments which is 2% more than the 9.2 million assessments processed during the 2021/22 FY. Included in this number is 2.9 million auto assessments issued as of 1 July 2022. As a result of the decreased number of assessments processed, SARS paid out 3 million refunds valued at R36.7 billion compared to 2.8 million refunds valued at R33.7 billion the previous year.

The auto assessments have been well received by most taxpayers with only 5% of those issued with an auto assessment opting to edit and include additional claims not covered in the assessment issued. Some of the reasons for editing pertain to taxpayers who earn commission income, those who claimed losses, those who have additional medical expenses to claim, and the third-party data relating to these items not readily available to SARS.

The refinement in the identifying of taxpayers for auto assessment and the resultant increased acceptance rate has positively impacted the inflow of verification cases ensuring SARS remains within committed turnaround times.

SARS Digital Channel Uptake

89.4%

Of all taxpayers, traders and intermediaries interact through our digital channels

SARS Digital Channel Volumes for 2022/23

SARS MobiApp
+487 000 PIT returns filed

SARS eFiling
17.6 million returns filed
1.1 million payments made

Contact Centre
2.7 million calls serviced
99.2% first call resolution rate

USSD Cellphone (NEW - MAR'23)
#123#
+506 000 Taxpayers assisted in first month (March 2023)

Lwazi ChatBot
1.1 million taxpayer questions
99.5% answered by Lwazi Bot

SMS Service
1.5 million taxpayer SMS engagements

B2B Gateway
+70 million cargo documents
+278 million third party data records

e@syFile
+595 000 PAYE returns filed
+18.5 million IRP5 certificates uploaded

77.2% of all Service Offerings accessible through virtual channels in 2022

Digital Platform Submissions

90% processed in less than 5 seconds

PIT Returns	99.6%
PAYE Returns	99.0%
VAT Returns	100%
CIT Returns	99.7%
Trust Returns	100%
Customs Declarations	100%
Payments	99.9%

Alternative Dispute Resolution

The primary functions of the SARS ADR and Litigation Unit are to:

» Coordinate the pre-litigation processes for tax and customs.
» Manage tax disputes from the appeal stage.
» Resolve formal disputes through the ADR process.
» Provide litigation services in all civil litigation relating to tax and customs disputes and the administration of the tax Acts.

The unit drives SARS strategic objections in making it easy for taxpayers to comply with their obligations by resolving tax and customs disputes without resorting to litigation. However, when litigation is appropriate, the unit conducts litigation in order to seek clarity and certainty through judicial precedent or, when justifiable to also make non-compliance hard and costly.

Pre-litigation Notices

The unit manages all formal pre-litigation notices required to be served on SARS before litigation is instituted. The process gives taxpayers and SARS the opportunity to resolve issues before they escalate to litigation. These notices assist in managing the resolution process and are required to be filed at prescribed addresses.

Tax administration matters – section 11, TAA

In the 2022/23 FY taxpayers filed 807 section 11 notices on SARS, mostly for delayed refunds, suspension of payment of debt and irregular demand for payment.

Tax dispute notices – Rule 56 of the Dispute Rules

In the 2022/23 FY there were 230 rule 56 notices delivered on SARS. Of these, 77% concerned the failure to supply objection outcomes and 10% concerned the delay in providing reasons for the assessments.

Customs and Excise matters – section 96, CEA

In the 2022/23 FY there were 115 section 96 notices served on SARS, across a variety of matters, ranging from suspension of payment to tariff determination issues, with no pronounced trend discernible.

Objections

The objection process is a critical first step in the tax dispute framework and which is an internal review process intended to resolve disputes quickly and cost effectively. This is beneficial to both taxpayers and SARS. In the 2021/22 FY, there was a 31% increase in objections and in the 2022/23 FY, an 18% increase, with 24 616 more objections being filed.

Although the number of objections finalised in the 2022/23 FY increased by 8% from the previous year, the inflow exceeded the number finalised.

The percentage of objections allowed has remained consistent with previous years, at 56% while the percentage of objections disallowed has reduced from 19% to 16% in the 2022/23 FY.

Objection Data	2020/21	2021/22	2022/23
Objections received	103 770	136 499	161 115
Objections finalised	107 182	126 671	136 952
% decisions within turnaround time	74%	76%	70%
% objections allowed fully or partially	56%	57%	56%
% objections disallowed	20%	19%	16%

Appeals

The inflow of appeals increased by 25% during the 2022/23 FY, which is congruent with the increase in objections lodged year-on-year. The highest proportion of increased appeals is in the category below R1 million.

Appeals Inflow	2020/21	2021/22	2022/23
Appeals in ADR	6 147	7 720	9 379
Appeals in ADR above R1 million*	-	-	495
Appeals in Tax Board	134	232	125
Appeals in Tax Court Litigation	217	263	286
Total	**6 498**	**8 215**	**10 285**

** ADR matters over R1 million in dispute are reported separately in the 2022/23 FY*

The inflow of appeals exceeded the rate of finalisation, and a 9 month project commenced at year end to review and finalise older appeals under R1 million. The impact thereof will only be reportable in the 2023/24 FY.

Appeals Finalised	2021/22	2022/23
Appeals in ADR	8 201	7 207
Appeals in ADR above R1 million*	-	437
Appeals in Tax Board	167	174
Appeals in Tax Court Litigation	167	191
Total	**8 535**	**8 009**

** ADR matters over R1 million in dispute are reported separately in the 2023 FY*

Resolution of appeals through ADR

The majority of appeals are resolved through taxpayer engagement before resorting to litigation processes.

» **ADR under R1 million:** Compared to the 2021/22 FY, SARS conceded slightly fewer appeals and taxpayers withdrew slightly more appeals.

Appeals in ADR below R1 million	2021/22		2022/23	
	No	%	No	%
SARS concedes	5 157	64%	4 402	61%
SARS partially concedes	660	8%	594	8%
Taxpayer Withdraws	1 726	21%	1 807	25%
Settlements	436	5%	376	5%
Referred to Tax Board	n/a	n/a	19	0%
Other	-	-	9	0%
Total	**7 979**	**100%**	**7 207**	**100%**

» **ADR above R1 million:** A small team of experienced staff are responsible for ADR that involves disputes in excess of R1 million, except for appeals that arise from the LBI. This team of specialists was able to reach a resolution with taxpayers in over two thirds of appeals referred to them, with one third of appeals being referred to the Tax Court. 83% of cases were finalised within 90 days and the average turnaround time per case was 62 days. Both metrices have shown consistent improvements over the past three years.

Appeals in ADR above R1 million	2022/23	
	No	%
SARS concedes	117	27%
SARS partially concedes	88	20%
Taxpayer withdraws	41	9%
Settlements	46	11%
Referred to Tax Court	119	27%
Other	26	6%
Total	**437**	**100%**

» **Resolution of appeals referred for litigation:** The majority (69%) of appeals referred to the Tax Board were resolved prior to a hearing before a Chairperson of the Tax Board.

Appeals in Tax Board	2021/22		2022/23	
	No	%	No	%
SARS concedes	25	14%	45	26%
Taxpayer withdraws	43	25%	59	34%
Settlements	10	5%	16	9%
Tax Board upheld taxpayer appeal	13	7%	14	8%
Tax Board partially upheld	9	5%	14	8%
Tax Board dismissed appeal	21	12%	26	15%
Appeal to Tax Court	46	27%	-	-
Total	**167**	**100%**	**174**	**100%**
Referral to Tax Court*			8	

****Referral to Tax Court not counted as finalised in the 2022/23 FY***

During the 2022/23 FY, the Tax Court Litigation Unit resolved 191 appeals, with 76% being resolved through engagement with taxpayers before a court hearing.

Appeals in Tax Court	2021/22		2022/23	
	No	%	No	%
SARS concedes	43	25%	29	15%
Taxpayer withdraws	57	34%	55	29%
Settlements	38	22%	62	32%
Court order in favour of taxpayer*	2	1%	6	3%
Court order dismissing appeal*	19	11%	6	3%
Reallocation	-	-	12	6%
Other	8	4%	1	0%
Appeal lapsed	-	-	20	10%
Total	**167**	**100%**	**191**	**100%**

****The orders taken into account in this schedule reflect cases where no further appeal is noted or is available, and the number therefore differs to the total number of judgments handed down.***

Key Result Performance

Key Result	Indicator	Actual 2020/21	Actual 2021/22	Target 2022/23	Actual 2022/23	Deviation 2022/23	Reason for deviation
Increased number of taxpayers and traders using digital and self-help platforms	SO 2.1: % of taxpayers and traders using digital and self-help platforms to interact with SARS	86.31%	90.74%	88.00%	89.38%	1.38%	There was a total of 6 915 200 digital and manual interactions. 6 180 742, were digital interactions. ITR12, ITR14, EMP201 and VAT 201's exceeded their respective planned targets.
Standard taxpayers are auto assessed by SARS	SO 2.2: % of standard taxpayers' returns auto assessed by SARS (individual taxpayers)	83.28%	91.03%	90.00%	94.70%	4.70%	The strong achievement resulted from improved rules and criteria for the identification of taxpayers for auto assessment, based on the previous year's learnings.

Performance Context and Analysis

% of taxpayers and traders using digital and self-help platforms to interact with SARS

This indicator computes the number of taxpayers and traders who use any of the digital platforms to interact with SARS. It gauges the migration from physical platforms to digital platforms. This includes self-service and excludes assisted utilisation of digital platforms.

For the financial year under review, of the 6 915 200 total digital and manual interactions, 6 180 742 were digital. This resulted in a digital usage of 89.38%.

This performance is due to the Service Cluster's commitment of providing taxpayers with clarity and certainty so that they can easily and seamlessly fulfil their tax obligations through the usage of digital and self-help platforms.

The highest number of submissions has been received from PAYE, specifically EMP201 returns which were submitted for the period under review. A detailed review of digital submissions indicates that ITR12 (88.76%) exceeded the planned target (80%) by 8.76%, ITR14 (95.13%) exceeded the planned target (84%) by 11.13%, EMP201 (99.69%) exceeded the planned target (99%) by 0.69%, EMP501 (98.69%) is below the planned target (99%) by 0.31% and VAT 201 (99.80%) is above the planned target by 0.80%.

The Service Cluster continues to collaborate with IT partners in its aim to optimise these digital platforms.

% of standard taxpayers' returns auto assessed by SARS (individual taxpayers)

This indicator determines the extent to which SARS can use data and information to file and assess tax returns automatically, making it unnecessary for taxpayers and traders to file tax returns themselves. This indicator measures the proportion of tax returns of individual taxpayers that are filed and assessed automatically by SARS. This includes taxpayers who qualify for auto assessment, are issued with assessments based on an estimate using data held by SARS, and who do not file an amended return thereafter.

The total auto assessment population was 2.94 million taxpayers. 159 717 of these taxpayers, based on their current declarations, were not considered as standard taxpayers, and were removed from the auto assessment population.

2 629 991 (94.70%) of the remaining 2 777 256 standard taxpayers accepted the auto assessment as correctly simulated/issued, while only 5.30% edited their assessments.

The achievement of 94.70% in 2022/23 is an improvement from the 2021/22 actual of 91.03% and is as a result of the enhanced rules and selection criteria applied, which made the identified population more accurate.

STRATEGIC OBJECTIVE 3

DETECT taxpayers and traders who do not comply, making non-compliance HARD and COSTLY

The aim of SARS' enforcement activities is to promote fairness and deter non-compliance with tax and customs laws, by creating an environment where a taxpayer and trader's compliance is consistently monitored. In carrying out enforcement measures, SARS will apply a principle of proportionality, which matches the severity of the enforcement action to the nature of non-compliance. SARS' actions will be proportional to the level of non-compliance detected, moving through a continuum of "soft" enforcement for a lesser degree of non-compliance e.g., first offenders, to "hard" enforcement for deliberate non-compliance e.g., deliberate tax avoidance and multiple offenders.

Taxpayers and traders who negligently, deliberately, aggressively, or criminally stay out of the tax system or who 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. In time, for the non-compliant taxpayers and traders, the cost of non-compliance must outweigh the benefit of non-compliance.

Strengthening the Enforcement System

SARS will continue to

» Build the necessary capabilities (data, intelligence, skills, people and systems) to detect and investigate non-compliance.
» Communicate promptly with taxpayers and traders when non-compliance is detected.
» Give non-compliant taxpayers and traders reasonable time and clear guidance to respond and correct their non-compliance.
» Respond appropriately to non-compliance.
» Embark on enforcement campaigns in areas where it has detected widespread non-compliance.

In the year under review, SARS sought to enhance the effectiveness and efficiency of it's civil and criminal enforcement actions by strengthening the integration of the enforcement value chain. The scope of this strategic objective include: Inter-agency liaison; Syndicated Tax and Customs Crime Investigations; Criminal Investigation; Specialised Audit; Large Business and International; Debt; Litigation; Customs and Excise and Enterprise Data Management.

Inter-agency Liaison

SARS' intent is to develop a Tax and Customs system based on voluntary compliance. In delivering against the Strategic Intent, the SARS Liaison Unit responds to all nine SARS Strategic Objectives. However, Strategic Objective 3 (to detect non-compliance and make it costly), Strategic Objective 5 (to increase and expand the use of data to enhance compliance), Strategic Objective 8 (to work with and through stakeholders to improve the tax ecosystem) and Strategic Objective 9 (Build Public Trust and Confidence in the tax administration system), dominate implementation and performance measurement in the SARS Liaison Unit (SLU).

The SLU supports SARS' mission to combat tax evasion and corruption. To that end, the SLU is mandated to:

» Ensure that SARS optimally sustains its connection to the national financial intelligence system in pursuit of systemic and integrated administration.
» Exchange taxpayer information lawfully with the Financial Intelligence Centre (FIC), the law enforcement agencies, the South African Reserve Bank, the Auditor-General and Commissions of Inquiry in pursuit of sustained cooperative governance.
» Refer matters/cases derived from information received from the relevant agencies and Commissions of Inquiry to SARS enforcement divisions.
» Coordinate SARS' input into the national programme to respond to and meet the deliverables arising from the country's FATF review outcomes.
» Facilitate implementation of the recommendations of the Nugent Commission of Inquiry (COI) and the Zondo COI.
» Manage regulatory investigations into SARS.

The National Financial Intelligence System

A continuing focus in the year under review, has been work aimed at strengthening and systematising SARS' connection to the country's National Financial Intelligence System (NFIS) through a series of inter-agency operational arrangements and ongoing operational facilitation. The NFIS bolts together strategy, process, people, data, technology and budget through a legal and regulatory framework in pursuit of seamless inter-agency collaboration and simplified lawful exchanges of taxpayer information between SARS and other relevant agencies and Commissions of Inquiry. SARS has been incrementally implementing measures and the NFIS concept has started gaining traction in the law enforcement and regulatory agencies who are buying into how the collaborative and information exchange rules fit into and drive the system.

A significant milestone was the signing of a Memorandum of Understanding (MOU) between the SAPS/Directorate for Priority Crime Investigation (DPCI) and SARS in January 2023 to enhance collaboration between the parties. Work is under way to develop the operational agreements that will operationalise the MOU.

The MOU between SARS and the FIC was updated and now includes a practical arrangement on SARS' obligation to report suspected financial crimes to the FIC under section 36 of the Financial Intelligence Centre Act (FICA) In-house training for SARS employees on the reporting requirements in terms of section 36 FICA and the process for exchange of information, was rolled out to 696 officials in the latter half of 2022. Operational liaison with FIC has been strengthen with weekly meetings on the traveller management system project, exchange of information, Fusion Centre, Inter-Agency Working Group (IAWG) on Illicit Financial Flows (IFFs), South African Anti-Money Laundering Integrated Task Force (SAMLIT) and FATF working groups.

An engagement was held with the South African Reserve Bank's (SARB) Financial Surveillance Division to agree on a practical arrangement to improve the operational exchange of information and coordination of mutual investigations and the practical arrangement is being prepared. Nodal points have been put in place for information exchange relating to civil and criminal matters.

Inter-agency collaboration was further bolstered with a workshop coordinated and hosted jointly by SARS and the OECD. The workshop, held from 6 to 8 July 2022, was a historic opportunity for the law enforcement agencies, together with the National Treasury, the SARS, the FIC, Financial Sector Conduct Authority and the SARB to collectively set the benchmark for inter-agency cooperation in combating illicit financial flows, money laundering, tax crimes and corruption. It was attended by 40 senior officials from the various agencies.

Subsequent to the workshop, the SLU is cooperating with the OECD on developing a Trust Maturity Model comprising a trust barometer and perception survey as an additional valuable tool in the OECD's Tax Maturity Model which aims to measure the maturity of inter-agency collaboration. The Trust Maturity Model is to be piloted by Eswatini Revenue Agency at the Tax Inspectors Without Borders Criminal Investigations (TIWB-CI) programme supported by SARS in May 2023.

Information Exchanges

In addition to strengthening the legal and regulatory framework for information exchanges, the bulk of SLU effort has been in implementing the arrangements to support internal and inter-agency investigations practically and meaningfully. As part of the practical collaboration, the SLU remains vigilant to identify areas in which to reduce red tape and enhance efficiency in inter-agency collaboration and information exchanges whilst not compromising SARS' information confidentiality provisions.

In the year under review, the SLU has processed a growing number of information exchanges. 263 requests for information pertaining to 3 604 entities from SARS business units, external law enforcement and regulatory agencies and commissions of inquiry, were finalised. In addition to providing analytical and documentary information, the SLU also provides additional legal support, where required, through the drafting of affidavits, testifying in court cases and by participating in joint meetings on specific matters.

A total of 243 matters were referred to SARS business units for further investigations. The bulk of the referrals stemmed from reports received from the FIC. The 29 reports referred to Specialised Audit had a potential revenue yield of R2.2 billion. In addition, 85 reports resulted in the identification of various tax non-compliance, such as failure to submit returns, non-declaration of income or under declaration of income for CIT or PIT with an additional potential revenue yield of R1.3 billion. As a result of the high hit rate of tax non-compliance yielded by the FIC reports, the number of analysts allocated to work on the reports was increased from 2 to 11. SARS' exchange of information with FIC also now includes bulk data exchange.

Other referrals emanated from the Special Investigating Unit (SIU), Independent Regulatory Board for Auditors (IRBA), SARB and SAPS. The Policy on Exchange of Information was published in December 2022. It enables referral of requests to SARS units, or regions, already dealing with a matter in order to finalise the request.

SARS maintains an extensive database of all information received and exchanged with law enforcement agencies and Commissions of Inquiry (COI) to link non-compliant taxpayers and traders involved in suspected unlawful activities and illicit financial flows to achieve a holistic view and establish links between the information and parties identified in the findings/recommendations made by the various COI's. In the year under review, the SLU database has grown extensively, requiring the migration of the database to a larger virtual server with improved specifications that enable quick processing of queries, regular updating of the software, fast updating of the database as per regular import specifications as well as multiple, simultaneous user access. A total of 1 013 companies, 916 individuals and 34 trusts linked to 194 requests related to State Capture, have been added to the database.

Additional data points have also been introduced to provide more indicators that may point to a possible risk of tax non-compliance. These data points include, among others, government payments received, properties and vehicles owned, assets owned, company directorships, links to active companies, tax debt and suspicious activity reports. SLU continues with monthly screening against the United Nations (UN) Sanctions list.

SARS Financial Action Task Force (FATF) Programme

The SLU coordinates SARS' input into the national programme to respond to and meet the deliverables arising from the country's FATF review outcomes. In 2019, it was found that there were significant shortcomings in implementing an effective system to combat money laundering and terrorism financing.

The SARS FATF programme comprises actions that cut-across the FATF findings as well as finding-specific actions that collectively aim to implement more robust and effective systems to detect and deter financial crimes.

The SARS FATF programme is on track and recorded the following progress in the year under review:

- The electronic Traveller Declaration System was successfully rolled out at the King Shaka International Airport in November 2022, and at the OR Tambo International and Cape Town International Airports in February and March 2023 respectively. Phase two is currently underway, with two land borders and one seaport implementation planned in 2023 as a pilot in preparation for the full roll out to all ports of entry anticipated to be completed in 2024.
- In line with FATF recommendations, SARS is in the process of implementing new Beneficial Ownership and Transparency information requirements for Trusts and Companies. As of February 2023, Trusts that register on the SARS Online Query System must provide beneficial ownership details. As of July 2023, it will be mandatory for Trusts to provide all relevant beneficial ownership information when submitting their tax returns. In a drive to enforce compliance, more stringent checks against third party data will be carried out of payments made by Trusts to their beneficiaries and other connected parties. A penalty regime is to be introduced to deter non-compliance.
- In respect of Companies, SARS is in the process of amending its corporate income tax return to require all companies to declare legal ownership (shareholding) information. This is planned for implementation by the end of June 2023. Providing beneficial ownership information will becoming mandatory once the necessary legal foundation is in place, anticipated to be in 2024.
- There is progress in the inter-agency Unexplained Wealth Orders (UWOs) initiative which was implemented in the previous financial year to assess the feasibility of using a civil mechanism (unexplained wealth orders) to tackle wealth suspected to be the proceeds of crime The initiative, comprising representatives from various agencies (SARS, FIC, DPCI, NPA and Department of Justice (DOJ)) is now in the. case selection and execution phase. The inter-agency Working Group has selected a case for the DPCI which is in the final investigation phase to quantify the unexplained wealth. The case will be pursued in the courts to test whether current legislation under Chapter 6 of the Prevention of Organised Crime Act 121 of 1998 suffices to recover unexplained wealth assets or an additional stand-alone UWO regime/law reform is needed.

Implementing the recommendations of the Nugent Commission of Inquiry and the Zondo Commission of Inquiry

The Nugent Report expressly records 16 recommendations that break down into 27 sub-recommendations. Ten of the 27 sub-recommendations are on the governance of SARS and fall under the mandate of National Treasury. National Treasury is addressing those recommendations.

The other recommendations are the responsibility of SARS and relate to governance in SARS. SARS is responsible for implementing the remaining 17 recommendations. In this regard, this report shows that SARS has addressed all 17 recommendations of which 14 have been implemented and a further three recommendations are work in progress.

A notable development was the completion of the internal and external reparations process for 33 current and 15 former SARS employees adversely affected by SARS' actions between 2014 and 2018. SARS followed an independent, non-litigious pastoral approach aimed at making fair and just reparations to the affected staff which provided healing and closure for all concerned, the organisation included.

The Zondo Commission of Inquiry explicitly directed SARS to investigate a number of matters relating to tax which SARS is acting upon. The bulk of the Zondo Commission of Inquiry recommendations identify matters that SARS has analysed and is investigating for civil, criminal, and administrative tax and customs non-compliance.

As at March 2023, 13 matters relating to tax offences are currently in criminal courts and one has been finalised. There are multiple other cases under investigation or being audited.

Public regulatory investigations into SARS

SARS has successfully taken on the review of a number of reports issued by the Public Protector after investigations into various matters at SARS. These are:

- In November 2022, the Gauteng High Court set aside the Public Protector's Report 04 of 2022/23 into SARS' modernisation and upheld SARS' contention that the findings and remedial action contained in the Public Protector's Report are irrational, unlawful, unreasonable, and unfair and set aside the report.
- In June 2022, the Constitutional Court dismissed the Public Protector's application for leave to appeal judgments in SARS' favour in the Gauteng High Court and the Supreme

Court of Appeal pertaining to Report 24 of 2019/20 on the early retirement of Mr Ivan Pillay.

» In November 2022, the Constitutional Court refused the Public Protector the right to appeal against the judgments in SARS' favour handed down by the Gauteng High Court and the Supreme Court of Appeal pertaining to Report 36 of 2019/20 on matters relating to the alleged use by SARS of intelligence equipment.

Costs were awarded against the Public Protector in all the matters above.

Syndicated Tax and Customs Crime Investigations (STCC)

Syndicated Tax and Customs Investigations

270 illicit economy investigations and debt cases completed

Assessments to the value of R4.0 billion
Revenue recovery of R6.7 billion

1 187 illicit trade interventions,
793 detentions and
173 seizures

This unit is responsible for investigating criminal and illicit organised and syndicated evasion schemes across all taxes to promote and ensure compliance. The unit's efforts contribute towards detecting taxpayers and traders who do not comply and making sure that such non-compliance is hard and costly. Furthermore, the unit provides a unique capability that enables SARS to respond efficiently and effectively to domestic and international organised tax and customs schemes involving illicit economic activities (Illicit Financial Flows and Illicit Trade).

In 2022/23 STCC finalised 337 preliminary investigations (2021/22: 385). In addition, 580 enquiries and 212 profiles were completed. The focus areas included fuel, tobacco, alcohol, clothing and textiles, leather and footwear and VAT carousels – specifically relating to the gold sector, phoenixism, abusive liquidation and business rescue practices, illicit financial flows, and tax evasion.

The unit completed 270 illicit economy investigations and debt cases, with assessments to the value of R4.0 billion. Revenue recovery for the year was R6.7 billion, which is significantly lower than the previous year's R8.2 billion.

In terms of state capture related cases, 13 projects have been allocated to them for civil audits and/or criminal investigations. Cases from the projects can flow to either the Audit or Criminal Investigations functional areas or some can be referred to both. In the Audit area, one project was finalised in the 2021/22 financial year and two projects were finalised in the month of October 2022 and March 2023 respectively.

For the 2022/23 financial year there were 50 audit and 79 criminal investigation cases in progress. For the year, 29 audit cases were completed with a total assessment value of R571.2 million. In addition to these, 26 criminal complaints were registered (by DCC) with the South African Police Service (SAPS), for prosecution by the National Prosecuting Authority (NPA). At 31 March 2023, STCC has referred 110 cases to the NPA to consider for prosecution.

The unit also conducted 1 187 illicit trade interventions, 793 detentions and 173 seizures during this financial year focusing on cigarettes and illegal second-hand motor vehicles.

The Illicit Economy Activity (Tax) unit completed a total of 98 civil investigations into the illicit economy in 2022/23 resulting in a collection of R1.9 billion. IEA (Tax) Forensic Debt completed 172 cases for the year.

IEA (Tax) currently has 42 active projects, with a total of 558 ongoing investigations. 64 of the investigations are at an advanced stage with letters of findings issued with a total value of R4.2 billion.

Inter-Agency Working Group on Illicit Trade: For the 2022/23 financial year, joint operations between the STCC unit and Customs (incl. Customs Operations; Clothing, Textiles, Leather and Footwear (CTLF) and the National Rapid Response Team (NRRT)) resulted in:

» 5 801 seizures valued at R5.8 billion (2021/22: 4 295 seizures; value: R4.1 billion).
» Cigarette seizures of 77.7 million sticks valued at R119.7 million (2021/22: 134.2 million sticks, valued at: R163.9 million).
» 857 seizures of Clothing and Textiles, counterfeit Clothing, Footwear and Other Goods valued at R2.3 billion (2021/22: 745 seizures, value: R2.9 billion).

Criminal Investigations

The work of the CIU is aligned to principle 1 of the OECD 10 global principles ensuring that tax offences are investigated and prosecuted. Principle 1, which guides all other principles and outcomes hinge on the legal framework that ensures the availability of criminal investigative and enforcement powers that are necessary to conduct quality criminal investigations, including financial investigations and powers to deprive criminals of their proceeds of crime. It also provides a basis for domestic cooperation with other law enforcement agencies under the legal framework and international cooperation, all leading towards achieving the goal of deterring tax crimes.

Criminal Investigations

101 Cases finalised in court

141 Convictions

11 Cases which resulted in custodial sentences, totalling 87.5 years direct imprisonment

248 Cases referred to NPA
438 Cases on trial

CIU continuously aims to direct its resources and efforts to higher levels of maturity to where there is comprehensive coverage of a clearly defined set of tax offences that reflects the nature of the non-compliance risks and new range of financial crimes SARS face, such as organised refund fraud, use of technology to commit VAT fraud and hijacking of profiles to redirect refunds, requiring from SARS dissuasive sanctions commensurate with the seriousness of the crimes.

For the year under review, preliminary investigations recommended and referred 256 cases for investigation to the Criminal Investigations Unit (CIU). The main contributor for case generation is 40% (102 cases) VAT fraud cases; 24% (62 cases) Income Tax (PIT and CIT) under declaration cases, followed by a combination of tax credits, fraud aimed at Government institutions, Customs and outstanding returns.

SARS handed over 248 of these cases to the NPA for prosecution during the financial year. The rand value of cases handed over was R2.3 billion. 95% of total cases referred to the NPA relate to serious tax offences (Sec 235 and Customs) and only 5% are Sec 234 cases.

Prosecutions

For the year, 101 cases have been finalised in court and resulted in 99 guilty convictions, involving 141 suspects. Convictions finalised by way of admission of guilt totalled 18 cases, section 105A plea cases totalled 83 and 31 cases were sentenced after a trial. Sentencing included amounts to be paid back to SARS of R745 135 and fines imposed by the court, amounting to R3.75 million.

A total of 11 successful prosecutions with an effective 87.5 years direct imprisonment were recorded. The rand value of successful prosecutions was R47.4 million.

There are currently 1 980 cases with the NPA and SAPS, 438 of the cases are on trial, while 1 542 are not yet on trial. It should be noted that an upward curve for enrolling new cases in court was observed in the 2022/23 financial year.

Specialised Audit

Specialised Audit aims to improve voluntary compliance of taxpayers and traders by conducting comprehensive integrated in-depth civil audits of a complex nature in the SMME sector. These audits address taxpayers and traders who make a conscious decision not to comply.

The unit focuses on individuals, businesses, and related entities in the small and medium sector of the taxpayer/trader base operating within the illicit economy. The key attribute of the environment is low volume and high impact specialised audits (high risk, advanced, high yield). In-depth audits are the key focus, with some standard audits being conducted.

Specialised Audit conducts work requiring an integrated and/or specific audit approach to address non-compliance with legislation administered by SARS. This is conducted through both desk and field engagements with the taxpayer.

Specialised Audit

4 034 Cases finalised with Assessment value of R13.2 billion

91% Success rate for In-depth audit
63% for Standard audits

The unit completed 4 034 audit cases for the financial year. In-depth audits achieved a success rate of 91% and standard audits 63%. The financial result for the year was R13.2 billion, resulting from several significant payments received and reduced refund savings.

For large assessment cases 100 cases were approved with a capital assessment value of R8.8 billion. During the financial year, R6.8 billion was collected on large assessment cases. VAT had 54 cases with a capital assessment value of R5.6 billion, CIT, 24 cases with a capital assessment value of R2.2 billion, PAYE, 11 cases with a capital assessment value of R354 million and PIT, 11 cases with a capital assessment value of R656 million.

The division identified a number of focus areas for the 2021/22 FY. These were:

» **PAYE** under-declarations in terms of remuneration to directors, members, and employees, the non-declaration of fringe benefits – no PAYE calculated on fringe benefits as well as the recalculation of SDL and UIF. 279 such cases were completed with an assessment value of R855.6 million.

» **Lifestyle audits:** These audits involve mainly individuals where their lifestyle does not match their tax declarations. Capital reconciliations and the use of third-party data are considered in determining the correct declaration amounts. The focus is on individuals that have access to luxury assets and extensive business relations. 24 cases were completed with a total assessment value of R232.3 million.

» **Luxury vehicles:** The owners of luxury vehicles, both individuals and companies, were audited to determine compliance with their tax obligations. The focus was on luxury vehicles as a point of reference. Non-compliance is reviewed across all pillars of tax compliance. Findings on these cases might not be directly linked to the original risk but can relate to other identified risks and compliance issues. 72 cases were completed with a total assessment value of R841.2 million.

» **Religious entities:** Several religious entity groups have been the focus of audit interventions since 2018. Integrated audits are conducted addressing individuals and businesses across all tax types. 16 cases were completed with a total assessment value of R27.3 million.

» **PPE:** SARS has formed part of a broader law enforcement investigation into the COVID-19 PPE tender corruption since 2020/21. As part of the PPE project, Specialised Audit focused on the more complex cases involving VAT non-compliance. A total of 13 cases were completed with a total assessment value of R535.4 million.

» **Employment Tax Incentive:** 84 cases were completed with a total assessment value of R818.3 million.

» **Security Industry:** 86 cases were completed with a total assessment value of R842.5 million.

High Wealth Individuals (HWI)s

High Wealth Individuals (HWI)

R2.7 billion Revenue collections

Annual collections amounted to R2.7 billion, representing a growth of 7% (or R169 million) against the previous year. It must be noted that significant volatility exists as an inherent risk over the steadiness of income projections, particularly on the largest contributors i.e., PIT and CIT Provisional, PIT Assessment, Estate Duty, and Donations Tax. These products are based on economic activities that are not fixed (unlike PAYE, for instance) and are often driven by transactions that are not likely to recur, e.g., disposal of shares and where the timing is difficult to predict.

Large Business and International

The Large Business and International segment's enforcement activities cover a full spectrum of compliance and investigative activities to drive tax compliance and revenue mobilisation in the large business and international taxpayer segment. The activities cover all tax types and include investigative audits, project-based interventions and inter-divisional collaborations, compliance and verifications for CIT, VAT, par 19(3) and PAYE/ETI and PIT/Trusts.

Large Business and International

R525.6 billion Revenue collections

275 Cases finalised
Assessment value of R16.6 billion

336 Reportable Arrangements received and receipted

Paragraph 19(3) interventions processes are aimed at ensuring that, where required, provisional tax estimates are adjusted to reflect estimates for the expected financial position of companies for the period under review. CIT, VAT, and PAYE/ETI and PIT/ Trusts compliance interventions ensure correct declarations and assess taxpayer tax positions in a near real time.

These activities are mainly systems driven, yet volumes and risk-based to ensure that each taxpayer in this segment is equally likely to be touched by SARS.

LBI has completed 275 cases to the value of R16.6 billion.

The division received and receipted 336 Reportable Arrangements (RAs) in the 2021/22 FY. RAs relating to Preference Shares (45%), Share Buy Backs (16%), Sale of Assessed Losses (8%), Contributions to Non-Resident Trusts (19%), and Premium to Foreign insures (4%) accounted for at least 92% of the total RAs received and receipted. A total of 600 business insight reports were completed during the year under review to focus revenue collection and improve the understanding of compliance behaviour.

Customs Border Operations, Port of Entry and Compliance

The 2022/23 performance of Customs Duties has been largely driven by year-on-year growth in Mineral Fuels, Mineral Oils and Products of their Distillation: Bituminous Substances; Mineral Waxes (22%), Vehicles (Excluding Railway Or Tramway Rolling- Stock) and Parts and Accessories thereof (59%), Pharmaceutical Products (28%), Rubber and Articles thereof (32%) and Inorganic Chemicals; Organic or Inorganic Compound of Precious Metals, of Rare-Earth Metals (84%), among others. These commodities made up 82% of the year-to-date Customs Duties collection.

Key focus areas for cash effort revenue include Special Operations (under Clothing, Textiles, Leather and Footwear, as well as the National Rapid Response Team), Customs Audit, Excise Audit, Inspections and Administrative Revenue. Areas of key focus for non-cash effort revenue include seizures of illicit goods (across Special Operations and Customs Operations), as well as Revenue Enablement (focusing on Customs debt, referrals to Criminal Investigation as well as other internal teams, and Excise compliance activities).

Customs Inspections: In order to ensure compliance with relevant legislative provisions, policies and directives, various interventions were carried out at a transactional level or post import through audit activities and control functions, particularly to detect illicit activities. More than 240 000 inspections were conducted in the 2022/23 financial year, realising R598.8 million. The overall success rate for inspections (manual and SSM) was 41% at year-end versus 49% in the previous year.

Customs Border Operations

>240 000 Inspections conducted, realising R598.8 million

1 519 Post Clearance Audits finalised

Clothing, Textile, Leather and Footwear Project (CTLF): 651 CTLF cases were alerted during the financial year (66% success rate against a 65% target). The National Consumer Commission (NCC) referrals are work done in collaboration with SARS - SARS stops, detects, and refers to the NCC, who then investigate and communicate the findings, which in all cases result in the disposal of the goods or export out of the RSA.

Road Fuel Testing Unit Interventions: Overall this team conducted 465 interventions focusing on testing of fuel for compliance finalised 20 seizures involving over 953 000 litres of contaminated fuel with a value of R19 million for the 2022/23 financial year. The team further collected R1.9 million in cash revenue from non-compliance detected.

Post Clearance Audits: Audit efforts for the financial year resulted in a collection of R2.5 billion. In comparison to the same period last year, there has been an increase of R1.1 billion. A total of 1 519 cases were finalised which is a 0.65% decrease when compared to the cases finalised in the previous financial year. The majority of the total reported revenue collected, included quarterly adjustments to the Automotive Production and Development Programme (APDP) accounts.

Deregistration and Cancellation of Licenses: A total of 29 importers and clearing agents' codes were either suspended pending cancellation or fully cancelled through the Licensing, Registration and Cancellation Committee (LRCC) process, due to various customs non-compliance, mostly linked to CTLF, Tobacco and Cigarettes, as well as Alcohol detected.

Seizures of Contrabands: The value of seizures for the period under review was R5.82 billion. The type of seizures with the highest value, were Narcotics and Counterfeit goods; valued at R4.52 billion. 74% of annual narcotics seizures were reported by ORTIA (R674 million). 61% of cigarette seizures were reported by Beit Bridge Border Post (R31.4 million) and NRRT (R50 million). 75% of counterfeit goods seizures were reported by ORTIA (R1.7 billion) and Lebombo Border Post (R10.5 million). The goods were mostly clothing and footwear. There was an increase of 35% in seizures conducted during the current financial year when compared to the previous year.

During the year under review the NRRT, conducted 211 interventions, which led to 207 seizures. The seizure value was estimated at R560.8 million.

Precious Metals/ Stones

10 seizures valued at **R180** million

Counterfeit Clothing, Footwear and Other

455 seizures valued at **R1 983** million

Viagra

143 seizures valued at **R200** million

CITES

14 seizures valued at **R109** million

Tobacco and Cigarettes

309 seizures valued at **R158** million

Narcotics

525 seizures valued at **R2 212** million

Clothing and Textiles

402 seizures valued at **R324** million

Medicaments

452 seizures valued at **R167** million

Litigation Summary

All litigation is managed or monitored centrally through one of the three litigation sub-units and comprises pro active and defensive litigation. The Tax Court Litigation Unit is responsible for defending disputed assessments while proactive litigation is generally initiated though the Centralised Litigation Unit and involves enforcement steps. However, as mentioned, the unit manages all pre-litigation notices with the purpose of resolving disputes before they escalate into litigation.

In the 2022/23 FY, a total of 121 judgments involving SARS were handed down which is a 26% increase from the 2021/22 FY. The increase in judgments primarily concerns customs and excise and tax administration matters.

Judgments issued	2021/22	2022/23
Customs & excise Litigation	28	45
Centralised Litigation	30	45
Tax Court Litigation	38	31
Total	**96**	**121**

The unit also records all litigation cases that are "court ready" but are resolved on the courts' steps, either through a settlement being reached, or through the taxpayer withdrawing the litigation. This is monitored and reflected because the units have done most of the work except conducting an actual hearing. In the 2022/23 FY the units concluded 251 litigation cases, which is a 24% increase compared to the 201 litigation cases concluded in the 2021/22 FY.

The 87% success rate of litigation for the 2022/23 FY includes direct judgments and cases withdrawn after initiation of litigation but before court hearings. This is slightly lower than the 89% success rate for the 2021/22 FY.

Litigation success rate	2021/22				2022/23			
	Orders	With-drawn	SARS success	% success	Orders	With-drawn	SARS success	% success
Customs & excise Litigation	28	3	25	90%	45	5	37	84%
Centralised Litigation	30	2	25	84%	45	6	36	82%
Tax Court Litigation	38	57	29	91%	31	55	23	91%
Total	**96**	**62**	**79**	**89%**	**121**	**66**	**96**	**87%**

The direct success rate for each sub-unit is slightly lower in the 2022/23 FY compared to the prior financial year, although there were 17 more judgments in SARS' favour.

Judgements success rate	2021/22		2022/23	
	Number of judgements	% success	Number of judgements	% success
Customs & excise Litigation	25	89%	37	82%
Centralised Litigation	25	83%	36	80%
Tax Court Litigation	29	76%	23	74%
Total	**79**	**82%**	**96**	**79%**

Key Result Performance

Key Result	Indicator	Actual 2020/21	Actual 2021/22	Target 2022/23	Actual 2022/23	Deviation 2022/23	Reason for deviation
Extent to which SARS enables the NPA to successfully prosecute criminal cases referred by SARS (quality of the document)	SO 3.1: % of cases SARS referred to the NPA that is accepted for prosecution	Not applicable	Not applicable	90.00%	95.56%	5.56%	In total, 248 criminal investigations were finalised and submitted to the NPA for prosecution during the financial year. Of the 248, SARS received 237 acknowledgement confirmations from the NPA. Regular meetings between SARS and NPA counterparts were held to facilitate the smooth handover of cases.
Increase compliance through the accurate detection of risk	SO 3.2: Risk detection rate	New, improved methodology	98.48%	95.00%	96.61%	1.61%	SARS' quality management teams reviewed a sample of 17 063 closed cases across tax and customs products, which yielded no results and obtained first hand feedback from auditors who completed these cases to verify the accuracy of the risks detected. The Trust and Customs products had a perfect rate of valid cases; while CIT, PIT and VAT attained validity rates of 99.25%, 99.30% and 81.10% respectively.

Performance Context and Analysis

% of cases SARS referred to the National Prosecuting Authority (NPA) that are accepted for prosecution

The purpose of this measure is to track the NPA acceptance rate of the number of tax and customs cases referred by SARS for prosecution. In total, 248 criminal investigations were finalised and submitted to the NPA for prosecution during the financial year. Of the 248, SARS received 237 confirmation letters/acknowledgement confirmations from the NPA.

The main contributor in the total number of 248 cases remains VAT Fraud 67% (167 cases) followed by Income Tax (PIT and CIT) with 13% (33 cases) and Customs at 5% (13 cases). Tax credits, Fraud aimed at Government institutions and outstanding returns combined, remain below 15%.

Therefore, 95% of total cases referred to the NPA relates to serious tax offences (TAA section 235 (criminal) and Customs) and only 5% of cases are section 234 (filing, registration details and payment compliance).

Risk detection rate

The aim of this indicator is to track SARS' ability to accurately detect risk. In a previous reporting period, SARS approved its revised methodology and described its data-driven risk detection framework, which was specifically covered in the 2020/21 SARS Annual Report. Following the achievement of these milestones, SARS, in the current reporting period, focused its efforts on achieving the target of ensuring its data-driven, automated risk detection rate exceeds an accuracy of 95%.

The risk engine team closely monitored risk rule performance, and used the feedback from both escalations, as well as insights gathered from the quality management feedback loop process to inform the refinement and enhancement of rules to eliminate false positives.

A risk validity rate of 96.61% was attained for the financial year. The Trust and Customs products had 100% valid cases; while CIT, PIT and VAT attained validity rates of 99.25%, 99.30% and 81.10% respectively.

STRATEGIC OBJECTIVE 4

Develop a HIGH performing, DIVERSE, AGILE, ENGAGED and EVOLVED workforce

At the heart of SARS' "People Philosophy" is the recognition that SARS serves the public collectively through the role SARS play in the country's fiscal management, and that we serve the public individually through the day-to-day interactions that we have with them. SARS wants its employees to be highly skilled at addressing and resolving taxpayer and trader queries and disciplined in maintaining organisational processes.

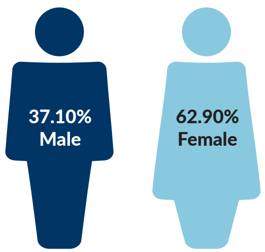
We want SARS to be a great place to work at, where employees can give expression to their aspirations and values. SARS will build and maintain a working environment that supports employee growth and development, by providing employees with the tools and skills they need to do their jobs, within a context of an evolving environment. Tasks have become less administrative, more analytical and service oriented. SARS' employees should easily collaborate to leverage their combined strengths, and SARS should invest in them appropriately. Employees must be able to respond to future demands of the work environment and changing needs of taxpayers and traders with ease.

Part 4 contains more detailed information on Human Capital and Development

Staff Establishment

- Total Headcount: **12 360**
- Permanent/Contract: **12 049**
- Graduate/Trainees: **249**
- Short Term Contract/ Season Workers: **483**

Gender Distribution



Workforce Profile

63.72%	African
19.40%	White
10.66%	Coloured
5.91%	Indian

Employment Equity

Race
80.29% achieved **80.30%** annual target

Gender @ Management Level
50.13% achieved **49.47%** annual target

Disability
2.08% achieved **1.95%** annual target

Key Result Performance

Key Result	Indicator	Actual 2020/21	Actual 2021/22	Target 2022/23	Actual 2022/23	Deviation 2022/23	Reason for deviation
Improve the engagement of SARS employees	SO 4.1: Employee Engagement Index score achieved based on survey of employees	Not applicable	A programme of work was developed and documented to address the five priority areas identified per the last employee engagement survey	62.00%	69.40%	7.40%	The pilot introduction of the enhanced Employee Value Proposition (EVP) is testament to how SARS achieved this positive result. The modernisation of the Annual Recognition Programme at Divisional and Enterprise Level, and the on-the-spot reward system, is in progress and will ensure that employees are recognised throughout the year.
Attainment of Employment Equity Plan as approved	SO 4.2: % attainment of targets as per approved Employment Equity Plan	Racial Equity: 78.17% Gender Equity: 49.63% Disability Equity: 2.08%	Racial Equity: 79.95% Gender Equity: 49.91% Disability Equity: 1.94%	Racial Equity: 80.30% Gender Equity: 49.47% Disability Equity: 1.95%	Racial Equity: 80.29% Gender Equity: 50.13% Disability Equity: 2.08%	Racial Equity: -0.01% Gender Equity: 0.66% Disability Equity: 0.13%	Recruitment opportunities are the main drivers towards the achievement of the Employment Equity Targets. Positive results on % Racial Equity was attained in the second quarter, with a decline during quarter three, due to the expiry of seasonal worker contracts.

Performance Context and Analysis

Employee Engagement Index score achieved based on survey of employees

This indicator is a measure of the rational and emotional connection that employees have with the organisation. The general theory of employee engagement is that when engagement is high, employees are more productive, they tend to stay longer, even if they are highly marketable, and they become nett promoters of the organisation. No single factor influences employee engagement.

During the past four years a number of explicit decisions and interventions were introduced to improve the relationship between the employer and employees. Examples of these include: a listening campaign for employees to express their experiences during the “state capture” years; a series of reparations to address employees who were adversely impacted (marginalised individuals were meaningfully deployed) and active relationship building with union leadership. Though these interventions trust was slowly restored. In addition, specific interventions included: SARS Vision and Strategy were widely promoted, the SARS Leadership Model was embedded. An Employee Rights Charter was completed, an enhanced Employee Recognition Programme was developed and an improved EVP was piloted.

In SARS, we saw a significant upward improvement from 61.6% (2021) to 69.4%. In the recent independent Employee Engagement survey during February 2023. Whereas globally, in Africa, as well as South Africa, a decline was reported from 2019 (pre-COVID) to 2021.

% attainment of targets as per approved Employment Equity Plan

This indicator gauges how adequately SARS is representing the country’s demographics in the workforce, how to promote diversity, gender equality and create opportunities for people with disabilities.

Recruitment opportunities are the main drivers towards the achievement of the Employment Equity Targets. SARS is making sustainable progress in transforming its workforce profile to be reflective of the demographics of the country. Positive results on percentage Racial Equity attainment at the end of the second quarter, with a decline during quarter three, due to the expiration of contracts of seasonal workers.

SARS is making sustainable progress in transforming its workforce profile to be reflective of the demographics of the country.

» Black representation improved from 79.95% to 80.29%.

» Gender representation at management levels improved from 49.91% to 50.13%.

» Disability representation improved from 1.94% to 2.08%.

Concerted efforts are being embarked upon during the recruitment and selection processes and during advertising and external sourcing to prioritise adherence to EE requirements.

STRATEGIC OBJECTIVE 5

Increase and expand the use of DATA within a comprehensive knowledge management framework to ensure integrity, derive insights and improve outcomes

The composite effect of the expanded and increased use of data must substantively support SARS' strategic intent of voluntary compliance. By expanding and increasing the use of data, data analytics and AI, SARS creates 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. SARS has incorporated data into a comprehensive system of knowledge management.

Over the past year, SARS continued to make progress on its journey to become an information-driven enterprise.

Data Science

SARS' suite of advanced analytics products now includes 20 machine learning models. The latest addition to the portfolio includes an entity compliance scoring solution, which provides a more comprehensive view of tax compliance, based on a broader variety of data sources, as well as the historic behavioural dynamics of taxpayers and related entities. A formal feedback loop ensures the tracking of how the models are performing and optimal focus by enforcement teams. Removing false positives from risk detection enables a seamless experience for compliant taxpayers and traders.

Data-driven Risk Detection

SARS continued to refine its automated risk engines and over the past year, managed to achieve both the targets set out for data-driven risk detection as well as the accuracy for risk detection. Compliance revenue yield emanating from cases generated through automated risk engines as well as automated debt equalisation amounted to a new high of R79 billion for year ending March 2023.

Data-driven, Automated Demand Planning and Production Scheduling

SARS adapted the use of Activity-based Management principles from the Consortium of Advanced Management International Institute (CAM-I) framework, which integrates the demand of resources derived from our strategic objectives through to the execution of activities. Automated scripts consume the relevant data points and generate the production schedule on daily or weekly intervals, depending on the National Operations Centre (SARS Bridge) requirements. Automated tracking and reporting against the Master Production Schedule is available for performance management at individual staff member, branch office, regional and national level.

Democratising Data Products to Enable SARS Business

SARS further refined its data-driven and automated production planning and enhanced its suite of tracking and reporting dashboards to enable operations management.

SARS' data capabilities have enabled it to work in a more productive, rigorous and effective way through information and visualisations that are readily available 24/7. Information and data are useful when it enables SARS staff to be more efficient in their day-to-day tasks. SARS' Self-Service hosts over 132 dashboards and multi-dimensional views with a user community of over 2 800 users. The Self Service provides a single version of the truth across tax and customs products, functions, and processes at national and regional levels, as well as monitoring performance at staff level. The information is updated either on a real-time basis, daily, and monthly and is available on all digital devices.

The Self-Service was enhanced over the past year with several new views including 40 new dashboards, seven new multi-dimensional information cubes, and refreshable workbooks that allow drill-through functionality.

The uptake and usage of the Self-Service views has gone from strength to strength and has increased significantly, with an average of 3 800 views in March 2022 to 14 400 views in March 2023; an increase of 12 000 views per month over the last 12 months.

Improving Data Governance in SARS

SARS' data governance framework was enhanced to cater for the use of artificial intelligence, an ethics framework, as well as the use of cloud computing. More than 97% of all SARS staff have completed an e-Learning module covering data governance.

Exchange of Information (EOI)

SARS continued to be an active participant in the OECD's Exchange of Information programme.

Exchange of Information on Request (EOIR)

EOIR is guided by the OECD exchange of information standards. The exchange takes place based on different engagement triggers. During the financial year under review, 40 Incoming Spontaneous Exchange of Information (SEOI) cases were received and registered, with 39 SEOI cases finalised. 62 Exchanged Tax Rulings (ETR) requests were finalised, against 66 incoming ETR received and registered. 26 Assistance in Collection (AIC) cases were finalised during the financial year, with 83 cases carried forward to the 2023/24 financial year.

Automatic Exchange of Information (AEOI)

During the current financial year, 104 Common Reporting Standard packages and feedback were received from 107 partner jurisdictions. Data from three jurisdictions was still outstanding at year-end and continuously followed up on. SARS transmitted 79 outgoing CRS packages to 79 partner jurisdictions during the financial year. All data transmissions were concluded by 29 September 2022 as per Common Reporting Standards (CRS) exchange obligations.

SARS received 84 542 incoming Country-by-Country Report packages. These packages included Country-by-Country Reports from Multinational Entities in 51 partner jurisdictions, relating to 480 704 constituent entities. SARS transmitted a total of 329 Country-by-Country Report packages to 58 partner jurisdictions for the 2022/23 financial year. This is in line with South Africa's current exchange relationships.

Leveraging the use of data from exchange efforts

SARS continues to use the data emanating from international data exchange to enable the detection of illicit money flows as well as tax evasion. In support of Anti Money Laundering, Combatting the Financing of Terrorism and Combatting Proliferation Financing in South Africa, SARS will continue to stay abreast of new trends in this regard and partake in initiatives such as traveller declarations at border posts as well as beneficial ownership (data requirements) for companies and trusts. SARS will also continuously review and enhance relevant internal processes, as well as processes relating to inter-agency exchange of information with the aim to strengthen the National Financial Intelligence System and SARS' role therein.

Key Result Performance

Key Result	Indicator	Actual 2020/21	Actual 2021/22	Target 2022/23	Actual 2022/23	Deviation 2022/23	Reason for deviation
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.)	SO 5.1: % utilisation of automated risk assessment for taxpayers and traders	Not applicable	99.997% standard 66.94% complex	85.00% standard 65.00% complex	100.00% standard 66.95% complex	15.00% standard 1.95% complex	This performance has been made possible through the wider use of available third-party data to identify and create cases rather than the manual review of different sources of information. Continuous review and enhancement of SARS processes to incorporate the use of all available data in automated processes is yielding the desired results across all tax products. Through the improved availability and usage of data, potential cases are identified, then reviewed and selected for the relevant intervention.

Performance Context and Analysis

% utilisation of automated risk assessment for taxpayers and traders

This indicator measures the extent to which cases are selected through the automation of risk detection, data-driven profiling, and assessment. The purpose is to ensure that cases are selected automatically, and manual case selection only happens in exceptional cases (e.g., for complex tax matters or taxpayer segments).

The following definitions apply to the targets included under this indicator:

Standard matters: risk assessment emanating from the submission of tax returns and customs declarations.

Complex matters: cover risk detection beyond the scope of information contained in returns and declarations submission.

Examples of domestic third-party sources include banks, retirement funds, medical schemes, the properties deeds office, the companies register, the national register of motor vehicles, the National Treasury Central Supplier database, as well as the national population register. International data sources include the Automatic Exchange of Information on South Africans with offshore financial assets from over 100 foreign jurisdictions, as well as several mutual administrative agreements with sister organisations.

SARS measures the extent to which cases are selected through the automation of risk detection, data-driven profiling, and assessment.

For the year under review 100% (2 259 730) (2021/22: 100%) of all standard cases were created with the automated risk detection process. The specialised audit risk detection saw 66.95% (3 278 of 4 896) (2021/22: 66.94%) of the cases being created with the assistance of automated data-related processes.

Product	Total	Automated	Manual	% Automated
Excise	2 256	2 256	0	100.00%
Customs	202 255	202 255	0	100.00%
Ops Audit	2 055 219	2 055 219	0	100.00%
Standard	2 259 730	2 259 730	0	100.00%
In-depth Specialised Audit	1 686	1 281	405	75.98%
Standard Specialised Audit	2 312	1 997	315	86.38%
Customs	898	0	898	0.00%
Specialised Audit	4 896	3 278	1 618	66.95%
Total	**2 264 626**	**2 263 008**	**1 618**	**99.93%**

This performance is driven using available third-party data to identify and create cases rather than the manual review of different sources of information. Continuous review and enhancement of SARS processes to incorporate the use of all available data in automated processes is yielding positive results across all tax products. Through the improved availability and usage of data, potential cases are identified, which are then reviewed and selected for the relevant intervention.

STRATEGIC OBJECTIVE 6

Modernise our systems to provide DIGITAL and STREAMLINED online services

SARS is committed to providing reliable and secure digital services to all its constituents. SARS strives to create an environment where taxpayers and traders can meet their obligations with ease and, when possible, seamless integration, regardless of their location. SARS is equally dedicated to empowering its employees, ensuring they have the necessary tools to deliver world-class and top-tier experiences for taxpayers and traders alike. This commitment to excellence extends to SARS' stakeholders, SARS seeks to provide access to reports and analyses that promote transparency and accountability in its operations.

Enhancing, Modernising and Streamlining SARS' Digital Platforms

IT Infrastructure activities in support of availability of mission critical systems

In order to meet the availability objectives for digital platforms, SARS continually undertakes planned maintenance and enhancements across all platforms. This steady programme of infrastructure and application updates, boosts system uptime by mitigating service disruptions and unexpected outages. The following key actions were accomplished:

» The wide-area network links throughout the SARS landscape have been upgraded to amplify connectivity speed. This enhancement directly translates into heightened stability, increased productivity, and expedited service for taxpayers.

» With data and information playing a critical role in SARS' operations, and realisation of strategic objective five, SARS continues to employ robust management practices. Various upgrades of database infrastructure improved efficiency and security, coupled with routine maintenance for optimal performance. SARS employs advanced tools for proactive diagnostics to minimise disruptions. Regular data optimisation strategies, including indexing and data archiving, are implemented to streamline data management, be cost efficient, and boost system performance.

» Numerous systems were upgraded to fully support updated hardware and software versions. Apart from ensuring complete support from the Original Equipment Manufacturer, this proactive approach has significantly fortified SARS' system security and mitigated security vulnerabilities.

Customs Processing Systems and Declaration Process System Enhancements

In August 2022, SARS implemented substantial technical upgrades to the Customs Declaration Processing System (DPS), which is essential for daily SARS Customs operations. Since its inception in 2013, parts of its underlying technology became outdated, unsupported, or deprecated, increasing the risk of incompatibility with new operating systems and hardware, and leaving it vulnerable to security issues. The DPS upgrade project ensured that the system continues to function reliably, aligning with SARS' technology landscape. This included not only necessary technology modernisations and enhancements but also adjustments to comply with new customs legislation.

Leveraging Best-of-Breed Technology to Create Technical Efficiency in SARS Digital Platforms

SARS is currently undergoing a digital transformation, modernising its IT systems and infrastructure to streamline operations, decrease complexity, and lower costs. As part of this digital metamorphosis, SARS is gearing up to deploy cutting-edge applications, placing a premium on agility, performance, availability and data management.

To meet these demands, SARS is adopting a spectrum of technologies including cloud services [Platform as a Service (PaaS), Infrastructure as a Service (IaaS), and Software as a Service (SaaS)], hyperscalers, solid-state storage, distributed data, software-defined infrastructure, scale-out architectures, and AI/ML technologies.

This move ensures cost-effective deployment and usage of cloud services, with a commitment to continually refining implemented processes and applications. The potential requirement for a separate cloud policy is being actively explored, informed by research with industry experts.

Security of taxpayer and trader information and interactions on SARS Digital Platforms

The IT security of SARS remains a top priority in the face of sophisticated and financially driven cyber threats exploiting vulnerabilities in its external-facing IT systems to combat attacks that could lead to data theft and manipulation, disruption of business-critical services, reputational damage, and undermining of public confidence in SARS and their systems.

During the 2022/23 FY, upgrades to various security infrastructure elements were carried out, including firewalls for digital platform hosting, identity and access management environments, email infrastructure, and the security incident and event management system.

SARS proactively enhanced security controls to adapt to the evolving threat environment. This involved a comprehensive strategy, including Distributed Denial of Service (DDoS) protection, Anti-Spam and Anti-Phishing measures, Advanced Threat Protection (ATP) in email and web services, and Endpoint Protection mechanisms. These were complemented by cyber intelligence from leading providers and correlated by a security incident and event management solution. Regular scans on all infrastructure ensured prompt remediation.

Delivery of Projects and Systems Enhancements to Improve Clarity, Certainty and Make it Easy for Taxpayers, Traders and Travellers

Implementation of New Service Innovations and Technologies

» **Introduction of auto-assessment for Personal Income Tax**
SARS has the vision to build a modern, smart organisation by 2025; this will elevate the taxpayer experience by making it very easy to comply through various interventions such as real-time usage of available data to reduce the taxpayer's administrative burden. For PIT, this means reducing the need for taxpayers to file, and in 2022/23 SARS implemented significant further enhancements to enable more than 2.8 million taxpayers to be automatically assessed, and who in most cases, do not need to file a declaration with SARS.

» **A new mobile phone service channel made available - Unstructured Supplementary Service Data (USSD) Queries**
To enhance the inclusivity of SARS' services and broaden its reach, SARS launched the USSD channel in March 2023. This new channel is available to all taxpayers, irrespective of their mobile phone type, to seamlessly handle their tax related matters. Shortly after its implementation, the USSD channel registered impressive traffic, handling nearly 1 000 queries every 10-15 minutes. This functionality enables taxpayers to effortlessly access their tax reference numbers, ascertain their account balance, determine the need to file a tax return, and schedule e-bookings.

» **Launch of the Electronic Traveller Card on the new SARS Traveller Management System**
In SARS' ongoing commitment to make it easier for travellers to comply with their obligations, SARS was proud to successfully implement the SARS Traveller Management System in November 2022. This new electronic traveller card is a first step towards delivering a streamlined and efficient experience for cross-border travellers. On the inaugural day of the pilot, out of 761 cross-border travellers, 247 completed their declarations online, indicating swift user adoption. Importantly, while elevating user experience, the system simultaneously strengthens SARS enforcement capabilities and enriches financial reporting, meeting stringent FTAF anti-money laundering provisions.

» **Delivery of the new LiveChat engagement platform**
In the past year, SARS made significant strides in enhancing taxpayer service with the successful implementation of the LiveChat system. Launched in November 2022, this cutting-edge feature has facilitated direct and instantaneous interaction between taxpayers and SARS agents, either through a web browser or the SARS MobiApp. The reception was beyond expectations with an impressive 3 000 to 4 000 live chats received per day. Not only has the LiveChat system streamlined communication, but it has also increased service accessibility and efficiency.

» **Improving the usability of SARS systems to persons living with disabilities**
In enabling Strategic Objective 4, ongoing optimisation ensures that SARS' technical solutions are available to persons living with disabilities. This includes both digital platforms available to taxpayers, as well as internal applications used by SARS officials. During 2022/23 SARS continued initiatives to enable JAWS (Job Access with Speech) compatibility. JAWS is a computer screen reader programme that allows visually impaired users to read the screen with a text-to-speech output.

In the continuous pursuit to streamline taxpayer interactions, the SARS Online Query System (SOQS) has emerged as a significant leap forward as an efficient self-service platform that empowers taxpayers to conduct various activities online, eliminating the need to visit a physical branch. A noteworthy enhancement in August 2022 was the expansion of the system's capabilities, allowing taxpayers to request and view their Personal Income Tax Statement of Account and Notice of Assessment for specified periods, significantly simplifying tax management. In response to global efforts to combat money laundering and terrorist financing, SARS introduced a SOQS update providing taxpayers an easy digital channel to capture and submit the beneficial ownership information of their trust registrations, bolstering transparency and adherence to international standards.

The 2022 CIT Filing Season project delivery marked a milestone in SARS' pursuit of efficiency and reduced administrative strain for corporate taxpayers. In September 2022, SARS implemented enhancements to streamline the CIT filing process, notably eliminating the IT14 Supplementary Declaration (IT14SD). This transition replaced the former, often cumbersome, verification case with risk-specific letters, requesting only pertinent material to identified risks. The introduction of auto-revision, along with the IT14SD elimination, underscored SARS' commitment to creating a user-focused, efficient tax environment. This crucial upgrade streamlined compliance, bolstered the ease of doing business, and expedited tax administration for corporate taxpayers.

Delivery of Projects and Programmes to Improve the Management of Taxpayer Compliance

Implementation of an innovative system-driven Customs "Dual Inspection" process

In an innovative step to bolster customs compliance and mitigate transit fraud, SARS implemented a Dual Inspection process in August 2022. This system-driven process, activated when the SARS' risk engine detects potential transit risks, mandates thorough inspections at both the declaration and exit ports. This novel approach directly counters unlawful activities such as ghost movements and acquittal fraud, enhancing the compliance landscape. By bolstering the enforcement mechanism, it instils a greater degree of transparency and compliance among traders.

Enhancing SARS systems and platforms to advance the debt management capability

SARS has been steadfast in delivering on Strategic Objective 3 – "Detecting Non-compliant Taxpayers and Traders, and making non-compliance hard and costly", with a particular focus on efficient debt management in the 2022/23 fiscal year. Key initiatives in this area include the successful implementation of a Debt Management Automation process in June 2022. This system ensures the traceability and confirmation of the successful delivery of Final Demand letters to taxpayers, improving communication and enforcement processes.

SARS also enhanced Payment Arrangement Reporting under Debt Management. This upgrade, introduced in June 2022, enables accurate and timely reporting of various payment arrangements, providing valuable insights to support effective debt collection and management processes.

Lastly, the debt management processes saw further advancements in October and December 2022, enriching the debt case workflows and application systems with additional contact information and integrated systems with participating banks for better visibility into taxpayer bank account balances, enhancing SARS debt collection capabilities. New workflows were designed for efficient management of debt cases based on ageing and complexity of debt, aiding in reducing case inventory and overall debt.

These innovative enhancements not only streamline debt management processes but also ensure an improved, efficient and compliant service for taxpayers. SARS' commitment to leveraging technology and data has resulted in practical solutions that directly impact SARS' capacity to collect what is due, providing a strong foundation for further innovations in debt management.

System Enhancements in Response to Legislative Changes

Personal Income Tax and PAYE system enhancements and changes

To meet new legislative requirements and improve the reconciliation process, SARS updated systems and processes for filing employment tax returns. The PAYE channel and submission functionality was enhanced, including adjustments for legislative changes, system enhancements, updates to PAYE forms and business rules, revisions to auto-deregistration of payroll taxes, improvements to fraud mitigation and audit procedures, and updated risk assessment measures.

Enhancement of the directives system

A significant change in directives was the introduction of an electronic validation process for the Recognition of Transfer (ROT) compliance procedure. Implemented in September 2022, this process validates details against the records of the Financial Sector Conduct Authority (FSCA) to facilitate the ROT process and ensure the accuracy of tax directive applications. It verifies fund names, employer names, and FSCA registration numbers, leading to applications being declined if the data is incorrect or missing.

Updates for trusts

Several updates were made in June 2022 to accommodate legal changes that were published in the Government Gazette. These changes affect various sections of the Income Tax Act and concern deductions related to learnership agreements, income inclusions, urban development zones, donations to certain organisations, debt concessions, farming operations, and provisional tax payments.

Capabilities for SARS to Leverage and Expand its Use of Data

Leveraging data analytics for improved risk management and service excellence

In alignment with SARS' commitment to strategically leverage data for improved outcomes and integrity, SARS successfully implemented a robust data analytics capability in 2022. This advanced platform serves as a collaborative space for data engineers, data stewards, data scientists, and business analysts, allowing for streamlined preparation of data for artificial intelligence applications. An exciting proof-of-concept project was initially embarked on to address VAT fraud cases. This involved the development of various VAT models to calculate risk scores, which are now integrated into business processes. This innovative data analytics capability has significantly enhanced SARS ability to detect and manage risks, leading to improved service delivery and the facilitation of easier taxpayer compliance.

Innovative Technology to Create a Highly Engaged and Agile Workforce

Innovative use of technology to improve internal productivity and engagement

Aligned to Strategic Objective 4 to create a highly engaged and agile workforce, SARS launched several technologies internally to bolster employee productivity and improve communication. This included an integrated engagement platform, now fully operational, and an optional application providing comprehensive productivity insights. A Cloud-based storage solution was implemented for all staff and a project management tool was introduced, with ongoing efforts to promote its adoption. Additionally, an end-user awareness function was established, complemented by online knowledge bases and digital learning content, to ensure staff are informed and supported.

ICT Project Expenditure

The total Information Technology project spend was R119 million and included the following projects in the main:

Filing Season including Legal Changes - R58 million

For 2022/23 SARS continued with the modernisation journey of the PIT and PAYE programme. The envisaged end state is to replace the current employees' tax, provisional tax and assessment filing seasons for employers and individuals with a modern, fully automated process of near real-time tax liability estimation, withholding and paying to SARS the correct tax due.

Disputes and Verifications Programme - R7 million

The purpose of the project is to implement improvements to the dispute and verification processes for the following tax products: PIT, CIT, PAYE, VAT and Trusts.

The SARS verification process is by design geared towards processing a high number of verification cases to assist in enforcing taxpayer compliance and the integrity/accuracy of return declarations. The project aims to introduce significant enhancements designed to dramatically improve SARS' service to taxpayers through the reduction of verification turnaround times within the limits of the SARS Service Charter for all taxes and the reduction of dispute inflows. Phase 1 was implemented on 21 April 2023.

Customs Modernisation Programme – R46 million

The Customs Modernisation Programme is intended to drive the SARS compliance philosophy, strategic objectives and to achieve the SARS 2024 Vision in respect of the customs component.

Traveller Management System - A system that targets money laundering and terrorism financing, improves SARS' capabilities to manage legitimate traveller movements, and enhances compliance. The South African Traveller Management System (Phase 1), implemented in November 2022, incorporates traveller registration, payment, and more.

Single Window Project - A collaborative effort with Transnet and other Government agencies, was employed upon. This platform facilitates inspection cases and simplifies eManifest submission. Phase 4 is slated for implementation in the 2023/24 FY.

SMART Borders Project - An essential component of the SARS 2024 Vision, focused on enhancing trade facilitation and securing cross-border cargo movement. The project saw the installation of Number Plate Recognition (NPR) cameras at ports of entry during 2022/23.

Registration Licensing and Accreditation (RLA) - The RLA aims to automate registration, licensing, and accreditation processes for clients, promoting easy, cost-effective compliance. It also includes a relationship management module to identify fraudulent transactions.

Automated Refunds and Drawbacks - This project ensures streamlined refunds and the drawbacks process within Customs and Excise to regain controls, reduce revenue losses, and align with existing SARS workflow.

Air Passenger Tax (APT) - Scheduled for September 2023, this project automates the APT process, improving efficiency, accuracy, and reducing manual errors.

Collectively, these projects are contributing to achieving a cohesive and responsive system, supporting the management of customs, traveller engagement, trade facilitation, revenue collection, and regulatory compliance. SARS continues to innovate and implement technology to meet international standards, reduce risk, and offer seamless services to taxpayers and traders, thereby reflecting a commitment to maintaining the integrity of the national financial framework.

Other Information Technology projects – R9 million

African Continental Free Trade Area (AfCFTA) - The scope of the AfCFTA project included promulgation of the AfCFTA legislation; system enhancements on the Tariff Management System, Licence and Certificate Module and providing for the Preferential Quota Certificate (PQC) functionality and Declaration Processing (DPR). This project was completed.

TCS Enhancements and Optimisation – This project will improve the accuracy of the compliance result, achieved alignment with recent legislative changes in respect of taxpayer's ceasing tax residency, ensure alignment to the South African Reserve Bank (SARB) modernisation in respect of exchange control regulations, extend the use of TCS to additional external stakeholders and bring about the enhancement of the technical design to enable SARS to move the system closer to the future intent of a compliance result based on risk and taxpayer behaviour as opposed to a point in time compliance result.

Corporate Income Tax - Removal of the Supplementary Declaration for Companies or Close Corporations (IT14SD) Form. This project replaced the form with audit letters that request specific supporting documents relating to return entries that SARS would like to verify.

Debt Management Automation – The purpose of an automated debt management system is to effectively manage the inventory of debt through its lifecycle via the adaptable workflow. The system seeks to Improve case management lifecycle, contributing to an optimum collection response; Automated performance management and monitoring of throughput and effectiveness; Improve effectiveness of low value debt collection efforts by enabling taxpayer self-service via multi-channel application; Effective modelling and segmentation of cases to ensure the right cases at the right time and tailor-made responses to the behaviour of non-compliant taxpayers, and the Real-time debt management service with banks to reduce costs of compliance. This project was completed during the 2022/23 FY.

Key Result Performance

Key Result	Indicator	Actual 2020/21	Actual 2021/22	Target 2022/23	Actual 2022/23	Deviation 2022/23	Reason for deviation
Digital platforms availability for taxpayers and traders	SO 6.1: % of planned capacity to be available for mission critical systems	99.76%	99.83%	99.00%	99.70%	0.70%	SARS implemented preventative and adaptive maintenance to support optimal uptime and minimise unplanned outages.
Security of taxpayer and trader information and interactions via digital platforms	SO 6.2: Number of security breaches on digital platforms from known risks	No security breaches from known risks	Nil	Nil	Nil	No deviation	Not applicable

Performance Context and Analysis

% of planned capacity to be available for mission critical systems

The purpose of this indicator is to monitor the availability of digital platforms (e-channels), i.e., at eFiling, Business-to-Business gateway, DPS, Cargo Processing Systems and Custom's Electronic Data Interchange. This measure gauges the availability of SARS' digital platforms, which enable taxpayers to transact and submit returns to honour their commitments, and traders to optimally transact.

99.70% availability of digital platforms was achieved due to unplanned downtime experienced during quarters two, three and four. SARS implemented preventative and adaptive maintenance to support optimal uptime and minimise outages.

Number of security breaches on digital platforms from known risks

This indicator measures the number of security breaches that occur for all known security risks on SARS' digital platforms. The purpose of this measure is to determine the veracity of digital security risk management practices employed. During the financial year, SARS IT Security Operations infrastructure continued to provide robust protection, through its systems, people, and processes.

The cyber security landscape trends indicate that attackers have shifted focus from direct corporate attacks to indirect means to access valuable information. Further galvanising these defences are initiatives, which prevent SARS data loss through email, USB and other means.

It remains imperative that the responsibility of protecting SARS information assets not only resides with IT Security Operations, but with the larger SARS community. Users who comprehend their obligations in protecting SARS data on mobile devices, personal laptops and removable memory devices strengthen such efforts.

Security Breaches

Reported Phishing Sites Taken Down

Viruses Blocked on SARS Workstations

Blocked SARS firewall, intrusion prevention and network attacks

Emails containing viruses successfully blocked

STRATEGIC OBJECTIVE 7

Demonstrate EFFECTIVE STEWARDSHIP of our resources to ensure EFFICIENCY and EFFECTIVENESS in the delivery of quality outcomes and performance excellence

SARS must steward the limited resources entrusted to it in a manner that creates value to achieve quality outcomes and performance excellence. The way SARS organises itself should reflect agility and responsiveness to deliver the best experience for all its constituencies. SARS must demonstrate a high work ethic, strive for performance excellence, and achieve the most with the least effort and cost, and have best in class innovations that enable SARS to achieve its strategic intent.

Expenditure Estimates over the Medium Term

In the past year SARS has allocated the limited resources with a clear cost-benefit mindset to ensure delivering more and creating a better experience for taxpayers and traders without sacrificing quality and excellence as well as to enable a smart modern SARS through ICT and capital project investment. This work was funded from the baseline funding as best possible but remains a challenge and will continue to be a challenge in future for as long as SARS remains underfunded. SARS has communicated through its MTEF and ENE submissions what the optimal funding requirements are. SARS further benchmarks against the OECD Tax Administrative 2021 comparative information and other advanced and emerging economies states confirming that the largest reported component of tax administration operating budgets is staff costs, with salary alone accounting for on average 73% of operating budgets annually. This is followed by Information and Communications Technology (ICT) operating costs at between 10% and 25%. In line with Tax Administrations cost allocation globally, approximately 85% of SARS costs are contractual as follows: salary costs is +/- 66%; ICT operating costs is +/- 10% and physical facilities and related costs is +/-9%. This translates to an average actual year-on-year growth in operational expenditure from 2021/22 to 2022/23 of approximately 4.77% while the grant is growing at 3.01% for the same period. The 3.01% takes R1 billion of the additional R3 billion funding received between 2020/21 until 2022/23 into consideration. The funding position remains static and does not consider the inflationary impact and as a result SARS' grant allocation is lagging behind current expenditure growth without considering additional capacity or infrastructure and project requirements. SARS remains underfunded to give full effect to its mandate, given the growing demand for additional revenues by Government, and this places further strain on the country's fiscal integrity.

Business as Usual Capital Investment

Customs Operations: Vehicles - R53 million

- Customs Operations acquired 93 vehicles to replenish and complement the current fleet at the Ports of Entry to ensure optimal operations.
- R2.1 million for furniture and fittings in KZN for the Customs warehouse.

End-User Devices - R7.6 million

End-user devices includes purchases of computer equipment to provide staff with the tools of trade required for performance of their duties. Further investments were made in audio visual equipment such as microphones, screens for monitoring, video conferencing facilities and security equipment that enable visual and distant communication between offices and staff, as well as the visual display of various sets of data and related improvement in security.

SARS Owned Property Investment - R14.9 million

Upgrades to the SARS owned properties (Lehae le SARS and Alberton Campus) included installation of partitioning, customised fixtures, clear guard windows and doors as well as general maintenance such as painting and flooring.

Uninterrupted Power Supply (UPS) – R4.9 million

UPS devices were procured to provide emergency back-up power for the SARS ICT infrastructure and caters for SARS data centres, server rooms and border posts. This investment was made as a result of increased load shedding and to ensure operational continuity.

Cleaning equipment – R4.9 million

Cleaning equipment was procured to provide cleaning services across SARS offices as this is an insourced function and included industrial multispeed mopping equipment and industrial carpet cleaners.

ICT Capital Investment

A total amount of R646.3 million was allocated for ICT investments in the Business as Usual space. The following items were procured during the year and are categorised according to the two most important Key Result Areas under Strategic Objective 6 Modernise our systems to provide digital and streamlined services.

Key Result Area – 99% of planned capacity to be available for mission critical systems – R578.5 million

» Hardware upgrades – R422.8 million was spent on procuring new and replacing end of life hardware. The main items procured were; end-user devices R86.5 million, server refresh R163.6 million, software upgrades R68.7 million and storage refresh R104 million.

» Software Licences – R16.8 million: The investment was made mainly in off-the-shelf software.

» Network Upgrades – R29.7 million: Network infrastructure and services were upgraded throughout the country and at 15 of the border posts.

» Facilities, Equipment and Services - R6.7 million.

» Software Upgrades and Development - R102.5 million: Upgrades and enhancements to current systems, e.g., eFiling, Adobe forms and technology upgrades.

Key Result Area – No security breaches from known risks – R67.8 million

» Security Network Upgrades - R8.8 million.

» Security Software Licences upgrades and investment in new technologies - R59 million.

Property Infrastructure Projects Expenditure

The total Property Infrastructure Projects Expenditures was R87 million and included the following projects in the main:

Head Office Consolidation Programme – R26 million

The purpose of the Head Office Consolidation programme was to unlock non-essential or underutilised leased assets through the implementation of an alternative workplace strategy and an activity-based workplace design. This entailed the redesign and repurpose of the workplaces, consolidating and bringing together employees under one roof in an agile activity based working environment.

Pinetown Branch Relocation – R2 million

The purpose of the project is to relocate the Pinetown Office to alternative premises available in Pinetown. This was required in light of the poor building performance and location rating of the current office which is no longer conducive for a highly geared technology driven client interface operating model.

Commercialisation of the Kosi Bay Border Post – R6 million

The purpose of this project is to commercialise the Kosi Bay Border Post and was agreed to at international level, approved by the Minister, and thereafter gazetted. The project deliverables include staff recruitment, procurement of a park home to be used as an office, the installation of furniture and staff accommodation, acquisition of operational vehicles, and as ICT and security infrastructure. For the 2022/23 FY, work continued, and the Kosi Bay Port of Entry was successfully opened for commercialisation on 1 April 2022 as gazetted.

Refurbishments of the Durban New Pier State Warehouse – R53 million

The State warehouse operation is administered in terms of the Customs Act, 1964, which provides a regulatory framework to enforce detention, storage, payments, seizure, and disposal of goods processed as part of the trade value chain. The division supports both SARS as an integral part of government from a socio-economic perspective to mitigate unfair competitive advantage and create an enabling environment to respond to non-compliance. The aim of this project is to refurbish Durban (New Pier) state warehouse to enable a state of the art Customs Warehouse facility and enable the relocation of goods from other warehouses no longer fit for purpose. For the 2022/23 FY, work continued relating to the installation of ICT and technical security infrastructure cameras, racking and shelving, and SARS operational signage.

Key Result Performance

Key Result	Indicator	Actual 2020/21	Actual 2021/22	Target 2022/23	Actual 2022/23	Deviation 2022/23	Reason for deviation
Reconfigure SARS' cost structure to align with international peers	SO 7.1: Increase ICT investment as % of total allocation	2.90%	-0.54%	2.00%	1.80%	-0.20%	ICT expenditure is mainly driven by investment in storage infrastructure, server infrastructure, software and network upgrades. Not all planned ICT expenditure was realised in the 2022/23 financial year, but was carried over as commitments to the 2023/24 financial year.
Unqualified audit opinion received from the Auditor-General	SO 7.2: Unqualified audit opinion	Unqualified Audit Report with findings	Revenue Accounts – Unqualified with no findings Own Accounts – Unqualified with findings	Unqualified audit opinion	Clean audit opinion	No deviation	Not applicable
Demonstrate effective stewardship through the appropriate spending of the budget allocation received from National Treasury	SO 7.3: % Deviation between SARS' spending for the year and the allocation SARS received from National Treasury	Not Applicable	Not Applicable	5.00%	0.38%	4.62%	» Integrate zero-based approach into daily operations by reimagining the cost base, challenging and stress-testing expenditures to ensure that the right cost drivers/activities are prioritised, and money is generating the optimal return on investment and/or benefit realisation. » Carve out inefficiencies, reappropriate and unlock funds to reinvest in growth that is aligned to SARS business priorities. » Identifying pivotal interventions that drive lasting change in support of the overall strategy.

Performance Context and Analysis

Increase ICT investment as % of total allocation

This indicator tracks the portion of the SARS grant allocated to ICT projects improvements and maintenance. SARS is configuring its cost structure to ensure ICT infrastructure is optimally positioned to give full support to the mandate. This is in line with SARS' commitment to reconfigure its cost structure to align with international peers as well as replace ageing infrastructure that is unable to refresh and attracts high maintenance cost, SARS has invested mainly in storage infrastructure, server infrastructure, software and network upgrades to enable a smart modern SARS.

Although an improvement of 2.34 percentage points was achieved from the 2021/22 financial year performance, SARS fell short of its 2022/23 target, of a 2% increase in ICT investment, by 0.2%.

For the FY, the outcome of the actual expenditure against funding allocated was 15.62%, compared to the spending of the previous FY of 13.82%, which calculates to an increase of 1.80%.

Unqualified audit opinion

The purpose of this measure is to assess SARS' commitment to maintain and promote good governance in the organisation. It measures compliance levels with all Government's statuary requirements.

See Auditor-General's report. SARS received a clean audit report for both Own Accounts and Revenue Accounts.

% Deviation between SARS' spending for the year and the allocation SARS received from National Treasury

This measure seeks to track the variance/deviation between the budget allocation SARS received from National Treasury and the actual expenditure of SARS. The positive performance is tracking at 0.38% against an annual target of 5% due to funds being spent/committed at year-end. The actual expenditure for the financial year was R12 503 million of the budget allocation of R12 550 million, which calculates to a performance of 0.38%, and a positive deviation of 4.62% on the measure.

Actual Expenditure	R'000
OPEX	11 372 139
Capex (net of discount)	777 017
Projects	353 434
Total Expenditure	**12 502 590**
Numerator (budget allocation less actual expenditure)	47 215
Denominator (budget allocation)	**12 549 805**

% deviation	**0.38%**

The below actions were implemented to meet the target:

- Integrate zero-based approach into daily operations by reimagining the cost base, challenging and stress-testing expenditures to ensure that the right cost drivers/activities are prioritised, and ensuring that money is generating the optimal return on investment and/or benefit realisation.
- Carve out inefficiencies, reappropriate and unlock funds to reinvest in growth that is aligned to SARS business priorities.
- Identify pivotal interventions that drive lasting change in support of the overall strategy.

Challenges and Mitigation Plans

The non achievement of the 2% target was due to delays in the execution process. Some procurement vehicles only concluded in the last quarter of the financial year, as a result of annual capital commitments roll-over approval from National Treasury that was only provided in quarter three of the financial year. The impact of this was that the roll over commitments had to be funded from the current year budget and only once approval is received the funding can be released to commence with procurement and execution processes.

SARS made a submission to National Treasury, requesting them to consider refining the relevant instruction note to enable entities to execute on their strategic and operational plans effectively and efficiently. The refinement of this process will enable SARS to timeously allocate in-year funds to planned capital requirements instead of funding roll over commitments, while awaiting approval from National Treasury. SARS continue to evaluate and plan the appropriate procurement vehicles for capital commitments to mitigate this risk through longer term contracts and panels where possible.

STRATEGIC OBJECTIVE 8

Work with and through STAKEHOLDERS to improve the TAX ECOSYSTEM

SARS must 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. SARS and its stakeholders must leverage each other's strengths to resolve tax administration challenges and improve voluntary tax compliance. SARS' interactions and exchanges must be formal, professional, and transparent. Intermediaries should experience their engagement with SARS as empowering and enabling.

Stakeholder Engagement

There has been a continued focus on strengthening existing relations with identified and prioritised external stakeholders in the Private and Public Sectors and collaboration with SARS internal divisions in efforts to improve co-ordination of the SARS message to stakeholders, facilitate SARS' issue-based engagements with external stakeholders, and for information and experience sharing purposes on both stakeholder and SARS matters and business.

Various working groups and task teams were established to engage on SARS Vision 2024 priorities. A Dispute Working Group was established to address the efficiency of the dispute process. SARS solicited inputs from various stakeholders to ensure the project is successful.

Modernisation engagements with stakeholders included discussions on Recognition of Transfer, Retirement Annuity Contribution Certificates and Paragraph 2(2B) amended rates, third-party Data Trust income distribution and the Business Requirement Specifications (BRS) for the monthly PAYE submission and IT3(t) and IT3(d) third-party data submissions. These stakeholders included the Association for Savings and Investment South Africa, the Banking Association of South Africa, the Institute of Retirement Funds Africa, the Government Pension Administration Agency, the Government Employees Pension Fund, National Treasury and SAPS.

Some of the strategic conversations with stakeholders included stakeholder readiness for filing season 2022, release of the new SARS Service Charter, enhancements to the digital channel interface for Tax Practitioners, and clarification of obligations on Mandatory Disclosure Rules on Common Reporting Standards.

Successful Operational Forums were hosted during the financial year with the Recognised Controlling Bodies (RCBs) and the Banking Association South Africa (BASA) where further clarity and certainty on matters affecting compliance and tax administration were provided. These engagements proved to be of major value to SARS with Stakeholders aligning more with the intent of SARS Vision 2024.

SARS collaborated with Industry Bodies in strategic and post budget events such as the Tax Indaba, World Customs Day, Black Business Council Summit, the American Chamber of Commerce (AMCHAM) and SA Tax Forum.

Various Memorandum of Understandings (MOUs) were updated and implemented during the financial year, though a major milestone was the signing of the MOU with the SAPS and the Directorate for Priority Crime Investigation (DPCI). The signing of the MOU completes a process which began in 2009 under the erstwhile SARS Enforcement's Finance and Justice Project.

International Cooperation

The improvement of SARS' tax and customs eco-systems through bilateral, regional and multilateral stakeholders were high on the agenda for the year under review. To this end, SARS continued to participate in, and contribute to, the development of international tax and customs best practices in leadership and official-level roles.

Commissioner Kieswetter continued to contribute internationally in his various leadership positions, as Vice-Chair and later as Co-Chair of the Global Forum on Transparency and Exchange of Information for Tax Purposes (Global Forum)' Africa Initiative, as Vice Chair of the African Tax Administration Forum (ATAF) and Chair of the ATAF Council's Governance and Organisational Development Committee, as well as Bureau member of the Organisation for Economic Cooperation and Development's Forum on Tax Administration.

Within the tax space, as part of our international obligations, SARS saw the successful conclusion of three very important peer reviews, being the Global Forum's Phase Two Exchange of Information on Request Peer Review and the Confidentiality and Data Safeguards (CDS) Assessment. As a result of the CDS Assessment outcome, South Africa was determined to be an Appropriate Partner with respect to continued participation in Automatic Exchange of Information (AEO). This will stand SARS in good stead as more jurisdictions sign up for AEOI, which data is key to increase tax transparency and identify tax non-compliance. SARS also underwent its latest Country-by-Country Reporting peer review, with no resultant findings or recommendations.

To further expand the scope of exchange of information, Commissioner Kieswetter signed the Mandatory Disclosure Rules (MDR) for CRS Avoidance Arrangements and Opaque Off-shore Structures Multilateral Competent Authority Agreement on the margins of the Global Forum Plenary in November 2022.

On the Customs front, SARS continued its active participation in the World Customs Organisation (WCO) and its regional WCO East and Southern Africa (ESA) structure, as member and in its leadership role as WCO ESA Additional Member. Another milestone was the election of SARS as Deputy Chairperson of the WCO SAFE Working Group.

As is the case with exchange of tax information, increased focus on exchange of customs information under enabling Mutual Administrative Agreement arrangements witnessed a marked increase in cross-border cooperation and information sharing aimed at ensuring compliance with South Africa's customs legislations. It is noteworthy that customs information exchanged, included information on alcohol, clothing and textiles, tobacco products, and other commodities. There was also a marked improvement in spontaneous exchange of customs information.

During the year under review, the "Trade Facilitation and Gender Dimensions in South Africa 2022" report was launched. The report was completed with the support of the World Bank Group and the attendees of the launch included, among others, the WCO Deputy Secretary General. Survey respondents included 204 traders and 78 customs agents.

SARS, in collaboration with the Swedish International Development Cooperation Agency (SIDA) and the World Customs Organisation, hosted the Southern African Development Community (SADC) Customs System and Data Exchange Workshop where a consolidated draft of the SADC Globally Networked Customs (GNC) utility block as well as the adoption of the SADC IT connectivity roadmap and work programme were finalised. This is a critical building block for customs exchange of information in SADC.

In the areas of trade facilitation, the Southern African Customs Union (SACU) Regional Authorised Economic Operator Programme, championed by SARS was approved at the SACU summit. The programme will now be implemented in three phases. Additionally, three bilateral Authorised Economic Operator (AEO) Mutual Recognition Arrangements (MRAs) have been concluded with Lesotho, Uganda and Eswatini.

Bilaterally, SARS continued to cooperate closely with key partners. Examples include the signing of the SA/USA Container Scanner Initiative (CSI) Joint Operational Arrangement (JOA), receiving digital forensic training from France, participating in the Swedish Tax Agency (STA) programme on voluntary compliance, and benchmarking assistance to and from various bilateral partners, both incoming and outgoing. SARS also continued to support Tax Inspectors Without Borders (TIWB), the joint initiative of the United Nations Development Programme and OECD to build tax audit capacity of administrations.

With South Africa taking over the Chairship of BRICS in 2023, SARS will lead the BRICS customs and tax workstreams and planning started in all earnest.

Key Result Performance

Key Result	Indicator	Actual 2020/21	Actual 2021/22	Target 2022/23	Actual 2022/23	Deviation 2022/23	Reason for deviation
The majority of intermediaries surveyed are satisfied with SARS' co-operation and collaboration	SO 8.1: % of intermediaries surveyed that are satisfied with SARS' cooperation and collaboration	Not applicable	93.75%	65.00%	90.32%	25.32%	During the financial year, multiple stakeholder engagements took place with various tax and customs intermediaries across the private sector, government and public sectors. These engagements were mutually beneficial and provided ongoing awareness, clarity and certainty on their tax and customs obligations as well as co-creating parts of Vision 2024.

Performance Context and Analysis

% of intermediaries surveyed that are satisfied with SARS' cooperation and collaboration

The purpose of this measure is to assess the level of satisfaction from tax and customs intermediaries with the cooperation and collaboration from SARS.

It is a strategic imperative to ensure that SARS' intermediaries experience timeous, empowering and enabling assistance to fulfil their tax and customs obligations. A survey study was conducted to measure the effectiveness and satisfaction of stakeholder engagements, effectiveness of the current communication method, effectiveness of the query management, feedback process and satisfaction with the cooperation and collaboration from SARS.

In the survey, the respondents were asked about their overall satisfaction with the cooperation and collaboration from SARS. 28 of 31 (90.32%) respondents were "satisfied" and "very satisfied" with SARS' cooperation and collaboration respectively. Only three of the 31 (9.68%) were "moderately satisfied".

STRATEGIC OBJECTIVE 9

Build PUBLIC TRUST and CONFIDENCE in the tax administration system

Ultimately, SARS is accountable to taxpayers, traders, and their representatives, the general public and elected public office bearers, whose trust must be earned. The public must have confidence that SARS' stewardship of the country's tax system is professional, and fair; that SARS always acts and does the right thing all the time; that SARS maintains the highest standards of integrity and ethics; and that SARS has transparent governance systems and processes and capable and trustworthy leaders.

The SARS Service Charter

What is a service charter?

It is a document that outlines how an organization promises to work with its customers

The service experience the client will have with an organisation and the responsibilities of both the agency and the client.

The SARS Service Carter is

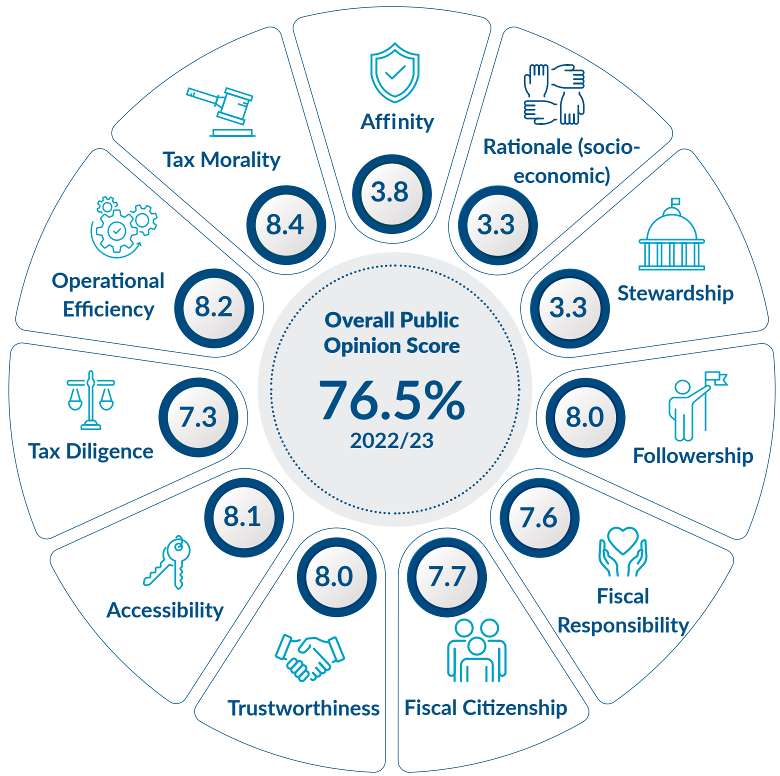
Our tool of **commitment** to meet our **responsibility** of **servicing** taxpayers aligns with "service obsession".

Benefits of the New 2022 SARS Service Charter are to:

- Provides clarity and awareness to taxpayers & traders,
- Build public trust and confidence, and
- Help in strengthening practical service commitments and standards.

Our Commitment to Service Excellence:

SARS is committed to **SERVICE OBSESSION** to offer high standard service and to avoid or eliminate service failures where possible.



Complaints

CMO complaints received in the 2022/23 financial year were 114 157 (FY 2021/22: 62 086). A total of 112 571 complaints were finalised (FY 2021/22: 59 930).

CMO Complaints case management	
Opening Balance	5 306
Inflow	114 157
Finalised	112 571
Closing Balance	6 892

Office of the Tax Ombud (OTO)

OTO complaints received for the 2022/23 financial year were 1 697. A total of 1 812 complaints were finalised. This number included cases brought forward from the PY.

OTO Complaints case management	
Opening Balance	398
Inflow	1 697
Finalised	1 812
Closing Balance	283

Only 30.19% complaints were finalised within the turnaround time while 69.81% were finalised outside the turnaround time.

OTO Complaints turnaround time	
Finalised within TAT	30.19%
Finalised outside TAT	69.81%

From the investigations conducted the reasons for not meeting the desired performance standards on OTO cases were that taxpayers go directly to the OTO, which only gives SARS a turnaround time of 15 days. Furthermore, the types of cases escalated are of complex nature (profile hijacking, disputes and appeals, system related) and these cases are excluded from the 15 days turnaround time target.

However, it also appeared that as much as these cases are complex, they are very old (some over two years), and the reason for ageing relates to:

- Interdependency challenges.
- Backlog in dealing with cases.
- Balancing new and old inventory.
- No updating of notes on the case management system.
- Progress made outside of the case management system.
- Mismanagement of inventory.

Some of the suggestions to remedy the situation include interdependency challenges being addressed through interdependency meetings, addressing backlog issues and the active management of inventory and updating of the case management system.

The top five complaints relate to: Refunds, Audits, Returns, Assessment Disputes and Tax Clearance Certificates.

Key Result Performance

Key Result	Indicator	Actual 2020/21	Actual 2021/22	Target 2022/23	Actual 2022/23	Deviation 2022/23	Reason for deviation
Public opinion survey results reflect high trust and confidence in SARS	SO 9.1: % score per public opinion survey	74.50%	71.80%	75.50%	76.50%	1.00%	Overperformance was due to improvements in SARS operational efficiency, accessibility and trustworthiness. The professionalism, competence of staff, comprehensive communication, user-friendly platforms such as eFiling and PIT auto assessments, also contributed to the improvement of the Public Opinion score.
Adherence to Service Charter commitments	SO 9.2: % Service Charter performance score	54.88%	70.09%	82.00%	79.32%	-2.68%	The underperformance was due to difficulty in attaining committed service levels set out in the Service Charter on e-booking, average queuing time, complex customs registrations, customs declarations with inspections, verifications, VAT Refunds (Previous Year), Debt (Suspension of payment), Tax Clearance Status, Complaints Management Office and OTO.

Performance Context and Analysis

% score per public opinion survey

The purpose of this indicator is to gauge the public's perceptions and attitudes towards tax compliance. This will help SARS to better understand the public's attitudes towards tax compliance and obtain feedback to enable SARS to track and monitor tax compliance over time.

In its effort to improve voluntary compliance, SARS seeks to understand tax compliance from the taxpayers' and traders' perspective. This is done, among many other instruments, through the Public Opinion survey.

The performance of 76.50% on the Public Opinion survey, is a significant improvement from the previous year's score of 71.80% and was mainly driven by improvements in SARS operational efficiency, accessibility and trustworthiness.

Trust is critical in building a tax and customs system based on voluntary compliance. Trust in SARS has been steadily improving since it hit an all-time low of 48% in 2018/19 and is now recorded at 66%. From an accessibility perspective, SARS rated well in terms of making tax information available and having easy processes in place to enable taxpayers to comply.

SARS is actively addressing those factors that affect compliance attitudes over which the administration has influence. There have been notable improvements in SARS operational efficiency which includes having professional and competent staff, comprehensive communication and user-friendly platforms such as eFiling and PIT auto assessments.

% Service Charter performance score

This indicator assesses how SARS is meeting its Service Charter commitments set out in the updated 2022 Service Charter. Adherence to the Service Charter Index performance of 79.32% is 2.68% below the annual performance target.

There were six out of 12 regions that performed at and above 82% (Free State/Northern Cape, Restricted: Prominent and Related, Eastern Cape, Mpumalanga, KwaZulu-Natal, and Limpopo), while the other six regions (Western Cape, High Wealth Individuals, Gauteng-North, Gauteng-South, North-West and Large Business and International) were below 82%.

The unsatisfactory performance on committed service levels in the Service Charter from previous months on e-booking, average queuing time, complex customs registrations, customs declarations with inspections, verifications (previous and current years), VAT Refunds (previous year), Debt (suspension of payment), Tax Clearance Status, CMO and OTO has negatively impacted the year-to-date performance.

Inventory ageing is still a concern, where out of 4.2 million cases, 66% are in 'ready' status for SARS to work on with an average age of 494 days.

Proposals are underway aimed at reviewing some of the service level commitments upwards and revising applicable business rules to improve on performance towards achieving the 2023/24 APP target of 85%.

Linking Performance with Expenditure

(Note: SARS' work spans across all 9 strategic objectives, which are inter related by nature)

Strategic Objectives	2019/20	2020/21	2021/22	2022/23
	Actual Expenditure	Actual Expenditure	Actual Expenditure	Actual Expenditure
		R'000	R'000	R'000
Provide Clarity & Certainty of tax obligations	513 224	507 864	529 722	171 927
Make it Easy for Taxpayers to Comply & fulfil their obligations	3 908 527	3 867 708	3 909 806	3 738 792
Making it Hard and Costly for Taxpayers/Traders who do not Comply	2 794 778	2 765 591	2 715 344	3 628 744
Develop a high performing, diverse, agile and engaged workforce	509 658	504 336	526 622	654 796
Increase the Use of Data to Improve Integrity, Derive Insights & Improve Outcomes	568 386	562 451	599 171	921 125
Modernise our Systems to Provide Digital & Streamlined Services.	1 012 125	1 001 555	1 138 672	1 171 824
Drive Efficient Use of Resources to Deliver Quality Outcomes & Performance Excellence	1 558 004	1 541 733	1 526 982	1 181 617
Work With and Through Stakeholders to Improve the Tax Administration System	93 368	92 393	110 107	82 514
Build Public Trust and Confidence in the Tax Adminstration System	311 826	308 569	345 297	480 915
SARS Total	**11 269 895**	**11 152 199**	**11 401 722**	**12 032 255**
Ringfenced for OTO		42 774	44 425	48 241
Total Expenditure		**11 194 973**	**11 446 147**	**12 080 496**

SARS was allocated an additional R3 billion as per the 2022 ENE over the three year period of 2021/22–2023/24, which brought some relief in 2021/22 to enable augmentation of critical capacity, commence with the journey to replace some critical ICT infrastructure and allow investment in some priority projects.

Tax Administration 2021: Comparative Information on OECD and other advanced and emerging economies highlights the high level of fixed costs of tax administrations, where on average 73% relates to salary costs, between 10% and 25% relates to ICT with the balance being distributed between physical facilities and related costs, statutory costs, operating costs, and capital expenditure. In line with the OECD benchmark, approximately 85% of SARS' costs are similarly contractual (salary costs +/- 66%; ICT operating costs +/- 10% and real estate and related costs +/- 9%).

The same OECD publication reports that the average allocation of staff resources is generally concentrated in SO2 and SO3, mainly in the functions of audit, investigation and other verification functions, which is similar to SARS' resource allocation.

In order to achieve on SO6, the ICT funding allocation remains a focus area for additional investment to align with international peers. The actual investment in ICT expenditure against funding allocated is 15.62%.

3 PART THREE
GOVERNANCE AND RISK MANAGEMENT

Governance

SARS believes that the bedrock of voluntary compliance is an efficient, capable, and disciplined administration that adheres to the highest standards of integrity and governance. A transparent governance system with appropriate checks and balances will instil confidence among SARS' stakeholders and build trust in the organisation. The rebuilding of SARS focused, among others, on the restoration of good governance and institutional capability. This would serve as a key success factor in SARS achieving its organisational mandate to collect revenue, improve compliance and facilitate legitimate trade. SARS' vision of being 'a smart, modern organisation with unquestionable integrity, trusted, and admired' depends on the application of governance principles and standards in everything we do.

The SARS Enterprise Governance Framework has instilled the desire among all SARS staff members to adhere to the principles of the King IV report on corporate governance. As part of SARS' commitment to good governance, the organisation continues its journey to inculcate the principles of integrated thinking to inform integrated reporting. This approach promotes cohesive reporting, that considers a broad range of reporting dimensions and communicates all relevant factors that materially affect the ability of SARS to create value over time. The SARS governance philosophy is based on the combined assurance model, and follows the five lines of the assurance methodology, which ensures alignment between all assurance providers within the organisation. These functions, which include the Enterprise Governance have a mandate to monitor compliance and adherence to Governance mechanisms as well as the internal controls. The monitoring of governance mechanisms and controls, assists in providing assurance that the governance landscape is functioning well and assesses the maturing of the control environment.

During the reporting period several monitoring activities were executed within the second line of assurance areas to provide comfort and assurance that internal controls are effective and there is improvement in the control environment. The associated reports were presented and discussed at the relevant internal governance committee structures for purposes of oversight and implementation of controls, where gaps were identified. Principle 9 of the King IV Report on corporate governance recommended practices is for the governing body to evaluate its performance and effectiveness including that of its committees. During the year under review, various critical enterprise governance committees were duly evaluated with no material deficiencies. A matured governance environment will ensure that SARS achieves its vision of unquestionable integrity and that is trusted and admired.

The improvement in the maturity of SARS' governance environment is evident from the improvement of the revenue results achieved, the improvement in the levels of trust by the taxpayers and traders as depicted in the public survey result and the overwhelming result on the employee engagement. This is a real and true measure of the correlation between good governance and organisational performance, though there is still more work to be done.

Parliamentary Engagements

Standing Committee on Finance (SCOF)

Date of meeting	Matters raised
3 May 2022	SARS 2022/23 Annual Performance Plan; with Deputy Minister
10 May 2022	National Treasury Budget: Committee Report
25 May 2022	National Treasury Q4 Performance 2021/22; BEPS Multilateral Convention; Kuwait Taxation Agreement
7 Jun 2022	Tax administration challenges: Tax Ombudsman, SARS and NT briefing
23 Aug 2022	2022 Draft Rates, Revenue and Tax Bills: National Treasury and SARS briefing
13 Sep 2022	2022 Draft Tax Bills: Public hearings
14 Sep 2022	2022 Draft Tax bills: Public hearings
20 Sep 2022	2022 Rates Bill and Revenue Bill: National Treasury response to public submissions
21 Sep 2022	2022 Tax Bills: National Treasury and SARS response to public submissions
27 Oct 2022	2022 MTBPS: National Treasury and SARS briefing, with Minister
1 Nov 2022	2022 MTBPS: Parliamentary Budget Office (PBO) and Financial and Fiscal Commission (FFC) briefing
2 Nov 2022	2022 Revised Fiscal Framework and Revenue Proposals: Public hearings
4 Nov 2022	2022 Revised Fiscal Framework and Revenue Proposals: National Treasury response to public submissions
8 Nov 2022	2022 Revised Fiscal Framework: Committee report
15 Nov 2022	Rates Bill: adoption; SA Postbank Ltd Amendment Bill: Discussion
16 Nov 2022	Tax Bills: adoption; SA Postbank Ltd Amendment Bill: DCDT briefing (joint meeting)
21 Feb 2023	National Treasury Portfolio Audit Outcomes: AGSA briefing; National Treasury and SARS 2021/22 Annual Report; with Deputy Minister present
23 Feb 2023	2023 Budget: Treasury briefing, with Minister, Deputy Minister, NT and SARS
28 Feb 2023	2023 Budget: PBO and FFC briefing
28 Feb 2023	2023 Budget: follow-up engagement with Treasury, SARS, Minister and Deputy Minister in attendance
1 Mar 2023	2023 Fiscal Framework and Revenue Proposals: Public hearings
3 Mar 2023	2023 Fiscal Framework: National Treasury and SARS response to public hearings
7 Mar 2023	2023 Fiscal Framework and Revenue Proposals: Committee report

Select Committee on Finance (SECOF)

Date of meeting	Matters raised
21 Jun 2022	BEPS Multilateral Convention and Kuwait Double Taxation Agreement
18 Oct 2022	2022 Draft Tax Bills: National Treasury and SARS briefing
8 Nov 2022	2022 Revised Fiscal Framework: Committee report
15 Nov 2022	Rates Bill and Tax Bills: Public hearings
22 Nov 2022	Rates Bill and Tax Bills: National Treasury and SARS response to public submissions
30 Nov 2022	Rates Bill and Tax Bills: Discussion
1 Dec 2022	Rates Bill and Tax Bills: Committee reports
7 Mar 2023	2023 Fiscal Framework and Revenue Proposals: Committee report

Executive Authority - Minister of Finance

SARS had regular engagements with the Minister of Finance throughout the 2022/23 financial year. SARS submitted 12 monthly reports to the Minister of Finance by the 15th of the month following the reporting month, in addition to all the PFMA required reports. The Ministry of Finance noted these reports within 24 – 72 hours after submission and no issues were raised by the Executive Authority in this regard. The Deputy Minister of Finance, Dr David Masondo, attended various of SARS' parliamentary portfolio engagements.

SARS Committees

SARS Executive Committee

The SARS Executive Committee had 11 members and one permanent invitee and convened 13 Executive Committee (EXCO) meetings during the 2022/23 financial year.

Name of member	Designation	Permanent/Acting	EXCO Member/Invitee	Dates
Edward Kieswetter	Commissioner	Permanent	EXCO Member	1 April 2022 to date
Jeanneé Padiachy	Chief of Staff	Permanent	EXCO Member	1 April 2022 to date
Johnstone Makhubu	Chief Revenue Officer	Permanent	EXCO Member	1 April 2022 to date
Herman Smith	Head: Operations Enabling and Production Planning	Permanent	EXCO Member	1 April 2022 to date
Yolande van der Merwe	Chief Financial Officer	Permanent	EXCO Member	1 April 2022 to date
Intikhab Shaik	Head: Technology and Solution Delivery	Permanent	EXCO Member	1 April 2022 to date
Marius Papenfus	Head: Enterprise Data Management	Permanent	EXCO Member	1 April 2022 to date
Bongiwe Mabanga	Head: Governance and Risk	Permanent	EXCO Member	1 April 2022 to date
Khutjo Nathaniel Mabetwa	Regional Director: Gauteng North	Permanent	EXCO Member	1 April 2022 to date
Rebone Gcabo	Head: Taxpayer and Trader Education Products	Permanent	EXCO Member	1 April 2022 to date
Beyers Theron	Head: Border Operations, Ports of Entry and Customs Compliance	Permanent	EXCO Member	1 April 2022 to date
Refiloe Ramaphakela	Head: Internal Audit	Permanent	Permanent EXCO Invitee	1 April 2022 to date
Vacant	Company Secretary			

Audit and Risk Committee

Number of meetings held	Number of members	Name of members
47 Meetings » 6 Official meetings » 6 Special meetings with the Auditor-General » 4 Special meetings with Internal Audit » 3 Meetings with the CFO » 2 Induction sessions » 2 Meetings with ARC Members only » 8 In-Committee sessions with the Commissioner » 16 Ad hoc meetings – Chairperson only	4	Ms Doris Dondur (Chairperson) Mr Thabiso Ramasike Mr Barend Petersen Ms Carmen Mpelwane

Enterprise Governance and Risk Committee

Number of meetings held	Number of members	Name of members	Designation
4 meetings	11 Permanent members	Edward Kieswetter	Commissioner
		Jeanneé Padiachy	Chief of Staff
		Johnstone Makhubu	Chief Revenue Officer
		Herman Smith	Head: Operations Enabling
		Nathaniel Mabetwa	Regional Director: Gauteng North
		Yolande van der Merwe	Chief Financial Officer
		Intikhab Shaik	Head: Technology and Solution Delivery
		Beyers Theron	Head: Border Operations
		Marius Papenfus	Head: Enterprise Data Management
		Bongiwe Mabanga	Head: Governance and Risk
		Rebone Gcabo	Head: Taxpayer and Trader Education
	8 Permanent Invitees	Refiloe Ramaphakela	Head: Internal Audit
		Habiba Logday	Chairperson: Audit, Dispute, Debt, and Investigations
		Den Dwane	Chairperson: People Cluster
		Narcizio Makwakwa	Chairperson: Segment Operations
		Franz Tomasek	Chairperson: Legal Policy
		Dan Zulu	Chairperson: Standard Operations
		Vlok Symington	Co-Chairperson: Product, Process and Segments
		Dipuo Mvelazi	Co-Chairperson: Product, Process and Segments

Enterprise Risk Management

Risk management is an integral part of the business of SARS and a critical success factor to SARS achieving its legislative mandate. SARS' enterprise risks emanate from external and internal factors. It is vital for SARS to understand its risk landscape to devise appropriate measures to mitigate such risks for its performance. The scanning of the environment is pivotal in understanding the risk landscape to establish effective risk responses while leveraging the opportunities that arise. This ultimately informs SARS operational plans.

The past two years since the height of the COVID-19 pandemic, have seen a fluid and fast changing risk landscape. The World Economic Forum (WEF) Global Risks Report for 2022 highlighted the climate crisis, growing social divides, heightened cyber risks, uneven global recovery, and the lingering impact of the COVID pandemic as the top risks facing the world. According to the Institute of Risk Management in South Africa (IRMSA) the 2022 top risks facing South Africa included complete economic collapse, lack of skills to enable economic growth and recovery, large scale disruption of economic activity relying on a stable supply of utilities, large scale interruption of digitally enabled services and economic activity and debilitating loss of trade benefits through SA ports into Africa. This external risk landscape has impacted South Africa and ultimately SARS as an organ of the State. In order to collect all revenue due to the fiscus, SARS is dependent on the country's economic performance. Despite this adverse economic environment, SARS proved to be resilient, as it leveraged the opportunities to accelerate its digitalisation transformation in line with Vision 2024 of a smart modern institution. As a result, compliance grew by 1.3 basis points and exceeded revenue collection and trade facilitation year-on-year.

South Africa and particularly SARS, continued to experience major debilitating business interruptions during the 2022/23 FY affecting the ability to continue normal business processes and delivering a streamlined service to taxpayers, traders, and other stakeholders.

The events of the 2022/23 FY included the April 2022 devastating floods in KwaZulu-Natal, ongoing socio-economic impacts of the COVID-19 pandemic, even though the National State of disaster in response to the COVID pandemic was lifted in April 2022, and the ongoing energy crisis in South Africa. Inclusive to these factors were the increasing debt crises both nationally and globally, the impact of the Russian war against Ukraine, systemic global supply chain challenges primarily caused by the resurgence of COVID in China, and recession among many trading partners. SARS responded robustly to these events as it continued to provide a seamless service to all its stakeholders, the taxpayers, and traders.

In terms of risk governance, EXCO members as risk owners are held to account for the management of the relevant assigned risks at the quarterly internal Enterprise Governance and Risk Committee (EGRC) meetings chaired by the Commissioner. The Commissioner as the Accounting Authority also regularly accounted to the Audit and Risk Committee (ARC), this is the external oversight body on risk management at SARS.

In the process of entrenching improved risk reporting, the quarterly Integrated Strategic and Operational Risk Reports were presented at the quarterly EGRC and ARC meetings. This enabled the organisation to effectively address the critical Strategic and Operational risks it faced on its path to building a foundation to sustain revenue growth and advocating service excellence towards the higher purpose. SARS continued its risk-focused working relationship with international bodies such as the IMF in respect of its Tax Administration Diagnostics Assessment Tool (TADAT) and the Enterprise Risk Management - Community of Interest (ERM-COI) of the OECD Forum on Tax Administration (FTA). SARS participated in OECD surveys conducted in specific risk areas, including the annual assessment of top risks affecting revenue administrations and a focused survey on Digital Transformation Risks. SARS participated as a panelist for the TADAT Coffee Chat on "Leveraging third-party data".

The table below highlights the current Strategic Risk Profile with key mitigating actions. The risks listed below are in no particular order of ranking.

Strategic Risk	Mitigating Strategic Objectives	Mitigating Actions
1. Taxpayers and traders are unclear and uncertain	SO1	» Provided clarity of legal obligations through campaigns, education, awareness, advance rulings, advance pricing agreements, interpretation notes, and explanatory guidelines. » Conducted regular research to gauge taxpayer and trader perceptions of clarity and certainty of tax and customs laws.
2. Taxpayer compliance burden becomes too high	SO2 SO6	» Provided a seamless registration, filing, declaration and payment experience for standard taxpayers and traders (e.g., auto assessment). » Expanded the secure digital platforms that host digital offerings, data, available 24/7.
3. SARS does not provide a credible threat and certain categories of taxpayers become non-compliant	SO3 SO4 SO5	» Improved capabilities to detect, profile, and select instances of non-compliance. » Developed capability to manage interventions to address non-compliance instances. » Assessed and developed the competencies required to meet the future mode of work. » Deepened SARS' data science and artificial intelligence technologies.
4. The quality of leadership integrity fails, and poor choices are being made	SO4	» Completed the development of a SARS Leadership Model. » Ensured Leaders are assigned to appropriate roles and held accountable for delivery.
5. The workforce is not engaged	SO4	» Developed an Employee Rights Charter - institutionalised the five employee rights. » Created more meaningful roles and career progression - commencing with Service Consultants.
6. SARS has insufficient resources	SO7	» 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. » Reviewed the EVP with non-financial benefits to reduce pressure on the overall salary costs.
7. Declining Economy	All nine Strategic Objectives and **Strategic Intent**	» Adopted tax broadening strategies and developed 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. » Increased investigative and audit capacity, which is a deterrent to possible non-compliant taxpayers.
8. Decline in Tax Morality in South Africa	SO8 SO9 **Strategic Intent**	» SARS must build Public Confidence by: • Acting with visible independence - without fear, favour, and prejudice. • Demonstrating professionalism beyond reproach. • Showing measurable success in addressing tax non-compliance and crime. » SARS must play an Advocacy role by: • Demonstrating exemplary Stewardship within Government. • Appealing to the rest of Government to demonstrate resource stewardship. • Working with and through all intermediaries to strengthen the Tax eco system.
9. The impact of COVID-19 on society and SARS remains uncertain	**Strategic Intent**	» Developed strategies for a post-COVID environment. » Implemented modern technological solutions to minimise the impact of the Coronavirus on business continuity and overall taxpayer compliance. » Monitored the uptake of the COVID-19 Tax Relief measures in order to gauge the degree of the impact on business. » Maximised internal processes to ensure the wellbeing of staff - working towards hybrid workplace arrangements.

The majority of the risks were well mitigated with substantial progress to reduce their impacts. A brief report is presented on the actions undertaken to manage these risks.

1. Taxpayers and traders are unclear and uncertain

The risk of the overall taxpayer experience may not empower and enable them to receive necessary clarity and guidance resulting in taxpayers being unaware of their tax obligations. To overcome these uncertainties, SARS embarked on extensive programmes providing webinars on multiple tax and trade topics; and industry/sector and trade specific education workshops targeting general taxpayers, SMMEs and university students. SARS further expanded its footprint and reach by partnering with relevant stakeholders to use their facilities and provide joint workshops on fiscal and financial literacy. After several stakeholder engagements the AEO programme campaign was successfully launched across various digital and physical channels throughout March 2023. All these were intended to provide clarity to taxpayers and traders on their legal obligations and ultimately improve compliance.

2. Taxpayer compliance burden becomes too high

The administrative burden of paying taxes could be deemed as costly, time-consuming, and difficult. Multiple interventions implemented by SARS increased the number of taxpayers and traders using digital and self-help platforms. The performance for the 2022/23 FY was 89.4%, exceeding the annual target by 1.4%. One of the key interventions was the roll out of the South African Travel Management System (SATMS) at major international airports, easing compliance and improving safety for international travellers to the country. To further reduce the compliance burden, SARS implemented LiveChat during November 2022 allowing taxpayers to interact via chat with a live service agent on simple Income Tax queries. The uptake was more than 4 000 queries in the first month of the launch. Numerous system enhancements and upgrades were implemented to improve efficiencies during the Revenue Drive, which included upgrades to the eFiling platform.

3. SARS does not provide a credible threat and certain categories of taxpayers become non-compliant

The proliferation of illicit economic activities continued to pose a serious threat to South Africa's growth, revenue base, and stability. SARS implemented successful interventions throughout the financial year resulting in an overall improvement in tax compliance, with the compliance programme revenue up by 7.6%. At year-end, more than 23.8 million submissions across tax and customs were processed, of which 9.3% resulted in an audit case being created for 2.2 million. A total of 1.8 million cases were finalised, of which 1.1 million resulted in an adjustment rate of 56.8%. The risk engines were highly successful, recording between 81% to 100% valid risks identified, across various tax types, averaging an overall achievement rate of 96.6%.

SARS continues to participate in the Fusion Centre, the South African Anti-Money Laundering Integrated Task Force (SAMLIT), the Anti-Corruption Task Team (ACTT), and the Inter-Agency Working Group (IAWG) on International Financial Flows (IFF). These participations aim to align a whole of government approach addressing various risks and priorities for South Africa.

4. The quality of leadership integrity fails, and poor choices are being made

The Commission of Inquiry into Tax Administration and Governance at SARS had highlighted a "massive" failure in integrity and governance within SARS, which significantly contributed to the failure of SARS to meet its estimated revenue targets. This was attributed of leadership making poor choices. To ensure that this failure is mitigated from recurrence, SARS has embarked on embedding a new leadership model to all levels of leadership and management. A Leadership Knowledge Hub was developed and piloted to provide relevant material and resources to further support sustainability and alignment of resources used.

The implementation of the Women in Leadership (WIL) enterprise unit continued in the 2022/23 FY, with WIL forums held across all regions. In addition, WIL members participated actively in international forums and discussions (such as the African Tax Administration Forum (ATAF), OECD, WCO) to share best practices.

SARS has established a Junior Board, with representation at EXCO, as a platform to develop and mentor the next leadership. The Junior Board has done much to engage the Youth@SARS, which has made a positive impact. The youth were provided with a platform and encouraged to provide insights, innovative and disruptive ideas, and solutions to various issues throughout the year.

5. The workforce is not engaged

SARS experienced a decrease in the levels of Employee Engagement during 2017 and influenced by changes resulting from the "new operating model" which, according to Nugent, was deliberate in breaking down organisational integrity. In order to improve employee engagement several initiatives were undertaken through lessons learnt from the previous year's results. An enterprise-wide campaign was undertaken to improve staff participation in the employee engagement survey to understand and address the challenges with the integrated Employee Engagement model.

SARS achieved a 69.4% Employee Engagement Index (EEI) score versus the target of 62%, which is a significant improvement of 7.4% achieved, indicating the success of the implementation of the programme of action initiatives for 2022/23. The Annual Recognition Awards conducted in December 2022, was a resounding success celebrating commitment and achievements of nominated and winning staff in various categories. SARS further launched a revised Employee Value Proposition, that encouraged staff participation in its development to improve its commitment and engagement with staff.

6. SARS has insufficient resources

Due to insufficient funding, SARS was unable to implement and honour some of its agreements and the evolving taxpayer and trader needs. SARS continued to allocate resources and reappropriate funding to key priorities with a clear "cost-benefit" mindset ensuring that the entity delivered more with the limited resources to improve the taxpayer experience without sacrificing quality and excellence. To assist in alleviating the funding shortfall, Procurement continued to ensure value for money by stringent negotiations and vendor performance management.

7. Declining Economy

The lacklustre performance of the economy continued to impact negatively on tax revenue collections with year-on-year revenue collection targets becoming more challenging to meet.

The South African economy was on track for recovering from the COVID-19 pandemic; however, it was suddenly affected by the negative impact of the floods in KZN, the Russian war in Ukraine, systemic supply chain challenges (China COVID resurgence), global inflationary pressure and slowing economic growth and recession among many trading partners. This has been further exacerbated by the ongoing energy crisis and continuous load shedding.

Despite these challenges, SARS recorded a historical gross revenue collection of R2.068 trillion, and R381.1 billion in refunds paid back to taxpayers, which is a net revenue of R1.687 trillion. Additionally, the tax base grew by 1 794 098 taxpayers yielding a net revenue of R8.1 billion from gross collections of R10.2 billion.

8. Decline in Tax Morality in South Africa

Research and empirical evidence show that taxpayer attitudes towards compliance and their willingness to comply, are influenced by how they perceive taxes are utilised by Government. Loss of public confidence due to concerns about corruption coupled with poor service delivery, make it difficult for SARS to increase voluntary compliance. To combat the risk of a decrease in tax morality, SARS continued working with and through other stakeholders to improve the tax ecosystem with Private Sector Industry Bodies, including trade and freight associations, the banking and education sectors and various other key stakeholders.

9. The impact of COVID-19 on society and SARS remains uncertain

SARS successfully minimised the continued impact of COVID-19 on staff, administering taxes, trade facilitation and service delivery to taxpayers and traders through multiple interventions. Technological solutions were optimised to minimise the disruptive impact and support taxpayer compliance. Approved Tax Relief measures were implemented to ease the impact of COVID-19 on business. Workplace Wellness has been and continues to be at the centre of the organisation's business continuity response as the workforce re-entered the physical work through a hybrid work model.

The learnings from the impacts of the COVID-19 pandemic, has led SARS to reassess its current business continuity practices, and has developed an enterprise-wide, integrated Business Continuity Management System (BCMS).

Integrity Promotion

SARS has defined its Vision 2024 as one where it aspires to become a smart, modern organisation with unquestionable integrity which is trusted and admired by taxpayers, traders, key stakeholders, and the public at large. SARS' journey towards a culture of unquestionable integrity is work in progress. SARS is currently undergoing a reinvigoration which presents opportunities to instil a sense of purpose, and to build a resolute workforce that is determined to move SARS forward. Consequently, SARS exists to serve a higher purpose through a dedicated, resilient, and loyal workforce who share a personal conviction to serve all taxpayers and traders with excellence and unquestionable integrity to enable the government of South Africa to deliver on its promise to its citizens through sustainable economic growth and social development to ensure a thriving democracy.

The SARS Vision 2024 necessitated the organisational redesign, structural realignment, new strategic objectives, policy review as well as emphasis of the Values, Code of Conduct and Ethics. Key to supporting this journey has been the merging of the Integrity Promotion Unit (IPU) and Anti-Corruption Unit (ACU) under a new Functional Head in the Corporate Cluster, with the mandate to facilitate a culture of integrity which supports sound ethical behaviour, thereby enhancing good governance, improving ethical decision making and protecting all SARS officials, stakeholders, and the reputation of SARS. Although merged, the units, however, maintain their distinctive features and roles. The IPU and ACU lead the organisation's efforts in integrity promotion and countering internal fraud. The Integrity and Anti-Corruption Framework forms the basis of the Unit's holistic approach, thereby contributing to the overall SARS vision, strategic intent, and compliance model. The Framework has been operationalised through the Fraud Prevention Plan for 2022/23.

It is important to note that given the uniqueness of SARS' business, integrity in SARS is not merely the absence of a questionable behaviour or character but much more. SARS strives to thoroughly hardwire integrity into the fabric of its culture, business, and day-to-day operations. This is particularly important as integrity is a necessity to voluntary compliance and attainment of revenue estimates. For better management and monitoring of ethical compliance, SARS acknowledges that the current ethical landscape needs to be formally assessed to establish a base line and to gain a better understanding on areas that require strengthening. It further acknowledges that SARS does not operate in a vacuum and the support of all stakeholders (employees, suppliers, taxpayers and other government entities) in this quest for creating a culture of unquestionable institutional integrity is vital.

The SARS integrity approach emphasises institutionalisation of integrity on three levels namely: system integrity, transactional integrity, and people integrity.

Achievement on the IPU deliverables

The Integrity Promotion Unit is responsible for facilitating the creation of an environment that promotes ethical conduct. To this end, the Unit achieved the following during the period under review:

» **Promoting a culture of integrity to impact on the trust levels of the organisation internally and externally**

The IPU conducted 53 Ethics and Integrity awareness sessions covering 2 147 employees across the regions, including Customs Ports of Entry. The IPU also participated in the National Induction Programme wherein ethical standards of behaviour and core values were socialised. A total of 13 induction sessions were conducted covering 326 new employees. A total of 8 926 employees completed the Ethics e-learning course. Three sessions were also conducted with external stakeholders as part of promoting integrity externally. All these initiatives served to create an improved understanding of employee, leadership, and stakeholder obligations towards living the SARS values and applying the appropriate ethics. These sessions have been positively impactful considering the increased reporting of incidents of perceived integrity lapses and alleged fraud and corruption.

» **Strengthening organisational capability to promote a culture of unquestionable integrity**

As part of embedding integrity into the fabric of SARS business and day-to-day operation, the IPU continued to align policies and SOPs with the organisation's four values. A total of 21 policies and SOPs were reviewed and aligned in the Enforcement and Support Services divisions. The Unit continued to align the SARS values with organisational programmes, such as the Operations Management Systems (OMS), SARS Leadership Model, Service Charter, and EVP. Specific integrity measurement and enhancement tools and initiatives, such as the integrity barometer, integrity testing tool and integrity assessment questionnaire are being developed and established.

The IPU continued to work with Customs to implement a three year Integrity Action Plan to address the recommendations emanating from the WCO Customs Integrity Perception Survey (CIPS) and Customs Integrity Diagnostic Assessment (CIDA) conducted in the 2021/22 financial year. This is exceptionally important since the report enabled leadership and the organisation to establish a baseline on the levels of integrity, areas of improvement and required interventions in Customs Operations. In addition, the IPU represented SARS in the WCO missions in Eswatini and Nigeria as well as in the WCO Integrity Sub-Committee annual session. This enabled SARS to share knowledge and experiences with its global counterparts who participate in the field of fostering integrity and ethical standards, as well as combatting fraud and corruption.

- **Fostering ethical organisational culture through the development and effective communication of acceptable behavioural standards**
  As a result of continuous benchmarking, research, and the quest to mobilise SARS employees to always think integrity and act ethically, various integrity articles were published, and other communications channels, including screensavers, were leveraged for this purpose. The simplified ethical behavioural standards, new values and associated behaviours were developed and communicated across the organisation. The process to review the Code of Conduct and Ethics as well as the Integrity and Anti-Corruption Policy, has been initiated and the policies have been submitted for sign-off. In addition, integrity ambassadors were identified to serve as anchors for integrity promotion in the regions.
- **Providing Ethical advice and second line assurance reports on ethical risks and integrity lapses**
  To embed the language of integrity in SARS, an Integrity helpline/mailbox (SpeakOut@sars.gov.za) was launched in May 2022, which encourages employees to openly and confidently report ethical breaches, dilemmas, and any deviation from the norm. During the period under review, 37 enquiries were received and processed. In addition, the criteria were developed and socialised to enable ethical decision making.

  The IPU continued to participate in the SARS Combined Assurance Working Group (CAWG) as well as the Governance and Regulatory Compliance Committee (GRCC), where input was continuously provided on various aspects of organisational integrity. The areas where second line assurance can be provided on ethical and integrity risks, were also discussed. This has enabled management to improve controls and strengthen oversight to reduce opportunities for transgressions.

Compliance with Laws and Regulations

SARS is a creature of statute which has a legislative mandate to collect revenue, ensure compliance with tax and customs legislation and facilitate legitimate trade. Therefore, compliance with laws is critical to the success of achieving SARS' mandate and informs the base of its existence. SARS exists to serve the higher purpose which enables the South African government to build a capable state and must ensure that it has unquestionable integrity as an institution and with its leadership. In its endeavours to develop a tax and customs system that is based on voluntary compliance, SARS has entrenched the legislative requirements into the DNA of the organisation to inform the day-to-day operations. The operations of SARS serve as a first line of assurance in ensuring the organisation's compliance to all applicable legislation. The Regulatory Compliance Unit facilitates and guides the business in implementing effective internal controls to mitigate the risk of non-compliance while providing second line of assurance.

During the 2022/23 financial year, the business focused on institutionalising the provisions of POPIA which came into effect in July 2021. This ensured that the business did not just implement the legislation but appreciated the impact the legislation had on the mandate and the employees. There was specific focus on the Operators and any possible overlaps with existing legislation. Senior Leadership and all employees of SARS were trained on the requirements of POPIA, the importance of compliance, its impact on various business processes and most importantly on their respective roles. Governance mechanisms on POPIA (such as policies) were improved and socialised with all staff as part of continuous improvement.

Routine reporting to the Enterprise Governance and Risk Committee and Audit and Risk Committee on the status of regulatory compliance in the organisation, is ongoing as this enables these Committees to exercise their oversight responsibility over regulatory compliance matters in the organisation.

SARS will continue to build and strengthen the regulatory compliance culture to ensure a matured compliance environment.

Fraud and Corruption

SARS' journey towards a culture of unquestionable integrity, as defined in its Vision 2024, is work in progress. Key to supporting this journey has been the merging of the Integrity Promotion Unit (IPU) and Anti-Corruption Unit (ACU) under a new Head in the Corporate Cluster during 2021/22, which was further refined and strengthened in 2022/23. The IPU and ACU lead the organisation's efforts in integrity promotion and countering internal fraud and corruption efforts through their mandate to facilitate a culture of integrity, which supports sound ethical behaviour, thereby enhancing good governance, improving ethical decision making and protecting all SARS officials, stakeholders, and the reputation of SARS. The integrity agenda is further supported by the Vetting, Screening and Conflict of Interest (VSC) Unit, which conducts pre-employment screening and security vetting to identify and highlight potential risk areas. The VSC also consider and manage potential conflicts of interest.

SARS adopted a holistic approach in the promotion of integrity and the combatting of internal fraud and corruption, through its Integrity and Anti-Corruption Framework. The framework further guides the organisation to adopt a pro active approach by focusing on prevention and early detection, in addition to investigation and resolution. The framework was operationalised through the Fraud Prevention Plan for 2022/23, which includes clear responsibilities in terms of the organisation's Five Lines of Assurance Governance Framework.

A key focus area for the year was strengthening governance and stakeholder relationships both internally and externally. The ACU continued to provide regular customised, strategic insights to SARS regions and clusters, as well as external forums which can positively influence the organisation's efforts to counter fraud and corruption. A key contribution by the ACU was towards the WCO Survey and Diagnostic conducted during the year, as well as contributions to the SARS Integrity Action Plan for Customs to address the issues highlighted through the WCO initiatives. The ACU will continue to support this effort through focused activities outlined in its Action Plans. The ACU further enhanced transparency across the Internal Fraud and Corruption end-to-end process to increase awareness and improve consequence management across the process. This will remain a key focus area in the new year.

The ACU continues to represent SARS at various anti-corruption forums, notably the National Anti-Corruption Strategy (NACS) Reference Group, whose work culminated in the formulation of the NACS strategy for South Africa, which has become South Africa's national guide on how best to address ethical transgressions and combat fraud and corruption.

Mechanisms in place to report fraud and corruption

SARS has a Protected Disclosures (whistle-blower) Policy. There are several entry points which can be used to report suspicions/allegations of fraud and corruption:

» Inform line managers' manager where the disclosure implicates the employee's immediate line manager.
» Utilise the SARS Hotline number (0800 00 28 70).
» Utilise the SARS Anti-Corruption mailbox at Anti-Corruption@sars.gov.za.
» Inform any member of the Anti-Corruption Unit.
» Inform any member of the Employee Relations Unit.
» File a Report of Suspected Non-compliance (RSN) on the SARS website or intranet.

Regardless of the channel used, all incidents are submitted via a RSN form for analysis, evaluation, and assignment to the relevant SARS unit. A case is registered, and all actions related to the case are recorded.

Where the matter is referred for disciplinary action, it is referred to the employees' line manager for evaluation and decision on whether to proceed with disciplinary action. When an internal investigation concludes that a supplier has committed fraud/corruption in collusion with a SARS employee, a criminal case is registered, and support is provided to the SAPS and NPA until the case concludes in court.

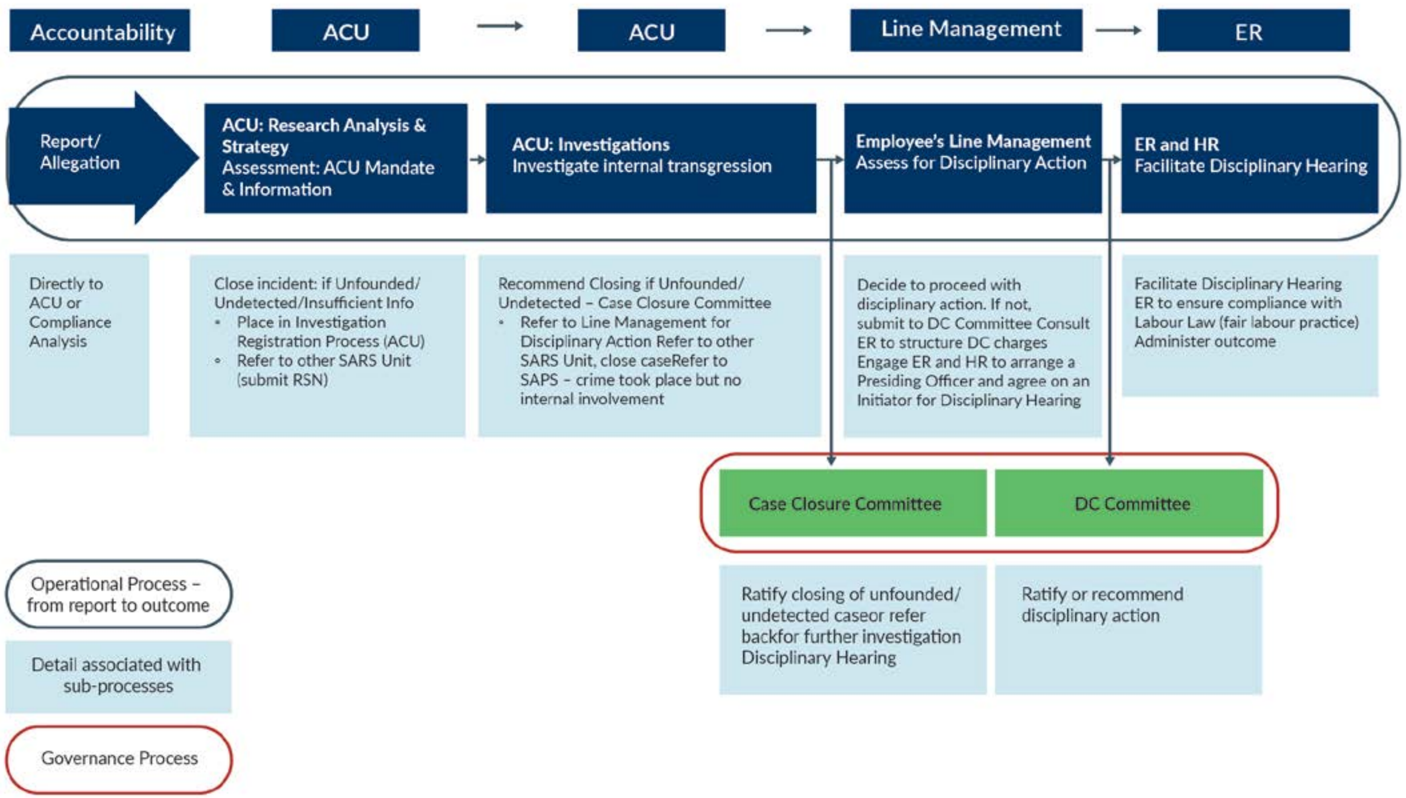
Actions taken where reported matters involve SARS employees

The mandate of the SARS ACU is to combat internal fraud and corruption, to minimise revenue leakages and protect the integrity of SARS systems and processes. This includes prevention, detection, and investigation of internal fraud, theft, corruption, and serious misconduct by SARS employees and/or third parties, as well as to enable the pursuance of disciplinary and criminal action where appropriate. All allegations are duly considered and, where appropriate, extensively investigated.

In 2022/23, 138 cases were escalated for ACU investigation. Most allegations related to matters affecting own-accounts (31), irregular customs processes (30), unauthorised interference in tax matters (21), serious behavioural misconduct (20) and information breaches (12). The ACU completed 271 investigations (which included new and rollover cases from previous years). A total of 34 cases were referred to the SAPS (31 during/after investigation, three after dismissal of the employees). In most cases referred to the SAPS (68%), the indications were that a crime had occurred, but no evidence could be found that a SARS official was involved.

In total, eight employees were arrested in 2022/23 and one employee was sentenced to seven years direct imprisonment on charges of corruption. Completed investigations resulted in 87 matters, involving 98 employees, being referred for disciplinary evaluation. Matters relating to 85 employees were finalised (included rollover matters from previous years). The outcomes of disciplinary proceedings resulted in 12 employees being dismissed, while seven employees resigned (including one who took early retirement) and a further 37 lesser sanctions - ranging from Final Written Warnings coupled with suspension without pay to corrective counselling - handed down.

Combatting Fraud and Corruption End-to-End Process



Minimising Conflict of Interest

To build credibility, confidence and public trust, SARS employees have a responsibility to act with integrity and without bias when fulfilling their official duties. This gives rise to the requirement that employees should disclose private interests which may impact on their impartiality when executing their public duties. The Conflict of Interest (COI) Policy is a measure and standard put in place by SARS to guide, and to assist employees in managing conflicts of interest that can arise between their private interest and their public responsibility.

SARS achieved a 100% compliance rate for submission of Declaration of Private Interest (DOPI) by all employees in 2022. Target based DOPI verifications are done, where employees who are identified to have directorships and commercial vehicles are prioritised for verification of private interests, to ensure that they comply with SARS policies. The declared private interest was verified to ensure that where conflict is identified, it is mitigated and/or resolved.

It is also important to manage private interest of external candidates prior to their appointment to SARS. This is to ensure that the organisation does not appoint candidates with perceived, potential or direct conflict. Where such conflict exists, candidates are required to resolve the matter prior to their appointment.

Employees are also required to declare third-party relations, especially those that may pose a risk to SARS.

Another measure relates to checking, monthly, that SARS employees are not conducting or intending to conduct business with the State. Where employees are registered on the National Treasury's Central Supplier Database (CSD), they are required to resign as directors of said companies. Over 70% of those who registered their companies, have since removed themselves from the CSD or resigned from conflicted companies, failing which, disciplinary measures are instituted against them. This is a pro active measure, to ensure that employees will not bid for tenders and conduct business with the State.

SARS Social Responsibility

During the 2022/23 FY, SARS donated a total of 11 594 IT and furniture assets to 242 beneficiaries across all provinces of South Africa.

The breakdown per quarter is as follows:

- In quarter one a total of 2 467 IT and non-IT assets were donated to 50 beneficiaries.
- In quarter two a total of 3 183 IT and non-IT assets were donated to 70 beneficiaries.
- In quarter three a total 2 819 IT and non-IT assets were donated to 69 beneficiaries.
- In quarter four a total of 3 125 IT and non-IT assets were donated to 53 beneficiaries.

Community Initiatives

Project Sizani (We all Help)

SARS and the Department of Trade Industry and Competition (the DTIC) joined forces to lead the donation of tons of seized clothing, blankets, and footwear to flood victims in KwaZulu-Natal (KZN), Eastern Cape, North West, and the Free State.

This SARS conceived initiative deviated from a 2009 and 2020 NEDLAC agreement stipulating that seized goods must be destroyed to avoid disruption to the South African market. The community initiative was enabled by engagements with various key public and private sector stakeholders to obtain approval for this "once-off deviation".

The execution of the operation was led by a Governance Task Team (GTT), established for this purpose. The GTT was responsible for overseeing the process flow and to ensure that the donated goods were duly accounted for. The distribution was strictly monitored through the close working relationship at ground level with the Department of Social Development (DSD) and the shelters housing flood victims who had lost everything.

Representatives of organised labour and the Clothing Textiles Footwear and Leather industry were involved in every step of the project to monitor the processes and ensure mitigation of any risks of diversion into the local market, the sale of the goods and therefore harm to the local market.

Civil Society and a shipping association assisted with the transport of the containers to the various distribution hubs.

Internal Audit Report

Objective

Internal Audit helps the organisation accomplish its objectives by bringing a systematic, disciplined approach when evaluating and improving the effectiveness and efficiency of risk management, control, and governance processes. Internal Audit at SARS is an independent, objective assurance and consulting activity designed to add value and improve the organisation's operations. Internal Audit reports functionally to the Audit and Risk Committee and administratively to the Commissioner.

The purpose, authority, and responsibility of the internal audit function are formally defined in the Audit Charter, which is reviewed and approved by the Audit and Risk Committee. Internal Audit executes its work according to the Treasury Regulations and the Standards of the Institute of Internal Auditors (IIA). For the best management practice, reference is made to the King IV, principle 15, which outlines internal audit arrangements needed to provide relevant and objective assurance that contribute to the effectiveness of governance, risk management and control processes.

The controls, subject to evaluation, include the information systems environment, the reliability and integrity of financial and operational information, the effectiveness of operations, safeguarding of assets, and compliance with laws, regulations, and controls. Internal Audit also assists the Accounting Officer in achieving the objectives of SARS, by evaluating and developing recommendations for the enhancement, or improvement of the processes, through which:

- Objectives and values are established and communicated.
- Accomplishment of objectives is monitored.
- Accountability is ensured.
- Corporate values are preserved.

Summary of Work Done for the 2022/23 FY

A risk based internal audit plan was implemented as approved by the Audit and Risk Committee. The audit projects were spread to obtain a balanced view of the state of the control environment within SARS. Accordingly, the plan included audit projects which focused on information technology, core business operations, support operations and financial management. Listed below are some of the key areas that were evaluated during the FY, the results for which were presented to management and the Audit and Risk Committee:

- Governance Review: Appeal Case Closures
- Inventory Management
- Risk Engine - Risk Identification, Case Creation and Finalisation Value Chain
- Business Continuity Management (BCM) Advisory Review
- Emerging Technology Advisory Review
- IT Data Centre/Server Room Management Review
- System Capacity and Availability Management
- Disaster Recovery Plan
- Audit of Predetermined Objectives (AoPO) – (APP 2022/23)
- Interim and Annual Financial Statement Review
- Tenders over R100 million
- Tracking of Procurement Strategy: Tracking of Remediation Measures (Procurement Strategy)
- Guarantees and Suretyships Review
- Asset Management
- Non - Taxation Revenue Review (RAF)
- Own Accounts Revenue Management Review
- HR Value Chain – Work Force Plan
- Debt Write-Off: Reconciliation Process
- Fraud Risk Management - Personal Income Tax (PIT)
- Fraud Audit: Tax Clearance Certificate
- Project Assurance Review - Document Storage Reduction
- Project Assurance Review – GRAP
- Project Assurance Review - New Customs Act Programme (NCAP)

Role of the Audit and Risk Committee

The Audit and Risk Committee is established as an independent statutory committee in terms of the PFMA. The committee functions within approved terms of reference, which are reviewed at least annually to ensure their continued relevance and compliance with relevant legislation, regulation and governance codes. The Committee is required to report among others on the effectiveness of the internal controls, the quality of the management reports submitted in terms of the Division of Revenue Act as well as its evaluation of the Annual Financial Statements.

Ms Doris Dondur

Chartered Accountant (SA), Chartered Director (SA)
External
Appointed: 2 August 2018
Attended 44 meetings in 2022/23

Qualifications:

- Bachelor of Accounting (Stellenbosch)
- Honours B Compt (Unisa)
- Global International Executive Development Programme (Wits and London Business School)
- International Executive Development Programme (University of Reno)
- Honours in Business Administration (Stellenbosch Business School)
- Masters in Business Administration (Stellenbosch Business School)
- Post Graduate Certificate in Labour Relations (Unisa) (Cum Laude)

Mr Thabiso Ramasike

CAIB (SA) – (Institute of Bankers of SA)
External
Appointed: 14 July 2016
Attended 30 meetings in 2022/23

Qualifications:

- BComm (UJ)
- Senior Executive Development Programme (GIBS)
- Global International Executive Development Programme – (University of Toronto and York University, Canada)

Ms Carmen Cary-Anne Mpelwane

Chartered Accountant (SA), CFA Charter holder
External
Appointed: 24 February 2022
Attended 30 meetings in 2022/23

Qualifications:

- Postgraduate Diploma in Accounting (UCT)
- Bachelor of Business Science (Finance Honours - UCT)

Mr Barend Petersen

Chartered Accountant (SA)
External
Appointed: 20 September 2021
Attended 25 meetings in 2022/23

Qualifications:

- B Compt Honours (UNISA)
- B Compt (UNISA)

Report of the Audit and Risk Committee

The Audit and Risk Committee (the Committee) is established as an independent statutory committee in terms of section 51 (1) (a) of the Public Finance Management Act (PFMA) and Treasury Regulation 27.1 The Committee functions within an approved terms of reference and complies with the relevant legislation, regulations, and governance codes.

The Committee submits this report for the financial year as required by Treasury Regulations 27.1.7 and 27.1.10 (b) and (c) issued in terms of section 51 (1)(a)(ii) and 76(4)(d) of the PFMA.

Audit and Risk Committee Membership

The Committee consists of four Independent Members and is chaired by Ms Doris Dondur.

The Committee held six ordinary meetings for the financial year ended 31 March 2023 as required per its approved Terms of Reference.

Audit and Risk Committee Responsibility

The Committee is satisfied that it has complied with its responsibilities as outlined in section 51(1)(a)(ii) of the PFMA, Treasury Regulation 27.1.7 and section 94 (7) of the Companies Act. The Committee also reports that it has adopted and reviewed formal Terms of Reference as its Audit and Risk Committee Charter and has discharged all its responsibilities as contained therein.

The Effectiveness of Internal Controls

The PFMA requires the Accounting Authority to ensure that the organisation has and maintains effective, efficient, and transparent systems of financial, risk management and internal controls. The Committee reviews the effectiveness of internal controls and oversees risk management. The reviews on the effectiveness of the internal controls were conducted and covered financial, operational, compliance and risk assessment.

In line with the applicable legislation, Internal Audit provides the Committee and management with reasonable assurance that the internal controls are appropriate and effective. This is achieved by evaluating internal controls to determine their effectiveness and efficiency and by developing recommendations for enhancement or improvement. The Committee has reviewed the Internal Audit findings, which did not reveal any shortcomings in internal controls during the year under review.

Through the Committee's analysis of the audit reports and engagement with the management team, the Committee reports that the system of internal controls for the period under review were adequate and effective and the risks were found to be at an acceptable level.

In-Year Management, Monthly and Quarterly Reports

The public entity has reported monthly and quarterly to National Treasury, as required by the PFMA. The Committee has reviewed the quarterly management reports of the public entity and is satisfied with the quality of information provided.

Risk Management

Management is responsible for the establishment and maintenance of an effective system of governance relating to, inter alia, risk management and the prevention and detection of fraud and internal controls. Internal Audit was guided by the prevailing section of governance systems which determines the risk profile provided by management in identifying critical audit areas and management's inputs in the formulation of its 3-year strategic and annual plans.

The entity has an Enterprise Risk Management committee that is composed of EXCO members and senior management to fulfil the risk management responsibilities. A risk register is updated quarterly to ensure that all the major risks including emerging risks facing the organisation are effectively managed. The Committee monitors the risk register and management's progress with regards to the implementation of the risk mitigating actions at its quarterly meetings.

The Effectiveness of Internal Audit

Internal Audit is responsible for reviewing and providing assurance on the adequacy and effectiveness of the internal control environment across all the significant areas of the organisation and its operations.

The Committee is responsible for ensuring that the organisation's internal audit function is independent and has the necessary resources, skills, standing and authority within Interfront to enable it to discharge its responsibilities effectively. The Internal Auditors have unrestricted access to the Committee.

The Chief Audit Executive has a direct functional reporting line to the Chairperson of the Committee.

The Committee reviews and approves the Internal Audit Plan annually. Internal audit's activities are measured against the approved internal audit plan and the Head: Internal Audit tables progress reports in this regard to the Committee.

For the financial year ended 31 March 2023; the Internal Audit function arrived at their overall opinion as per the table below which summarises the internal audit overall opinion based on the audit results of the various audit projects undertaken for the financial year under review:

No	Process	Opinion
1	Control Environment	Adequate

The Committee is satisfied that Internal Audit has appropriately discharged its functions and responsibilities in the year under review. Accordingly, the Committee has reviewed the Internal audit charter, approved the audit plan, and deliberated on the quarterly reports as submitted by Internal audit.

Evaluation of Financial Statements

The Committee reviewed the Annual Financial Statements prepared by the public entity and is satisfied that they comply with the applicable Accounting Standards and that the accounting policies used are appropriate. The Annual Financial Statements were reviewed with the following focus:

- Significant financial reporting judgements and estimates.
- Clarity and completeness of disclosure and whether disclosures made have been properly set in context.
- Changes in the Accounting Policies and Practices.
- Significant adjustments resulting from the Audit.
- Compliance with accounting standards and legal requirements.
- Explanation for the accounting treatment adopted.
- Material, unique transaction.
- Reasons for year-on-year fluctuations.
- Asset valuations and revaluations.
- Re-assessment of the useful life of the assets.

The review of Annual Financial Statements and the Annual Report for the 2022/23 FY was completed at the Committee's meeting held on 24 July 2023.

External Audit: Auditor-General of South Africa (AGSA)

The Committee noted the terms of the AGSA's engagement letter, audit strategy, and audit fees in respect of the 2022/23 FY. It is legislated that the Auditor-General of South Africa is the appointed auditors of the entity and the Committee has noted that there were no non-audit services rendered by them during the year.

The Committee has also had in-committee meetings with the AGSA.

Conclusion

The Committee has reviewed the AGSA's management and audit reports for the financial year ended 31 March 2023 and concurs with their conclusions.

The Committee, therefore, accepts the audit opinion and conclusion expressed by the AGSA on the Annual Financial Statements, Annual Performance Report, and Annual Report.

Signed on behalf of the Audit and Risk Committee by:

Ms Doris Dondur
CHAIRPERSON OF THE AUDIT AND RISK COMMITTEE
31 July 2023

B-BBEE Compliance Performance Information

Elements	Available Points	Score Achieved 2022	Score Achieved 2021
Management Control	20.00	15.83	15.95
Skills Development	25.00	5.15	3.11
Enterprise & Supplier Development: 1. Procurement 2. Supplier Development 3. Enterprise Development	50.00 30.00 15.00 5.00	34.09 26.54 5.69 1.86	24.44 22.94 1.50 0.00
Socio – Economic Development	5.00	5.00	0.00
Total Achieved	100.00	60.07	43.50
Level Achieved		Eight	Non-Compliant

Management Control

SARS achieved 15.83 in 2022 vs 15.95 in 2021. The slight decrease can be attributed to the decrease in points under Mid Management and Disabled Employees.

Skills Development

» SARS achieved 5.15 in 2022 vs 3.11 in 2021.
» The leviable amount increased by 7.8% in 2022 resulting in a decrease in the monetary spend component of the scorecard.
» However, the increase in the headcount number of learners contributed to the increase in the Skills Development score.

Enterprise and Supplier Development: Procurement

SARS achieved 26.54/30.00 points on this sub-element. SARS scored well on the procurement sub-element. The areas where SARS scored well are:

» Spend from empowering suppliers; 5/5.
» B-BBEE spend from empowering suppliers who are 51% black owned; 11/11.
» B-BBEE spend from empowering suppliers who are 30% black women owned; 5/5.
» B-BBEE spend from designated group suppliers who are 51% black owned; 2/2.

SARS scored 26.54/30.00 for procurement related activities, which indicates the commitment to empowering SMMEs and black women owned companies.

Supplier Development

SARS achieved 5.69 points in 2022 vs 1.50 points in 2021 for Supplier Development. This was because of spend in Supplier Development initiatives as well as payment cycles shorter than 30 days for qualifiying service providers.

Enterprise Development

1.86 points was scored under Enterprise Development because of increased spend under this element.

Socio-economic Development

Due to investments in Socio-economic Development Initiatives SARS scored 5/5 points.

SARS concluded its annual BEE verification with a Level 8 contributor status after achieving Level 7 contributor and being discounted to Level 8 due to minimum scores not achieved in the priority elements.

Criteria Response	Yes / No	Discussion
Determining qualification criteria for the issuing of licences, concessions, or other authorisations in respect of economic activity in terms of any law?	No	Not applicable – SARS is a schedule 3A entity not charged with the responsibility of issuing licences, concessions, or other authority in respect of economic activity
Developing and implementing a preferential procurement policy?	Yes	SARS has a Procurement policy that aligns to the Preferential Procurement Policy Framework of government
Determining qualification criteria for the sale of state-owned enterprises?	No	Not applicable as it does not fall within the scope of SARS mandate
Developing criteria for entering into partnerships with the private sector?	No	None required within SARS' mandate
Determining criteria for the awarding of incentives, grants and investment schemes in support of Broad Based Black Economic Empowerment?	Yes	SARS evaluated the goals and objectives of the Thuthuka Education Upliftment Fund before making a financial contribution to be managed by the fund and utilised for the purpose of providing bursaries to students.

4 PART FOUR
HUMAN CAPITAL AND DEVELOPMENT

SARS People Management

SARS embarked on a journey to rebuild its organisational capability and restore institutional integrity. Integral to this drive, and in a major shift, the recruitment of a skilled and capable workforce received substantial impetus mainly due to:

- » Allocation of additional funding by National Treasury to SARS for the recruitment of critical, scarce, and future oriented skills.
- » Identification of the skills SARS requires to run the organisation effectively and efficiently today and into the future.
- » Decision to allow for the backfilling of critical skills that became vacant due to business-as-usual attrition.

Various initiatives were undertaken to develop employees to meet the changing demands in the core, enabling and support roles, as guided by the personal development plans and business prioritisation.

Embedding the SARS Leadership Model

Embedding the Leadership Model, under the stewardship of Commissioner is central to realising the SARS Vision of a "smart, modern SARS, with unquestionable integrity that can be trusted and admired".

This intentional thrust is firmly anchored in the working arrangements and governance structures. The SARS Executive Leadership Development Forum has been established as a broad leadership engagement forum with whom Commissioner retains a direct relationship for the purpose of:

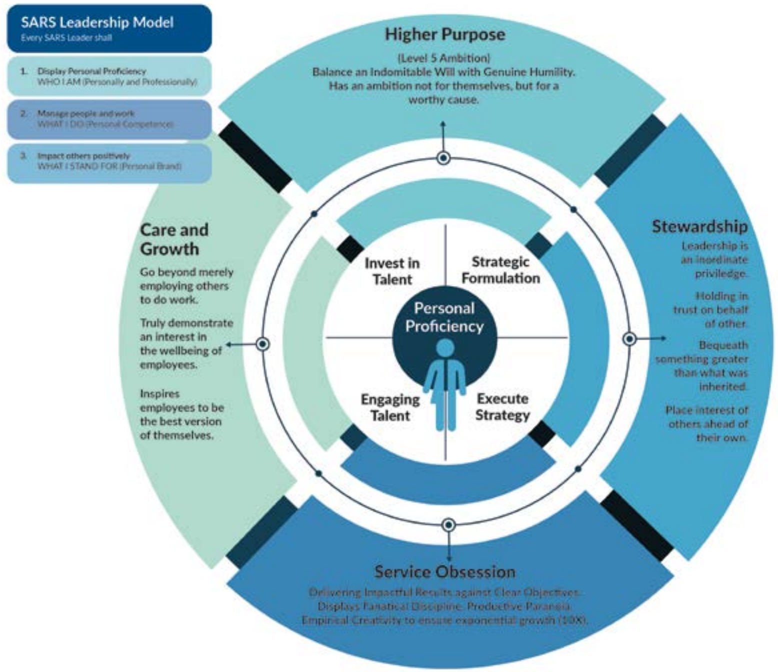
- » Coaching and Development to build the SARS Executive bench strength in line with the approved SARS Leadership Model.
- » Embedding the new Leadership model.
- » Ensuring strategic focus and alignment of the SARS Executive Leadership.

An integrated leadership model framework has been designed to ensure that leadership development is anchored as a path of continuous learning for the executive, middle and operational leadership levels. SARS prides itself on facilitating work sessions to embed the model while building the skills and competence of internal facilitators ensuring stewardship of resources to achieve quality outcomes and performance excellence.

The implementation framework starts with providing clarity and insight through creating learning immersive experiences, dialogues, and practicums. The success of facilitation through immersive learning experiences affords leaders the opportunity to become aware, reflect, personalise, and take ownership of personifying the enabling behaviours. Leaders emerge with personal proficiency action plans and team effectiveness plans ensuring practical application of learning. The developmental journey transitions to deepen and build leadership practices, and introduce measures and mechanisms to ensure sustainability of the leadership attributes. Commitment and ownership of leadership development is prioritised as the accountability of leaders.

SARS continues to work with and through stakeholders and to this end, the Leadership Model is shared with and receives keen interest from many international administrations as leading practice. SARS has recently partnered with the World Customs Organisation to amplify leadership development ensuring alignment to its leadership model, leading practices, and action learning projects. The SARS Commissioner shared his leadership insights at many of the sessions and hosted a WCO Middle Management Development programme for African countries.

We have made appreciable progress and still have a way to go on the journey of embedding the Leadership Model.



Junior Board

The Junior Board forms part of the governance structures at SARS and is a formal Enterprise Forum that operates to ensure alignment to the governance and reporting structure of SARS. During their term, the Junior Board has successfully executed their mandate to enhance the organisational capability, growth, employer brand, sustainability, and empowered leadership as an advocacy for the SARS leadership brand. Their contribution to the strategic objectives has been realised through many assignments as assigned by the Commissioner and SARS leaders. The highlights include proposals for a service model that offers an exponential tax-payer experience, providing recommendations to improve the Bridge operations, active participation in taxpayer and trader education through webinars and videos, engaging the Youth@SARS including enabling digital platforms to share experiences and empower them. In addition, they have participated in external stakeholder webinars e.g., the Global Forum and ATAF joint regional workshop on Cross-Border assistance in recovery of tax claims.

This platform allows for guidance, providing insight into what may not be visible, and helping to broaden the thinking. These engagements allow for feedback and growth. Coaching and mentoring by the SARS leadership forms part of the members' developmental journey.

The Commissioner and the AGSA were recently in conversation with the Junior Board where the Commissioner shared that as the term of the Junior Board ends, the members' focus should be on "whom they are going back as" and not on "where they will be going to". The AGSA shared that the platform created for young future leaders requires time and investment. The Commissioner was commended for coaching and exposing the Board members to progressive development opportunies.

The Junior Board will capture their reminiscences in the form of a coffee table book, motivational videos and a documentary: "The Amazing Journey of the SARS Junior Board."

SARS is in the process of appointing the Junior Board for 2023/2025.

Comments from the Junior Board

» I started this journey thinking I had so much to offer. I quickly realised that I had so much to learn. I have learnt. I have developed. I have grown.
» We all came from different backgrounds; we overcame this, and we became closer. This is not our end; we must take the skills and knowledge and move forward.
» I will forever be grateful for the opportunity to have served on the Junior Board and I am excited to see the continued impact and success of the Youth@SARS and the organisation in the years to come.

Women in Leadership (WIL)

The mandate and guiding coalition of the WIL forum is informed by the SARS vision to build "a smart modern SARS with unquestionable integrity that is trusted and admired". In this context, the mandate of the WIL forum is, to serve as a catalyst to develop and empower leadership competencies as it pertains to women specifically and within the context of the SARS Leadership Model. The WIL forum remains a "function of focus" under the leadership of the Commissioner, Mr Edward Kieswetter.

The WIL forum is represented at an enterprise and regional level, this arrangement provides a platform for progressive implementation. The enterprise forum sets the pace and strategic direction so that regional forums are supported and guided in their operational execution.

The regional forum members focus on matters of diversity and inclusivity, collaboration, fostering a sense of belonging, working with and through external stakeholders to improve the tax system, and implementing social responsibility outreach programmes as they serve the higher purpose of improving the lives of all South Africans.

The collaborative efforts of and working together with the Men's Forum, Employment Equity Committees and other parties of interest strengthens the efforts of empowerment and gender balance. SARS is pleased that the collective efforts towards gender equality at the leadership level was at 50.27%, against a target of 49.47%.

Members of the WIL forum represent SARS on various work groups with other administrations including the OECD, ATAF and WCO. These platforms allow opportunities for both learning from other administrations, as well as sharing experiences and best practices. SARS contribution is welcomed by administrations and generates keen interest on matters of gender balance.

Employee Engagement Model

To support SARS' Strategic Objective 4: Develop a high performing, diverse, agile, engaged and evolved workforce, and achieve its key result (Employee Engagement Index score achieved based on survey of employees), SARS planned and facilitated the conducting of an employee engagement survey during Quarter 4 of 2023. The result will indicate the immediate priorities, and allow the organisation to design appropriate interventions to address identified challenges.

SARS focused on five streams which were; five employee rights, rewards and recognition, leadership, EVP, and values. Following various consultations with the Commissioner an implementation approach for Employee Engagement was confirmed. The mandate was in support of the aspiration for a diverse, agile, engaged, and evolved workforce which required the need to achieve the engagement baseline target. The approach was a consultative and inclusive plan of action by considering immediate priorities and designing appropriate interventions relevant to enterprise-wide identified challenges, by means of an integrated approach using both the employee rights and the SARS Leadership Model. The intention was to enable leadership to make employees feel engaged and experience their employee rights. This was done because the behaviour of the manager affected the Total Employee Experience which in turn results in a display of positive behaviour by the employees. SARS adopted the integrated Employee Engagement model, which ensures that the organisation is able to analyse the inputs and dimensions related to managers' behaviour, aligned to the Leadership Model, as well as employees' inputs on their employee rights.

The Employee Engagement Survey was conducted in 2023 by an external service provider and achieved a 69.4% Employee Engagement index score. This is a significant over-achievement of 7.4%, a 7.8 percentage point increase from the baseline index score of 61.6% (2021 survey). This is the highest Employee Engagement index score achieved in the organisation since the first survey done during 2007. Benchmarking was done by the survey service provider to understand SARS' result in a broader context. The SARS 2023 Employee Engagement Index (EEI) result of 69.40% is significantly higher compared to the South-African and Global average of 62.1% and 65% respectively. A sustained level of participation was achieved with a 69% final response rate.

A revised Culture of Recognition Framework was developed with various new proposals, which re-imagined the SARS recognition process. An Annual Awards event was held in December 2022 and was a resounding success due to a well-orchestrated collaborative effort by all the responsible functional areas. The new elements in the recognition process include additional categories, a digitised reward recognition system and automation of the on-the-spot awards. It was decided that a Culture of Recognition Gratitude project be undertaken to enhance the current recognition programme, which will enable managers to recognise their employees throughout the year.

Employee Performance Management

The Employee Performance Management (EPM) process is an extension of the overall Enterprise Performance Management framework and applies to all SARS employees. Its purpose, among others, is to create a clear understanding among employees of the organisational priorities, define job performance objectives and measure achievements against set standards.

A 90% staff contracting rate was achieved within the first month of the financial year. For the first time SARS also achieved a positive average scorecard approval turnaround time of 0.6 days before due date.

On average, 97% of staff were assessed within the required timelines and a year-on-year comparison indicates a 0.9% increase in staff performance level.

As far as consequence management is concerned, action was taken in 88% (2021/22: 87%) of identified Incident of Poor Work Performance and 45% (2021/22: 32%) of Trends of Poor Work Performance were dealt with via the incapacity process. Reportedly, 84% of incidents was ascribed to the employee. In 43% of incidents, skill was identified as the reason for Poor Work Performance.

In 43% of the incidents, action plans were put in place to remedy the Poor Work Performance.

SARS Employee Value Proposition

SARS believes that without a competitive and comparable Employee Value Proposition (EVP) it will not do justice to its staff and will also not be able to attract new staff to the organisation. The upgrading of the EVP to reflect the new world of work and the changing requirements of different generations of people are therefore seen as a major achievement. The initial enhanced EVP proposal was announced on 14 November 2022. This proposal has minimal impact on the Conditions of Service and no immediate requirements for additional funding. The pilot was launched on 1 December 2022. The purpose of the pilot, among others, was to test the new offerings, the perceived value to employees, as well as the implications for the desired taxpayer and trader experience and service.

EVP elements launched on 1 December 2022:

» Hybrid Working Arrangement within five work categories.
» Lifestyle considerations, with a specific focus on special leave provision and family responsibility.
» Career development and progression which includes:
  - Community of elder SARS experts.
  - Career progression ladders for service and technical employees. The initial focus was on the service environment working with service consultants. Work also started for Customs and Excise, Audit, Investigations, IT, Data Analytics, and Legal job families.
  - Talent Development Committees (TDC).
  - Short-term exchange programmes and study opportunities as part of continuous professional development.

The pilot review in February 2023 resulted in the pilot period being extended to provide sufficient data to make informed decisions. The pilot period was extended into the new financial year, until 30 June 2023.

Staff Recognition Awards

The annual recognition awards for the 2022/23 FY celebrated the exceptional performance of the dedicated SARS staff that went the extra mile to support the higher purpose to build a better South Africa for all citizens. In total, 6 055 of staff members received special recognition awards during the financial year under review. The star performers were celebrated at 20 regional awards ceremonies and the national winners for the 23 categories were announced on 8 December 2022 at a gala event hosted by the Commissioner.

The various Recognition awards are listed in the table below. Please note that some individuals may fall into multiple categories.

Type of award	Description	Number of staff nominated	Number of winners
On-the-spot awards	Nominees	5 927	
National Recognition awards	Individuals award nominations	156	30
	Team awards nominations	69	16* (98 team members)

Talent Acquisition

The acquisition of talent is and has always been a major deliverable for SARS. It is understood that bringing a new person into the organisation comes at a cost, not only financially but also in time and effort. It is therefore, important to make the best of the opportunity and only recruit the best possible person.

The organisation traditionally operated on a vacancy driven approach which means that only approved and funded vacancies were filled and internal staff and external potential staff competed for the position. It is expected that with the implementation of the wider career progression models in SARS, the organisation will move away from the competitive process in all cases and moved towards a "proven capability" model for the majority of positions. This will have a number of consequences such as a reduction of individual recruitment activities, an increase in bulk recruitment to ensure a pipeline to feed the lower levels of the career progression models, as well as a reduction of internal staff moving from one position to the next in search of a promotion. The practice in SARS is that more than 50% of placements are made from within. This practice, although positive for staff, create an additional administrative burden as more recruitment is required to fill the newly vacated position of the transferred person. Career progression should also reduce the number of recruitment events.

Over the last year, SARS identified and implemented several major deliverables, which include:

Policy Development – SARS developed a new policy that is more enabling and aligned to best practice in the industry. The objective was to provide the framework within which recruitment can take place that enables the hiring of managers to move faster from vacancy to placement. The policy also aligns authorisation levels with the organisation's reporting arrangements.

System enhancements – SARS manages vacancy management via two SAP systems. It was found that these systems were not optimised or integrated. This resulted in delays, incorrect reporting, and data capture errors. Shortcomings were identified and the process to manage an integrated end-to-end process for vacancy management, was initiated. The long-term objective is to completely remove the need for any paperwork.

Enterprise Capacity Management

SARS regularly conducts research and has consultations to determine the needs of the future world of work, particularly as to the roles that will be required by the organisation to assist with the implementation of its strategic vision. Based on these projected needs, the organisation identifies the short and medium-term needs, obtains funding for them and then embarks on a talent acquisition (recruitment) process. Based on the most recent SARS recruitment drive, aimed at investing in additional capacity in the specialised disciplines of: Information Technology; Audit and Risk detection; Data Analytics/Science and Investigations, as well as re-establishing a graduate pipeline, this resulted in a steady growth in capacity within the identified specialised skillsets, needed to advance the organisation in achieving its strategic objectives.

Furthermore, SARS continued with an integrated approach to strategic operational performance analysis and capacity planning by empowering the organisation to leverage on opportunities from its resources, while driving higher levels of efficiency and effectiveness through:

- Improve scheduling of resources on priority work items.
- Assigning dedicated capacity and maximising output for planned work initiatives and campaigns.
- Providing of insight on non-value adding activities, root cause analysis, utilisation and productivity measurement, benchmarks, and scenario planning.
- Identifing key performance improvement opportunities.
- Aiding long-range planning to adjust resource capacity and ensure that the operational processes have the enterprise capacity to fulfil the mandate.

SARS augmented the daily operations production plan, which detailed diagnostics across the value chain addressing factors such as process, people and technology streams that impact on the performance of the organisation.

Further enhancements were implemented in Business unit models and reporting arrangements, providing a daily view of productivity measures, enabling improved resource management and planning agility of the organisation's resources.

SARS initiated the development of a Predictive Master Production Plan for Operational business units to ensure the deployment of its resources in an agile manner to respond to the unique cyclical demand of its taxpayers.

SARS' staffing decisions are based on the organisational vision and strategic objectives, established organisational capacity plans, and available staff budgets, which are continually reviewed and adjusted to meet current and future organisational needs.

Learning and Development

The skills of the SARS staff are critical in ensuring an effective organisation and in enhancing the credibility of the administration. SARS continues to invest in its employees through the implementation of various training and development initiatives to enable employees to respond to the organisational capability requirements. The National Training Plan (NTP) was implemented during the financial year and recorded 2 899 training sessions, covering a total of 448 "Learning and Development interventions" to address key technical, as well as enabling and support-based competencies.

This has been achieved through a blended approach in terms of learning delivery. The virtual classroom is now a generally acceptable mode of training delivery, cognisant of the remote working arrangements and return to office arrangements which SARS piloted in the EVP.

Along with other initiatives, the Service Consultant capacity building initiative was implemented as part of building the talent pool for tax. This intervention is in essence a journey map for the Career Progression Framework in the service capability area. The organisation is rolling out a workplace qualification in the form of the "Tax Technician Qualification" at National Qualification Framework (NQF) level 6, which is fully accredited by the Quality Council on Trade and Occupation. Similarly, in the Customs and Excise space, interventions to build fundamental skills commenced through the "Customs Cadetship", which is work in progress. The competency development framework in this regard is aligned to the WCO relevant to trade administration and border protection.

Building human capability for the period under review, reflected that on average, each SARS employee attended training for 5.24 days for the year.

Employee Health and Wellness

Wellness Management is a priority due to increasing recognition that the health and wellbeing of the SARS employees directly impacts on productivity of the organisation. The Employee Health and Wellness Programme (EHWP) provides employees with access to professional counselling and wellness services, to help them manage personal and work-related problems that impact their wellbeing, productivity, and performance at work. By facilitating early risk identification and treatment, it proactively improves productivity.

There has been ongoing use of the EHWP quarter-on-quarter, and the overall engagement for the year was recorded as 36.2% of the SARS headcount, with the highest utilisation reported in the participation in Advocacy and Awareness, as well as in Health Education and Training sessions. These sessions have seen encouraging growth and this participation rate suggests that the EHWP is responsive and proactively targets emerging risks at enterprise, as well as at a functional level.

Face-to-face sessions scheduled with external professionals, who provide psycho-social support, have recorded a 22.3% participation, with 70% of the programme users referred for formal counselling, suggesting that the EHWP is invested in ensuring that the users receive more than one touch point in the process of being equipped with skills to manage their life and work stressors. The resolution of 82.7% of the registered cases is aligned with the short-term therapy model that seeks to return the employee to productivity within a short space of time and shows commitment of the users to receive the assistance required.

Oversight Statistics

Workforce Profile (Employment Equity)

Occupational Levels	Designated							Non-designated			Total	% Representation
	Male			Female				White Male	Foreign Nationals			
	African	Coloured	Indian	African	Coloured	Indian	White		Male	Female		
Top Management	1	1									2	0.02%
Senior Management	131	20	40	103	12	25	53	71	1	1	457	3.70%
Professionals	1 000	169	153	992	169	158	480	370	16	8	3 515	28.44%
Skilled and Junior	1 633	263	111	2 859	583	222	1 024	261	7	5	6 968	56.38%
Semi-skilled	146	24	6	324	43	16	123	14			696	5.63%
Unskilled	137	8		550	25			2			722	5.84%
Grand Total	**3 048**	**485**	**310**	**4 828**	**832**	**421**	**1 680**	**718**	**24**	**14**	**12 360**	

Occupational Levels	
Top Management	Represents SARS Commissioner and Chief Revenue Officer
Senior Management	Represents Executive Level, Non-Graded Roles and some Fixed Short Term Contract employees
Professionals	Professionally Qualified and Experienced Specialists, Middle and Junior Management and some Fixed Term Contract employees
Skilled and Junior	Represents Functional Operators, Seasonal Workers and some Fixed Short Term Contract employees
Semi-skilled	Represents Trainees and Administrators
Unskilled	Represents General Assistants

Average Cost to Company per Division (Annual Cost to Company as at 31 March 2023)

Cluster	Personnel Expenditure (CTC) (R'000)	% of personnel expenditure to total personnel cost (CTC)	No. of employees	Average cost per employee (R'000)
Corporate Cluster	629 359 802	8,46%	606	1 038 548
Enterprise Design and Enablement Cluster	1 564 301 910	21,03%	1 956	799 745
Enterprise Services and Support Cluster	403 894 972	5,43%	911	443 353
Taxpayer Engagement Cluster	4 839 443 023	65,07%	8 887	544 553
Grand Total	7 436 999 707		12 360	601 699

***Note: SARS and Operations Orchestration Enabling has been included in Corporate Cluster totals**

Average Cost to Company per Occupational Level

Occupational Levels	Personnel Expenditure (CTC)	% Personnel Expenditure to Total Personnel Cost (CTC)	No. of employees	Average Cost per Employee
Top Management	9 957 401	0.13%	2	4 978 700
Senior Management	816 582 598	10.98%	457	1 786 833
Professionals	3 288 577 864	44.22%	3 515	935 584
Skilled and Junior	3 047 024 242	40.97%	6 968	437 288
Semi-skilled	193 459 682	2.60%	696	277 959
Unskilled	81 397 920	1.09%	722	112 740
Total	**7 436 999 707**	**-**	**12 360**	**601 699**

Labour Relations: Misconduct and Disciplinary Action

Disciplinary Action	2018/19	2019/20	2020/21	2021/22	2022/23	% of total no. of disciplinary actions 2022/23
Demoted	0	0	0	0	0	0.0%
Dismissed (Disciplinary Hearing)	35	46	17	25	14	24.6%
Final Written Warning	5	8	4	8	8	14.0%
Salary Suspended	7	8	7	9	5	8.8%
Written Warning	1	0	2	0	1	1.8%
Not Guilty	16	4	1	8	9	15.8%
Suspension with pay	0	0	0	0	0	0.0%
Employee Deceased	0	1	1	0	0	0.0%
FWW / WW withdrawn	0	0	0	0	0	0.0%
Employee Resigned	25	20	7	19	11	19.3%
Charges Withdrawn	8	3	0	0	4	7.0%
Other	6	10	2	3	5	8.8%
Total	**103**	**100**	**41**	**72**	**57**	

Staff Movement

Occupational Levels	Employment at beginning of period	Employment at end of the period	All Employees Headcount Growth
Top Management	2	2	0
Senior Management	456	457	1
Professionals	3 418	3 515	97
Skilled and Junior	7 518	6 968	-550
Semi-skilled	717	696	-21
Unskilled	764	722	-42
Total	**12 875**	**12 360**	**-515**

Appointments

Occupational Levels	External Recruitment	Re-instatements
Top Management	0	0
Senior Management	6	2
Professionals	89	0
Skilled and Junior	302	0
Semi-skilled	41	0
Unskilled	1	0
Total	**439**	**2**

Recruitment

Occupational Level	Male				Female				Total	% Representation
	African	Coloured	Indian	White	African	Coloured	Indian	White		
Top Management									0	0.00%
Senior Management	3		1		4				8	1.81%
Professionals	42	2		6	35	1		3	89	20.18%
Skilled and Junior	99	6	3		183	6	4	1	302	68.48%
Semi-Skilled	15		1		23		2		41	9.30%
Unskilled					1				1	0.23%
Grand Total	**159**	**8**	**5**	**6**	**246**	**7**	**6**	**4**	**441**	**100.00%**

Note: Re-Instatements included

Termination Reasons

Reason	Permanent Employees	All Employees
Death	39	40
Resignation	263	300
Retirement	159	159
Termination ER	23	24
Other	0	433
Total	**484**	**956**

Attrition

Occupational Levels	Designated							Non-designated			Total	% Representation
	Male			Female				White Male	Foreign Nationals			
	African	Coloured	Indian	African	Coloured	Indian	White		Male	Female		
Top Management											0	0.00%
Senior Management	4	1	3	3			5	6		1	23	2.41%
Professionals	50		3	39	3	5	21	27	1	1	150	15.69%
Skilled and Junior	169	19	5	408	49	12	64	21			747	78.14%
Semi-skilled	12			7		1	8				28	2.93%
Unskilled	1			7							8	0.84%
Grand Total	**236**	**20**	**11**	**464**	**52**	**18**	**98**	**54**	**1**	**2**	**956**	

Injury on Duty

Reason	Permanent Employees	All Employees
Claim rejected	3	12.00%
In adjudication	1	4.00%
Liability accepted	16	64.00%
New claim	4	16.00%
Waiting on information	1	4.00%
Grand Total	**25**	**100.00%**

Annual Leave

Occupational Level	Total Days	Number of Employees using Annual Leave	Average Days per Employee
Top Management	50	2	25
Senior Management	11 777	472	25
Professionals	94 647	3 593	26
Skilled and Junior	198 278	7 459	27
Semi-Skilled	16 001	708	23
Unskilled	17 387	722	24
Grand Total	**338 139**	**12 956**	**26**

Sick Leave

Occupational Level	Total Days	Number of Employees using Sick Leave	Average Days per Employee
Top Management	4	2	2
Senior Management	1 716	314	5
Professionals	18 847	2 771	7
Skilled and Junior	58 792	6 615	9
Semi-Skilled	4 704	557	8
Unskilled	5 232	620	8
Grand Total	89 295	10 879	8

Performance Rewards

Occupational Level	Performance Rewards	Personnel Expenditure (CTC)	% of Performance Rewards to Total Personal Cost
Top Management	-	9 957 401	0.0%
Senior Management	82 984 877	816 582 598	10.2%
Professional Qualified	268 454 803	3 288 577 864	8.2%
Skilled	240 520 636	3 047 024 242	7.9%
Semi-Skilled	11 049 193	193 459 682	5.7%
Unskilled	6 652 700	81 397 920	8.2%
Total	**609 662 210**	**7 436 999 707**	**8.2%**

Training Expenditure

Initiative	Pivotal Programme*	Socio Economic Status	Number of Learners	"Amount Spent (R'000)"
Bursaries for employed	Yes	Employed	226	9 414
External short courses and programmes	No	Employed	"3 101 (2 701 via classroom) (400 via e-Learning)"	18 191
Internal short courses and programmes	No	Employed	"172 747 (23 040 via Classroom) (149 707 via e-Learning)"	78 601
CA Learnership	Yes	Unemployed	24	7 179
Graduates/Internship	No	Unemployed	198	21 169
Customs Cadet	No	Unemployed	52	7 874
Total			**176 348**	**142 428**

***Occupational qualifications or part qualifications on the National Qualifications Framework**

5

PART FIVE

PFMA COMPLIANCE REPORT

Irregular Expenditure

The Irregular expenditure closing balance has decreased by R4.16 million to R900k as at 31 March 2023. This is attributed to the effectiveness of the actions taken by management to implement and enforce controls through policies and procedures, the implementation of audit recommendations provided by both internal and external auditors, as well as the use of internal audit as an assurance provider to test the level of compliance with Supply Chain Management (SCM) prescripts.

The following table relates to the overall reconciliation of irregular expenditure. The decrease in the closing balance is largely attributable to the condonement and removal of irregular expenditure pertaining to prior years.

Reconciliation of Irregular Expenditure

Description	2022/23	2021/22	2020/21
	R	R	R
Opening balance	5 060 193	13 371 999	22 205 837
Add: Irregular expenditure confirmed	1 377 284	739 339	4 208 621
Less: Irregular expenditure condoned	-5 537 124	-9 051 146	-13 042 458
Less: Irregular expenditure recoverable			
Less: Irregular expenditure not recovered with written off			
Closing balance	**900 352**	**5 060 193**	**13 371 999**

Reconciling notes to the Annual Financial Statement disclosure

The table below relates to the breakdown of line item two on the table above.

Description	2022/23	2021/22
	R	R
Irregular expenditure that relates to 2021/22 and identified in 2022/23	279 826	7 012
Irregular expenditure for the current year	1 097 458	732 327
Total	**1 377 284**	**739 339**

During the year ended March 2023, an amount of R279 826 was identified as irregular expenditure incurred in prior years but was identified in the 2022/23 financial year by management and R349 208 was identified as irregular expenditure by management in the 2022/23 year. A further amount of R748 250 was identified by the external auditors during the regulatory audit process.

Details of current and previous year irregular expenditure (under assessment, determination and investigation)

Description	2022/23	2021/22
	R	R
Irregular expenditure under assessment		
Irregular expenditure under determination	900 352	5 060 193
Irregular expenditure under investigation		
Total	**900 352**	**5 060 193**

All transactions identified as irregular expenditure was under determination during the respective financial years.

Details of current and previous year irregular expenditure condoned

Description	2022/23	2021/22
	R	R
Irregular expenditure condoned	-5 537 124	-9 051 146
Total	**-5 537 124**	**-9 051 146**

Transactions to the amount of R5 537 124 (2022: R9 051 146) was condoned through National Treasury or the delegated authority of the Accounting Authority.

Details of current and previous year disciplinary or criminal steps taken as a result of irregular expenditure

Description	2022/23	2021/22
	R	R
Consequence management/disciplinary steps taken	-5 537 124	-9 051 145
Total	**-5 537 124**	**-9 051 145**

Transactions to the amount of R5 537 124 (2022: R9 051 146) was removed from the irregular expenditure register after conclusion of appropriate consequence management ranging from training interventions to formal disciplinary processes in accordance with the disciplinary code of conduct.

Fruitless and Wasteful Expenditure

Reconciliation of fruitless and wasteful expenditure

Description	2022/23	2021/22	2020/21
	R	R	R
Opening balance	8 418 940	11 152 888	20 243 567
Add: Fruitless and wasteful expenditure confirmed		2 203	2 032 931
Less: Fruitless and wasteful expenditure condoned			
Less: Fruitless and wasteful expenditure not condoned and removed	-5 424	-2 736 151	-11 123 610
Less: Fruitless and expenditure recoverable	-639		
Less: Fruitless and expenditure not recovered and written off			
Closing balance	**8 412 878**	**8 418 940**	**11 152 888**

Reconciling notes to the Annual Financial Statement disclosure

Description	2022/23	2021/22
	R	R
Fruitless and wasteful expenditure that relates to 2021/22 and identified in 2022/23	-	-
Fruitless and wasteful expenditure for the current year		2 203
Total		**2 203**

Fruitless and wasteful expenditure to the value of R2 203 was added to the register in the 2021/22 financial year and is in relation to interest and electricity reconnection charges due to late payment of utility accounts.

Details of current and previous year fruitless and wasteful expenditure (under assessment, determination, and investigation)

Description	2022/23	2021/22
	R	R
Fruitless and wasteful expenditure under assessment	-	-
Fruitless and wasteful expenditure under determination	8 412 878	8 418 940
Fruitless and wasteful expenditure under investigation	-	-
Total	**8 412 878**	**8 418 940**

The transaction under determination to the value of R8 412 878 is in relation to the Kobe vacant land lease payments made while the property was not utilised for what it was intended for when the lease contract was originally agreed upon.

Details of current and previous year fruitless and wasteful expenditure removed - (not condoned)

Description	2022/23	2021/22
	R	R
Fruitless and wasteful expenditure NOT condoned and removed	5 424	2 736 151
Total	**5 424**	**2 736 151**

Interest on overdue accounts to the value of R5 423.96 was reversed by the respective Municipalities and therefore removed from the register. Transactions to the value of R2 736 151 in relation to the 2021/22 financial year was investigated and removed from the register as it was not deemed fruitless and wasteful as originally assessed.

Details of current and previous year fruitless and wasteful expenditure recoverable

Description	2022/23	2021/22
	R	R
Fruitless and wasteful expenditure recovered	639	
Total	**639**	

Details of current and previous year disciplinary or criminal steps taken as a result of fruitless and wasteful expenditure

Description	2022/23	2021/22
	R	R
Consequence management/disciplinary steps taken	-639	-
Total	**-639**	**-**

A disciplinary process was followed where an employee was responsible for the late payment of a utility account resulting in an additional reconnection fee payable of R639, which was recovered from the respective employee.

Information on Late or Non payment of Suppliers

Description	Number of invoices	% of invoices/ total invoices	Consolidated value R'000	% of R value/ total R value
Valid invoices received	42 589	100%	2 891 632	100%
Invoices paid within 30 days or as per agreed upon period	41 418	97.25%	2 673 203	92.45%
Invoices paid after 30 days or as per agreed upon period	1 171	2.75%	218 429	7.55%
Invoices older than 30 days or agreed period (Unpaid and without dispute)	408	0.96%	16 464	0.57%
Invoices older than 30 days or agreed period (Unpaid and in dispute)	317	0.74%	1 275	0.04%

SARS received 42 589 invoices, 97.25% were paid on or before the required due date. The balance of 1 171 invoices representing 2.75% was not paid within time, as a result of the late verification of supporting documentation. Specifically in the legal service area, incomplete information on invoices to enable matching to the requested goods and services such as courier services, tax non-compliance of vendors that needed to be resolved before payment could be processed, as well as a delay in processing goods receipts timeously due to internal inefficiencies. These inefficiencies are addressed as soon as they discovered, to ensure the required payment due date is adhered to.

Information on Supply Chain Management

The Procurement function enables and supports SARS business units to implement SARS Vision 2024 strategic objectives leading to the attainment of Vision 2024 by providing required goods, services and infrastructure.

As at 31 March 2022/23, SARS had 604 active contracts to complement internal capacity and capability towards achieving the organisation's goal. During the 2022/23 financial year, a total of 42 competitive bids and 126 transactions through other means (58 deviations and 68 variations) were concluded to further contribute to the capacity and capability of the organisation. The rationale for these transactions is based on principals of strategic sourcing and delivery of value to the organisation.

Despite a constrained economic and trading environment further complicated by post-COVID-19 pandemic constraints in global supply chains, SARS succeeded in negotiating savings amounting to R457 465 790.17. The savings will accrue over the contract period for each of the transactions in ensuing financial years.

Procurement by Other Means

Reason	Value	Number	%
Sole Provider/ Sole Source	R1 235 433 246.29	28	61%
Impractical	R780 239 866.22	28	38%
Emergency	R292 635.00	2	1%
Total	**R2 015 965 747.51**	**58**	

SARS did not report all transactions procured by "other means", as well as expansions and variations to National Treasury and the Auditor-General of South Africa in terms of PFMA SCM Instruction No 03 of 2021/22. SARS has taken measures to strengthen its controls in respect of reporting transactions to both National Treasury and the Auditor-General of South Africa.

SARS operates in a complex and diversified environment with requirements demanding goods and services provided by best-of-breed suppliers. In rendering a world class service, SARS requires suppliers with excellent technical competencies, a reliable service offering and a commitment to excellence. Strategically, SARS engaged Original Equipment Manufacturers (OEMs) to contribute to the achievement of its mandate. A total of 58 deviations amounting to R2 015 965 747.51 were reported in the financial year. 96.05% of deviations in the current year were ICT related deviations and 62.41% were due to the service provider being a sole provider. The significant transaction in this procurement type was the renewal of the IBM Strategic Business Agreement amounting to R1.1 billion and represents the most significant transaction in this procurement method concluded during 2022/23.

See Annexure 2 for a detailed list of these deviations.

Contract Variations and Expansions

SARS approved 68 expansions and variations in the 2022/23 FY to a total value of R1 493 548 931.77 which is a 36% increase in value approved compared to the 2021/22 FY.

1. Thirty-eight percent (38%) (R576 968 898.20) of the expansions and variations can be attributed to the lease renewals of the different branch office's lease contracts that had expired in the current year. The variation process is followed due to the impracticality of finding other places that meet the SARS business requirements or the high cost of relocation.
2. Thirty percent (30%) (R447 624 251) expansions and variations are for the ICT-related services such as maintenance and development of SARS core systems, network carries and infrastructure services, software licence renewal and support services.
3. The remaining thirty-two percent (32%) (R468 955 783) is for other goods and services such as fleet management services, security services, etc which are due to extension of scope or time period.

See Annexure 3 for a detailed list of these expansions and variations.

6

PART SIX

FINANCIAL INFORMATION

South African Revenue Service
Financial Statements for the year ended 31 March 2023

The following supplementary information does not form part of the financial statements and is unaudited:

The financial statements set out on page 133 to 183 which have been prepared on the going concern basis, were approved and signed by:

Edward Chr Kieswetter
SARS COMMISSIONER
30 July 2023

Report By The SARS Accounting Authority

Introduction

The Accounting Authority presents this report that forms part of the Annual Financial Statements of the South African Revenue Service (SARS) Finance Own Accounts for the year ended 31 March 2023. Where applicable, specific reference has been made to Administered Revenue Accounts, otherwise all other statistics quoted in this report are solely for the Own Accounts.

SARS was established in terms of the South African Revenue Service Act, 1997 (Act No. 34 of 1997) "SARS Act" as an organ of the state within the public administration, but as an institution outside the public service. It is listed as a national public entity in schedule 3A of the Public Finance Management Act, 1999, (PFMA).

In terms of the SARS Act, the Commissioner for SARS is the Chief Executive Officer and Accounting Authority of the entity.

Principle Activities

The SARS Act provides the entity with the mandate to collect all Tax and Customs revenue due to the State; enforce compliance with tax and customs legislation and facilitate legitimate trade.

Organisational Structure

The controlling entity adopted a new strategy in 2020/2021 and aligned its organisational structure to enable implementation of its vision, strategic intent and 9 strategic objectives. The work is organised into 4 clusters of activity, 9 regions were introduced and overall supported by a broad flat leadership structure.

Executive Committee Members

The EXCO is an oversight committee of SARS and is accountable to the Commissioner. Its powers and terms of reference are delegated and approved by the Commissioner. The controlling entity appointed an Executive Committee (EXCO) in April 2021 with a newly approved Terms of Reference signed 8 April 2021.

The EXCO consist of the following members:

Mr. E.C Kieswetter	Commissioner
Ms. J.E. Padiachy	Chief of Staff
Ms. Y. Van Der Merwe	Chief Financial Officer
Mr. N.J. Makhubu	Chief Revenue Officer
Dr. R.P.E. Gcabo	Head Taxpayer & Trader Education Products
Ms. B.O. Mabanga-Dyantyis	Head Governance & Risk
Mr. M.E. Papenfus	Head Enterprise Data Management
Mr. I. Shaik	Head Technology & Solution Delivery
Mr. H. Smith	Head Operations Enabling & Production Planning
Mr. B. Theron	Head Border Operations, Ports of Entry and Customs Compliance
Mr. K.N. Mabetwa	Regional Director – Gauteng North
Ms. R.V. Ramaphakela	Head Internal Audit (Not an EXCO member but a Permanent Invitee)

Revenue Accounts

Revenue in respect of Revenue Accounts comprises of all the taxes, levies, duties, fees and other monies collected during the year. The operating expenditure for Revenue Accounts is provided for in the Own Accounts budget. Revenue collected is informed by the prevailing economic conditions, their effect on the South African economy and the overall level of compliance to revenue laws.

SARS and the Office of the Accountant-General agreed in the 2013/14 financial year that Revenue Accounts is not a separate legal entity, and that the financial information presented will be prepared in management account format on the cash basis of accounting. However, the cash basis of accounting is not an acceptable reporting framework in terms of the PFMA, and as such Revenue Accounts prepares its Financial Accounts in terms of the Modified Cash Standard (MCS). Revenue Accounts are subject to the regulatory audit and a separate audit report from Own Accounts, is issued by the Office of the Auditor General and included as part of the Annual Report. The financial information is reported as part of the Annual Performance Report.

Review of the Financial Statements (Own Accounts)

The financial results are contained in the annual financial statements. The annual financial statements fairly reflect the operations of the SARS Own Accounts for the financial year ended 31 March 2023 and its financial position as at that date.

Going Concern

The annual financial statements have been prepared based on accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

Accounting Policies

The financial statements are prepared in accordance with the prescribed Standards of Generally Recognised Accounting Practices (GRAP) issued by the Accounting Standards Board as per the prescribed framework by National Treasury, and directives issued by the Accounting Standards Board (ASB).

Internal Controls

Internal controls include risk-based system controls designed to provide reasonable assurance that assets are safeguarded and that transactions are executed and recorded in accordance with best business practice, as well as policies and procedures established by the Accounting Authority with independent oversight by the Audit and Risk Committee. SARS has an established internal audit function with the required independence.

Corporate Governance

The Accounting Authority is committed to business integrity, transparency and professionalism in all its activities. As part of this commitment, the Accounting Authority supports the highest standards of corporate governance and the ongoing development of best practice.

Surrender of Surplus Funds

SARS made a submission as per National Treasury Instruction No. 12 of 2020/2021 pertaining to retention of surpluses but declared that SARS had no surpluses to declare and surrender.

Judicial Proceedings

SARS has been mandated by the provisions of among others the SARS Act, Income Tax Act, 1962; Value-Added Tax Act, 1964; Customs and Excise Act, 1964; Tax Administration Act, 2011 and Employment Tax Incentives Act, 2013 to perform legal acts, or institute or defend any legal action in its own name. By virtue of its mandate SARS is involved in litigation on a continuous basis.

Public/Private Partnerships

There currently are no Public/Private Partnerships in operation or under consideration.

Events Subsequent to the Balance Sheet Date

There are currently no events subsequent to the balance sheet date that requires disclosure.

Addresses

The entity's business, postal and registered addresses are:

Business address	Postal address	Registered address
299 Bronkhorst Street Nieuw Muckleneuk 0181	Private Bag x923 Pretoria 0001	299 Bronkhorst Street Nieuw Muckleneuk 0181

Addresses for SARS' other offices are available from SARS upon request or can be found on the SARS website www.sars.gov.za.

Regards

Edward Chr Kieswetter
SARS COMMISSIONER
30 July 2023

Report of the Auditor-General to Parliament on the South African Revenue Service: Own Accounts

Report on the audit of the consolidated and separate financial statements

Opinion

1. I have audited the consolidated and separate financial statements of the South African Revenue Service (SARS) and its subsidiary set out on pages 133 to 183, which comprise the consolidated and separate statement of financial position as at 31 March 2023, consolidated and separate statement of financial performance, statement of changes in net assets, cash flow statement and statement of comparison of budget and actual amounts for the year then ended, as well as notes to the consolidated and separate financial statements, including a summary of significant accounting policies.

2. In my opinion, the consolidated and separate financial statements present fairly, in all material respects, the financial position of Sars and its subsidiary as at 31 March 2023, and their financial performance and cash flows for the year then ended in accordance with the Standards of Generally Recognised Accounting Practice (Standards of GRAP) and the requirements of the Public Finance Management Act 1 of 1999 (PFMA).

Basis for opinion

3. I conducted my audit in accordance with the International Standards on Auditing (ISAs). My responsibilities under those standards are further described in the responsibilities of the auditor-general for the audit of the consolidated and separate financial statements section of my report.

4. I am independent of Sars and its subsidiary in accordance with the International Ethics Standards Board for Accountants' International code of ethics for professional accountants (including International Independence Standards) (IESBA code) as well as other ethical requirements that are relevant to my audit in South Africa. I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA code.

5. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Emphasis of matters

6. I draw attention to the matters below. My opinion is not modified in respect of these matters.

Restatement of corresponding figures

7. As disclosed in note 38 to the consolidated and separate financial statements, the corresponding figures for 31 March 2022 were restated as a result of an error in the financial statements of the public entity at, and for the year ended, 31 March 2023.

Presentation of financial statements

8. As disclosed in note 1 to the consolidated and separate financial statements, the reporting activity of Sars has been divided into revenue accounts and own accounts.

Other matters

9. I draw attention to the matters below. My opinion is not modified in respect of these matters.

Unaudited supplementary schedules

10. The supplementary information set out on pages 184 to 189 does not form part of the consolidated and separate financial statements and is presented as additional information. I have not audited this information and, accordingly, I do not express an opinion thereon.

National Treasury Instruction Note 4 of 2022-23: PFMA compliance and reporting framework

11. On 23 December 2022 National Treasury issued Instruction note No. 4: PFMA Compliance and Reporting Framework of 2022-23 in terms of section 76(1)(b), (e) and (f), 2(e) and (4)(a) and (c) of the PFMA, which came into effect on 3 January 2023. The PFMA compliance and reporting framework also addresses the disclosure of unauthorised expenditure, irregular expenditure and fruitless and wasteful expenditure. Among the effects of this framework is that irregular and fruitless and wasteful expenditure incurred in previous financial years and not addressed is no longer disclosed in the disclosure notes of the annual financial statements, only the current year and prior year figures are disclosed in note 42 and 43 to the financial statements. The movements in respect of irregular expenditure and fruitless and wasteful expenditure are no longer disclosed in the notes to the annual financial statements of Sars.

The disclosure of these movements (e.g. condoned, recoverable, removed, written off, under assessment, under determination and under investigation) are now required to be included as part of other information in the annual report of the auditees. I do not express an opinion on the disclosure of irregular expenditure and fruitless and wasteful expenditure in the annual report.

Responsibilities of the accounting authority for the consolidated and separate financial statements

12. The accounting authority is responsible for the preparation and fair presentation of the consolidated and separate financial statements in accordance with the Standards of GRAP and the requirements of the PFMA, and for such internal control as the accounting authority determines is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

13. In preparing the consolidated and separate financial statements, the accounting authority is responsible for assessing the public entity's ability to continue as a going concern; disclosing, as applicable, matters relating to going concern; and using the going concern basis of accounting unless the appropriate governance structure either intends to liquidate the public entity or to cease operations, or has no realistic alternative but to do so.

Responsibilities of the auditor-general for the audit of the consolidated and separate financial statements

14. My objectives are to obtain reasonable assurance about whether the consolidated and separate financial statements as a whole are free from material misstatement, whether due to fraud or error; and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with the ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated and separate financial statements.

15. A further description of my responsibilities for the audit of the consolidated and separate financial statements is included in the annexure to this auditor's report.

Report on the audit of the annual performance report

16. In accordance with the Public Audit Act 25 of 2004 (PAA) and the general notice issued in terms thereof, I must audit and report on the usefulness and reliability of the reported performance against predetermined objectives for selected objectives presented in the annual performance report. The accounting authority is responsible for the preparation of the annual performance report.

17. I selected the following objectives presented in the annual performance report for the year ended 31 March 2023 for auditing. I selected objectives that measure the public entity's performance on its primary mandated functions and that are of significant national, community or public interest.

Objectives	Page numbers	Purpose
Strategic objective 1: Provide clarity and certainty to taxpayers and traders regarding their obligations	56	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 2: Make it easy for taxpayers and traders to comply with their obligations	60	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 3: Detect taxpayers and traders who do not comply, making non-compliance difficult and costly	69	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.

18. I evaluated the reported performance information for the selected objectives against the criteria developed from the performance management and reporting framework, as defined in the general notice. When an annual performance report is prepared using these criteria, it provides users with useful and reliable information and insights on the public entity's planning and delivery on its mandate and objectives.

19. I performed procedures to test whether:

» the indicators used for planning and reporting on performance can be linked directly to the public entity's mandate and the achievement of its planned objectives

» the indicators are well defined and verifiable to ensure that they are easy to understand and apply consistently and that I can confirm the methods and processes to be used for measuring achievements

» the targets can be linked directly to the achievement of the indicators and are specific, time bound and measurable to ensure that it is easy to understand what should be delivered and by when, the required level of performance as well as how performance will be evaluated

- the indicators and targets reported on in the annual performance report are the same as were committed to in the approved initial or revised planning documents
- the reported performance information is presented in the annual performance report in the prescribed manner
- there is adequate supporting evidence for the achievements reported and for the reasons provided for any over- or underachievement of targets.

20. I performed the procedures for the purpose of reporting material findings only, and not to express an assurance opinion.

21. I did not raise any material findings on the reported performance information for the selected objectives.

Report on compliance with legislation

22. In accordance with the PAA and the general notice issued in terms thereof, I must audit and report on compliance with applicable legislation relating to financial matters, financial management and other related matters. The accounting authority is responsible for the public entity's compliance with legislation.

23. I performed procedures to test compliance with selected requirements in key legislation in accordance with the findings engagement methodology of the Auditor-General of South Africa (AGSA}. This engagement is not an assurance engagement. Accordingly, I do not express an assurance opinion or conclusion.

24. Through an established AGSA process, I selected requirements in key legislation for compliance testing that are relevant to the financial and performance management of the public entity, clear to allow for consistent measurement and evaluation, while also sufficiently detailed and readily available to report in an understandable manner. The selected legislative requirements are included in the annexure to this auditor's report.

25. I did not identify any material non-compliance with the selected legislative requirements.

Other information in the annual report

26. The accounting authority is responsible for the other information included in the annual report. The other information referred to does not include the consolidated and separate financial statements, the auditor's report and those selected objectives presented in the annual performance report that have been specifically reported on in this auditor's report.

27. My opinion on the consolidated and separate financial statements, the report on the audit of the annual performance report and the report on compliance with legislation, do not cover the other information included in the annual report and I do not express an audit opinion or any form of assurance conclusion on it.

28. My responsibility is to read this other information and, in doing so, consider whether it is materially inconsistent with the consolidated and separate financial statements and the selected objectives presented in the annual performance report, or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

29. If, based on the work I have performed, I conclude that there is a material misstatement in this other information, I am required to report that fact. I have nothing to report in this regard.

Internal control deficiencies

30. I considered internal control relevant to my audit of the consolidated and separate financial statements, annual performance report and compliance with applicable legislation; however, my objective was not to express any form of assurance on it.

31. I did not identify any significant deficiencies in internal control.

Other reports

32. I draw attention to the following engagements conducted by various parties. These reports did not form part of my opinion on the consolidated and separate financial statements or my findings on the reported performance information or compliance with legislation.

Investigations

33. On 29 April 2022, the Public Protector issued an investigative report relating to irregular procurement processes at Sars in the appointment of Barone, Budge & Dominick (Pty) Ltd and the continued extension of the same contract since 2007. On 11 July 2022, Sars applied to the High Court to review and set aside the report and to suspend the implementation of the remedial orders pending the final determination of the judicial review. The erstwhile Commissioner of SARS successfully applied to the High Court, with a ruling issued on 13 July 2022, for the remedial orders to be suspended and for the Public Protector and her office to be interdicted from enforcing the remedial orders pending the final ruling of the review application. In November 2022, the Gauteng High Court set aside the report and awarded the legal costs against the Public Protector, including the costs of counsel.

Auditor-General

Pretoria
31 July 2023

Annexure to the auditor's report

The annexure includes:

» the auditor-general's responsibility for the audit
» the selected legislative requirements for compliance testing.

Auditor-general's responsibility for the audit

Professional judgement and professional scepticism

As part of an audit in accordance with the ISAs, I exercise professional judgement and maintain professional scepticism throughout my audit of the consolidated and separate financial statements and the procedures performed on reported performance information for selected objectives and on the public entity's compliance with selected requirements in key legislation.

Financial statements

In addition to my responsibility for the audit of the consolidated and separate financial statements as described in this auditor's report, I also:

» identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error; design and perform audit procedures responsive to those risks; and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control
» obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the public entity's internal control
» evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made
» conclude on the appropriateness of the use of the going concern basis of accounting in the preparation of the consolidated and separate financial statements. I also conclude, based on the audit evidence obtained, whether a material uncertainty exists relating to events or conditions that may cast significant doubt on the ability of the public entity and its subsidiary to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the consolidated and separate financial statements about the material uncertainty or, if such disclosures are inadequate, to modify my opinion on the consolidated and separate financial statements. My conclusions are based on the information available to me at the date of this auditor's report. However, future events or conditions may cause a public entity to cease operating as a going concern
» evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and determine whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation
» obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. I am responsible for the direction, supervision and performance of the group audit. I remain solely responsible for my audit opinion.

Communication with those charged with governance

I communicate with the accounting authority regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

I also provide the accounting authority with a statement that I have complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on my independence and, where applicable, actions taken to eliminate threats or safeguards applied.

Compliance with legislation - selected legislative requirements

The selected legislative requirements are as follows:

Legislation	Sections or regulations
Public Finance Management Act No.1 of 1999 (PFMA)	Section 51(1)(a)(iv); 51(1)(b)(i); 51(1)(b)(ii); 51(1)(e)(iii) Section 53(4) Section 54(2)(c'); 54(2)(d) Section 55(1)(a); 55(1){b); 55(1)(c)(i) Section 56(1); 56(2) Section 57(b); Section 66(3)(c'); 66(5)
Preferential Procurement Policy Framework Act No. 5 of 2000 (PPPFA)	Section 1(i); 2.1(a); 2.1(b); 2.1(f)
Construction Industry Development Board Act No.38 of 2000 {CIDB)	Section 18(1)
CIDB Regulations	CIDB regulation 17; 25(1); 25 (5) & 25(7A)
Treasury Regulations for departments, trading entities, constitutional institutions and public entities (TR)	Treasury Regulation 8.2.1; 8.2.2 Treasury Regulation 16A 3.1; 16A 3.2; 16A 3.2(a); 16A 6.1; 16A6.2(a) & (b); 16A6.2(e);16A 6.3(a);16A 6.3(a)(i); 16A 6.3(b); 16A 6.3(c); 16A 6.3(d); 16A 6.3(e); 16A 6.4; 16A 6.5; 16A 6.6; TR 16A.7.1; 16A.7.3; 16A.7.6; 16A.7.7; 16A 8.2(1); 16A 8.2(2); 16A 8.3; 16A 8.3(d); 16A 8.4; 16A9.1 16A9; 16A9.1(b)(ii); 16A9.1(c); 16A 9.1(d); 16A 9.1(e); 16A9.1(f); 16A 9.2; 16A 9.2(a)(ii); TR 16A 9.2(a)(iii) Treasury Regulation 30.1.1; 30.1.3(a); 30.1.3(b); 30.1.3(d); 30.2.1 Treasury Regulation 31.1.2(c') Treasury Regulation 31.2.1; 31.2.5; 31.2.7(a) Treasury Regulation 31.3.3 Treasury Regulation 32.1.1(a); 32.1.1(b); 32.1.1(c') Treasury Regulation 33.1.1; 33.1.3
Preferential Procurement Regulations, 2017	Paragraph 4.1; 4.2 Paragraph 5.1; 5.3; 5.6; 5.7 Paragraph 6.1; 6.2; 6.3; 6.5; 6.6; 6.8 Paragraph 7.1; 7.2; 7.3; 7.5; 7.6; 7.8 Paragraph 8.2; 8.5 Paragraph 9.1; 9.2 Paragraph 10.1; 10.2 Paragraph 11.1; 11.2 Paragraph 12.1 and 12.2
Preferential Procurement Regulations, 2022	Paragraph 3.1 Paragraph 4.1; 4.2; 4.3; 4.4
	Paragraph 5.1; 5.2; 5.3; 5.4
PFMA SCM Instruction note 03 2021/22	Paragraphs 4.1; 4.2 (b); 4.3; 4.4; 4.4 (a); 4.4 (c) -(d); 4.6 Paragraph 5.4 Paragraph 7.2; 7.6
NT Instruction note 03 of 2019/20	Par 5.5.1(vi); Paragraph 5.5.1(x);
PFMA SCM Instruction no. 09 of 2022/2023	Paragraph 3.1; 3.3 (b); 3.3 (c); 3.3 (e); 3.6
National Treasury Instruction No.1 of 2015/16	Paragraph 3.1; 4.1; 4.2
NT Instruction note 11 of 2020/21	Paragraphs 3.1; 3.4 (a) and (b); 3.9; 6.1;6.2;6.7
PFMA SCM Instruction note 2 of 2021/22	Paragraphs 3.2.1; 3.2.2; 3.2.4(a) and (b); 3.3.1; 3.2.2 Paragraph 4.1
PFMA SCM Instruction 04 of 2022/23	Paragraph 4(1); 4(2); 4(4)
Practice note 5 of 2009/10	Paragraph 3.3
PFMA SCM Instruction 08 of 2022/23	Paragraph 3.2 Par. 4.3.2; 4.3.3
Competition Act No 89 of 1998	Section 4(1)(b)(ii)
NT Instruction note 4 of 2015-16	Paragraphs 3.4
NT SCM Instruction note 4A of 2016/17	Paragraph 6
Second amendment of NT Instruction 05 of 2020/21	Paragraphs 4.8; 4.9; 5.1; 5.3
Erratum NTI 5 of 202-21	Paragraph 1 Paragraph 2
Practice note 7 of 2009-10	Paragraph 4.1.2
Practice note 11 of 2008/9	Paragraph 3.1 Paragraph 3.1 (b)
PFMA SCM Instruction note 01 of 2021/22	Paragraph 4.1

Statement of Financial Position as at 31 March 2023

	Note(s)	Economic entity 2023 R'000	Economic entity 2022 Restated* R'000	Controlling entity 2023 R'000	Controlling entity 2022 Restated* R'000
Assets					
Current Assets					
Inventories	9	19 581	27 956	19 581	27 956
Tax receivable - controlled entity	30	739	-	-	-
Receivables from exchange transactions	10	61 389	58 318	61 748	57 147
Prepayments	8	426 748	305 802	421 682	310 209
Cash and cash equivalents	11	1 361 636	1 479 099	1 309 476	1 421 375
		1 870 093	**1 871 175**	**1 812 487**	**1 816 687**
Non-Current Assets					
Property, plant and equipment	3	2 846 782	2 638 488	2 837 181	2 631 732
Intangible assets	4	708 047	735 277	1 589 957	1 529 676
Living resources	5	4 628	1 655	4 628	1 655
Investment in controlled entity	6	-	-	-	-
Deferred tax - controlled entity	7	3 557	82	-	-
		3 563 014	**3 375 502**	**4 431 766**	**4 163 063**
Total Assets		**5 433 107**	**5 246 677**	**6 244 253**	**5 979 750**
Liabilities					
Current Liabilities					
Finance lease obligation	13	17 890	10 228	17 890	10 228
Deferred income	14	163	206	163	206
Provisions	15	729 141	671 239	718 043	667 426
Tax payable - controlled entity	30	-	1	-	-
VAT payable		1 533	942	-	-
Trade and other payables	20	770 430	683 722	760 353	677 234
		1 519 157	**1 366 338**	**1 496 449**	**1 355 094**
Non-Current Liabilities					
Finance lease obligation	13	18 009	19 151	18 009	19 151
Operating lease liability		43 196	60 672	42 365	59 774
Employee benefits	16-19	336 083	553 376	336 083	553 376
		397 288	**633 199**	**396 457**	**632 301**
Total Liabilities		**1 916 445**	**1 999 537**	**1 892 906**	**1 987 395**
Net Assets		**3 516 662**	**3 247 140**	**4 351 347**	**3 992 355**
Net Assets					
Asset revaluation reserve	12	101 239	102 744	101 239	102 744
Accumulated surplus		3 415 423	3 144 396	4 250 108	3 889 611
Net Assets		**3 516 662**	**3 247 140**	**4 351 347**	**3 992 355**

*See note 38

Statement of Financial Performance as at 31 March 2023

	Note(s)	Economic entity		Controlling entity	
		2023 R'000	2022 Restated* R'000	2023 R'000	2022 Restated* R'000
Revenue					
Revenue from exchange transactions					
Rendering of services	21	19 553	15 284	-	-
Other income	22	429 681	411 824	429 948	411 867
Interest received		106 276	60 606	103 629	58 820
Gain on disposal of assets		-	424	-	408
Total revenue from exchange transactions		**555 510**	**488 138**	**533 577**	**471 095**
Revenue from non-exchange transactions					
Government grant	21	11 635 781	11 295 167	11 635 781	11 295 167
Negotiated discount and donations received	21	181 605	13 592	181 605	13 592
Total revenue from non-exchange transactions		**11 817 386**	**11 308 759**	**11 817 386**	**11 308 759**
Total revenue		**12 372 896**	**11 796 897**	**12 350 963**	**11 779 854**
Expenditure					
Employee cost	31	(8 513 115)	(8 363 199)	(8 351 129)	(8 266 079)
Depreciation and amortisation	3-5	(680 301)	(583 512)	(669 908)	(574 374)
Impairment, scrapping losses and net reversals of inventory	25	(24 148)	(16 081)	(24 148)	(16 081)
Finance costs	26	(4 288)	(757)	(4 288)	(757)
Operating leases	27	(477 573)	(485 039)	(473 846)	(481 315)
Administrative expenses	3	(898 078)	(824 616)	(915 924)	(823 332)
Other expenses		(61 909)	(18 067)	(61 909)	(17 692)
Loss on disposal of assets		(5 458)	-	(5 455)	-
Inventories		(18 142)	(16 929)	(18 142)	(16 929)
Professional and special services	3&24	(1 421 649)	(1 289 477)	(1 465 717)	(1 324 117)
Total expenditure		**(12 104 661)**	**(11 597 677)**	**(11 990 466)**	**(11 520 676)**
Surplus before taxation		**268 235**	**199 220**	**360 497**	**259 178**
Taxation	28	2 796	1 652	-	-
Surplus for the year		**271 031**	**200 872**	**360 497**	**259 178**

*See note 38

Statement of Changes in Net Assets as at 31 March 2023

	Revaluation reserve on land and buildings	Accumulated surplus	Total net assets
	R'000	R'000	R'000
Economic entity			
Balance at 01 April 2021	**99 490**	**2 943 524**	**3 043 014**
Surplus for the year	-	200 872	200 872
Surplus in revaluation of land and buildings	8 298	-	8 298
Depreciation on revalued portion of land and buildings	(5 044)	-	(5 044)
Total changes	**3 254**	**200 872**	**204 126**
Opening balance as previously reported	102 744	3 423 111	3 525 855
Adjustments:			
Correction of error note 38	-	(278 715)	(278 715)
Balance at 1 April 2022	**102 744**	**3 144 392**	**3 247 136**
Surplus for the year	-	271 031	271 031
Surplus in revaluation of land and buildings	5 565	-	5 565
Depreciation on revalued portion of land and buildings	(7 070)	-	(7 070)
Total changes	(1 505)	271 031	269 526
Balance at 31 March 2023	**101 239**	**3 415 423**	**3 516 662**
note(s)	12		
Controlling entity			
Balance at 01 April 2021	**99 490**	**3 630 433**	**3 729 923**
Surplus for the year	-	259 178	259 178
Surplus in revaluation of land and buildings	8 298	-	8 298
Depreciation on revalued portion of land and buildings	(5 044)	-	(5 044)
Total changes	**3 254**	**259 178**	**262 432**
Opening balance as previously reported	102 744	4 168 326	4 271 070
Adjustments:			
Correction of prior year error note 38	-	(278 715)	(278 715)
Balance at 1 April 2022	**102 744**	**3 889 611**	**3 992 355**
Surplus for the year	-	360 497	360 497
Surplus in revaluation of land and buildings	5 565	-	5 565
Depreciation on revalued portion of land and buildings	(7 070)	-	(7 070)
Total changes	(1 505)	360 497	358 992
Balance at 31 March 2023	**101 239**	**4 250 108**	**4 351 347**

*See note 38

Cash Flow Statement as at 31 March 2023

	Note(s)	Economic entity		Controlling entity	
		2023 R'000	2022 Restated* R'000	2023 R'000	2022 Restated* R'000
Cash flows from operating activities					
Receipts					
Rendering of services		20 113	15 195	-	-
Government grant		11 635 781	11 295 167	11 635 781	11 295 167
Interest received		105 286	59 820	102 635	58 034
Other income		430 910	424 866	430 771	425 075
		12 192 090	**11 795 048**	**12 169 187**	**11 778 276**
Payments					
Employee costs		(8 596 395)	(7 872 393)	(8 443 014)	(7 776 254)
Suppliers		(3 002 006)	(2 769 312)	(3 060 862)	(2 797 581)
Tax refunded paid	30	(1 420)	(209)	-	-
VAT refunded		591	123	-	-
		(11 599 230)	**(10 641 791)**	**(11 503 876)**	**(10 573 835)**
Net cash flows from operating activities	29	**592 860**	**1 153 257**	**665 311**	**1 204 441**
Cash flows from investing activities					
Acquisition of property, plant and equipment	3	(548 041)	(334 855)	(542 924)	(333 003)
Proceeds from sale of property, plant and equipment, intangible assets and living resources		1 611	1 812	1 610	1 782
Acquisition of intangible assets	4	(163 507)	(130 996)	(242 892)	(182 923)
Acquisition of living resources	5	(3 725)	-	(3 725)	-
Advances to other entities		1 107	(456)	8 489	(3 501)
Net cash flows from investing activities		**(712 555)**	**(464 495)**	**(779 442)**	**(517 645)**
Cash flows from financing activities					
Finance lease payments		6 520	29 314	6 520	29 314
Interest payments on finance leases		(4 288)	(757)	(4 288)	(757)
Net cash flows from financing activities		**2 232**	**28 557**	**2 232**	**28 557**
Net increase/(decrease) in cash and cash equivalents		**(117 463)**	**717 319**	**(111 899)**	**715 353**
Cash and cash equivalents at the beginning of the year		1 479 099	761 780	1 421 375	706 022
Cash and cash equivalents at the end of the year	11	**1 361 636**	**1 479 099**	**1 309 476**	**1 421 375**

*See note 38

Statement of Comparison of Budget and Actual Amounts as at 31 March 2023

Budget on an Accrual Basis	Final Budget R'000	Actual amounts on comparable basis R'000	Difference between final budget and actuals R'000	Reference
Controlling entity				
Statement of Financial Performance				
Revenue				
Non-tax revenue				
Other income	356 887	429 948	73 061	Note 1
Interest received	32 273	103 629	71 356	Note 2
Total non-tax revenue	**389 160**	**533 577**	**144 417**	
Transfer revenue				
Government grant	11 527 781	11 635 781	108 000	Note 3
Negotiated discount	-	181 605	181 605	Note 4
Total revenue from non-exchange transactions	**11 527 781**	**11 817 386**	**289 605**	
Total revenue	**11 916 941**	**12 350 963**	**434 022**	
Expenditure				
Compensation of employees	(8 557 990)	(8 351 129)	206 861	Note 5
Depreciation and amortisation	(728 066)	(669 908)	58 158	Note 6
Finance costs	-	(4 288)	(4 288)	
Goods and services	(3 165 199)	(2 935 538)	229 661	Note 7
Impairment loss	-	(24 148)	(24 148)	
Loss on disposal of assets	-	(5 455)	(5 455)	
Total expenditure	**(12 451 255)**	**(11 990 466)**	**460 789**	
Actual Amount on Comparable Basis as Presented in The Budget and Actual Comparative Statement	**(534 314)**	**360 497**	**894 811**	

Reference:

The variance is mainly due to higher than budgeted income relating to commission income in collection of UIF on behalf of Department of Labour, SDL training grant, and project fees received from Department of Home Affairs (DHA).	Note 1
The variance is due to a prudent approach in budgeting for interest received, and a higher than anticipated bank balance as a result of longer than anticipated wage negotiations and procurement processes as well as project delivery later than planned, resulting in commitments at financial year-end.	Note 2
The variance is as a result of an additional R108m (1.5% on GTP) received from National Treasury in January 2023 as part of the agreement to fund a 3% salary increase.	Note 3
The negotiated discount relates to a contract concluded with an ICT vendor for the supply of ICT related hardware and software including maintenance.	Note 4
The variance is mainly due to actuarial movement that was not budgeted for. The controlling entity has requested an actuarial valuation of the employer's liability as at 31 March 2023 in respect of leave benefits. The valuations was prepared for each leave type, where the leave benefits will only be paid twelve months after the end of the reporting period in which the employee rendered the related service.	Note 5
Depreciation realised lower than planned due to changes in useful life and residual values based on GRAP 17 and 31.	Note 6
The variance is as a result of efficiency gains which were mainly re-appropriated to enable execution of capital acquisition during the year.	Note 7

Statement of Comparison of Budget and Actual Amounts as at 31 March 2023

Budget on an Accrual Basis	Final Budget	Actual amounts on comparable basis	Difference between final budget and actuals	Reference
	R'000	R'000	R'000	
Controlling entity				
Statement of Financial Position				
Assets				
Inventories	32 583	19 581	(13 002)	
Receivables and prepayments	363 060	483 430	120 370	
Cash and cash equivalents	488 911	1 309 476	820 565	
Carrying value of assets	3 813 282	4 431 766	618 484	
Total Assets	**4 697 836**	**6 244 253**	**1 546 417**	
Equity and Liabilities				
Finance lease obligation	-	(35 899)	(35 899)	
Deferred income	(140)	(163)	(23)	
Trade and other payables	(1 049 278)	(802 718)	246 560	
Provisions and employee benefits	(417 664)	(1 054 126)	(636 462)	
Accumulated surplus	(2 828 654)	(4 250 108)	(1 421 454)	
Asset revaluation reserve	(402 100)	(101 239)	300 861	
Total Equity and Liabilities	**(4 697 836)**	**(6 244 253)**	**(1 546 417)**	

Statement of Comparison of Budget and Actual Amounts as at 31 March 2023

Budget on an Accrual Basis	Final Budget R'000	Actual amounts on comparable basis R'000	Difference between final budget and actuals R'000	Reference
Controlling entity				
Cash Flows from operating activities				
Cash Flow Statement				
Non-tax receipts				
Other income	356 887	430 771	73 884	Note 1
Government grant	11 527 781	11 635 781	108 000	
Interest received	32 273	102 635	70 362	Note 2
	11 916 941	**12 169 187**	**252 246**	
Payments				
Compensation of employees	(8 557 990)	(8 443 014)	114 976	Note 3
Goods and services	(3 094 051)	(3 060 862)	33 189	Note 4
	(11 652 041)	(11 503 876)	148 165	
Net cash flows from operating activities	**264 900**	**665 311**	**400 411**	
Cash flows from investing activities				
Acquisition of property, plant and equipment	(193 752)	(542 924)	(349 172)	
Proceeds from sale of property, plant and equipment, intangible assets and living resources	-	1 610	1 610	
Acquisitions of intangible assets	-	(242 892)	(242 892)	
Other flows from investing activities	-	8 489	8 489	
Acquisition of living resources	-	(3 725)	(3 725)	
Net cash flows from investing activities	**(193 752)**	**(779 442)**	**(585 690)**	**Note 5**
Cash flows from financing activities				
Repayment of finance leases	-	2 232	2 232	Note 6
Net cash flows from financing activities	**-**	**2 232**	**2 232**	
Net increase/(decrease) in cash and cash equivalents	71 148	(111 899)	(183 047)	
Cash and cash equivalents at the beginning of the year	-	1 421 375	1 421 375	
Cash and cash equivalents at the end of the year	**71 148**	**1 309 476**	**1 238 328**	

Reference:

The variance is mainly due to higher than budgeted income relating to commission income in collection of UIF on behalf of Department of Labour, SDL training grant, and project fees received from Department of Home Affairs (DHA).	Note 1
The variance is due to a prudent approach in budgeting for interest received, and a higher than anticipated bank balance as a result of longer than anticipated wage negotiations and procurement processes as well as project delivery later than planned, resulting in commitments at financial year-end.	Note 2
The variance is mainly due to salary related provisions raised during the year and not yet paid. Due to budget constraints performance bonus was not budgeted for during ENE. Savings realised in the 2022/23 year due to protracted recruitment processes and attrition were allocated towards the performance bonus provision.	Note 3
The variance is as a result of efficiency gains which were mainly re-appropriated to enable execution of capital acquisition during the year as well as robust procurement negotiations that realised savings.	Note 4
Mainly due to 2021/22 capital commitments that have realised in the current financial year as well as funds re-appropriated from operational budget to enable execution of capital acquisition during the year.	Note 5
Finance leases are not budgeted for as they are deemed finance leases as per GRAP.	Note 6

Accounting Policies

1. Presentation of Financial Statements

The reporting activity of the South African Revenue Service (SARS) is divided into Revenue Accounts and Own Accounts. Revenue Accounts report on assets, liabilities and revenue that are controlled by National Government and are managed by SARS on behalf of National Government. Own Accounts reports on assets, liabilities, revenue and expenses associated with the administration and collection of taxes and duties. These activities are mainly funded by transfers from National Treasury.

The Annual Financial Statements have been prepared in accordance with the effective Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board, in accordance with Section 91(1) of the Public Finance Management Act (Act 1 of 1999).

These Annual Financial Statements have been prepared on an accrual basis of accounting, and are in accordance with historical cost convention, unless specified otherwise. They are presented in South African Rand.

A summary of the significant accounting policies, which have been consistently applied in the preparation of these financial statements, is disclosed below.

These accounting policies are consistent with the previous period.

1.1 Going concern assumption

These financial statements have been prepared based on the expectation that the economic entity will continue to operate as a going concern for at least the next 12 months.

1.2 Consolidation

Basis of consolidation

The economic entity's Annual Financial Statements include those of the controlling entity and its controlled entity.

Control exists when the controlling entity has the power to govern the financial and operating policies of another entity to obtain benefits from its activities.

The results of the controlled entity are included in the consolidated annual financial statements from the effective date of acquisition, or date when control commences, to the effective date of disposal or date when control ceases.

The Annual Financial Statements of the controlling entity and its controlled entity, used in the preparation of the consolidated annual financial statements, are prepared as of the same reporting date.

All intra-entity transactions, balances, revenues and expenses are eliminated in full on consolidation, except for VAT on inter-company transactions. This is due to the controlling entity being VAT exempted.

1.3 Significant judgements and sources of estimation uncertainty

In preparing the financial statements, management is required to make estimates and assumptions that affect the amounts represented in the financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates, which may be material to the financial statements. Significant judgements and estimates include:

Receivables

The economic entity assesses its receivables for impairment at the end of each reporting period. Write-offs are made according to the economic entity's write-off policy.

Fair value estimation

The carrying value less impairment provision of trade receivables and payables is assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the applicable interest rates that are available to the economic entity for similar financial instruments.

Impairment testing

The recoverable amounts of cash-generating units have been determined based on the higher of value-in-use calculations, and fair value less cost to sell. These calculations require the use of estimates and assumptions. It is reasonably possible that the key assumption may change, which may then impact the entity's estimations and require a material adjustment to the carrying value of the cash-generating and non cash-generating assets.

The economic entity reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. The controlling entity defines the event as the inability to verify an asset for a period of two years, upon which the carrying value is impaired to zero. If the asset remains unverified, it will be written off on the subsequent reporting date.

If there is objective evidence that an impairment loss on the carrying value of assets has been incurred, the amount of the loss is the difference between the asset's carrying amount and estimated recoverable amount. The amount is recognised as a gain/loss in the Statement of Financial Performance.

If, in a subsequent period, the amount of the impairment loss decreases, and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed. The reversal does not result in the carrying amount exceeding what the amortised cost would have been had the impairment not been recognised at the date the impairment was reversed.

Provisions

Provisions were raised, and management was prudent in determining estimates based on the information available. Additional disclosure of these estimates of provisions are included in note 15 - Provisions.

Taxation - controlled entity

This accounting policy is not applicable to the controlling entity as it is exempt from the payment of income tax in terms of section 10(1)(cA) of the Income Tax Act of 1962. In respect of the controlled entity, judgement is required in determining the provision for income taxes due to the complexity of the legislation. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The controlled entity recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such a determination is made.

The controlled entity recognises the net future tax benefit related to deferred income tax assets, to the extent that it is probable that the temporary differences will reverse in the foreseeable future. Assessing the recoverability of deferred income tax assets requires the controlled entity to make significant estimates relating to expectations of future taxable income. Estimates of future taxable income are based on forecast cash flows from operations and the application of tax laws. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the controlled entity to realise the net deferred tax assets recorded at the end of the reporting period could be impacted.

Provision for doubtful debt

On trade and other receivables, an impairment loss is recognised in surplus or deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the trade and other receivables carrying amount, and the present value of estimated future cash flows discounted at the applicable ministerial rate, computed at initial recognition. In the assessment for impairment, the following methodologies are used at the end of each financial year:

- 100% of the out of service debt (excluding credit balances) is classified as impaired; and

- any other debts that may be deemed irrecoverable.

Useful lives and residual value of assets

As described in the accounting policy below, the economic entity reviews the estimated useful lives and residual values of property, plant and equipment, intangible assets and living resources at the end of each reporting period.

Cash-generating assets - controlled entity

Judgements made by management in applying the criteria to designated assets as cash-generating assets or non-cash-generating assets, are as follows:

Cash-generating assets are identified by management as assets used with the objective of generating a commercial return. Commercial return means that positive cash flows are expected to be significantly higher than the cost of the asset. Assets in the controlling entity do not generate any cash inflows, therefore, only assets in the controlled entity are considered to be cash-generating assets. Management considers non-cash-generating assets as assets other than cash-generating assets.

1.4 Property, plant and equipment

Property, plant and equipment are initially measured at cost.

Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at date of acquisition. If the acquired item's fair value was not determinable, its deemed cost is the carrying amount of the asset(s) given up.

Recognition of costs in the carrying amount of a property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Items such as spare parts, standby equipment and servicing equipment are recognised when they meet the definition of a property, plant and equipment.

Property, plant and equipment are carried at cost less accumulated depreciation, and any impairment losses, except for land and buildings which are carried at revalued amounts being the fair value at the date of revaluation, less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Revaluations of land and buildings are performed annually to ensure that the carrying amount does not differ materially from the fair value at the end of the reporting period.

When land and buildings are revalued, any accumulated depreciation at the date of the revaluation is not eliminated against the gross carrying amount of the asset, and the net amount restated to the revalued amount of the asset. The cost price will reflect the grossed up value instead of the revalued amount. This does not have any effect on the values as per the Statement of the Financial Position.

Any increase in land and building's carrying amount, as a result of a revaluation, is credited directly to the revaluation surplus. The increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

Any decrease in land and building's carrying amount, as a result of a revaluation, is recognised in surplus or deficit in the current period. The decrease is debited directly to the revaluation surplus, to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

The revaluation surplus in total net assets, related to a specific component of land and buildings, is transferred directly to accumulated surplus as the asset is used. The amount transferred is equal to the difference between depreciation based on the revalued carrying amount and depreciation based on the original cost of that asset.

Property, plant and equipment are depreciated on the straight line basis over their expected useful lives to their estimated residual value and is carried at cost less accumulated depreciation and any impairment losses.

The useful lives of items of property, plant and equipment for the controlling entity have been assessed as follows:

Category	Average useful life
Land	Unlimited useful life
Buildings & building components	Revaluated annually
Plant and equipment	9 to 10 years
Furniture, fittings and office equipment	2 to 17 years
Land and water vehicles	5 to 11 years
ICT equipment	3 to 13 years
Leasehold improvements	13 to 15 years
Power supply equipment	9 to 12 years
Security equipment	8 to 14 years
Asset under construction	No useful life as assets are not available and/or ready for use

The depreciable amount of an asset is allocated on a systematic basis over its useful life.

The economic entity assesses at each reporting date whether there is any indication that the economic entity's expectations about the residual value and the useful life of an asset have changed since the preceding reporting date. If any such indication exists, the economic entity revises the expected useful life and/or residual value accordingly. The change is accounted for as a change in an accounting estimate (refer note 37).

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the asset.

The economic entity separately discloses the following in the notes to the financial statements:

- expenditure to repair and maintain property, plant and equipment and intangible assets (see note 3).

- relevant information relating to assets under construction or development (see note 3).

1.5 Intangible assets

An intangible asset is recognised when:

» it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the economic entity; and

» the cost or fair value of the asset can be measured reliably.

Intangible assets are initially recorded in the notes to the financial statements at cost. Subsequently intangible assets are measured at cost less any accumulated amortisation and impairment losses.

Where an intangible asset is acquired through a non-exchange transaction, its initial cost at the date of acquisition is measured at its fair value as at that date.

Cost on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

An intangible asset arising from development (or from the development phase of an initial project) is recognised when:

» it is technically feasible to complete the asset so that it will be available for use or sale;
» there is an intention to complete and use it;
» there is an ability to use or sell it;
» it will generate probable future economic benefits or service potential;
» there are available technical, financial and other resources to complete the development and to use or sell the asset; and
» the expenditure attributable to the asset during its development can be measured reliably.

The economic entity assesses at each reporting date whether there is any indication that the economic entity's expectations about the residual value and the useful life of an asset have changed since the preceding reporting date. If any such indication exists, the economic entity revises the expected useful life and/or residual value accordingly. The change is accounted for as a change in an accounting estimate (refer note 37).

Amortisation for the controlling entity is provided to write-down the intangible assets, on a straight-line basis, to their residual values as follows:

Item	Useful life
Intellectual property and other rights (controlled entity)	10 years
Information technology software	3 to 12 years
Software assets under development	No useful life as assets are not available and/or ready for use

The economic entity discloses relevant information relating to intangible assets and software assets under construction or development, in the notes to the financial statements (see note 4).

Intangible assets are derecognised when no future economic benefits or service potential are expected from its use or at the date of disposal.

1.6 Living resources

Living resources are those resources that undergo biological transformation processes of growth, degeneration, production, and procreation that cause qualitative or quantitative changes in a living resource.

In the case of the controlling entity, living resources represent the detector dogs in the Customs Operational environment.

A living resource is recognised as an asset if it is probable that future economic benefits or service potential associated with the asset will flow to the economic entity, and the cost or fair value of the asset can be measured reliably.

A living resource that qualifies for recognition as an asset is measured at its cost.

The cost of a living resource comprises its purchase price, including import duties and non-refundable purchase taxes, and any costs directly attributable to bringing the living resource to the location and condition necessary for it to be capable of operating in the manner intended by management.

After recognition as an asset, a group of living resources are carried at its cost less any accumulated depreciation.

Living resources are depreciated and the depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset, where appropriate.

The depreciable amount of a living resource is allocated on a straight-line basis over its useful life.

The controlling entity assesses at each reporting date whether there is any indication that the entity's expectations about the residual value and the useful life of a living resource have changed since the preceding reporting date. If any such indication exists, the controlling entity revises the expected useful life and/or residual value accordingly. The change(s) are accounted for as a change in an accounting estimate.

The depreciation methods and useful lives of items of living resources have been assessed as follows:

Item	Average useful life
Customs detector dogs	10 years

The carrying amount of a living resource is derecognised on retirement or death, or when no future economic benefits or service potential are expected from its use at date of its disposal.

The gain or loss arising from the derecognition of a living resource is included in surplus or deficit when the item is derecognised.

1.7 Investment in controlled entity

Economic entity financial statements

Investment in controlled entities is consolidated in the economic entity's financial statements. Refer to the accounting policy on consolidations (note 1.2).

Controlling entity financial statements

In the entity's separate financial statements, investment in the controlled entity is carried at cost less any accumulated impairment.

The investment in controlled entities that is accounted for in accordance with the accounting policy on financial instruments in the consolidated financial statements, are accounted for in the same way in the controlling entity's separate financial statements.

1.8 Financial instruments

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortisation using the effective interest rate method of any difference between that initial amount and the maturity amount, and minus any reduction for impairment or uncollectability.

Classification

The entity has the following classes of financial assets, as reflected in the Statement of Financial Position or in the notes thereto:

Class	Measurement method
Receivables from exchange transactions	Financial asset measured at amortised cost
Cash and cash equivalents	Financial asset measured at fair value

The entity has the following classes of financial liabilities as reflected in the Statement of Financial Position or in the notes thereto:

Class	Measurement method
Finance lease obligation	Financial liability measured at amortised cost
Payables from exchange transactions	Financial liability measured at amortised cost

Initial recognition

The entity recognises a financial asset or a financial liability, in its Statement of Financial Position, when the entity becomes a party to the contractual provisions of the instrument.

The entity recognises financial assets using trade date accounting (transaction date).

Initial measurement of financial assets and financial liabilities

The entity measures a financial asset and financial liability initially at its fair value plus transaction cost, that is directly attributable to the acquisition or issue of the financial asset or financial liability.

Subsequent measurement of financial assets and financial liabilities

The entity measures all financial assets and financial liabilities after initial recognition either at fair value or amortised cost.

All financial assets measured at amortised cost are subject to an impairment review.

Fair value measurement considerations

The best evidence of fair value is quoted prices in an active market. If the market for a financial instrument is not active, the entity establishes fair value by using a recognised valuation technique. The objective of using a recognised valuation technique is to establish what the transaction price would have been on the measurement date in an arm's length exchange motivated by normal operating considerations.

Impairment of financial assets measured at amortised cost

The entity assesses, at the end of each reporting period, whether there is any objective evidence that a financial asset or group of financial assets should be impaired.

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount, and the present value of the estimated future cash flows (excluding future credit losses that have not been incurred), discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced directly. The amount of the loss is recognised in surplus or deficit.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be objectively related to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed directly. The reversal does not result in a carrying amount of the financial asset that exceeds what the amortised cost model would have been had the impairment not been recognised at the date the impairment is reversed. The balance of the reversal amount is recognised in surplus or deficit.

Derecognition

Financial assets

The entity derecognises a financial asset only when the contractual rights to the cash flows from the financial asset expire, are settled, waived, or when the entity transfers to another party substantially all of the risks and rewards of ownership of the financial asset.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received is recognised in surplus or deficit using trade date accounting (transaction date).

Financial liabilities

The entity removes a financial liability (or a part of a financial liability) from its Statement of Financial Position upon settlement.

Recognition

Interest relating to a financial instrument is recognised as revenue or expense in surplus or deficit.

Losses and gains relating to a financial instrument are recognised as revenue or expense in surplus or deficit.

A financial asset and a financial liability are only offset, and the net amount presented in the Statement of Financial Position when the entity has a current legally enforceable right, to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

1.9 Tax - controlled entity

Current tax assets and liabilities

The current tax for current and prior periods, to the extent that it is unpaid, is recognised as a liability. If the amount already paid in respect of current and prior periods exceeds the amount due for those periods, the excess is recognised as an asset.

Tax liabilities or assets for the current and prior periods are measured at the amount expected to be paid to/or recovered from the tax authority, using the tax rates and tax laws that have been enacted by the end of the reporting period.

Deferred tax assets and liabilities

A deferred tax liability is recognised for all taxable temporary differences, except to the extent that the deferred tax liability arises from the initial recognition of an asset or liability, in a transaction, which at the time of the transaction, affects neither accounting surplus nor taxable profit or tax loss.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates and laws that have been enacted or substantively enacted by the end of the reporting period.

Tax expense

Current and deferred tax are recognised as an income or an expense, and included in surplus or deficit for the period.

1.10 Leases

Finance leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership.

Finance leases are recognised as assets and liabilities in the Statement of Financial Position at amounts equal to the fair value of the leased asset, or if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the Statement of Financial Position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease.

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term, so as to produce a constant periodic rate on the remaining balance of the liability.

Operating leases

Operating lease payments are recognised as an expense on a straight-line basis over the lease term.

The difference between the amounts recognised as an expense and the contractual payments, is recognised as an operating lease liability.

1.11 Inventories

Inventories are initially measured at cost.

Inventories are measured at the lower of cost and current replacement cost, where they are held for distribution at no charge.

Current replacement cost is the cost the economic entity incurs to acquire the inventories on the reporting date.

The cost of inventories comprises of all costs of purchase, costs of conversion, and other costs incurred in bringing the inventories to their present location and condition available for use.

The cost of inventories is assigned using the weighted average cost formula. The same cost formula is used for all inventories having a similar nature and use for the economic entity.

The amount of any write-down of inventories to current replacement cost and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write- down of inventories, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

1.12 Cash and cash equivalents

Cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

Cash and cash equivalents comprise bank balances, cash on hand and where applicable deposits in a Corporation of Public Deposits bank account held with the Reserve Bank in instances where there are surplus funds available.

1.13 Impairment of cash-generating assets- controlled entity

Identification

When the carrying amount of a cash-generating asset exceeds its recoverable amount, it is impaired.

The controlled entity assesses at each reporting date whether there is any indication that a cash-generating asset may be impaired. If any such indication exists, the controlled entity estimates the recoverable amount of the asset.

1.14 Impairment of non-cash-generating assets

Identification

When the carrying amount of a non-cash-generating asset exceeds its recoverable service amount, it is impaired.

The economic entity assesses, at each reporting date, whether there is any indication that a non-cash- generating asset may be impaired. If any such indication exists, the economic entity estimates the recoverable service amount of the asset.

1.15 Share capital / contributed capital

An equity instrument is any contract that evidences a residual interest in the assets of an entity, after deducting all its liabilities.

1.16 Employee benefit obligations

The value of each major class of employee benefit obligation is disclosed in the employee benefits note (Refer to note 31).

Employee benefits are all forms of consideration given by an entity in exchange for service rendered by employees.

Long term employee benefits

Long term employee benefits are employee benefits that are not due to be settled within twelve months after the end of the period in which the employees render the related service.

Short-term employee benefits

Short-term employee benefits include items such as:

» salaries and other contributions; and
» bonus and performance related payments payable within twelve months after the end of the reporting period in which the employees render the related service.

When an employee has rendered service to the entity during a reporting period, the entity recognises the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:

» as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the entity recognises that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
» as an expense, unless another accounting standard requires or permits the inclusion of the benefits in the cost of an asset.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs. The entity measures the expected cost of accumulating compensated absences as the additional amount that the entity expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

The entity recognises the expected cost of incentive and service related payments when the entity has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made. A present obligation exists when the entity has no realistic alternative but to make the payments.

Post-employment benefits: Defined contribution plans

Defined contribution plans are post-employment benefit plans under which the entity pays fixed contributions into the Goverment Employees Pension Fund (GEPF) and will have no legal or constructive obligation to pay further contributions if the GEPF does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

When an employee has rendered service to the entity during a reporting period, the entity recognises the contribution payable to a defined contribution plan in exchange for that service as a liability (accrued expense).

1.17 Provisions and contingencies

Provisions are recognised when:

- the entity has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Provisions are recognised when there is a present legal or constructive obligation to forfeit economic benefits as a result of events in the past, and it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation, and a reliable estimate of the obligation can be made. The provision is measured as the best estimate of the funds required to settle the present obligation at the reporting date.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation.

Contingent assets and contingent liabilities are not recognised but are disclosed.

1.18 Commitments

Items are classified as commitments when an entity has contractually committed itself to future transactions, by placing a purchase order or signing a works order, that will normally result in the outflow of cash.

Contractual commitments exclude operational expenditure which relates to normal business activities.

Disclosures are required in respect of unrecognised contractual commitments.

Commitments for which disclosure is necessary to achieve a fair presentation are disclosed in the notes to the financial statements, if any of the following criteria are met (refer to note 33):

- contractual commitments should be non-cancellable or only cancellable at significant cost; and
- authorised, but not yet contracted for cost, include costs of projects already started at the reporting date and for which a procurement vehicle is in place; and
- it relates to an approved business case for a project (inclusive of capital and operational cost).

1.19 Revenue from exchange transactions

Revenue from exchange transactions comprises of the gross inflow of economic benefits or service potential during the reporting period, when those inflows result in an increase in net assets.

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

Rendering of services

Revenue from exchange transactions comprises of the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets.

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when the following criteria is met:

(a) the amount of revenue can be measured reliably;

(b) it is probable that the economic benefits or service potential associated with the transaction will flow to the entity;

(c) the stage of completion of the transaction at the reporting date can be measured reliably; and

(d) the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by services performed to date as a percentage of total services to be performed.

1.20 Revenue from non-exchange transactions

Revenue from non-exchange transactions comprises of the increases in economic benefits, relating to a grant appropriated by Parliament and distributed by National Treasury to enable the controlling entity to execute its mandate in terms of the SARS Act.

In a non-exchange transaction, an entity either receives value from another entity without directly giving approximately equal value in exchange, or gives value to another entity without directly receiving approximately equal value in exchange.

Recognition

An inflow of resources from a non-exchange transaction recognised as an asset, is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

Measurement

Revenue from a non-exchange transaction is measured at the amount of the increase in net assets recognised by the entity.

When, as a result of a non-exchange transaction, the entity recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value, as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue.

Donations

Donations, including goods and services in kind, are recognised as assets and revenue when it is probable that the future economic benefits or service potential will flow to the entity, and the fair value of the assets can be measured reliably.

1.21 Translation of foreign currencies

Foreign currency transactions

A foreign currency transaction is recorded on initial recognition in Rand, by applying to the foreign currency amount the spot exchange rate between the functional currency and the foreign currency at the date of the transaction.

At each reporting date, foreign currency monetary items are translated using the closing rate.

Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition during the period, or in previous financial statements, are recognised in surplus or deficit in the period in which they arise.

Cash flows arising from transactions in a foreign currency are recorded in South African Rand by applying to the foreign currency amount the exchange rate between the Rand and the foreign currency at the date of the cash flow.

1.22 Statutory receivables - controlled entity

Identification

Statutory receivables are receivables that arise from legislation, supporting regulations, or similar means, and require settlement by another entity in cash or another financial asset.

Carrying amount is the amount at which an asset is recognised in the Statement of Financial Position.

The cost method is the method used to account for statutory receivables that requires such receivables to be measured at their transaction amount, plus any accrued interest or other charges (where applicable) and, less any accumulated impairment losses and any amounts derecognised.

Nominal interest rate is the interest rate and/or basis specified in legislation, supporting regulations or similar means.

The transaction amount (for purposes of this Standard) for a statutory receivable means the amount specified in, or calculated, levied or charged in accordance with, legislation, supporting regulations, or similar means.

Recognition

The controlled entity recognises statutory receivables when the definition of an asset is met and, when it is probable that the future economic benefits or service potential associated with the asset will flow to the entity and the transaction amount can be measured reliably.

Initial measurement

The controlled entity initially measures statutory receivables at their transaction amount.

Subsequent measurement

The controlled entity measures statutory receivables after initial recognition using the cost method. Under the cost method, the initial measurement of the receivable is changed subsequent to initial recognition to reflect any:

» interest or other charges that may have accrued on the receivable (where applicable);

» amounts derecognised.

Derecognition

The controlled entity derecognises a statutory receivable, or a part thereof, when the rights to the cash flows from the receivable are settled, expire or waived.

1.23 Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

1.24 Fruitless and wasteful expenditure

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense and when recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

All fruitless and wasteful expenditure is investigated to establish the reason for the fruitless and wasteful expenditure and to determine the required consequence management and recoverability steps before it is condoned and removed from the register.

1.25 Irregular expenditure

All expenditure relating to irregular expenditure is recognised as an expense in the Statement of Financial Performance in the year that the expenditure was incurred and is classified in accordance with the nature of the expense.

All irregular expenditure is investigated to establish the reason for the irregular expenditure and to determine if value was derived. The required consequence management is taken before it is condoned by National Treasury or by the Accounting Authority or delegated authority in cases where not condoned by National Treasury, and removed from the register.

Irregular expenditure that was identified during the current financial year must be recorded in the irregular expenditure register and disclosed accordingly, clearly indicating if it was incurred in the current or prior period.

Condoned irregular expenditure transactions, must be removed from the register and disclosed accordingly.

1.26 Budget information

The controlling entity is subject to appropriations of budgetary limits, which are given effect through authorising legislation. The approved budget is presented by economic classification linked to performance objectives in the Annual Performance Plan.

General purpose financial reporting by the economic entity shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

The approved budget covers the fiscal period from 2022/04/01 to 2023/03/31.

This accounting policy applies only to the approved budget of the controlling entity.

The financial statements and the budget are on the accrual basis of accounting.

The controlling entity selected to disclose the comparison of budget and actual spend in separate comparison statements.

Comparative information is not required.

1.27 Related parties

Only related parties of the controlling entity are disclosed. The controlling entity operates in an economic sector currently dominated by entities directly or indirectly controlled by the South African Government. As a consequence of the constitutional independence of the three spheres of government in South Africa, only entities within the national sphere of government are considered to be related parties.

Only transactions with related parties, not at arm's length or not in the ordinary course of business, are disclosed.

Management, regarded as members of the Executive Committee, are those persons responsible for planning, directing and controlling the activities of the economic entity, including those charged with the governance of the economic entity in accordance with legislation, in instances where they are required to perform such functions.

Close family members of a person considered to be a member of management are those family members, including spouses and individuals who live together as spouses, who may be expected to influence, or be influenced by each other in their dealings with the economic entity.

1.28 Events after reporting date

Events after reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue.

Two types of events can be identified: those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

The economic entity will adjust the amount recognised in the financial statements to reflect adjusting events after the reporting date, once the event has occurred.

The economic entity will disclose the nature of the event and an estimate of its financial effect, or a statement that such an estimate cannot be made in respect of all material non-adjusting events, where non-disclosure could influence the economic decisions of users taken on the basis of the financial statements.

1.29 Basis of preparation

The financial statements have been prepared in accordance with the effective Standards of Generally Recognised Accounting Practice (GRAP), including any interpretations, guidelines and directives issued by the Accounting Standards Board on a basis consistent with the prior year.

1.30 Borrowing costs

Borrowing costs are interest and other expenses incurred by an entity in connection with the borrowing of funds and are recognised as an expense in the period in which they are incurred.

Notes to the Financial Statements

2. New standards and interpretations

2.1 Standards and interpretations issued, but not yet effective

The economic entity has not applied the following standards and interpretations, which have been published and are mandatory for the economic entity's accounting periods beginning on or after 01 April 2023 or later periods:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
GRAP 25 (as revised): Employee Benefits	The effective date is: still to be determined by the Minister of Finance	Unlikely there will be a material impact
GRAP 104 (as revised): Financial Instruments	01 April 2025	Unlikely there will be a material impact

3. Property, plant and equipment

Economic entity R'000	2023			2022		
	Cost/Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost/Valuation Restated*	Accumulated depreciation and accumulated impairment	Carrying value Restated*
Land	187 580	-	187 580	186 814	-	186 814
Buildings	689 246	(250 459)	438 787	650 771	(221 331)	429 440
Plant and equipment	134 324	(81 574)	52 750	133 229	(69 302)	63 927
Furniture, fittings and office equipment	411 844	(264 512)	147 332	423 816	(280 566)	143 250
Land and water vehicles	256 694	(141 126)	115 568	224 952	(172 842)	52 110
ICT equipment	3 158 462	(1 651 238)	1 507 224	2 927 280	(1 498 717)	1 428 563
Leasehold improvements	807 657	(468 073)	339 584	740 451	(452 698)	287 753
Power supply equipment	118 154	(92 201)	25 953	75 826	(61 483)	14 343
Security equipment	172 733	(140 729)	32 004	194 966	(162 678)	32 288
Total	**5 936 694**	**(3 089 912)**	**2 846 782**	**5 558 105**	**(2 919 617)**	**2 638 488**

Controlling entity R'000	2023			2022		
	Cost/Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost/Valuation Restated*	Accumulated depreciation and accumulated impairment	Carrying value Restated*
Land	187 580	-	187 580	186 814	-	186 814
Buildings	689 246	(250 459)	438 787	650 771	(221 331)	429 440
Plant and equipment	134 324	(81 574)	52 750	133 229	(69 302)	63 927
Furniture, fittings and office equipment	409 990	(263 405)	146 585	421 854	(279 514)	142 340
Land and water vehicles	256 694	(141 126)	115 568	224 952	(172 842)	52 110
ICT equipment	3 135 220	(1 635 689)	1 499 531	2 909 001	(1 485 042)	1 423 959
Leasehold improvements	802 081	(463 656)	338 425	734 651	(448 138)	286 513
Power supply equipment	118 154	(92 201)	25 953	75 826	(61 483)	14 343
Security equipment	172 713	(140 711)	32 002	194 946	(162 660)	32 286
Total	**5 906 002**	**(3 068 821)**	**2 837 181**	**5 532 044**	**(2 900 312)**	**2 631 732**

3. Property, plant and equipment (continued)

Reconciliation of the carrying amount of property, plant and equipment - Economic entity - 2023

Figures in Rand thousand (R'000)	Opening balance	Additions	Compensation for replacement assets	Disposals	Transfers	Revaluations	Negotiated discount	Depreciation	Impairment loss/ scrapping	Impairment reversal	Total
Land	186 814	-	-	-	-	723	-	-	-	43	187 580
Buildings	429 440	17 003	-	-	-	(2 228)	-	(21 942)	(8 162)	24 676	438 787
Plant and equipment	63 927	1 699	-	-	-	-	-	(12 831)	(45)	-	52 750
Furniture, fitting and office equipment	143 250	40 365	-	(109)	-	-	-	(29 919)	(7 384)	1 129	147 332
Land and water vehicles	52 110	56 888	-	(1 090)	-	-	-	11 451	(3 791)	-	115 568
ICT Equipment	1 428 563	328 750	219	(5 832)	4	-	119 660	(358 517)	(6 750)	1 127	1 507 224
Leasehold Improvements	287 753	81 971	-	-	-	-	-	(23 960)	(6 180)	-	339 584
Power supply equipment	14 343	17 581	8	(7)	-	-	-	(5 964)	(8)	-	25 953
Security equipment	32 288	3 781	-	(31)	-	-	-	(1 411)	(2 669)	46	32 004
	2 638 488	**548 038**	**227**	**(7 069)**	**4**	**(1 505)**	**119 660**	**(443 093)**	**(34 989)**	**27 021**	**2 846 782**

Negotiated discount represents discount negotiated on the acquisition of ICT equipment.

Net transfers between property, plant and equipment and intangible assets as per note 4 contra each other.

Change in residual value of land and water vehicles decreased accumulated depreciation – refer to note 37.

Refer to note 37 for the total impact of changes in residual values and useful lives on accumulated depreciation.

The opening balances of some classes have been restated - refer to note 38 - Prior period error.

Reconciliation of the carrying amount of property, plant and equipment - Economic entity - 2022

Figures in Rand thousand (R'000)	Opening balance	Additions	Disposals	Revaluations	Donations received	Depreciation	Impairment loss/scrapping	Impairment reversal	Total
Land	187 264	-	-	(462)	-	-	-	12	186 814
Buildings	413 080	2 883	-	3 715	-	(19 869)	-	29 631	429 440
Plant and equipment	76 286	464	-	-	-	(12 792)	(31)	-	63 927
Furniture, fitting and office equipment	133 009	34 298	(62)	-	-	(19 196)	(4 832)	33	143 250
Land and water vehicles	59 938	1 621	(1 282)	-	410	(8 546)	(31)	-	52 110
ICT equipment	1 423 914	282 590	(24)	-	-	(272 792)	(5 218)	93	1 428 563
Leasehold improvements	329 260	10 688	-	-	-	(36 613)	(15 582)	-	287 753
Power supply equipment	16 565	1 512	(20)	-	-	(3 443)	(271)	-	14 343
Security equipment	35 414	800	-	-	-	(3 890)	(36)	-	32 288
	2 674 730	**334 856**	**(1 388)**	**3 253**	**410**	**(377 141)**	**(26 001)**	**29 769**	**2 638 488**

Donations received relate to three Hammermills received to assist in the destruction of confiscated illegal and illicit cigarettes.

The depreciation expense of some classes have been restated - refer to note 38 - Prior period error.

3. Property, plant and equipment (continued)

Reconciliation of the carrying amount of property, plant and equipment - Controlling entity - 2023

Figures in Rand thousand (R'000)	Opening balance	Additions	Compensation for replacement assets	Disposals	Transfers	Revaluations	Negotiated discount	Depreciation	Impairment loss/ scrapping	Impairment reversal	Total
Land	186 814	-	-	-	-	723	-	-	-	43	187 580
Buildings	429 440	17 003	-	-	-	(2 228)	-	(21 942)	(8 162)	24 676	438 787
Plant and equipment	63 927	1 699	-	-	-	-	-	(12 831)	(45)	-	52 750
Furniture, fitting and office equipment	142 340	40 363	-	(109)	-	-	-	(29 754)	(7 384)	1 129	146 585
Land and water vehicles	52 110	56 888	-	(1 090)	-	-	-	11 451	(3 791)	-	115 568
ICT equipment	1 423 959	323 716	219	(5 828)	4	-	119 660	(356 576)	(6 750)	1 127	1 499 531
Leasehold improvements	286 513	81 891	-	-	-	-	-	(23 799)	(6 180)	-	338 425
Power supply equipment	14 343	17 580	8	(7)	-	-	-	(5 963)	(8)	-	25 953
Security equipment	32 286	3 781	-	(31)	-	-	-	(1 411)	(2 669)	46	32 002
	2 631 732	**542 921**	**227**	**(7 065)**	**4**	**(1 505)**	**119 660**	**(440 825)**	**(34 989)**	**27 021**	**2 837 181**

Negotiated discount represents discount negotiated on the acquisition of ICT equipment.

Net transfers between property, plant and equipment and intangible assets as per note 4 contra each other.

Change in the residual value of land and water vehicles decreased accumulated depreciation – refer note 37.

Refer to note 37 for the total impact of changes in residual values and useful lives on accumulated depreciation.

The opening balances of some classes have been restated refer to note 38 - Prior period error.

Reconciliation of the carrying amount of property, plant and equipment - Controlling entity - 2022

Figures in Rand thousand (R'000)	Opening balance	Additions	Disposals	Revaluations	Donations received	Depreciation	Impairment loss/scrapping	Impairment reversal	Total
Land	187 264	-	-	(462)	-	-	-	12	186 814
Buildings	413 080	2 883	-	3 715	-	(19 869)	-	29 631	429 440
Plant and equipment	76 286	464	-	-	-	(12 792)	(31)	-	63 927
Furniture, fittings and office equipment	132 206	34 157	(59)	-	-	(19 165)	(4 832)	33	142 340
Land and water vehicles	59 938	1 621	(1 282)	-	410	(8 546)	(31)	-	52 110
ICT equipment	1 420 218	280 878	(23)	-	-	(271 989)	(5 218)	93	1 423 959
Leasehold improvements	327 967	10 688	-	-	-	(36 560)	(15 582)	-	286 513
Power supply equipment	16 554	1 513	(10)	-	-	(3 443)	(271)	-	14 343
Security equipment	35 413	800	-	-	-	(3 890)	(37)	-	32 286
	2 668 926	**333 004**	**(1 374)**	**3 253**	**410**	**(376 254)**	**(26 002)**	**29 769**	**2 631 732**

Donations received relate to three Hammermills received to assist with the destruction of confiscated illegal and illicit cigarettes.

The depreciation expense of some classes have been restated - refer to note 38 - Prior period error.

	Economic entity		Controlling entity	
	2023	2022	2023	2022
	R'000	R'000	R'000	R'000

3. Property, plant and equipment (continued)

Assets subject to finance lease (Net carrying amount)

Furniture, fittings and office equipment (multifunctional machines) and land and water vehicles (vehicle tracking units)	35 282	30 858	35 282	30 858

Revaluations

The effective date of the revaluations was 31 March 2023. Revaluations were performed by an independent professional valuer, Mr. PL Niesing, registered as a Professional Valuer in terms of Section 20(2)(a) of the Property Valuers Profession Act, of Meto Properties (Pty) Ltd Meto Properties (Pty) Ltd is not connected to the economic entity.

Land and buildings are revalued independently every year.

The valuations of Lehae la SARS (Erf 419, 281 Bronkhorst Street, Nieuw Muckleneuk 0180) and Alberton South Campus (Erf 1087, New Redruth Extension 6, McKinnon Crescent, Alberton, 1449) were performed using the Capitalisation of Net Annual Income method. This method is generally considered to determine the market value of an income producing property such as shopping centres, offices and industrial or commercial properties, where the building has an earning potential.

In order to determine the Market Value of Lehae la SARS, Meto Properties (Pty) Ltd considered the preferred valuation approach in terms of International Valuation Standards (IVS), when valuing income producing properties, namely the Income Approach. Year-on-year growth (FY2022 to FY2023) was minimal at only 2.8%. This can be attributed to poor net rental growth, due to increases in vacancy in the office market in general, and significant increases in operation cost (CPI). Property expenses, including assessment rates were normalised where necessary to determine a sustainable Net Operating Income, which was capitalised at 8.75%. The weighted average gross market rental per m^2 is R176.34 and a long- term vacancy rate of 3.00% was used. The Market Value is supported by a “comparable” Sales Analysis.

When determining the Market Value of the Alberton Campus, the valuators relied on the Income Approach. Year-on-year growth (FY2022 to FY2023) declined by 5.2%. This can be attributed to poor net rental growth, due to increases in vacancy in the office market in general, but also specific to this node, as well as significant increases in operation cost (CPI). Property expenses have been normalised where necessary to determine a sustainable Net Operating Income, which was capitalised at 10.50%. The weighted average gross market rental per m^2 is R125.62 and a long-term vacancy rate of 3.00% was used. The Market Value is supported by a “comparable” Sales Analysis.

The valuations of the Ficksburg and Fouriesburg houses were performed using the Market Approach, considering the Direct Comparable Method. The Market Approach provides an indication of value by comparing the asset with identical or comparable assets for which price information is available.

The minimal growth in the Ficksburg property values (ranging from 2.90% to 4.70%) can be attributed to the decrease in the demand for residential properties in Ficksburg, because of a general decay of real estate services and infrastructure. It should also be noted that real estate market in Ficksburg is more closely linked to the general South African economy (GDP growth, employment, interest rates, etc.) compared to Fouriesburg, which is a tourist driven economy. Erf 807 in Ficksburg is still affected by a structural crack that will impact the marketability and salability of this property.

The increase in property values in Fouriesburg (ranging from 25.00% to 44.80%) can be attributed to a strong demand and a shortage in the supply of residential properties, potentially as a result of COVID-19 and the working from home trend. This trend may weaken as companies require employees to return to co-working environments.

Refer to note 12 for the change in the revaluation surplus.

	Economic entity		Controlling entity	
	2023	2022	2023	2022
	R'000	R'000	R'000	R'000

3. Property, plant and equipment (continued)

Property, plant and equipment in the process of being constructed or developed that have been delayed

New Pier Durban State Warehouse	102 645	40 198	102 645	40 198

This project has been completed, the controlling entity is only awaiting municipal approval before occupation can commence.

Smart Border project	4 695	-	4 695	-

The project has been delayed due to the fact that a procurement vehicle was not timeously in place which resulted in the goods being ordered later than planned. This is a multi year implementation project and the planned date for implementation of this delayed portion of the project is December 2023.

	107 340	**40 198**	**107 340**	**40 198**

Expenditure incurred to repair and maintain property, plant and equipment and intangible assets included in the Statement of Financial Performance

Contracted services	773 752	752 575	824 048	752 575
General expenses	43 604	52 653	43 562	52 277
	817 356	**805 228**	**867 610**	**804 852**

Repairs and maintenance forms part of Administration Expenses and Professional and Special Services on the face of the Statement of Performance.

4. Intangible assets

Figures in Rand thousand (R'000)						
Economic entity	2023			2022		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Intellectual property and other rights	73 583	(70 794)	2 789	73 583	(63 435)	10 148
ICT software	3 662 309	(3 163 339)	498 970	3 646 519	(2 980 215)	666 304
Software under development	206 288	-	206 288	58 825	-	58 825
Total	**3 942 180**	**(3 234 133)**	**708 047**	**3 778 927**	**(3 043 650)**	**735 277**

4. Intangible assets (continued)

Figures in Rand thousand (R'000)						
Controlling entity	2023			2022		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
ICT software	4 472 889	(3 155 581)	1 317 308	4 405 547	(2 973 224)	1 432 323
Software under development	272 649	-	272 649	97 353	-	97 353
Total	**4 745 538**	**(3 155 581)**	**1 589 957**	**4 502 900**	**(2 973 224)**	**1 529 676**

Reconciliation of the carrying amount of intangible assets - Economic entity - 2023

Figures in Rand thousand (R'000)	Opening balance	Additions	Negotiated discount	Transfers	Amortisation	Impairment loss/scrapping	Total
Intellectual property and other rights	10 148	-	-	-	(7 359)	-	2 789
ICT software	666 304	13 525	-	64 460	(229 316)	(16 003)	498 970
Software under development	58 825	149 982	61 945	(64 464)	-	-	206 288
	735 277	**163 507**	**61 945**	**(4)**	**(236 675)**	**(16 003)**	**708 047**

Negotiated discount represents discount negotiated on the acquisition of software under development.
Net transfers between property, plant and equipment and intangible assets as per note 3 contra each other.
The opening balances of some classes have been restated refer note 38. Prior period error.

Reconciliation of the carrying amount of intangible assets - Economic entity - 2022

Figures in Rand thousand (R'000)	Opening balance	Additions	Negotiated discount	Transfers	Amortisation	Impairment loss/scrapping	Total
Intellectual property and other rights	17 506	-	-	-	(7 358)	-	10 148
ICT software	723 624	10 947	10 606	139 616	(198 627)	(19 862)	666 304
Software under development	78 391	120 050	-	(139 616)	-	-	58 825
	819 521	**130 997**	**10 606**	**-**	**(205 985)**	**(19 862)**	**735 277**

Negotiated discount represents discount negotiated on the acquisition of ICT software. The amortisation expense of some classes have been restated refer to note 38. Prior period error.

Reconciliation of the carrying amount of intangible assets - Controlling entity - 2023

Figures in Rand thousand (R'000)	Opening balance	Additions	Negotiated discount	Transfers	Amortisation	Impairment loss/scrapping	Total
ICT software	1 432 323	13 232	-	116 305	(228 549)	(16 003)	1 317 308
Software under development	97 353	229 660	61 945	(116 309)	-	-	272 649
	1 529 676	**242 892**	**61 945**	**(4)**	**(228 549)**	**(16 003)**	**1 589 957**

Negotiated discount represents discount negotiated on the acquisition of software under development.
Net transfers between property, plant and equipment and intangible assets as per note 3 contra each other.
The opening balances of some classes have been restated refer to note 38. Prior period error.

	Economic entity		Controlling entity	
	2023	2022	2023	2022
	R'000	R'000	R'000	R'000

4. Intangible assets (continued)

Reconciliation of the carrying amount of intangible assets - Controlling entity - 2022

Figures in Rand thousand (R'000)	Opening balance	Additions	Negotiated discount	Transfers	Amortisation	Impairment loss/scrapping	Total
ICT software	1 393 804	36 028	10 606	209 481	(197 734)	(19 862)	1 432 323
Software under development	159 939	146 895	-	(209 481)	-	-	97 353
	1 553 743	**182 923**	**10 606**	**-**	**(197 734)**	**(19 862)**	**1 529 676**

Negotiated discount represents discount negotiated on the acquisition of ICT software.

The amortisation expense of some classes have been restated refer to note 38. Prior period error.

Intangible assets in the process of being constructed or developed that have been delayed.

Mineral and Petroleum Resources Royalties project (MPRR)	2 898	1 491	2 898	1 491

The project entails the modernisation and implementation of the Mineral and Petroleum Resources Royalty (MPRR) tax product that will form the foundation for the accrual basis of accounting solution for subsequent tax products. The project experienced delays as a result of repeat testing cycles and difficulty in defect resolution due to the inability to attract and retain experienced and capable technical resources. This places pressure on remaining project staff and impact the scheduled release cycles, therefore pushing release dates to quarter 2 of 2023/24. An action plan was discussed and agreed upon that will address capacity, capability and project artefact management.

Trust and Donation project Phase 1	677	-	677	-

The ICT team could not complete their form development which lead to a delay in completing the integration testing and consequently follow-on activities. The new planned implementation date is 15 September 2023 and the ICT team was capacitated with additional resources to complete the development.

Air Passenger Tax (APT) project	2 202	-	2 202	-

The planned release of April 2023 was postponed to September 2023 due to prioritisation of other projects. The new planned implementation date is 15 September 2023, with post implementation planned for end October 2023.

Single Window project	7 074	-	7 074	-

The planned release of April 2023 was postponed to June 2023 due to the complexity of the scope. A restricted pilot is planned until end July 2023, with full implementation planned for August 2023.

Advanced Import Payment (AIP) project	205	-	205	-

The project has been delayed due to the South African Banks not being ready to implement the solution. This is a multi year implementation project and the planned date for implementation of this portion of the project is November 2023.

Automated Refunds and Drawbacks project	10 683	-	10 683	-

	Economic entity		Controlling entity	
	2023	2022	2023	2022
	R'000	R'000	R'000	R'000

4. Intangible assets (continued)

There was not enough time for traders to test before the initial September 2022 release date and data integrity could not be validated in time. The implementation date has been postponed to September 2023.

Directives project	383	-	383	-

The project has been reprioritised due to capacity constraints and the expected implementation date is 15 September 2023.

	24 122	**1 491**	**24 122**	**1 491**

5. Living resources

Figures in Rand thousand (R'000)						
Economic entity	2023			2022		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Customs detector dogs	6 134	(1 506)	4 628	3 315	(1 660)	1 655

Figures in Rand thousand (R'000)						
Controlling entity	2023			2022		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Customs detector dogs	6 134	(1 506)	4 628	3 315	(1 660)	1 655

Reconciliation of living resources - Economic entity – 2023

Figures in Rand thousand (R'000)					
	Opening balance	Additions	Depreciation	Impairment loss/scrapping	Total
Customs detector dogs	1 655	3 725	(534)	(218)	4 628

Reconciliation of living resources - Economic entity – 2022

Figures in Rand thousand (R'000)				
	Opening balance	Depreciation	Impairment loss/scrapping	Total
Customs detector dogs	2 097	(386)	(56)	1 655

	Economic entity		Controlling entity	
	2023	2022	2023	2022
	R'000	R'000	R'000	R'000

5. Living resources (continued)

Reconciliation of living resources - Controlling entity – 2023

Figures in Rand thousand (R'000)					
	Opening balance	Additions	Depreciation	Impairment loss/scrapping	Total
Customs detector dogs	1 655	3 725	(534)	(218)	4 628

Reconciliation of living resources - Controlling entity – 2022

Figures in Rand thousand (R'000)				
	Opening balance	Depreciation	Impairment loss/scrapping	Total
Customs detector dogs	2 097	(386)	(56)	1 655

6. Interest in other entities

Name of company	Held by	% holding 2023	% holding 2022	Carrying amount 2023	Carrying amount 2022
International Frontier Technologies SOC Ltd	South African Revenue Service	100.00%	100.00%	-	-

The cotrolled entity has a share capital of R1 (One Rand).

7. Deferred tax - controlled entity

Deferred tax asset

Deferred tax asset	3 557	82	-	-

Reconciliation of deferred tax asset/(liability)

At beginning of year	82	(2 146)	-	-
Reversing temporary difference on intellectual property	1 390	1 390	-	-
Temporary difference on property, plant and equipment	223	(137)	-	-
Originating temporary difference on operating lease	(18)	35	-	-
Temporary difference on prepayments	(13)	25	-	-
Movement in provision and accruals	1 893	838	-	-
Reduction in opening balance due to rate change	-	77	-	-
	3 557	**82**	-	-

	Economic entity		Controlling entity	
	2023	2022	2023	2022
	R'000	R'000	R'000	R'000

8. Prepayments

Prepaid expenditure	410 815	287 116	405 749	284 142
Prepaid development cost	-	1 107	-	8 489
Leave taken in advance	15 932	17 579	15 932	17 579
	426 747	**305 802**	**421 681**	**310 210**

9. Inventories

Corporate uniforms	14 203	20 808	14 203	20 808
Combat uniforms	5 110	6 823	5 110	6 823
Uniforms personal protective equipment	268	325	268	325
	19 581	**27 956**	**19 581**	**27 956**

10. Receivables from exchange transactions

Government departments	40 519	39 260	40 519	39 260
Sundry receivables	10 854	7 790	11 697	7 833
Trade debtors	469	1 199	-	-
Refundable deposits	3 980	4 082	3 965	4 067
Staff accounts receivable	2 947	4 356	2 947	4 356
Interest receivable	2 496	1 501	2 496	1 501
Advance Tax Ruling (ATR) debtors	**124**	**130**	**124**	**130**
	61 389	**58 318**	**61 748**	**57 147**

Fair value of receivables from exchange transactions

Trade and other receivables	**61 389**	**58 318**	**61 748**	**57 147**

Receivables from exchange transactions past due but not impaired

Trade and other receivables which are less than 3 months past due are not considered to be impaired. At 31 March 2023, R9.2m (2022: R5.4m) were past due but not impaired.

The ageing of amounts past due but not impaired is as follows:

1 month past due	7 843	2 731	7 719	2 731
2 months past due	4	890	4	890
3 months past due	1 378	1 779	1 363	1 779

	Economic entity		Controlling entity	
	2023	2022	2023	2022
	R'000	R'000	R'000	R'000

10. Receivables from exchange transactions (continued)

Receivables from exchange transactions impaired

As of 31 March 2023, R5.3m (2022: R5.975m) were impaired and provided for.

The ageing of these receivables from exchange transactions is as follows:

0 to 3 months	314	268	314	268
Over 3 months	5 019	5 707	5 019	5 707

Included in the provision for government debtors is an amount owed to the controlling entity by the Department of Public Works to the value of R826k (2022: R826k). Constant service lapses at border posts by the Department of Public Works required the controlling entity to appoint service providers to attend to the required service. The costs incurred by the controlling entity was billed to the Department of Public Works and engagements for recovery continues.

Included in the provision for government debtors is an amount owed to the controlling entity by the Department of Justice to the value of R395k (2022: R395k). The debt relates to cost recovery of expenses incurred by the controlling entity on behalf of the Department of Justice during the Nugent Commission hearings held at the controlling entity's premises. Engagements for recovery continues.

Included in the provision for third party debtors (sundry receivables) is an amount of R435k (2022: R435k) in respect of debt owed by the previous Commissioner of SARS, Mr TS Moyane.

The controlling entity included an amount of R1.8m (2022: R2.1m) in the provision for impairment for external bursaries. These bursaries were awarded to university students by the controlling entity, as a means to build a skills pipeline in order to advance the provisions of the National Youth Policy (2015-2020) and the organisation's strategy on development based on its Workforce Plans. As per the controlling entity's bursary policy, the full amount of financial assistance paid to the institution during an academic year must be refunded in the event where the student prematurely terminates studies. The financial assistance award will be terminated where the student postpones their studies. External bursary debt was taken on for students that either postponed or prematurely terminated their studies. As these bursaries were allocated to students who did not complete their studies, a decision was made to provide for a possible impairment of debt as the probability that these students, who might currently not be employed and/or not be able to pay back the debt, was considered to be high.

Reconciliation of provision for impairment of trade and other receivables

Opening balance	5 975	5 946	5 975	5 946
Provision for impairment	767	600	767	600
Amounts written off as uncollectible	(1 409)	(571)	(1 409)	(571)
	5 333	**5 975**	**5 333**	**5 975**

	Economic entity		Controlling entity	
	2023	2022	2023	2022
	R'000	R'000	R'000	R'000

11. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	594	566	592	563
Bank balances	1 361 042	1 478 533	1 308 884	1 420 812
	1 361 636	**1 479 099**	**1 309 476**	**1 421 375**

12. Asset revaluation reserve

Opening balance	102 744	99 490	102 744	99 490
Current year revaluation	5 565	8 298	5 565	8 298
Depreciation on the revalued portion of assets	(7 070)	(5 044)	(7 070)	(5 044)
	101 239	**102 744**	**101 239**	**102 744**

13. Finance lease obligation

Office equipment and vehicle tracking units				
Minimum lease payments due				
- within one year	22 961	15 358	22 961	15 358
- in second to fifth year inclusive	22 812	28 667	22 812	28 667
- later than five years	1 336	-	1 336	-
	47 109	44 025	47 109	44 025
less: future finance charges	(11 210)	(14 646)	(11 210)	(14 646)
Present value of minimum lease payments	**35 899**	**29 379**	**35 899**	**29 379**
Non-current liabilities	18 009	19 151	18 009	19 151
Current liabilities	17 890	10 228	17 890	10 228
	35 899	**29 379**	**35 899**	**29 379**

The controlling entity entered into a new lease agreement for the provision of vehicle tracking units for a 5 year period ending March 2028.
Both multi functional machines and vehicle tracking units under lease were capitalised, and the corresponding finance lease liability raised. The leases are payable in monthly instalments.

14. Deferred income

Donations for distribution	93	77	93	77
Tower rentals	70	129	70	129
	163	**206**	**163**	**206**
Current liabilities	163	206	163	206
	163	**206**	**163**	**206**

Tower rentals are charged annually in advance for the installation and operation of electronic communication equipment.

15. Provisions

Reconciliation of provisions - Economic entity - 2023

Figures in Rand thousand (R'000)	Opening balance	Accumulation	Utilised during the year	Adjustments during the year	Total
Performance bonuses	651 134	725 685	(649 720)	(1 414)	725 685
Salary related provisions	17 541	-	-	(17 541)	-
Provision for dismantling costs	-	3 102	-	-	3 102
Provision for insurance	1 392	94	(389)	(1 003)	94
Provision for building rentals	1 172	213	(764)	(361)	260
	671 239	**729 094**	**(650 873)**	**(20 319)**	**729 141**

Reconciliation of provisions - Economic entity - 2022

Figures in Rand thousand (R'000)	Opening balance	Accumulation	Utilised during the year	Adjustments during the year	Total
Performance bonuses	204 680	651 133	(203 737)	(942)	651 134
Salary related provisions	-	17 541	-	-	17 541
Provision for insurance	1 471	1 392	(494)	(977)	1 392
Provision for building rentals	7 730	873	(5 425)	(2 006)	1 172
	213 881	**670 939**	**(209 656)**	**(3 925)**	**671 239**

Reconciliation of provisions - Controlling entity - 2023

Figures in Rand thousand (R'000)	Opening balance	Accumulation	Utilised during the year	Adjustments during the year	Total
Performance bonuses	647 321	714 587	(644 417)	(2 904)	714 587
Salary related provisions	17 541	-	-	(17 541)	-
Provision for dismantling costs	-	3 102	-	-	3 102
Provision for insurance	1 392	94	(389)	(1 003)	94
Provision for building rentals	1 172	213	(764)	(361)	260
	667 426	**717 996**	**(645 570)**	**(21 809)**	**718 043**

Reconciliation of provisions - Controlling Entity - 2022

Figures in Rand thousand (R'000)	Opening balance	Accumulation	Utilised during the year	Adjustments during the year	Total
Performance bonuses	201 000	647 321	(200 160)	(840)	647 321
Salary related provisions	-	17 541	-	-	17 541
Provision for insurance	1 471	1 392	(494)	(977)	1 392
Provision for building rentals	7 730	873	(5 425)	(2 006)	1 172
	210 201	**667 127**	**(206 079)**	**(3 823)**	**667 426**

Performance bonuses

Performance bonuses represent the provision for annual performance bonuses payable to employees in terms of performance agreements.

Provision for building rentals

A provision for building rental escalations was raised on contracts that could not be included in the straight-line calculations for operating leases pending conclusion of lease agreement negotiations.

Provision for insurance

A provision for fleet related repairs was raised on incidents that were reported for the controlling entity's fleet involved in accidents or other related incidents for which the controlling entity had not yet received a quote or invoice for the repairs. The calculations were based on the estimated cost per incident as provided by the insurance service provider. The final cost of the repairs are uncertain.

Salary related provision

During the 2021/2022 wage negotiations, non-bargaining unit employees were given a 3% increase with the intention to use a differentiated approach with an additional 0.9%. A salary related provision was raised for the 0.9% increase in 2021/2022 which was reversed in 2022/2023 as it did not materialise.

Provision for dismantling costs

A provision for dismantling costs was raised for lease contracts where the terms of the lease stipulate that the building needs to be returned to the Landlord in a condition similar to what it was at the onset of the lease. This is usually referred to as white-boxing the property.

16. Employee benefits

The leave valuation was performed on a member-by-member basis, using the Projected Unit Credit method specified by the Statement on Employee Benefits. This valuation method determines the obligation that has accrued at the date of valuation, allowing for salary escalations, the probability of benefits being paid, and the time value of money.

Salary increases were linked to inflation using the real yield curve.

Interest cost is the increase in the present value of the leave obligation, which arises because the leave benefits are one period closer to settlement.

	Economic entity		Controlling entity	
	2023	2022	2023	2022
	R'000	R'000	R'000	R'000

17. Employee benefits - special dispensation leave

Opening balance	159 757	159 757	159 757	159 757
Actuarial gain	(109 171)	-	(109 171)	-
Benefits paid	(8 408)	-	(8 408)	-
Other movement	(100 763)	-	(100 763)	-
Interest cost	8 822	-	8 822	-
	59 408	**159 757**	**59 408**	**159 757**

As a result of the COVID-19 pandemic which spanned across 2020 and 2021, the utilisation of annual leave decreased during this period. Taking this into consideration, the controlling entity's leave policy was amended, and these days are no longer forfeited.

A new leave category, special dispensation leave (the remaining days from 2020 and 2021 calendar years) was added to unused days at the end of June 2022.

The special dispensation leave can be utilised by employees during their employment with the controlling entity or paid upon service termination.

18. Employee benefits - leave accumulated prior 1999

Leave pay represents the entitlements of amounts due to personnel, for leave accumulated prior to 1999.

Opening balance	7 296	7 698	7 296	7 698
Actuarial gain	(2 442)	(752)	(2 442)	(752)
Benefits paid	(861)	(825)	(861)	(825)
Other movement	(1 581)	73	(1 581)	73
Interest cost	339	350	339	350
	5 193	**7 296**	**5 193**	**7 296**

Some employees still have leave that was accumulated before 1 January 1999.

Leave accumulated prior to 1 January 1999 may be taken as leave at the discretion of management, based on operational needs. Such leave will however only be paid out on death or retirement.

	Economic entity		Controlling entity	
	2023	2022	2023	2022
	R'000	R'000	R'000	R'000

19. Employee benefits - accumulated annual leave

Opening balance	386 323	368 181	386 323	368 181
Actuarial adjustment	(136 590)	1 057	(136 590)	1 057
Benefits paid	(16 087)	(20 048)	(16 087)	(20 048)
Other movement	(120 503)	21 105	(120 503)	21 105
Interest cost	21 749	17 085	21 749	17 085
	271 482	**386 323**	**271 482**	**386 323**

Employees are entitled to a specified number of paid working days' annual leave based on the length of their uninterrupted past service with the controlling entity.

20. Trade and other payables

Trade accounts payable and accruals	344 123	374 693	344 969	373 501
Accruals for salary related expenses	424 332	308 312	414 941	303 016
Other payables	1 975	717	443	717
	770 430	**683 722**	**760 353**	**677 234**

21. Revenue

The amount included in revenue arising from exchanges of goods or services is as follows:

Rendering of services	**19 553**	**15 284**	-	-

The amount included in revenue arising from non-exchange transactions are as follows:

Government grant	11 635 781	11 295 167	11 635 781	11 295 167
Negotiated discount and donations received	181 605	13 592	181 605	13 592
	11 817 386	**11 308 759**	**11 817 386**	**11 308 759**

	Economic entity		Controlling entity	
	2023	2022	2023	2022
	R'000	R'000	R'000	R'000

22. Other income

UIF and SDL commission received	395 598	369 646	395 598	369 646
Sundry receipts	27 825	34 032	28 482	34 075
SDL training grant	4 379	685	4 379	685
Profit from exchange rate differences	1 652	7 461	1 262	7 461
Compensation for replacement assets	227	-	227	-
	429 681	**411 824**	**429 948**	**411 867**

23. Surrender of surpluses

The controlling entity will make a submission as per National Treasury Instruction No. 12 of 2020/21 pertaining to retention of surpluses, but considering commitments (refer note 33), the controlling entity does not have a surplus to surrender.

24. Auditors' remuneration

Audit fees	38 655	33 894	37 936	33 294

Auditors remuneration forms part of Professional and Special Services on the face of the Statement of Performance.

25. Impairment, scrapping losses and net reversals of inventory

Net impairments				
Property, plant and equipment, intangible assets and living resources	24 188	16 150	24 188	16 150
Net reversal of inventories	(40)	(69)	(40)	(69)
	24 148	**16 081**	**24 148**	**16 081**

The economic entity reviews and tests the carrying value of property, plant and equipment when events or changes in circumstances suggest that the carrying amount may not be recoverable in line with the asset policy and GRAP 21 prescripts. In 2023 assets to the value of R12.4m (2022: R25.4m) was impaired.

Impairment of land and buildings amounted to R8.1m (2022: Rnil) with impairment reversals of R24.7m (2022: R29.6m) representing adjustments in terms of valuations performed. Refer to note 3.

The impairment loss amounts as per note 3 to 5, includes losses made on the scrapping of assets of R28.3m (2022: R20.4m).

26. Finance costs

Finance leases	**4 288**	**757**	**4 288**	**757**

	Economic entity		Controlling entity	
	2023	2022	2023	2022
	R'000	R'000	R'000	R'000

27. Operating lease

Building and related rentals on straight- line basis	**477 573**	**485 039**	**473 846**	**481 315**
Contractual building and related rentals	**495 049**	**497 965**	**491 255**	**494 370**

Clauses pertaining to renewal or purchasing options are evaluated on a case-by-case basis. The escalation rates vary between 0% and 10.6% per annum.

Minimum future lease payments:

Economic entity - 2023	Less than 1 year	Between 2 and 5 years	Beyond 5 years	Total
Building and related rentals	346 751	558 632	16 824	922 207

Economic entity - 2022	Less than 1 year	Between 2 and 5 years	Beyond 5 years	Total
Building and related rentals	328 132	423 128	37 242	788 502

Controlling entity - 2023	Less than 1 year	Between 2 and 5 years	Beyond 5 years	Total
Building and related rentals	342 180	553 242	16 824	912 246

Controlling entity - 2022	Less than 1 year	Between 2 and 5 years	Beyond 5 years	Total
Building and related rentals	323 832	418 557	31 852	774 241

	Economic entity		Controlling entity	
	2023	2022	2023	2022
	R'000	R'000	R'000	R'000

28. Taxation - controlled entity

Major components of the tax income/(expense)

Current

Local income tax - current period	(676)	(574)	-	-
Local income tax - recognised in current tax for prior periods	(4)	(2)	-	-
	(680)	**(576)**	-	-

Deferred

Deferred tax movement current year	3 476	2 228	-	-
	2 796	**1 652**	-	-

Reconciliation of the tax expense

Reconciliation between accounting deficit and tax expense.

Applicable tax rate	27%	28%	0%	0%
Accounting deficit - controlled entity	**(12 589)**	***(8 035)**	-	-

Tax at the applicable tax rate of 27% (2022: 28%)	(3 399)	(2 250)	-	-
Tax effect of adjustments on taxable income				
Originating temporary differences	3 475	2 151	-	-
Non-deductible differences	600	572	-	-
Prior year over/under provision	4	2	-	-
Reduction in deferred tax due to rate change	-	101	-	-
	680	**576**	-	-

The controlling entity is exempt from the payment of income tax in terms of section 10(1)(cA) of The Income Tax act of 1962.

	Economic entity		Controlling entity	
	2023	2022	2023	2022
	R'000	R'000	R'000	R'000

29. Cash generated from operations

Surplus	271 031	200 872	360 497	259 178
Adjustments for:				
Depreciation and amortisation	680 301	583 512	669 908	574 374
(Gain)/loss on sale of assets	5 458	(424)	5 455	(408)
Negotiated discount	(181 605)	(10 606)	(181 605)	(10 606)
Donations received	-	(410)	-	(410)
Compensation for replacement assets	(227)	-	(227)	-
Finance costs	4 288	757	4 288	757
Impairment loss	24 188	16 150	24 188	16 150
Movement in operating lease liabilities	(17 476)	(12 926)	(17 409)	(13 055)
Movement in employee benefits	(217 293)	177 497	(217 293)	177 497
Movement in provisions	57 902	457 358	50 617	457 225
Movement in tax receivable	(740)	368	-	-
Movement in deferred tax	(3 475)	(2 228)	-	-
Changes in working capital:				
Inventories	8 375	(1 103)	8 375	(1 103)
Receivables from exchange transactions	(3 071)	14 881	(4 601)	14 988
Prepayments	(122 053)	(54 349)	(119 961)	(54 575)
Trade and other payables	86 709	(216 281)	83 122	(215 637)
VAT	591	123	-	-
Movement in deferred income	(43)	66	(43)	66
	592 860	**1 153 257**	**665 311**	**1 204 441**

30. Current (tax receivable)/tax payable - controlled entity

Balance at beginning of the year	(1)	367	-	-
Current tax recognised in surplus or deficit	(680)	(577)	-	-
Balance at end of the year	(739)	1	-	-
	(1 420)	**(209)**	-	-

	Economic entity		Controlling entity	
	2023	2022	2023	2022
	R'000	R'000	R'000	R'000

31. Employee benefit obligations

Defined contribution retirement fund

Entitlement to retirement benefits is governed by the rules of the pension fund. The economic entity has no legal or constructive obligation to pay for future benefits, this responsibility vests with the pension fund.

The total economic entity contribution to such schemes	**595 030**	**583 486**	**586 697**	**577 348**

The total economic entity contribution to the defined contribution retirement fund forms part of employee cost on the face of the Statement of Performance.

32. Financial instruments disclosure

Categories of financial instruments

Financial assets by category				
Receivables from exchange transactions at amortised cost	61 389	58 318	61 748	57 147
Cash and cash equivalents at fair value	1 361 636	1 479 099	1 309 476	1 421 375
	1 423 025	**1 537 417**	**1 371 224**	**1 478 522**

Financial liabilities by category				
Finance lease obligation at amortised cost	35 899	29 379	35 899	29 379
Payables from exchange transactions at amortised cost	346 098	375 410	345 412	374 218
	381 997	**404 789**	**381 311**	**403 597**

33. Commitments

Authorised capital expenditure

Already contracted for capital expenditure but not provided for				
Property, plant and equipment	187 223	273 539	187 223	273 539
Intangible assets	140 115	52 569	140 115	52 569
	327 338	**326 108**	**327 338**	**326 108**

Authorised but not yet contracted for capital expenditure				
Property, plant and equipment	107 547	-	107 547	-
Intangible assets	808 710	340 765	808 710	340 765
	916 257	**340 765**	**916 257**	**340 765**

	Economic entity		Controlling entity	
	2023	2022	2023	2022
	R'000	R'000	R'000	R'000

33. Commitments (continued)

Total capital commitments				
Already contracted for capital expenditure	327 338	326 108	327 338	326 108
Authorised but not yet contracted for capital expenditure	916 257	340 765	916 257	340 765
	1 243 595	**666 873**	**1 243 595**	**666 873**

Authorised operational expenditure				
Already contracted for operational expenditure	24 367	12 956	21 388	11 143
Authorised but not yet contracted for operational expenditure	38 308	5 436	38 308	5 436
	62 675	**18 392**	**56 696**	**16 579**

Total operational commitments				
Already contracted for operational expenditure	24 367	12 956	21 388	11 143
Authorised but not yet contracted for operational expenditure	38 308	5 436	38 308	5 436
	62 675	**18 392**	**59 696**	**16 579**

Total commitments				
Authorised capital expenditure	1 243 595	666 873	1 243 595	666 873
Authorised operational expenditure	62 675	18 392	59 696	16 579
	1 306 270	**685 265**	**1 303 291**	**683 452**

34. Contingencies

Contingencies exclude any matters arising as a result of tax and customs related activities.

Contingent Liabilities

Trade vendors

The controlling entity received an invitation from a service provider in December 2019 to join as a defendant in the litigation between the service provider and an employee of the controlling entity. The controlling entity is currently investigating and taking counsel on whether the claim has not prescribed. The date of finalisation is uncertain.

Employee related labour matters

A number of internal labour related issues pertaining to salary increases, leave encashment and other matters are ongoing. These matters will be reported as they are concluded, if required.

Third-party liability and other claims on tax and customs related matters

The controlling entity received a damages claim of R5.8m for loss of income and damage in relation to the retained property. Although it appears that the plaintiff may have a valid claim, the computation of the damages appears to be unrealistic. This case is still ongoing.

	Economic entity		Controlling entity	
	2023	2022	2023	2022
	R'000	R'000	R'000	R'000

34. Contingencies (continued)

Another trader made representations for the controlling entity to overturn a decision regarding a tariff classification of certain imported goods, which was duly considered and then overturned by the controlling entity. The trader is suing the controlling entity for legal costs incurred to the amount of R230k. The prospect of having to pay the legal costs are considered good as the controlling entity did in fact overturn its decision regarding the tariff classification.

The controlling entity received a claim for R16.4k from a shipping company, who claims that their property was damaged during the removal of their goods from a South African Container Depots (SACD) warehouse. The prospects of having to pay the damages is considered to be good as the court may find that the controlling entity was ultimately responsible for safeguarding the goods at the SACD warehouse. The case is ongoing with a pre-trial conference scheduled for 28 August 2023.

There is an outstanding court order against the controlling entity to pay legal costs in a tax matter. The taxpayer has not provided the controlling entity with a taxed bill of cost and the cost order therefore remains unsettled.

Contingent Assets

Trade vendors

Arbitration in the matter reported during the 2018/19 financial year regarding the successful bidder's failure to deliver in accordance with the tender specifications, was finalised during the prior year. The April 2016 agreement between the parties was cancelled by the Arbitrator in this case. The controlling entity is entitled to R10.6m with interest, for the payment of equipment which did not meet the specifications of the tender. The bidder planned to appeal but the Arbitration Appeal Tribunal ruled that the appeal had lapsed. The bidder has filed a review application for the setting aside of the ruling of the Arbitration Appeal Tribunal. The controlling entity filed a liquidation application in 2020/21 which is being defended. The case has been referred to court for review.

Legal costs arising from reports by the Public Protector

The court cases arising from reports by the Public Protector (PP) into Mr. Pillay's pension matter, the so called "rogue unit" matter and the investigation into the maladministration, corruption and procurement irregularities and improper conduct by the controlling entity in connection with the handling of a tender for the provision of bespoke software development, maintenance and support services, as well as the legal proceedings that have ensued from taking the reports on review have been concluded in favour of the controlling entity and legal costs were awarded against the Public Protector, the timing and amount of which is uncertain. Refer to note 44.

Insurance related claims

On 08 April 2022 the Durban Prospecton State Warehouse was affected by the KwaZulu-Natal floods that resulted in loss of trader goods as well as assets upon which an insurance claim was lodged. Due to the catastrophic nature and complexity of this claim, it could not be finalised during the reporting period. The controlling entity incurred costs to dispose of damaged trader goods as these needed to be disposed in line with environmental laws and regulations. The controlling entity's assets were also damaged beyond repair. The estimated gross loss (replacement cost plus the cost of disposal) from the floods, is currently R2.6m, pending finalisation of the quantum with the insurer's loss adjusters.

On 9 September 2022 one of the controlling entity's Cape Town service providers had a fire at their premises that destroyed the entire building. The premises was used as a storage/holding facilities for IT equipment spares needed in the regions at short notice. The service provider has offered to replace the damaged equipment. The controlling entity is finalising the list of equipment to be replaced. The replacement value is estimated to be R2.8m.

On 14 December 2022, IT Infrastructure assets were being transported from Brooklyn to Pinetown and Welkom branch offices for installation by an appointed vendor. The vehicle transporting the assets was hijacked in transit and although the vehicle was recovered, not all contents in the vehicle were recovered including two servers that were destined for the two branch offices. The claim has been submitted to the transporter's insurer with an estimated replacement cost of R970k.

	Economic entity		Controlling entity	
	2023	2022	2023	2022
	R'000	R'000	R'000	R'000

35. Related parties - controlling entity

Relationships	
35.1 Interfront	Refer to note 6
35.2 Key members of the controlled entity's board who are employed by the controlling entity	Mr. V.C. Ntlhabyane - Non-Executive Director Mr. H. Smith - Non-Executive Director Mr. E. Smith - Non-Executive Director (appointed effective 14 June 2022) Mr. B. Theron - Non-Executive Director (resigned effective 10 June 2022) Ms. Y. van der Merwe - Non-Executive Director (resigned effective 10 June 2022)

The controlling entity is a Schedule 3A Public Entity in terms of the PFMA. Related parties include other state owned entities, government departments, and all other entities within the spheres of government.

The controlling entity collects UIF in terms of the Unemployment Insurance Contributions Act, 2002 (Act No. 4 of 2002) and SDL in terms of the Skills Development Levies Act, 1999 on behalf of the Department of Labour and the Department of Higher Education and Training respectively, as well as administrating RAF levies and diesel refunds in terms of the Customs and Excise Act of 1964 on behalf of the Road Accident Fund (RAF).

The Office of the Tax Ombud (OTO) is an impartial and independent avenue established in October 2013 in terms of the Tax Administration Act 28 of 2011 to resolve taxpayers' complaints against the controlling entity and the OTO grant appropriation is administered through the controlling entity.

The controlling entity continues to assist the DHA in maintaining the enhanced Movement Control System (eMCS), as well as assisting in the modernisation agenda of the department, which delivers and maintains the ID-, passport-, certificates- and visa systems. The partnership is strategically positioned to enable government to achieve continuous improvement in processes, systems and services. SARS offers technological related support and management skills in the partnership.

National Treasury provided the controlling entity with a grant for its operating expenditure, and to fund specific projects.

Only transactions with related parties, not at arm's length or not in the ordinary course of business, are disclosed.

Related party balances - controlling entity

	Controlling entity 2023 R'000	Controlling entity 2022 R'000
Amounts included in trade and other payables		
Interfront	2 569	-
Amounts included in prepayments		
Interfront	-	8 489

Related party transactions - controlling entity

	Controlling entity 2023 R'000	Controlling entity 2022 R'000
Rendering of services to related parties		
Department of Home Affairs (DHA)	105 121	93 170
Rendering of services by related parties		
Interfront	152 238	110 591
Property, plant and equipment donation		
National Prosecuting Authority (NPA)	-	438

36. Executive Remuneration

Controlling entity (R'000) - 2023

Figures in Rand thousand (R'000)	Salary paid/payable	Gratuity/other bonuses paid/ payable	Other allowances	Contributions (pension fund, group life and UIF)	Total
Commissioner	6 156	-	124	104	6 384
Chief of Staff	2 539	694	80	290	3 603
Chief Revenue Officer	3 095	614	94	369	4 172
Head: Operations Enabling and Production Planning	3 060	543	44	52	3 699
Chief Financial Officer	2 457	409	72	230	3 168
Head: Technology and Solutions Delivery	3 036	729	109	323	4 197
Head: Enterprise Data Management	3 276	515	42	56	3 889
Head: Governance and Risk	2 154	365	48	262	2 829
Regional Director – Gauteng North	3 035	519	76	394	4 024
Head: Taxpayer and Trader Education Products	1 664	308	85	208	2 265
Head: Border Operations, Ports of Entry and Customs Compliance	2 781	482	54	48	3 365
Head: Internal Audit (permanent invitee)	2 049	408	80	251	2 788
	35 302	**5 586**	**908**	**2 587**	**44 383**

Controlling entity (R'000) - 2022

Figures in Rand thousand (R'000)	Salary paid/payable	Gratuity/bonuses paid/payable	Other allowances	Contributions (pension fund, group life and UIF)	Total
Commissioner	6 156	415	125	97	6 793
Chief of Staff	2 465	167	79	279	2 990
Chief Revenue Officer	3 023	215	92	355	3 685
Head: Operations Enabling and Production Planning	2 974	135	44	47	3 200
Chief Financial Officer	2 386	171	71	220	2 848
Head: Technology and Solutions Delivery	2 974	203	102	289	3 568
Head: Enterprise Data Management	3 181	203	42	50	3 476
Head: Governance and Risk	2 093	148	49	252	2 542
Regional Director – Gauteng North	2 947	166	76	379	3 568
Head: Taxpayer and Trader Education Products	1 615	85	84	200	1 984
Head: Border Operations, Ports of Entry and Customs Compliance	2 700	124	54	44	2 922
Head: Internal Audit (permanent invitee)	1 987	146	80	241	2 454
	34 501	**2 178**	**898**	**2 453**	**40 030**

SARS appointed an EXCO in April 2021, with a newly approved Terms of Reference signed 8 April 2021.

37. Change in estimate

Property, plant and equipment and intangible assets

Management assesses the useful lives, residual value and depreciation of property, plant and equipment, intangible and living resource assets annually. In the current period, the estimated useful lives of the below asset classes were revised with the following impact on depreciation charges for the current period:

Change in useful live

Controlling entity				
(Figures in Rand thousand (R'000))	Prior useful life estimate	Current useful life estimate	Increase/(decrease) in depreciation charge - current year	Increase/(decrease) in depreciation charge - future periods
Furniture, fittings and office equipment	11 to 16 years	9 to 17 years	2 266	(1 297)
Plant and equipment	10 years	9 to 10 years	176	492
Power supply equipment	10 years	9 to 12 years	(33)	(2 538)
ICT equipment	7 to 11 years	3 to 13 years	68 492	158 149
Security equipment	9 to 12 years	8 to 14 years	9 240	(2 784)
ICT software	11 to 14 years	10 to 12 years	43 493	124 517
			123 634	**276 539**

Controlled entity				
(Figures in Rand thousand (R'000))	Prior useful life estimate	Current useful life estimate	Increase/(decrease) in depreciation charge - current year	Increase/(decrease) in depreciation charge - future periods
Furniture, fittings and office equipment	5 to 15 years	5 to 16 years	(18)	19
ICT equipment	3 to 12 years	3 to 13 years	(1 200)	978
Security equipment	12 years	13 years	(1)	2
Leasehold improvements	12 years	13 years	(337)	86
			(1 556)	**1 085**

Change in residual value

Controlling entity				
(Figures in Rand thousand (R'000))	Prior residual life estimate	Current residual life estimate	Increase/(decrease) in depreciation charge - current year	Increase/(decrease) in depreciation charge - future periods
Firearm management and control	5%	0%	(3)	13
Vehicles	5%	24%	(648)	(33 731)
Customs detector dogs	5%	0%	280	1 056
	-	-	**(371)**	**(32 662)**

38. Prior period error

The correction of the error(s) results in adjustments as follows:

Statement of Financial Performance	Economic entity 2022	Controlling entity 2022
Property, plant and equipment accumulated depreciation	(58 703)	(58 703)
Intangible assets accumulated amortisation	(220 012)	(220 012)
Accumulated surplus	278 715	278 715

Statement of Financial Performance

Depreciation expense	58 703	58 703
Amortisation expense	220 012	220 012
	278 715	**278 715**

During the 2022/23 financial year under review, the economic entity revised its interpretation of the calculation of the net book value during the useful life and residual value assessments. In line with GRAP 3 this change is disclosed as a prior year error as some of the property, plant & equipment accumulated depreciation balances (R58.7m) and intangible assets accumulated amortisation balances (R220m) had to be restated as at 1 April 2021, refer to property, plant & equipment note 3 and intangible assets note 4.

39. Risk management

Capital risk management - controlled entity

The entity's objectives when managing capital are to ensure the entity's ability to continue as a going concern. There have been no changes to what the entity manages as capital, the strategy for capital maintenance, or externally imposed capital requirements from the previous year.

Financial risk management

The economic entity's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in raising funds to meet ongoing planned operations associated with financial instruments.

The economic entity's risk to liquidity is a shortfall in funds available to cover operational and capital requirements. The economic entity manages liquidity risk through strict budget management.

The controlling entity's chief source of income is an annual grant from National Treasury for funding its operational and capital requirements. This grant is allocated in accordance with the provisions governing the Medium-Term Expenditure Framework (MTEF). The controlling entity follows an extensive planning and governance process to determine its operational and capital requirements, which is then presented to National Treasury.

The table analyses the economic entity's financial liabilities into relevant maturity groupings based on the remaining period at the Statement of Financial Position.

39. Risk management (continued)

Economic entity

At 31 March 2023	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Total
Trade and other payables	346 098	-	-	346 098
Finance lease obligation	17 890	17 566	443	35 899

At 31 March 2022	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Total
Trade and other payables	375 410	-	-	375 410
Finance lease obligation	10 228	10 228	8 923	29 379

Controlling entity

At 31 March 2023	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Total
Trade and other payables	345 412	-	-	345 412
Finance lease obligation	17 890	17 566	443	35 899

At 31 March 2022	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Total
Trade and other payables	374 218	-	-	374 218
Finance lease obligation	10 228	10 228	8 923	29 379

The controlling entity has housing guarantees that are recovered from the employee's salary and/or pension when the guarantees are claimed. The full liquidity risk associated with these guarantees as at 31 March 2023 was R339k (2022: R339k).

Interest rate risk

Exposure to interest rate risk on financial assets and liabilities is monitored on a continuous and proactive basis. The economic entity's exposure to interest rate risk is limited. Interest rates implicit to the finance leases are not varied over the term of the lease contracts.

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The economic entity is exposed to credit-related losses, in the event of non-performance by counter-parties to financial instruments.

The economic entity only deposits cash with major banks with high quality credit standing, and limits exposure to any one counter-party.

Staff debts are recovered directly from the employee's salary and/or pension as per policy requirements.

Foreign exchange risk

Currency risk is the risk that the value of a financial instrument will fluctuate because of changes in foreign exchange rates. The controlled entity provides services to one international customer, and is exposed to foreign exchange risk arising from currency exposures, primarily with respect to the EURO. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities.

The economic entity does not currently hedge foreign exchange fluctuations.

	Economic entity		Controlling entity	
	2023	2022	2023	2022
	R'000	R'000	R'000	R'000

40. Going concern

The financial statements have been prepared on the basis of a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

The controlled entity delivers maintenance and support as well as new and enhanced system developments to the controlling entity as its most significant client, which is expected to continue in the near future.

41. Events after the reporting date

At 31 March 2023, the controlling entity recognised a provision of R119k in respect of the costs of white boxing the landlord property as stipulated in the lease contract. At the reporting date the amount payable for white boxing had not been finalised and the parties were still negotiating the final amount to be paid. On 26 April 2023 negotiations were concluded and the provision for dismantling costs for the Pinetown office was confirmed and raised.

42. Fruitless and wasteful expenditure

Interest incurred on late payments to service providers	-	2	-	2

Interest on overdue accounts to the value of R5.4k was reversed by the respective municipalities and the remaining connection fee of R0.6k was recovered from the employee post conclusion of the investigative process.

Refer to Annual Report page 125 for detailed reconciliation and related disclosure.

43. Irregular expenditure

Irregular expenditure relating to goods and services	1 097	1 012	1 097	1 012

Investigations and consequence management for 22 transactions to the value of R5.5m were concluded. Investigations of transactions in relation to prior and current years to the value of R900k is in process of being concluded after which condonation will follow.

Refer to Annual Report page 124 for detailed reconciliation and related disclosure.

44. Other matters

Public Protector Reports

The legal proceedings arising from reports by the Public Protector (PP) into Mr. Ivan Pillay's early retirement pension matter and the enquiry into the establishment of an investigative unit in the controlling entity, as well as the legal proceedings that have ensued from taking the reports on review concluded in the year under review.

The pension matter was heard before the Gauteng North High Court which set aside the PP's report. The PP sought leave to appeal at the Supreme Court of Appeal which dismissed the application. The PP filed a notice of motion to the Constitutional Court in February 2022, which dismissed the application for leave to appeal against the High Court judgement to set aside her report, thus closing the matter.

The matter pertaining to the establishment of an investigative unit was also heard before the Gauteng North High Court which set aside the PP's report. The PP sought leave to appeal at the Supreme Court of Appeal which dismissed the application. The PP then sought leave to appeal at the Constitutional Court. The Constitutional Court refused the PP's leave to appeal application, concluding that "it bears no reasonable prospects of success". The Constitutional Court ordered the PP and her office to pay for the legal costs of Minister Pravin Gordhan and former SARS deputy commissioner Ivan Pillay jointly and severally. The controlling entity has an agreement with the former employees involved in both the matters, that the controlling entity will cover their legal costs arising from both these matters. In March 2023, the Office of the PP informed the controlling entity that part 2 of the enquiry into the establishment of an investigative unit in the controlling entity was officially closed.

Further legal proceedings arose from the controlling entity's review of the PP's "Investigation into allegations of maladministration, corruption and procurement irregularities and improper conduct by the controlling entity in connection with the handling of a tender for the provision of bespoke software development, maintenance and support services for the benefit of SARS for a period of 7 years". In November 2022, the Gauteng High Court set aside the report and awarded legal costs against the PP, including the costs of Counsel.

The controlling entity is in the process of determining the legal costs payable by the PP and/ or her office after which recovery will follow.

Reparations process recommended by the Nugent Commission

The controlling entity has concluded on the reparations process recommended by the Nugent Commission for current and former employees negatively affected by the seizure of the controlling entity between 2014 and 2018.

In 2019, the controlling entity embarked on a broad-based reparation programme that included a national listening campaign, reinstating employees who had been side-lined into meaningful jobs, re-employing former employees with scarce skills who had left the controlling entity during those difficult years, as well as a pastoral process for all current and former employees who had been adversely affected by the capture of the controlling entity and, in some cases, publicly humiliated.

The independent advisory panel of esteemed jurists appointed in 2021 to conduct the reparations process for former employees concluded their work and issued a final report in March 2022 after which final negotiations and settlements were concluded with a number of former employees in the current year under review. Settlements of legal costs for current and former employees for loss of income where appropriate, and breach of human rights were concluded and public and personal apologies were issued to all former employees.

The internal process for current employees delivered reparations that included limited payment of legal costs, transfer of employees to other departments, approval of post graduate studies, secondment to the State Attorney's office for Articles of Clerkship and the issuing of individual apologies to each affected employee.

The controlling entity has submitted all reparation costs incurred to the insurer and is continuing its engagement with the insurance service provider to ascertain possible recovery from the respective policy as it is not in agreement to the initial rejection of the claims submitted. Moreover, the controlling entity is currently conducting a series of sensitive discussions with some of the enablers of the controlling entity's capture, aimed at recovering some of the costs incurred by the institution as a result of their actions.

Labour Relations

A number of internal labour relations-related issues are ongoing. These matters will be reported as they are concluded, if required.

44. Other matters (continued)

Transfer of employees from external Service Providers

During the year under review, the controlling entity entered into two separate agreements in terms of section 197 of the Labour Relations Act No. 66 of 1995.

1. 41 employees transferred from service provider Shandon Business Solutions (Pty) Ltd to the controlled entity, Interfront, effective 1 April 2022. A recruitment fee in terms of a non-solicitation clause of R5.6 million was paid by the controlled entity to Shandon Business Solutions (Pty) Ltd and an early termination settlement fee of R4.7m was paid by the controlling entity in terms of the agreement; and
2. 14 employees transferred from service provider Ionize Technology (Pty) Ltd to the controlled entity, Interfront, effective 1 January 2023. A transfer fee of R3.3 million for the value of transferring employees' skills as a business unit was paid by the controlling entity in terms of the agreement.

The above agreements enabled the controlling entity, through its subsidiary to insource scarce skilled ICT resources for the continued development and support of the controlling entity's critical digital taxation applications and platforms. The insourcing of the above employees ensured the future stability of the eFiling, MobiApp and e@syFile systems and reduced the high risk of reliance and dependence on external service providers. In addition, the insourcing mitigated risks relating to complex supply chain management challenges, as well as providing substantial savings in the medium to long term.

Enterprise and Supplier development

SARS is investing R22.5m over a 3 year period in Supplier and Enterprise development to assist Small, Medium and Micro Enterprises (SMMEs) through the Department of Trade, Industry and Competition's National Empowerment Fund programmes with the following objectives:

1. To develop SARS' database of identified SMMEs through training and capacity building and contribute towards SARS Enterprise Supplier Development (ESD) scorecard.
2. Increase the participation of designated groups in the Information and Communication Technology (ICT) sector.
3. Partner to stretch the rand and increase the impact of ESD to reach more beneficiaries

Donation received from World Customs Organisation (WCO)

The controlling entity received virtual reality training equipment from the World Customs Organisation (WCO) to the value of €30,000 that is subject to testing in the 2023/24 financial year and based on the success of the testing results will then be formally handed over to the controlling entity.

Tatis International (Pty) Ltd.

The pending arbitration between the liquidators of Tatis International (Pty) Ltd (in liquidation) and the controlled entity and all disputes between the parties in relation the sale agreement and/or the marketing agreement entered into between the two parties were settled on the basis that Tatis International (Pty) Ltd withdrew:

(1) any and all allegations in respect of the controlled entity's alleged breach of the sale agreement and/or marketing agreement;

(2) any claim for any alleged damages; and

(3) unconditionally and irrevocably waived and abandoned any rights to any royalties and/or licence fees as may be or become payable by the controlled entity in terms of the interim agreement and/or the marketing agreement and/or the sale agreement on the basis that each party pays its own legal costs pursuant to the disputes and pending arbitration.

The terms of the settlement was recorded in a written settlement agreement executed between the parties in August 2022.

45. Fraudulent activities

Management is committed to the process and continues to investigate and report all fraudulent activities identified.

46. Nugent Commission of Inquiry

The President of the Republic of South Africa has under section 84(2)(f) of the Constitution of the Republic of South Africa, 1996 and in terms of Government Notice 17 of 2018 published in Government Gazette No 41652 of 24 May 2018, appointed a Commission of Inquiry into tax administration and governance by the controlling entity ("Commission").

The President appointed the former judge of the Supreme Court of Appeal who has been discharged from active service, Honourable Mr Justice Robert Nugent as Commissioner, assisted by Mr Michael Katz, Advocate Mabongi Masilo and Mr Vuyo Dominic Kahla.

The course of the inquiry included among others, interviews (of which some were held in public) with employees, and former employees identifying and studying relevant documents, consulting institutions referred to in the terms of reference, and submissions were invited and received from various organisations as well as employees and members of the public.

The Nugent Commission expressly recorded 16 recommendations that cascade into 27 sub-recommendations of which 17 relate to governance in the controlling entity and therefore the controlling entity's responsibility and 10 in relation to Governance of the controlling entity which is the responsibility of National Treasury.

The Nugent Commission found that there had been a massive failure of integrity and governance at the controlling entity relating to the following service providers:

1) Bain & Company Inc.
2) Gartner Inc.
3) Grant Thornton Inc.
4) Mashiane Moodley Monama Inc.

The irregularities resulted from both process related violations, as well as utilisation of service providers to further interests that were narrow and not serving the organisation.

In line with the recommendations of the Nugent Commission, the controlling entity has implemented a reparations process for current and former employees who may have been negatively impacted by actions taken as a consequence of the Sikhakhane and KPMG reports. An Advisory Committee established by the Commissioner to consider claims for reparation by former employees who may have been negatively affected by actions of the controlling entity during 2014-2018, relating to a specified enforcement unit, completed its work in the prior year and a report was handed over to the Commissioner that informed any reparations to be made to the former or current employees. The reparation process not necessarily pecuniary in nature was concluded in the period under review.

SARS therefore finalised 13 of the 17 recommendations with the following recommendations still in progress:

1) Recovering monies paid to Gartner and Grant Thornton for work done that enabled the capturing of the controlling entity

2) The recruitment and appointment process for senior ICT and Data Management Officials was initiated but not yet concluded.

3) The Bain and Company Inc. matter in terms of irregular procurement and corruption was referred to the National Prosecution Authority (NPA) for further investigation in terms of their mandate.

4) Civil litigation proceedings against former employees of the controlling entity to recover public funds expended for purposes other than the controlling entity's purposes are also continuing. SARS is preparing to file Notices in terms of Rule 23(1), (2) & (10) of the Magistrates Court Rules for Discovery of Documents as well as Pre Trial- Notices in preparation of Trial.

The controlling entity continues to work with Internal Audit as well as National Treasury's Office of the Chief Procurement Officer to ensure that controls are heightened within the supply chain management processes. During the financial year under review the supply chain management policy was revised, a Preferential Procurement Policy was formulated and additional controls were instituted.

The governance related violations included the appointment of the class of employees that is regarded as management in line with section 18(3) the SARS Act, without obtaining the requisite Ministerial approvals, which also led to non-compliance. Section 18 of the SARS Act was clarified with the Minister of Finance in essence concluding this matter.

Bain & Company Inc. is challenging National Treasury, the controlling entity and the Minister of Finance on the constitutionality of the National Treasury's General Conditions of Contract ("GCC") upon which the decision to have them placed on National Treasury's list of restricted suppliers for a period of 10 (ten) years was based. The application is in progress and includes a prayer for costs to be awarded against the controlling entity, National Treasury and the Minister of Finance should Bain & Company Inc. be successful.

47. Zondo Commission

The Judicial Commission of Inquiry into State Capture (Zondo Commission of Inquiry) dealt specifically with the capture of the controlling entity in Part 1, volume 3 of its report. It called on the controlling entity to support a deeper investigation of the Bain & Company Inc. procurement contract at the controlling entity and at all other state entities. The Zondo Commission of Inquiry further endorsed the findings and recommendations of the Nugent Commission of Inquiry and made an additional recommendation that an open, transparent, and competitive public process be implemented for the appointment of the SARS Commissioner.

The Zondo Commission of Inquiry explicitly directed the controlling entity to investigate a number of matters relating to tax which the controlling entity is acting upon. The bulk of the Zondo Commission of Inquiries (COI) recommendations identify matters that the controlling entity is analysing and investigating for civil, criminal and administrative tax and customs non-compliance. The controlling entity is responsible to implement 12 matters of which 8 have been implemented and 4 are work in progress

The controlling entity provided inputs to the Presidential Plan for the Implementation of the Zondo COI recommendations and to ensure the optimal, systematic and sustained impact of the implementation of the recommendations of the Commissions of Inquiry, the controlling entity has drafted an action plan that will address matters raised in the Zondo Commission reports in the context of a new comprehensive, integrated strategic intent and enterprise strategy that advances voluntary tax compliance, combats tax evasion and, as an integral part thereof, combats all forms of corruption, including the manifestation of corruption commonly described as “state capture”.

ANNEXURE 1

Donations in kind (controlling entity)

No.	Description	2023 R'000	2022 R'000
1	**World Customs Organisation (WCO)**	1 501	25
	Travel and accommodation to attend various WCO meetings, events, workshops, conferences, etc. (2023). Travel and accommodation to attend a WCO Capacity Building Support Mission for the Zambia Revenue Authority (ZAR) on Authorised Economic Operator (AEO) (2022).		
2	**Swedish Tax Agency (STA)**	609	
	Travel, accommodation and subsistence to participate in a workshop under the International Capacity Building Programme (ICBP) in collaboration with the Swedish Tax Authority (STA), SARS, National Treasury (South Africa) and the Collaborative Africa Budget Reform Initiative (CABRI) in Kigali, Rwanda, Kampala, Uganda, Stockholm, Sweden (2023).		
3	**Botswana Unified Revenue Service (BURS)**	98	
	Travel, accommodation and subsistence for SARS experts to provide Excise Technical Assistance to the Botswana Unified Revenue Service (BURS) (2023).		
4	**Global Development Network (GDN)**	93	
	Travel, accommodation and subsistence to attend the Global Development Network's 22nd Conference, France (2023).		
5	**African Tax Administration Forum (ATAF)**	86	
	Travel, accommodation and subsistence to attend the 2022 General Assembly and Technical Committee Meeting in Lagos Nigeria and 2022 African Tax Outlook (ATO) Peer-Learning Meeting Arusha , Tanzania (2023).		
6	**Trade Facilitation and Customs Modernisation (TFCM)**	58	
	Travel, accommodation and subsistence to attend a Capacity Building Mission supporting the Uganda Revenue Authority (URA) and the Kenya Revenue Authority (KRA) to enhance the quality of their National Authorised Economic Operator (AEO) (2023).		
7	**Japan International Cooperation Agency (JICA)**	48	
	Travel, accommodation and subsistence to attend the Japan International Cooperation Agency (JICA) One-Stop Border Post (OSBP) Project Third-Country Training, Kenya (2023).		
8	**Africa Intellectual Property Rights and Innovation Projects**	46	
	Travel, accommodation and subsistence to participate in training on Intellectual Property Rights (IPR) Recordation for selected Enforcement Agencies, Kenya (2023)		
9	**African Continental Free Trade Agreement (AFCFTA)**	35	
	Travel, accommodation and subsistence to attend the 5th meeting, Ghana (2023).		
10	**Southern African Development Community (SADC)**	33	
	Travel, accommodation and subsistence to attend the Southern African Development Community (SADC) Electronic Certificate of Origin Launch Workshop, Malawi (2023).		
11	**World Trade Organization (WTO)**	26	
	Travel, accommodation and subsistence to attend the Preparatory Workshop for the Fifth Joint Trade Policy Revenue of the Southern African Customs Union (SACU), Namibia (2023).		
	Grand Total	2 633	25

ANNEXURE 2

2022/23 Financial Year Deviations

No.	Reference Number	Services	Service Provider	Reason for Deviation	Approved Value
1	EX 01/2022	Automatic license plate Training	Synetll PTY LTD	Sole Supplier	R 34 500.00
2	EX 02/2022	Provision of Security Services and Control Room Operators at ORTIA	Fidelity Security Services	Impracticality	R 5 323 388.58
3	EX 03/2022	Syncplicity Licenses	DELL Technologies Pty Ltd	Impracticality	R 4 608 004.31
4	EX 04/2022	Provision of office space in Pinetown Rectification of office space with additional size of 110m2 from the initially approved office space size of 503m2	Stormwood Investments (Pty) Ltd	Impracticality	R 11 076 036.28 R 1 720 149.67
5	EX 05/2022	Renew the biometric fingerprint and ID verification services.	Afiswitch (Pty) Ltd	Impracticality	R 179 211.45
6	EX 06/2022	Training: Courtroom Techniques	Law Society of South Africa (LSSA)	Impracticality	R 164 000.00
7	EX 07/2022	Subscription to Rode Reports	Rode and Associates (Pty) Ltd	Impracticality	R 46 862.50
8	EX 08/2022	MSG Software, maintenance, and support	Merrill Consulting	Sole Supplier	R 159 954.25
9	EX 09/2022	Attendance of Knowledge collaboration connection conference.	Knowledge Management South Africa	Sole Supplier	R 6 000.00
10	EX 10/2022	Subscription to the World Customs Organization (WCO) Harmonized System Database	World Customs Organization	Sole Supplier	R 83 900.00
11	EX 011/2022	Subscription to the World Customs Organization (WCO) Harmonized System Database	World Customs Organization	Sole Supplier	R159 410.00
12	EX 012/2022	IHS Regional eXplorer and Econostat Service Subscription for economic data and software	IHS Information & Insight (Pty) Ltd	Sole Supplier	R 257 255.00
13	EX 013/2022	Appointment of training providers to offer the Assessment of Professional Competency (APC) programme to SARS Chartered Accountants (CA)	» Accounting Professional Training (Pty) Ltd, » Endunamoo Professional Course (Pty) Ltd and » University of Cape Town College of Accounting	Sole Supplier	R 1 513 325.00
14	EX 014/2022	Procure the Portfolio Licensing Agreement (PLA) for Micro Focus products deployed within the SARS IT environment.	Axiz (Pty) Ltd	Sole Supplier	R 19 990 039.62
15	EX 015/2022	Indepedent Communication Authority of South Africa (ISACA) Annual Conferences	ICASA	Sole Supplier	R 98 400.00
16	EX 016/2022	Attendance of IIA Annual Conference for a period of three years	Institute of Internal Audit SA	Sole Supplier	R106 140.00
17	EX 017/2022	Procurement of Entrust digital certificate services (mPKI certificates and SSL certificates).	Altron Security a division of Altron TMT (Pty) Ltd	Sole Supplier	R 6 537 509.63
28	EX 018/2022	Renewal of maintenance and support services of the Adobe AEM solution.	Adobe Systems Software Ireland Limited	Impracticality	R 14 212 464.82
19	EX 019/2022	Attendance of Big Data Analytics Conference.	Knowledge Integration Web	Impracticality	R 55 994.40
20	EX 020/2022	Repair and maintenance of HVAC 720Hp compressors for the Alberton Campus office	Bitzer Kuhlmaschinenbau (S.A) (Pty) Ltd	Sole Supplier	R 990 000.00
21	EX 021/2022	Sabinet – Online and World Share Inter Library Loan.	Sabinet	Sole Supplier	R 892 561.36
22	EX 022/2022	Emergency hiring of one flushable toilet including delivery and removal.	Total Smart Solutions (PTY)LTD	Case of Emergency	R 30 000.00
23	EX 023/2022	Maintenance and Support of Suse Linux and Suse Manager	Axiz Pty LTD	Impracticality	R 17 035 205.82
24	EX 024/2022	Decommissioning and repairs of Pavilion Tax Practitioner Office in Brooklyn	Belle Isle Investments (Pty) Ltd	Impracticality	R 222 546.53
25	EX 025/2022	My-LexisNexis Online Legal Research tool for a period of 36 months	LexisNexis (Pty) Ltd	Impracticality	R 16 320 000.00
26	EX 026/2022	Deviation to renew the biometric fingerprint and ID verification services for 12months.	Afiswitch (Pty) Ltd	Impracticality	R 386 712.78
27	EX 027/2022	Deviation for renewal of ACL software maintenance and support Services	Surtech Solutions RSA (Pty) Ltd	Sole Supplier	R 2 619 545.56
28	EX 028/2022	The renewal of the maintenance and support of the eDNA Fraud Management Solution.	Datacentrix (Pty) Ltd	Sole Supplier	R 2 772 301.54
29	EX 029/2022	Subscription to International Bureau of Fiscal Documentation (IBFD).	IBFD	Sole Supplier	R 514 713.45
30	EX 030/2022	Renewal of IBM Strategic Business Agreement (SBA) for a period of three (3) years.	IBM South Africa	Sole Supplier	R 1 166 602 958.00

2022/23 Financial Year Deviations (continued)

No.	Reference Number	Services	Service Provider	Reason for Deviation	Approved Value
31	EX 031/2022	Explanatory Notes soft copies for 5 years	LexisNexis (Pty) Ltd	Impracticality	R 1 147 125.00
32	EX 032/2022	The set-up of pop ups at various sites to render taxpayer services for a period of five (5) years.	Various Suppliers	Impracticality	R 2 000 000.00
33	EX 033/2022	Provision of alternative office space in Kariega for a period of 5 years.	Corkwood Square (Pty) Ltd	Impracticality	R 9 565 265.54
34	EX 034/2022	Provision of Certified Fraud Examination (CFE) training course/ qualification at NQF Level 7.	Africa Training Academy (Pty) Ltd	Sole Supplier	R 5 290 000.00
35	EX 035/2022	Renewal of 1. Apple IOS Developer Enterprise Program license 2. Apple IOS Developer Program license.	Apple Inc	Sole Supplier	R 44 723.75
36	EX 036/2022	Procurement of customised battery powered wheelchairs & maintenance	CE Mobility Wheelchairs & Seating Specialist	Impracticality	R 128 310.79
37	EX 037/2022	The disposal of a generator and water tanks situated at the decommissioned SARS Uitenhage Building	Chase Street Properties (PTY) LTD	Impracticality	R 20 000.00
38	EX 038/2022	Renewal of Internal Vulnerability Monitoring Services-Broadview	Orange Cyberdefense South Africa (Pty) Ltd	Sole Supplier	R 925 911.00
39	EX 039/2022	Procurement of the Qualtrics Software package module including the system maintenance.	Qualtrics, LLC International Inc	Impracticality	R 4 496 754.44
40	EX 040/2022	Renewal of the license maintenance and support services of Enterprise Content Management (D47ocumentum & Captiva), Streamserve and Professional Services period of 24 months.	Open Text South Africa (Pty) Ltd	Impracticality	R 33 062 684.89
41	EX 041/2022	The provision of i2 Analyst Notebook & iBase Software Licenses Maintenance and Support for a period of three (3) years.	Hidden Links	Sole Supplier	R 3 870 631.91
42	EX 042/2022	Renewal of 5 Pastel Accounts Forum Suite licenses for a period of 3 years.	Sage South Africa (Pty) Ltd	Impracticality	R 93 846.17
43	EX 043/2022	Maintenance and Support of Cellebrite Licenses	Pandacom Distribution	Impracticality	R 596 850.00
44	EX 044/2022	Microsoft Software Subscription and Unified Enterprise Support for a period of three years.	Microsoft South Africa (Microsoft Ireland)	Impracticality	R 651 092 698.50
45	EX 045/2022	Juta Online subscriptions	Juta	Sole Supplier	R 1 255 228.00
46	EX 048/2022	Appointment of SAP Education South Africa for a period of 60 months to offer various SAP training courses	SAP Education SA	Sole Supplier	R 12 728 209.22
47	EX 049/2022	Bulk Scanners Maintenance	Advocate Solutions (Pty) Ltd	Impracticality	R 1 234 067.07
48	EX 050/2022	Executive Search Services	» Fuligen t/a N2 Growth. » Drayton Glendower and Mokhobo » Woodburn Mann Equity	Impracticality	R 5 000 000.00
49	EX 051/2022	Professional Services to object the municipal valuation of Lehae la SARS.	Mills Fitchet	Impracticality	R 3 450.00
50	EX 052/2022	Post Office Delivery service once a week for 2023 for a period of 12 months	SAPO	Impracticality	R 4 868.64
51	EX 053/2022	Attendance of knowledge exchange session	Institute of Internal Auditors South Africa	Impracticality	R 11 684.00
52	EX 054/2022	Procurement of information and documentation: SANS 15489-2:2020, SATR 17797:2015, SATR 13028:2010, and SANS 13008:2012.	SABS	Sole Supplier	R 2 642.70
53	EX 055/2022	Renewal of the JES Queue for Printers (JQP) Software License and Support	JMR Software (Pty) Ltd	Sole Supplier	R 3 046 108.50
54	EX 056/2022	Re-purchase of Prism HSM licenses and Warranty.	Prism Payment Technologies Pty Ltd	Case of Emergency	R 262 635.00
55	EX 057/2022	Psychometric Assessments for Senior Managers & higher	Bioss Southern Africa	Sole Supplier	R 3 000 000.00
56	EX 058/2022	Psychometric Assessments for Junior Managers & lower	SHL Saville Holdingsworth (Pty) ltd	Sole Supplier	R 1 760 222.20
57	EX 059/2022	Provision of mooring for two boats for a period of 5 years.	Durban Marina	Impracticality	R 431 684.04
58	EX 060/2022	Reporting Tool for SAP HCM and SUCCESSFACTORS	EPI USE AFRICA PTY LTD	Sole Supplier	R 171 055.60

ANNEXURE 3

2022/23 Financial Year Variations

No.	Ref #	Service	Service provider	Reason	Variation Value
1	VAR 01/2022	Variation of the lease agreement for Trescon House for a period of five (5) years.	Vividend Income Fund	Variation of Value & Time	R 206 923 758.00
2	VAR 02/2022	Extension of supply, installation, and maintenance of sanitary and healthcare equipment for a period of 12 months.	Imvula Quality Protection, Supercare Hygiene & Orizoe services CC	Variation of Value & Time	R 15 565 963.00
3	Var 03/2022	Adjustment of scope and cost for Mechanical engineering (HVAC) services on the Head Office Consolidation project (Lehae Campus)	Plantech PTY (Ltd)	Variation of Value & Time	R 345 647.98
4	Var 04/2022	Variation for WordPress Cloud support services for a period of six (6) months.	Jurumani Solutions (Pty) Ltd	Variation of Value & Time	R 279 450.00
5	Var 05/2022	The extension of lease for the Pietermaritzburg branch office for a period of five (5) years.	Delta Property Fund (Pty) Ltd	Variation of Value & Time	R 54 884 164.00
6	Var 06/2022	The extension of lease for the CMH Building 23 parking bays for a period of five (5) years.	Delta Property Fund (Pty) Ltd	Variation of Value & Time	R 1 718 758.65
7	Var 07/2022	Expansion of the contract value for the panel of expert advisory services (RFP 52/2018).	Various Suppliers	Variation of Value	R 29 936 972.26
8	Var 08/2022	Adjustment of scope and cost for Fire engineering services on the Head Office Consolidation project (Lehae Campus)	Consultmech Mechanical Engineers	Variation of Value & Time	R 323 803.85
9	Var 09/2022	Variation in respect of the leasing of residential space for a period of two (2) years.	Onothweni Investments	Variation of Value	R 1 159 890.00
10	Var 10/2022	Variation of Professional Services for Project Labyrinth	PWC	Variation of Value	R 10 000 000.00
11	Var 11/2022	Variation for the provision of Network, Server, and End- User Devices Support Services (Tower S).	Gijima Holdings (Pty) Ltd	Variation of Value	R 20 297 161.00
12	Var 12/2022	The contract extension for fleet management services for a period of 4 months.	Fleet Africa (Pty) Ltd	Variation of Value	R 5 987 698.00
13	Var 13/2022	Expansion for parking facility for high valued fuel hazardous trucks.	Lebombo EM Projects	Variation of Value & Time	R 539 100.00
14	Var 14/2022	Expansion of procurement of Dell high specification desktops and related services.	Sizwe IT Group	Variation of Value	R 255 924.65
15	Var 15/2022	Extend the contract period for Bureau Economic Research Service for further four (4) months.	University of Stellenbosch	Variation of Time	R 0.00
16	Var 16/2022	Variation – for Economic, industry, company, and Individual Research tool	Who Owns Whom	Variation of Value & Time	R 130 116.95
17	Var 17/2022	Variation for Rental of parkhome for Kosi Bay Border Post - for additional 4 months	M Projects	Variation of Value & Time	R 77 344.40
18	Var 18/2022	Variation of value for RFP14/2016 Tower S (Bulk SMS's)	MTN Telkom	Variation of Value	R 8 624 247.87
19	Var 19/2022	Variation for the renewal of VMware software maintenance and support and additional software services.	Ubunthu Technologies (Pty) Ltd	Variation of Value	R 544 283.10
20	Var 20/2022	Variation for maintenance and development services of business process workflow covering SARS' contact centres, tax registration, audits, bank detail changes and orchestration of processes.	Barone Budge and Dominick (Pty) Ltd	Variation of Value & Time	R 261 080 121.00
21	Var 21/2022	Variation of RFP 14-2016 Network Carrier and Infrastructure Services (Tower D).	Dimension Data (Pty) Ltd	Variation of Value & Time	R 78 000 000.00
22	Var 22/2022	Variation for the of additional resources for Microsoft Designated Support	Microsoft South Africa	Variation of Value	R 982 180.50
23	Var 23/2022	The acquisition of 32 shaded parking at the Witbank Branch Office - Provence House for a period of 24 months.	Uhuru Professional Electrical Contractors (Pty) Ltd	Variation of Value & Time	R 576 408.75
24	Var 24/2022	The contract extension (time) for shredding, disposal and destruction of clothing and textile goods at the Stateware house for a period of four (4) months	Brits Non Woven Proprietary Limited	Variation of Time	R 0.00
25	Var 25/2022	Request variation to extend printing contract on a month-to-month basis for a period not exceeding six (6) months.	Shereno Printers	Variation of Time	R 0.00
26	Var 26/2022	Variation request to extend the lease for the Port Shepstone branch office for a period of five (5) years.	Zelpy 1494 (Pty) Ltd	Variation of Value & Time	R 9 164 236.97
27	Var 27/2022	Contract extension of the leasing out of premises at Veale Street, Landbank building in Brooklyn for a period of five (5) years.	Growthpoint Properties Ltd	Variation of Value & Time	R 52 882 647.11
28	Var 28/2022	The extension of a lease for five (5) parking bays within the Prinsman parking space for a period of five (5) years.	Octodec Investments Ltd	Variation of Value & Time	R 309 504.77

2022/23 Financial Year Variations (continued)

No.	Ref #	Service	Service provider	Reason	Variation Value
29	Var 29/2022	The extension of the lease for the Pinetown TPS office for a period of nine (9) months (on a month-to-month basis).	Imbali Props 21 (Pty) Ltd	Variation of Value & Time	R 1 249 824.60
30	Var 30/2022	Contract extension of the leasing of office space of Khanyisa building for a period of five (5) years.	Rakario Properties (Pty) Ltd	Variation of Value & Time	R 61 286 835.00
31	Var 31/2022	Renewal of the license, maintenance and support, services of Enterprise Content Management (Documentum & Captiva), Streamserve and increase of Professional services with an additional three hundred (300) additional days.	Open Text South Africa (Pty) Ltd	Variation of Value & Time	R 8 003 361.93
32	Var 32/2022	To vary the contract of Smart Access services (0800 Share call number).	Telkom SA SOC Ltd	Variation of Value	R 62 471 829.00
33	Var 33/2022	Extend the period of maintenance and support of bulk scanners for a period of three (3) months.	A-Solutions	Variation of Time	R 0.00
34	Var 34/2022	The extension of a lease for the Kroonstad branch office for a period of twelve (12) months.	54 Hillstreet Investments (Pty) Ltd	Variation of Value & Time	R 2 272 100.88
35	Var 35/2022	Expansion of forensic investigations on “Project Tango.”	Forensic Investigation Risk and Recovery	Variation of Value	R 16 000 000.00
36	Var 36/2022	The lease extension of office space for Vereeniging office space for a flexible period of twelve (12) months.	Revenue House (Pty) Ltd	Variation of Value & Time	R 5 705 364.00
37	Var 37/2022	SAP software licenses, subscriptions, maintenance, and support services.	SAP South Africa Pty Ltd	Variation of Time	R 0.00
38	Var 38/2022	Extension of RFP 01/2021-Provision of cleaning consumables, chemicals, and industrial equipment to SARS offices nationwide for a period of twelve (12) months.	Masana hygiene services and Medilac Group (Pty) Ltd	Variation of Time	R 10 844 300.13
39	Var 39/2022	Request to vary the contract of RFT02/2021, Tower 2 Dell EMC Servers and cater for the procurement of additional hardware and services for the SAP ECC Own and Revenue Accounting environment.	Ubunthu Technologies (Pty) Ltd	Variation of Value	R 363 090.38
40	VAR 40/2022	The extension of RFP 41/2019A- Armed Guarding, Close Protection and Tactical Response Security Services and RFP 41/2019C- National Guarding Security Services for a period of four (4) months.	1. Tshedza Protective Services CC 2. Royal Security CC 3. Fidelity Security Services (PTY) LTD 4. Wenzile Phaphama Trading and Projects CC	Variation of Time	R 49 070 408.00
41	VAR 41/2022	The extension of RFP 14/2019 – Provision of Integrated Pest Control Management Services for all SARS offices, Nationwide for a period of twelve (12) months.	1. Kusile Hygiene and Industrial Services 2. Masana Hygiene Services 3. Supercare Hygiene	Variation of Value & Time	R 2 420 273.73
42	VAR 42/2022	Expansion of the Nigel lease a period of one (1) year.	Lathitha Properties (Pty) Ltd	Variation of Value & Time	R 1 233 497.40
43	VAR 43/2022	Variation of the lease relation to the leasing of office space at the Lakeside Mall, for a period of one (1) year.	Growthpoint Securitization Warehouse Trust	Variation of Value & Time	R 463 404.00
44	VAR 44/2022	Variation of a subsisting agreement allow delegates to complete the Advanced Certified Fraud Examination training for a period of 12 months	Africa Training Academy (Pty) Ltd	Variation of Time	R 0.00
45	VAR 45/2022	The lease extension for office space for Waverly TPS Office for a period of five (5) years.	One Vision Investments 233 (Pty) Ltd	Variation of Value & Time	R 120 054 051.00
46	VAR 46/2022	Variation of lease extension of office space for the Oudtshoorn Office for a period of five (5) years.	Klein Karoo Fonds	Variation of Value & Time	R 581 263.20
47	VAR 47/2022	The contract extension for Upington Ancorley Building for a further period of five (5) years.	Ancorley Gebou (Pty) Ltd	Variation of Value & Time	R 17 904 852.80
48	VAR48/2022	Procurement of implementation services for the currently approved SAP LMS (previously LSO) and PAPM (previously PCM) to be implemented respectively; and the annual subscription for SAP Business Application Studio.	SAP South Africa Pty Ltd	Variation of Time	R 0.00
49	VAR 49/2022	The contract extension of the Upington Railway station building lease for a period of 5 years.	Transnet	Variation of Value & Time	R 2 204 181.00
50	VAR 50/2022	Request to vary the current contract to procure the upgrade of Qualtrics Software package for additional/extra 100 000 responses.	Qualtrics International Inc	Variation of Value	R 1 800 000.00
51	VAR 51/2022	The variation of time on an existing contract for the shredding and recycling of clothing, for 12 months	Brits Nonwoven Proprietary Limited	Variation of Time	R 0.00
52	VAR 52/2022	Variation to extend the lease for the Umhlanga branch office for a period of five (5) years.	Ahmed Suleman Family Trust	Variation of Value & Time	R 36 394 156.08
53	VAR 53/2022	Request variation to extend printing contract on a month-to-month basis for a period not exceeding four (4) months.	Shereno Printers	Variation of Time	R 0.00
54	VAR 54/2022	Variation for two (2) additional Software license for zIIPs enablement with maintenance.	Bateleur Software Pty (Ltd)	Variation of Value	R 2 082 075.00

2022/23 Financial Year Variations (continued)

No.	Ref #	Service	Service provider	Reason	Variation Value
55	VAR 55/2022	Variation for the acquisition of additional zIIP enabled Software required for the optimal utilisation of the Systems z Integrated Information Processors (zIIP).	SoftwareAG	Variation of Value	R 39 790 000.00
56	VAR 56/2022	The extension of RFP 39/2019 - Maintenance and support of diesel replenishment and online monitoring of back-up generators.	Matase Industrial Solutions (Pty) Ltd	Variation of Value	R 20 000 000.00
57	VAR 57/2022	Extension for Erwin Foundation training Certification course	Casewise South Africa (Pty) Ltd	Variation of Value & Time	R 467 960.65
58	VAR 58/2022	Day-to day maintenance for KZN buildings	Kalrik Contracting	Variation of Value	R 30 000.00
59	VAR 59/2022	Electrical consulting service for phase 3 power upgrade in Brooklyn office.	Plantech PTY (Ltd)	Variation of Value & Time	R 288 700.00
60	VAR 60/2022	Vary order for additional delivery charges for the procurement bar code scanner, safe & digital scales.	Ladybird Procurement	Variation of Value & Time	R 6 900.00
61	VAR 61/2022	Extension of a subsisting agreement for professional services for a period of 13 months.	Judge Dennis Davis	Variation of Value & Time	R 1 495 000.00
62	VAR 62/2022	The extension of RFP 41/2019A- Armed Guarding, Close Protection and Tactical Response Security Services and RFP 41/2019C- National Guarding Security Services for a period of six (6) months	1. Tshedza Protective Services CC 2. Royal Security CC 3. Fidelity Security Services (PTY) LTD 4. Wenzile Phaphama Trading and Projects CC	Variation of Value & Time	R 140 700 091.00
63	VAR 63 / 2022	Expansion of scope to allow for solar support and repair	Johnbak solutions/AFMS GROUP JV and XON systems	Variation of Value	R 69 900 000.00
64	VAR 64/2022	Request for variation on SuSE Linux and SuSE Manager license settlement and contingency	Axiz Pty Ltd	Variation of Value	R 26 504 536.08
65	VAR 65/2022	Expansion of RFP 01/2017 for the supply, installation, and maintenance of sanitary and healthcare equipment for a period of six (6) months.	1. Imvula Quality Protection 2. Supercare 3. Orizoe Services CC	Variation of Value & Time	R 10 942 043.00
66	VAR 66/2022	Variation of Transversal Contract RT15-2021 for provision of Push to Talk Radio and Patrol System	Vodacom	Variation of Value	R 20 429 450.10
67	VAR 67/2022	Extend RFT 18/2018: Supply and Delivery of Cisco Network Equipment, Software, load balancing products and related Services.	Sizwe IT Africa Group (Pty) Ltd	Variation of Time	R 0.00
68	VAR 68/2022	Recruitment Services	Panel of 23 Suppliers	Variation of Time	R 0.00

Abbreviations

ADR	Alternative Dispute Resolution
AEO	Authorised Economic Operator
AFCFTA	African Free Trade Agreement
AG	Auditor-General
AOPO	Audit of Predetermined Objectives
APT	Air Passenger Tax
ARC	Audit and Risk Committee
ATAF	African Tax Administration Forum
BEPS	Base Erosion and Profit Shifting
CIT	Corporate Income Tax
CMO	Complaints Management Office
CRS	Common Reporting Standards
CTLF	Clothing, Textiles, Leather and Footwear
DPS	Declaration Processing Systems
DT	Dividends Tax
DTIC	Department of Trade, Industry and Competition
EEI	Employee Engagement Index
EGRC	Enterprise Governance and Risk Committee
EHWP	Employee Health and Wellness Programme
EOIR	Exchange of Information of Request
ETR	Exchanged Tax Rulings
EVP	Employee Value Proposition
EXCO	Executive Committee
FATF	Financial Action Task Force
FHC	Final Household Consumption
FHCE	Final Household Consumption Expenditure
FSCA	Financial Sector Conduct Authority
FY	Financial Year
GRAP	Generally Recognised Accounting Practice
GTT	Governance Task Team
HWI	High Wealth Individual
ICT	Information Communication Technology
IMF	International Monetary Fund
ITU	Illicit Trade Unit

KZN	KwaZulu-Natal
MAP	Mutual Agreement Procedure
MOU	Memorandum of Understanding
MPRR	Mineral and Petroleum Resources Royalties
MTBPS	Medium Term Budget Policy Statement
MTEF	Medium-Term Expenditure Framework
NACS	National Anti-Corruption Strategy
NCC	National Consumer Commission
NPA	National Prosecuting Authority
NRRT	National Rapid Response Team
OECD	Organisation for Economic Co-operation and Development
OGA	Other Government Agencies
OKR	Objectives and Key Results
OTO	Office of the Tax Ombud
PAYE	Pay-As-You-Earn
PE	Printed Estimate
PFMA	Public Finance Management Act
PIT	Personal Income Tax
POPIA	Protection of Personal Information Act
PY	Previous Year
RAF	Road Accident Fund
RE	Revised Estimate
RLA	Registration, Licensing and Accreditation
ROT	Recognition of Transfer
RSN	Report of Suspected Non-compliance
SACU	Southern African Customs Union
SAPS	South African Police Service
SARS	South African Revenue Service
SDL	Skills Development Levy
SEOI	Spontaneous Exchange of Information
SMME	Small, Medium and Micro Enterprises
SOQS	SARS Online Query System
STC	Secondary Tax on Companies
TAA	Tax Administration Act

TADAT	Tax Administration Diagnostics Assessment Tool
TCS	Tax Compliance System
TFA	Trade Facilitation Agreement
TFI	Trade Facilitation Indicators
UIF	Unemployment Insurance Fund
UN	United Nations
USSD	Unstructured Supplementary Service Data
VAT	Value-Added Tax
VCI	Voluntary Compliance Index
VDP	Voluntary Disclosure Programme
VSC	Vetting, Screening and Conflict of Interest
WCO	World Customs Organisation
WEO	World Economic Outlook
WIL	Women in Leadership
WTO	World Trade Organisation
Y/Y	Year-on-Year
YTD	Year-to-Date