



OFFICE OF THE
TAX OMBUD
Ensuring fairness

TAX OMBUD STRATEGIC PLAN 2018-2023





TABLE OF CONTENTS

1. ABBREVIATIONS	ii
2. FOREWORD BY THE TAX OMBUD	1
3. OVERVIEW BY THE CHIEF EXECUTIVE OFFICER	5
4. OFFICIAL SIGN-OFF	9
5. PART A: STRATEGIC OVERVIEW	10
VISION	10
MISSION	10
VALUES	10
LEGISLATIVE AND OTHER MANDATES	11
SITUATIONAL ANALYSIS	13
ORGANISATIONAL ENVIRONMENT	17
STRATEGIC OUTCOME-ORIENTED GOALS	18
6. PART B: STRATEGIC OBJECTIVES	19
STRATEGIC OBJECTIVES, MEASURES AND TARGETS	20
1.1 Accessibility and operations	20
1.2 Systemic investigation	20
1.3 Awareness and education	20
1.4 Legal and support services	21
7. RESOURCE CONSIDERATION AND RISK MANAGEMENT	22
RESOURCE CONSIDERATION	22
RISK REGISTER	24

ABBREVIATIONS

APP	Annual Performance Plan
CAPEX	Capital expenditure
CEO	Chief Executive Officer
CMO	Complaints Management Office
eChannels	Electronic Channels
GTAC	Government Technical Advisory Centre
IT	Information technology
LSSA	Law Society of South Africa
MOU	Memorandum of Understanding
MTEF	Medium Term Expenditure Framework
NDP	National Development Plan
NT	National Treasury
OTO	Office of the Tax Ombud
PESTEL	Political, Economic, Social, Technological, Environmental and Legal
PFMA	Public Finance Management Act 1 of 1999
RCB	Recognised Controlling Bodies
SARS	South African Revenue Service
SCOF	Standing Committee on Finance
SLA	Service level agreement
SP	Strategic Plan
SWOT	Strengths, weaknesses, opportunities and threats
TAA	Tax Administration Act
TO	Tax Ombud
VOIP	Voice Over Internet Protocol

FOREWORD BY THE TAX OMBUD



JUDGE BERNARD NGOEPE
TAX OMBUD

After four years in operation, the Office of the Tax Ombud has found its stride. From this point onwards, however, we will have to raise the bar and pick up speed if we are to meet the escalating demand for our services and provide an excellent service to taxpayers and the country. To this end, we are setting ourselves even higher targets than before and developing a more advanced strategy to enable the Office to become a fully independent institution that is also highly efficient and cost-effective.

How we envisage doing this is detailed in this Strategic Plan 2018–2023, which describes how we intend to go about achieving our objectives in the next five years. It also serves as a reference point that our stakeholders, including taxpayers, can use to hold us accountable for our performance against the objectives set.

“To this end, we are setting ourselves even higher targets than before and developing a more advanced strategy to enable the Office to become a fully independent institution that is also highly efficient and cost-effective.”

MULTIPLICITY OF FACTORS TAKEN INTO ACCOUNT

In formulating this Strategic Plan and our strategic outcome-orientated goals, we took cognisance of the ever-increasing need for our services among taxpayers and other stakeholders, as well as our commitment to the National Development Plan (NDP) 2030. Many other issues were taken into account, notably the socio-economic challenges facing the country, the political situation, the immense pressure and challenges confronting the South African Revenue Services (SARS), allegations of widespread corruption and misuse of taxpayers' monies, and a growing appetite among many stakeholders (including parliamentarians) for a more independent Tax Ombud with greater powers.

“The investigation, and the release of a comprehensive report, marked a new chapter in our proactive approach towards resolving problems taxpayers face.”

CHALLENGING ENVIRONMENT

Poor ethics are intertwined in many aspects of society. The tax environment and its role-players are not immune to this, hence the need for a stronger, more efficient and effective Office of the Tax Ombud. This will only be possible with proper planning backed by adequate resources, both financial and human.

In considering our role in the next five years, we took note of the macro-economic outlook for South Africa, the targets set in the NDP and dynamics in the tax administration system that influence relations and interactions between taxpayers and the revenue collector. Escalating tax avoidance and tax evasion are a worrying phenomenon, as are the growing calls for a tax boycott by certain quarters of our society. These trends amplify the significance of our mandate as a state entity tasked with helping maintain a balance between SARS's powers and duties, and taxpayers' rights and obligations. Our goal of helping to build taxpayers' trust in the tax administration system is more important now than at any other time in our institution's relatively short existence.

STRENGTHENING OUR INDEPENDENCE

In the 2017–2022 Strategic Plan and the 2017/18 Annual Performance Plan (APP), we made undertakings to continue pursuing legislative changes that would strengthen our independence. It is encouraging that amendments already made to the Tax Administration Act (TAA) in January 2017 have provided some of the additional powers we requested. The result has been greater independence from SARS concerning our finances and recruitment processes, as well as improved public perceptions of our Office as an independent and impartial institution. The amendments have also given us certain powers to investigate systemic and emerging issues, at the request of the Minister or on the Tax Ombud's initiative with the approval of the Minister of Finance.

The first such investigation that the Tax Ombud conducted centred on alleged delays in the payment of tax refunds. This investigation resulted in the release in September 2017 of the “Tax Ombud's report on the investigation in terms of section 16(1) (b) of the Tax Administration Act 28 of 2011 into alleged delayed payment of refunds as a systemic and emerging issue”. The investigation, and the release of a comprehensive report, marked a new chapter in our proactive approach towards resolving problems taxpayers face. The appointment of two systemic investigators will give impetus to the Office's efforts to be proactive in identifying and monitoring systemic and emerging issues that, when addressed, have the potential to contribute to improvements in the country's tax administration system.

BUILDING A SOLID BUSINESS CASE

The next few years will see increased efforts on our part to address many issues, such as the need for structural independence, provision of adequate funding so that the Office can efficiently carry out its mandate, and the proposed extension of the mandate. In our constructive engagements with numerous stakeholders and appearances before the Standing Committee on Finance (SCOF), it has been

clearly conveyed that parliamentarians and taxpayers want the Office to have more powers that can ensure the protection of taxpayers' rights.

The Government Technical Advisory Centre (GTAC) is assisting the Office to develop a business case for a cost-effective and independent organisational model. The project has three distinct phases, the first of which includes a feasibility study that will focus on a situational analysis of the Office, an institutional options analysis, service delivery model and recommendations on a preferred option. The second phase will entail developing a business case with cost implications and a human resource model for the preferred option. The last phase will include the implementation plan and close-out report. This project is an important step towards building an independent Office of the Tax Ombud.

“We are engaging the appropriate stakeholders to fast-track the process of finalising the Taxpayer Bill of Rights and the Service Charter, as these are pertinent to our strategic approach for the next five years.”

ENHANCING GOVERNANCE AND HARNESSING PARTNERSHIPS

In support of our strategic goals, we will ensure that we promote sound governance and stakeholder engagement as the cornerstone of our ethos in our operations. The many partnerships that we have built with stakeholders have been very fruitful, as

was demonstrated during the Office's investigation into alleged delays in the payment of tax refunds, where the inputs of stakeholders ensured we had all the information necessary to complete the investigation swiftly yet thoroughly. Moving forward, we would like to formalise some of our partnerships with stakeholders by entering into Memoranda of Understanding (MOU) and service level agreements (SLAs).

TAXPAYER BILL OF RIGHTS URGENTLY NEEDED

Since the establishment of the OTO, the Tax Ombud has worked tirelessly to protect the rights granted to taxpayers by the Constitution and tax legislation. Unfortunately, South Africa does not yet have a Taxpayer Bill of Rights, a shortcoming that the Office has sought to remedy by promoting awareness about taxpayers' rights as enshrined in our Constitution and by drafting a comprehensive Taxpayer Bill of Rights. This process has been in the pipeline for some time, and we feel encouraged and vindicated that the recently released Davis Committee's final report on tax administration recommended that the Tax Ombud be given the powers to enforce a Taxpayer Bill of Rights. Although our draft has been prepared and submitted to SARS, the revenue collector has yet to finalise it despite undertakings that this would be done by 31 March 2017. Similarly, the Service Charter that would require SARS to adhere to certain service requirements, such as turnaround times for resolving taxpayer complaints, should also have been finalised by March 2017 but is also still pending. We are engaging the appropriate stakeholders to fast-track the process of finalising the Taxpayer Bill of Rights and the Service Charter, as these are pertinent to our strategic approach for the next five years.

MORE DEMANDING TARGETS SET

As we move forward with vigour and determination, we envisage improving on our complaints management system, streamlining governance and risk frameworks to improve compliance and reporting, and further continuing to create much-needed awareness about

our Office and how taxpayers can use the services offered. We have also raised our targets for the number and quality of engagements and partnerships with stakeholders.

As we plan for the 2018/19 financial year and the next five years, we take cognisance of the continued importance of practising our values of accountability, independence, efficiency, fairness and confidentiality in everything we do, particularly when interacting with our stakeholders, both internal and external. Embedding these core values in all our engagements, and supplementing them with a culture of professionalism, pursuit of excellence and Ubuntu, will help us achieve our core strategic outcome-oriented objectives. These objectives are Accountability (rational and fair application of the tax administration process), Efficacy (prompt and efficient resolution of complaints), Independence (structurally independent Tax Ombud) and Security and confidentiality.

The essential ingredients for success are in place: a team of competent employees who are experts in their respective fields, committed and capable of making a difference in the lives of taxpayers; the support of our stakeholders; a sound governance structure and an ambitious Strategic Plan and Annual Performance Plan. Our patriotism to our country and determination to inspire taxpayer confidence in tax administration are unwavering and we are honoured to have been entrusted with this responsibility.



JUDGE BERNARD NGOEPE
TAX OMBUD

OVERVIEW BY THE CHIEF EXECUTIVE OFFICER



ADVOCATE ERIC MKHAWANE
CHIEF EXECUTIVE OFFICER

“The cornerstones of this Strategic Plan are the principles of professional, ethical, accountable and committed service delivery excellence.”

It is my pleasure to present the Office of the Tax Ombud’s Strategic Plan for the period 2018 to 2023, commencing with 2018 as the year of action and excellence, during which our focus will be on gaining a deeper understanding of taxpayers’ service needs and responding accordingly as we continue to engage with them.

The cornerstones of this Strategic Plan are the principles of professional, ethical, accountable and committed service delivery excellence. In line with this, the main priority of the Office of the Tax Ombud over the next five years is to ensure that complaints are resolved within a set timeframe without unnecessary delays, and with sound reasons provided for the decisions taken.

WORKING TOWARDS IMPROVED EFFICIENCY

As outlined in the Tax Ombud’s foreword, we engaged the Government Technical Advisory Centre (GTAC) to assist in developing a business case for a cost-effective, independent organisational model for the Office. They will be providing the Office with options for organisational models, from which the Office will choose the most suitable and cost-effective option. Based on the selected option, GTAC will continue to assist the Office in formulating a business case to be presented to the Minister of Finance and other stakeholders.

The external threats identified through the SWOT analysis (assessing our strengths, weaknesses, opportunities and threats) showed that some of the

biggest threats are outside the direct control and influence of the OTO and could have a material impact on building trust and confidence in the tax administration system. One of the main external threats is delays by SARS in providing feedback on taxpayer complaints to the OTO within a stipulated timeframe. This materially diminishes taxpayers' confidence in tax administration. Another serious threat is lack of awareness and understanding among taxpayers about SARS's complaints processes and procedures, resulting in taxpayers submitting complaints prematurely to the Office. This creates unnecessary work for the OTO and delays the resolution of genuine complaints, causing frustration and the perception of an unresponsive Tax Ombud.

Clear solutions are needed to successfully build trust and confidence in the tax administration system. Such solutions include securing the OTO's full institutional independence and implementing a Memorandum of Understanding with SARS that will govern the working relationship between the two organisations. We intend to conduct a study to determine whether the mandate of the Ombud should be extended in line with other jurisdictions, for instance by assisting taxpayers in distress with the revenue authority or providing redress to taxpayers as a result of poor service. It should also be kept in mind that sufficient funding is required to deal with the increased complaints volumes that will arise as more taxpayers and tax professionals become aware of the OTO and turn to it in the hope that their complaints will be addressed quickly and impartially.

STRIVING TO BE MORE CUSTOMER CENTRIC

An important strategic objective of this plan is to outline the steps towards becoming more customer centric in dealing with taxpayers. The aim is to ensure that all recommendations are perceived as fair and impartial, and that complainants understand the rationale behind the recommendations made. A large part of understanding the scope of the OTO has to do with understanding SARS processes. If

taxpayers understand how SARS's complaints mechanisms work, they will understand how and where the OTO fits into the complaints-handling process. For this reason, taxpayer education and awareness are prominently addressed in this Strategic Plan.

Our intention is to continue providing a consistent, high-quality service, with specific attention to continually fulfilling our promise of ensuring fairness. An important element of this is to continue communicating our findings on and progress of each complaint to taxpayers in order to maintain credibility and goodwill, as well as to hold SARS accountable. In the last financial year specifically, the Office has been receiving informal feedback on its service on an ad hoc basis; however, a taxpayers' awareness survey will enable us to gain a more accurate sense of how best to educate and engage our target market, and what channels would give us the most reach.

“The aim is to ensure that all recommendations are perceived as fair and impartial, and that complainants understand the rationale behind the recommendations made.”

FOLLOWING THROUGH ON SYSTEMIC INVESTIGATIONS

The ultimate purpose of the Office's powers to conduct Ministry-approved investigations into systemic and emerging issues is to improve the fairness of the tax administration system. Thus, it is vital that such investigations be followed through

and tracked. Going forward, we will monitor the processes of remedying the systemic matters identified, and will conduct surveys to assist the Office in ascertaining whether taxpayers are still experiencing any of the systemic challenges concerned. In addition, we will be requesting SARS to provide us with the details of how they have implemented our recommendations. This will help ensure that their implemented plans are within the ambit of fair tax administration. Further, the Office will undertake various awareness campaigns to educate taxpayers about issues that have been identified as systemic in nature. Among other things, we will use webinar platforms in partnership with Recognised Controlling Bodies, hold road shows and add content about the current identified systemic matters to our website.

PROMOTING AWARENESS THROUGH COMMUNICATIONS AND OUTREACH

The OTO will continue to promote taxpayer awareness and education through outreach campaigns and advertising, as well as to use public relations services to further build and strengthen relationships with stakeholders such as the media. Based on a review of how we should approach awareness campaigns, we intend to reach and enable more taxpayers to make use of our services. Additional budget is required for communications and outreach over the Medium Term Expenditure Framework (MTEF) to enable the Office to fully implement the strategic objectives and achieve greater visibility.

The Office will also continue to build relationships through stakeholder engagements, collaboration and exhibitions, as such platforms have led to an increase in unrepresented taxpayers utilising the Office, with similar growth among tax practitioners and other types of taxpayers. This Strategic Plan will thus guide us in maintaining and increasing support from our stakeholders and promote an effective working relationship with SARS to ensure that complaints sent to them are resolved within the timeframes set.

“We strive to cultivate a culture of excellence and build organisational capacity and structures that empower, focus and engage employees.”

The Office’s stakeholders and the general public are increasingly becoming aware of our existence and the much-needed services we provide and this has resulted in an increase in the demand for service. Ideally, the Office would like to have a footprint throughout South Africa but geographical expansion is constrained by budgetary considerations. We are compelled to make do with what Treasury has given us. We are optimistic of growth in the future, however, as this would boost our capacity to efficiently and expeditiously resolve taxpayers’ complaints. Any growth would be carefully planned and carried out, starting with conducting research, developing a concept document and drawing up a business case on staffing growth and footprint expansion.

BUILDING A CULTURE OF PROFESSIONALISM AND EXCELLENCE

The Office will continue to ensure that staff members are customer oriented, technically proficient and professional at all times. We strive to cultivate a culture of excellence and build organisational capacity and structures that empower, focus and engage employees.

As part of this, the Office will ensure we make substantial investments in the skills development

and training of our employees, especially those dealing with tax complaints and resolution. The employee cost accounts for the majority of the Office's budgetary requirements and includes a portion allocated to training and development. As the employees of the OTO are required to be highly skilled in all aspects of tax administration, niche education and training interventions are often required.

It will also be important for the team to focus on creating the desired results for the OTO. This calls for a mind-set and culture of excellence where every employee understands the OTO's vision, their own roles and responsibilities, and the specific actions they need to take to help achieve the OTO vision. Every employee's contribution must be aligned with our vision, mission and values, and all employees must speak a common language of excellence.

CONCLUSION

In conclusion, I would like to thank the Tax Ombud Judge Bernard Ngoepe for his steadfast support and guidance in the four years since the inception of the Office. Sincere gratitude is also extended to the leadership of the OTO and the staff for their commitment and dedication in ensuring that taxpayers receive efficient, impartial and independent redress with respect to their complaints against SARS.



ADVOCATE ERIC MKHAWANE

CHIEF EXECUTIVE OFFICER

OFFICIAL SIGN-OFF

It is hereby certified that this Strategic Plan:

- ▶ was developed by the management of the Office of the Tax Ombud under the guidance of the Minister of Finance
- ▶ takes into account all the relevant policies, legislation and other mandates for which the Office of the Tax Ombud is responsible
- ▶ accurately reflects the strategic outcome-oriented goals and objectives which the Office of the Tax Ombud will endeavour to achieve over the period 2018-2023



JUDGE BERNARD NGOEPE
TAX OMBUD

PART A: STRATEGIC OVERVIEW

VISION

To strengthen taxpayers' trust and confidence in tax administration

MISSION

To be an efficient, independent, impartial and fair redress channel for taxpayers

VALUES

ACCOUNTABILITY

Taxpayers are entitled to a rational and fair reason for decisions and actions taken.

INDEPENDENCE

In dealing with taxpayers' complaints, the Tax Ombud operates independently of SARS.

EFFICIENCY

The Office of the Tax Ombud ensures that all taxpayers' complaints are resolved promptly and efficiently.

FAIRNESS

The Tax Ombud acts in fairness at all times.

CONFIDENTIALITY

The Office of the Tax Ombud holds all communications with taxpayers in strict confidence unless authorised otherwise by the taxpayer.

LEGISLATIVE AND OTHER MANDATES

THE OFFICE OF THE TAX OMBUD OPERATES UNDER A LEGISLATIVE AND CONSTITUTIONAL MANDATE.

Constitutional mandate: In terms of s195 of the Constitution of the Republic Act 108 of 1996, public administration must be governed by the democratic values and principles enshrined in the Constitution, including a high standard of professional ethics; efficient, economic and effective use of resources; provision of impartial, fair and equitable service;

transparency and accountability. As an agent of public administration, the South African Revenue Service (SARS), the subject of the OTO's oversight, is bound by this Constitutional Mandate. The Office of the Tax Ombud is equally bound by the Constitutional Mandate.

LEGISLATIVE MANDATE: TAX ADMINISTRATION ACT, NO 28 OF 2011

The Office of the Tax Ombud was established in terms of sections 14 and 15 of the Tax Administration Act, no 28 of 2011 (Tax Administration Act). The Office of the Tax Ombud was established in October 2013 and launched by the Minister of Finance in April 2014. The Tax Ombud reports to the Minister

of Finance as the executive authority. In terms of the relevant legislation, the Tax Ombud submits the Strategic Plan, Annual Performance Plan and Annual Report to the Minister, who must table these in the National Assembly.

Section 16(1) of the Act spells out the Ombud's mandate as being to:

- a) Review and address any complaint by a taxpayer regarding a service matter or a procedural or administrative matter arising from the application of the provisions of a tax Act by SARS; and
- b) Review, at the request of the Minister or at the initiative of the Tax Ombud with the approval of the Minister, any systemic and emerging issue related to a service matter or the application of the provisions of this Act or procedural or administrative provisions of a tax Act.

SECTION 16(2):

In discharging his or her mandate, the Tax Ombud must:

- ▶ Review a complaint and, if necessary, resolve it through mediation or conciliation
- ▶ Act independently in resolving a complaint
- ▶ Follow informal, fair and cost-effective procedures in resolving a complaint
- ▶ Provide information to a taxpayer about the mandate of the Tax Ombud and the procedure for pursuing a complaint
- ▶ Facilitate access by taxpayers to complaint resolution mechanisms within SARS to address complaints
- ▶ Identify and review systemic and emerging issues related to service matters or the application of the provisions of this Act or procedural or administrative provisions of a Tax Act that impact negatively on taxpayers.

REVIEW OF A COMPLAINT

In terms of section 18 of the Tax Administration Act, the Tax Ombud may review any issue within the Tax Ombud's mandate on receipt of a request from a taxpayer.

The Tax Ombud may—

- a) Determine how a review is to be conducted; and
- b) Determine whether a review should be terminated before completion.

In exercising the discretion set out in subsection 2, the Tax Ombud must consider such factors as:

- a) The age of the request or issue
- b) The amount of time that has elapsed since the requester became aware of the issue
- c) The nature and seriousness of the issue
- d) The question of whether the request was made in good faith, and
- e) The findings of other redress mechanisms with respect to the request.

The Tax Ombud may only review a request if the requester has exhausted the available complaints resolution mechanisms in SARS, unless there are compelling circumstances for not doing so.

To determine whether there are compelling circumstances, the Tax Ombud must consider factors such as whether:

- a) The request raises systemic issues
- b) Exhausting the complaints resolution mechanisms will cause undue hardship to the requester, or
- c) Exhausting the complaints resolution mechanisms is unlikely to produce a result within a period of time that the Tax Ombud considers reasonable.

The Tax Ombud must inform the requester of the results of the review or any action taken in response to the request, but at the time and in the manner chosen by the Tax Ombud.

LIMITATIONS ON AUTHORITY

In terms of section 17 of the Tax Administration Act, the Tax Ombud may not review the following:

- a) Legislation or tax policy
- b) SARS policy or practice generally prevailing, other than to the extent that it relates to a service matter or a procedural or administrative matter arising from the application of the provisions of a tax Act by SARS
- c) A matter subject to objection and appeal under a tax Act, except for an administrative matter relating to such objection and appeal
- d) A decision of, proceeding in or matter before the tax court.

RESOLUTIONS AND RECOMMENDATIONS

Section 20 of the Tax Administration Act sets out how the resolutions and recommendations of the Tax Ombud are dealt with:

1. The Tax Ombud must attempt to resolve all issues within the Tax Ombud's mandate at the level at which they can most efficiently and effectively be resolved and must, in so doing, communicate with SARS officials identified by SARS.
2. The Tax Ombud's recommendations are not binding on taxpayers or SARS, but if not accepted by a taxpayer or SARS, reasons for such a decision must be provided to the Tax Ombud within 30 days of notification of the recommendations and may be included by the Tax Ombud in a report to the Minister or Commissioner under section 19.

SITUATIONAL ANALYSIS

PERFORMANCE ENVIRONMENT

The Office updated the environmental scan, using the Political, Economic, Social, Technological, Environmental and Legal (PESTEL) framework, which included an analysis of Strengths, Weaknesses, Opportunities and Threats (SWOT). This process highlighted the dynamic nature of the environment in which the OTO operates, the many challenges that need to be overcome and the opportunities that can be seized in order to fulfil its vision of building trust and confidence in the tax administration system.

The changes include the political and economic environment where taxpayers are seeking more accountability in terms of government spending, and the impact of the fiscal climate on the growth of the economy.

Politically and economically, the increasing levels of transparency and corporate governance that the public and taxpayers expect must be addressed through continued high levels of good governance. Governance arrangements must take cognisance of

the likelihood that tightening fiscal conditions will increase the demand for the OTO's services and that the OTO must maintain the highest levels of efficiency despite this escalating demand.

The social and technological dimensions of the Office's operating environment have shown an interesting convergence, with increased national communications connectivity and the resulting uptake in digital technology providing opportunities to increase awareness and accessibility through social media and eChannels. On the other hand, this has also given rise to risks that need to be managed, including social media brand perceptions and the evolving threat of cyber-crime in relation to the confidentiality of information and communications.

From a legislative perspective, the opportunity for mandate amendments to deliver structural independence from SARS is seen as an opportunity to increase taxpayers' perception of the Office's independence and in turn build trust and confidence in the tax administration system.

POLITICAL

- ▶ Change in leadership and/or tax policy may change the approach to tax recoveries. A more “aggressive” approach, as evident in the current fiscal climate, is likely to result in higher demand for services from the OTO.
- ▶ Increasing strength of oversight institutions and civil society will demand increasing levels of tax administration transparency, accountability and governance. This requires the OTO to be impartial and independent at all times, and to exhibit the highest levels of corporate governance.

ECONOMIC

- ▶ Taxpayers are being challenged by significant levels of inflation, low levels of economic growth and policy uncertainty.

This will impact on the OTO in a number of ways:

- Increasing public interest in tax administration and public expenditure, requiring the OTO to maintain exceptional transparency and corporate governance
- A high probability of dispute volumes increasing as taxpayers and business seek to minimise their tax burden.
- ▶ The public and private sectors seek to grow the South African economy significantly through entrepreneurship and small business development. Many new entrants to the formal economy may have a limited understanding of the tax administration system, which may result in dispute volumes increasing.
- ▶ Increasing strain on the South African fiscus also means financial resources will continue to be constrained. As such the operations of the Tax Ombud will require ongoing optimisation to ensure maximum efficiency.
- ▶ Decreased taxpayer morale is linked to perceived corruption and misuse of public funds.

SOCIAL

- ▶ Taxpayers are expecting easier accessibility when dealing with government and its associated administrative agencies.

In particular they are demanding a customer-centric approach that includes:

- Easy access via the web, either through a portal or web app
- Simple processes that require minimal information, all accessible online
- Continuous and instantaneous feedback on process status
- The ability to engage with knowledgeable agents who can resolve queries at the first point of contact
- Quick turnaround times

- ▶ However, in contrast to the above, the complexity and unfamiliarity of tax administration for many requires a personal approach in order to build understanding and trust, and in turn confidence in the tax administration system.

TECHNOLOGY

- ▶ Taxpayers are becoming increasingly comfortable engaging electronically, via multiple channels, which creates opportunities to extend access via eChannels.
- ▶ Social media is allowing consumers to report poor service immediately, and bad brand publicity can go viral almost instantly. The OTO must be ready to maximise the impact of social media and have strategies in place to manage bad publicity.
- ▶ The growing use of eChannels is also increasing the opportunities for cyber-crime, and will require the OTO to respond by ensuring appropriate levels of electronic security.
- ▶ Cloud-based computing, Voice Over Internet Protocol (VOIP) and video communication services such as Skype will also provide opportunities for improved accessibility to taxpayers, and potentially for different working practices among staff. Such services would allow for increased flexibility such as home working, extended operating hours or face-to-face services via eChannels.

ENVIRONMENTAL

- ▶ Owing to many of the socio-economic factors listed above, taxpayers are increasingly using tax practitioners to resolve disputes. In general, these practitioners are highly trained specialists, frequently from a tax administration background.
- ▶ Accordingly, tax practitioners are an important customer segment that requires the same customer-centric approach, but will be even more demanding of technical excellence and speed of response.

LEGISLATION

- ▶ It is possible that a change in legislation may favour structural independence of the OTO and improved accountability on the part of SARS.
- ▶ Increasing public interest in law-making provides an opportunity for the OTO to promote independence and trust.

EXTERNAL THREATS

In addition to the factors and trends described above, a number of specific external threats are noteworthy as they are outside the direct control and influence of the OTO, and would have a material impact on building trust and confidence in the tax administration system.

1. Delays by SARS in finalising taxpayer complaints to the OTO within a stipulated timeframe materially diminish taxpayers' confidence in the tax administration system.
2. Lack of awareness and understanding among taxpayers about SARS's complaints process and procedures leads to taxpayers submitting complaints prematurely to the Office of the Tax Ombud, making significant unnecessary work for the OTO and delaying the resolution of genuine complaints; frequently, this results in taxpayer frustration and the perception of an unresponsive Tax Ombud.
3. The growing prevalence of social media is dramatically increasing the risk of negative perceptions being created about the OTO through social media platforms, again undermining trust and confidence.
4. The rapidly evolving threat of cyber-crime will mean that the OTO will regularly require assurance that its systems, processes and policies are suitably configured to minimise the risk of confidentiality breaches. Funding will be needed to address identified weaknesses. A single breach may destroy the reputation of the OTO.
5. Amid increasing public awareness, tightening fiscal conditions and the improved reputation of the OTO, complaints volumes are likely to dramatically increase over the coming years.
6. The Office's ongoing association and identification with SARS is seen as a significant strategic risk, as it conflicts with the perception of independence and reduces the likelihood of building trust and confidence in the tax administration system.
7. Fiscal constraints may hamper the growth of the Office and the execution of the mandate of the Tax Ombud.
8. Perceived and alleged corruption, as well as the misuse of public funds, may reduce taxpayer confidence and compliance. This may lead to more aggressive tax collection measures by SARS and an increase in the number of complaints to the Office of the Tax Ombud.

ORGANISATIONAL ENVIRONMENT

INSTITUTIONAL CAPACITY

The institutional capacity of the OTO is currently strong given that it is still a relatively young organisation that has been focusing on establishing resilient processes and a skilled staff complement.

Specific highlights include:

1. Strong leadership with a good reputation
2. Service-oriented organisation that provides efficient service
3. Ability to assist taxpayers in understanding their rights and meeting their tax obligations
4. Good relationships and collaboration with major stakeholders, including public and private sector groups, and SARS
5. Competent and qualified staff
6. An enabling culture conducive for growth
7. Efficient organisational structure
8. Strong internal processes, systems and infrastructure, effectively utilising SARS when appropriate
9. Efficient and impactful service

However, to successfully build trust and confidence in the OTO and in the tax administration system generally, a number of internal challenges need to be addressed in the near term.

- ▶ Institutional independence (operational and structural) is required for the OTO to be seen as truly independent.
- ▶ The organisational mandate may need to be extended. A study should be conducted to determine whether the mandate of the Tax Ombud should, for instance, allow the Office to assist taxpayers in distress with the revenue authority or provide redress to taxpayers as a result of poor service. This would be in line with other jurisdictions.
- ▶ Commensurate with all the above, sufficient funding is required to deal with the increased complaints volumes that will arise as more taxpayers and tax professionals become aware of the OTO and seek to have their complaints addressed impartially and quickly.
- ▶ Greater awareness of OTO and its services is required.
- ▶ The Office's information technology support systems should be strengthened to improve efficiency and accessibility.
- ▶ The culture of professionalism and excellence should be further entrenched.

STRATEGIC OUTCOME-ORIENTED GOALS

The vision of the Office of the Tax Ombud is to strengthen taxpayers' trust and confidence in tax administration by providing an impartial mechanism for dispute resolution. In order to achieve trust and confidence, four strategic goals have been identified.

ACCOUNTABILITY

Rational and fair application of the tax administration process

It is important to continuously provide rational and fair reasons for recommendations and action taken, while also ensuring that complainants understand the rationale and feel that the process has provided sufficient opportunity for their case to be reviewed fairly and impartially.

INDEPENDENCE

Structurally independent Tax Ombud

By becoming truly independent, structurally as well as operationally, it will be possible to limit the risk of perceived bias.

EFFICACY

Prompt and efficient resolution of complaints

The objective is to become truly taxpayer centric by providing a consistently high-quality service at no cost to the taxpayer, with specific attention to:

- ▶ Consistently fulfilling a taxpayer service promise.
- ▶ Meeting the specific needs of taxpayer segments (practitioners, individuals, businesses and corporates).
- ▶ Enabling taxpayers to access services through the channel of their choice.
- ▶ Engaging taxpayers through easy-to-understand, simple, transparent and quick processes.
- ▶ Ensuring all complainants (whether their complaints are valid or not) have trust in the tax administration system.
- ▶ Ensuring staff are customer orientated, technically proficient and professional.
- ▶ Adopting technologies that make processes easy and convenient for taxpayers and staff.

SECURITY AND CONFIDENTIALITY

All information is secure and treated in strict confidence

It is vital to continuously address the evolving threats associated with ensuring all information, data and communications remain confidential.

PART B: STRATEGIC OBJECTIVES

Strategic goals	Awareness and Education	Accessibility	Operations	Legal and Support
ACCOUNTABILITY				
Continuously ensure rational and fair reasons are given for recommendations and action taken; while also ensuring that complainants understand the rationale and feel that the process has provided sufficient opportunity for their cases to be reviewed fairly and impartially.	Continuously increase taxpayers' awareness of the services of the OTO.	Ensure taxpayers understand the rationale for the recommendations made.	Ensure all recommendations are perceived as fair and impartial.	Ensure the highest levels of corporate governance.
INDEPENDENCE				
Become truly independent in order to limit the risk of perceived bias.	Ensure taxpayers perceive the OTO to be independent.	-	-	Achieve relevant legislative independence from SARS in terms of accountability. As an entity, achieve structural independence from SARS.
EFFICACY				
Become truly taxpayer centric, by providing a consistently high-quality service at minimal cost to the Office.	Ensure taxpayers understand how to lodge a complaint. Positive brand recognition.	Achieve targeted complainant satisfaction index scores.	Create an agile organisation able to efficiently scale to meet demand. Ensure the highest level of technical professionalism. Establish governance and processes with SARS to support responsiveness.	Ensure performance management throughout the organisation. Build a culture of professionalism and excellence.
SECURITY AND CONFIDENTIALITY				
Continuously address the evolving threats associated with ensuring all information, data and communications remain confidential.	Ensure there are no security or confidentiality breaches.			

STRATEGIC OBJECTIVES, MEASURES AND TARGETS

1.1 ACCESSIBILITY AND OPERATIONS

Purpose: Accessibility and operations will ensure that the OTO provides a high-quality, taxpayer-centric service, that taxpayers understand the rationale for all recommendations and that recommendations are impartial and executed in a highly efficient manner.

OBJECTIVES	MEASURES	2018/19	2020/21	2022/23
Committed to provide and maintain a high standard of service in our interaction with taxpayers.	Feedback provided by stakeholders about the complaints resolution process - survey.	60%	70%	80%
Create an agile organisation able to efficiently scale to meet demand.	% of recommendations sent to SARS within 10 days from date of receipt.	50%	60%	65%
	Average cost reduction per complaint, year on year.	0%	1%	1%

1.2 SYSTEMIC INVESTIGATION

Purpose: To identify and review systemic and emerging issues related to service matters or the application of the provisions of the Tax Administration Act or procedural or administrative provisions of a tax Act that impact negatively on taxpayers.

OBJECTIVES	MEASURES	2018/19	2020/21	2022/23
Provide reports on systemic investigations requested by the Minister and/or initiated by the Tax Ombud.	% of systemic investigations completed.	50%	50%	50%
Identify and investigate systemic issues from complaints received.	Number of systemic investigations completed.	5	6	7

1.3 AWARENESS AND EDUCATION

Purpose: In support of the strategic objectives, the OTO will promote awareness and education through outreach campaigns, advertising and public relations services. The activities will be measured through the level of stakeholder awareness within the taxpayer population, perceived level of independence and understanding of the complaints procedure and brand recognition.

OBJECTIVES	MEASURES	2018/19	2020/21	2022/23
Improve taxpayers' awareness of the services of the OTO.	Number of educational outreach campaigns, stakeholder engagements, public relations and advertising activities.	160	190	220
Positive brand recognition	Taxpayers' brand awareness survey – positive recognition.	1	1	1

1.4 LEGAL AND SUPPORT SERVICES

Purpose: In support of the strategic goals, legal and support services will ensure the highest level of corporate governance, including financial management, strive for the relevant legislative and structural changes for independence, ensure performance management throughout the organisation and build a culture of professionalism and excellence.

OBJECTIVES	MEASURES	2018/19	2020/21	2022/23
Ensure the highest levels of corporate governance.	Zero governance audit findings	100%	100%	100%
Ensure that an MOU exists between the OTO and SARS to formalise the relationship.	MOU signed off by both parties.	1	-	-
Build a culture of professionalism and excellence.	Employee Culture Survey – score bench marked.	-	Top quartile	Top quartile
Develop OTO Employment Equity Numerical Targets (EE, Gender, Disability).	2% of disabled persons	100%	100%	100%
	Gender: 49% and 51%	100%	100%	100%
	Race: 75% black	100%	100%	100%

RESOURCE CONSIDERATION AND RISK MANAGEMENT

RESOURCE CONSIDERATION

Provision is made in section 15 of the Tax Administration Act that the expenditure connected with the functions of the Office of the Tax Ombud will be paid in accordance with a budget approved by the Minister specifically for the Office. In considering the Office's resource requirements over the next five years, it is important to understand the cost drivers of the various activities. The two main cost drivers are employee cost and communications and outreach engagements.

The current Estimates of National Expenditure (ENE) allocated are R41.5 million, R40.3 million and R42.5 million for 2018/19, 2019/20 and 2020/21 respectively to enable the Office to continue to deliver on its mandate. The baseline allocation increased by R6.4 million (19%) for the 2018/19 financial year, then reduced by R1.2 million (-3%) for the 2019/20 financial year and increased by R2.2 million (6%) for the 2020/21 financial year.

In the 2017/18 financial year, SARS has transferred the overhead costs of R4.6 million relating to building rental expenses which include office rent, operating cost, rates and taxes, cleaning contract and security services. R4 million has been allocated to land and buildings and R600 000 for security services has been allocated to professional and special services. In the next financial year, SARS indicated that it will retain the building costs instead of transferring the budget to Tax Ombud, hence the budget decrease on the next MTEF period.

PERSONNEL EXPENDITURE

Tax complaints resolution requires expert, professional staff. These skills are relatively scarce and, as a result, the main driver of costs is employee costs. The employee cost on average over the Medium Term Expenditure Framework (MTEF) represents 80% of the total budget. As it is important that staff remain up-to-date in their field and their competencies are enhanced, a portion of the budget every year is allocated towards training and development. Niche education and training interventions are often required given the complexity of tax complaints resolution. These interventions can be relatively costly and the Office is required to ensure that appropriate resources are set aside every year for appropriate training and development.

AWARENESS AND EDUCATION

To ensure that there is widespread public awareness and education about the Office's services and mandate, the Office will embark on extensive stakeholder engagement during the Strategic Plan period. Additional budget is required for Communications and Outreach over the MTEF to enable the Office to fully implement the strategic objectives and achieve greater visibility. The Office will continue to build relationships through stakeholder engagements/collaborations and exhibitions as these have resulted in an increase in unrepresented taxpayers utilising the Office, with similar growth among tax practitioners and other types of representatives.

INFORMATION TECHNOLOGY

Adoption of technology and application of digital solutions will make it possible for the Office to provide services in an efficient and cost-effective manner. In addition to technological and equipment advances to improve service delivery, the Office will improve its business processes and operations, enabling staff to respond proactively to complaints. An appropriate investment in technology will enable the Office to focus on customer needs instead of spending time on processes mapping and tracking down key information.

The Office has acquired a service manager system which still requires further enhancements to ensure optimum usage and result in improved business processes. This will improve the taxpayer experience and enable taxpayers to easily access the services of the Office. Additional budget is required over the MTEF to enable the Office to adopt new technologies to improve accessibility and enhance existing IT systems to ensure efficient and effective business processes.

Expenditure estimates and outcomes

Cost element	Audited outcomes			Current estimates	Estimates of national expenditure		
	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21
Personnel Expenditure	8 116	18 672	23 698	28 462	37 056	38 151	39 022
Administrative Expenditure	682	1 169	991	1 158	1 225	302	1 179
Inventory and Printing	139	656	400	487	527	227	480
Professional and Special Services	187	5 569	4 143	6 106	2 217	1 217	1 282
Land and Buildings	1 837	715	254	4 316	402	305	450
Capex	1 400	3 942	269	395	100	106	112
Total operational and capex	12 361	30 723	29 755	40 924	41 527	40 308	42 525

8

RISK REGISTER

During the strategic planning process, risk management was a key element considered. The Management of the OTO then embarked on the process of identifying risks that could negatively affect the realisation of strategic goals and objectives. Mitigating strategies have been put in place to counter the identified risks.

RISK TITLE	RISK DESCRIPTION	INHERENT RISK RATINGS	RESIDUAL RISK RATINGS	CONTRIBUTING FACTOR TITLE	ACTION PLAN TITLE
Lack of financial and support service independence from SARS.	Although the budget is determined by the Minister and ring-fenced, in terms of the PFMA the Commissioner of SARS remains the Accounting Authority. Reliance on SARS for administrative support (IT, HR, Facilities, etc).	25	20	Deficiency in the TAA	MOU with SARS to ensure financial and support service autonomy. Business case to strengthen independence (GTAC). SLA with other support divisions of SARS.
Lack of understanding of the OTO mandate and general tax matters among taxpayers creates unrealistic expectations.	Taxpayers see the OTO as their last resort and may have expectations of having their complaints resolved in their favour irrespective of the OTO mandate.	20	16	Taxpayers do not understand the mandate of the OTO.	Continuous communication through taxpayer engagement and educational activities through media and other channels. Yearly surveys to be performed.

RISK TITLE	RISK DESCRIPTION	INHERENT RISK RATINGS	RESIDUAL RISK RATINGS	CONTRIBUTING FACTOR TITLE	ACTION PLAN TITLE
Failure by SARS to finalise OTO recommendations timeously, which impacts on the reputation of the OTO.	The TAA states that the Tax Ombud's recommendations are not binding on a taxpayer or SARS.	25	16	Deficiency in the TAA	MOU/ SLA with SARS to resolve turnaround times. Continue with monthly operational governance meetings with the Complaints Management Office of SARS.
Lack of legal capacity to enter into contracts for organisational independence.	Perceived lack of independence, possible undue level of influence by SARS. The Tax Ombud cannot be an employer or engage in other contracts.	20	20	Deficiency in the TAA	MOU with SARS to strengthen autonomy. Business case to strengthen independence (GTAC).





ISBN: 978-0-621-46008-7

Menlyn Corner, 2nd floor, 87 Frikkie De Beer Street, Pretoria, 0181
Call Centre 0800 662 837 | E complaints@taxombud.gov.za

www.taxombud.gov.za

