South African Revenue Service
Strategic Plan
2009/10 – 2011/12

Presented by Act. Commissioner:
Oupa Magashula
23 June 2009
Agenda

1. Overview
2. Performance Highlights 2008 / 09
3. Strategic Plan Update
4. Impact of current crisis
5. SARS response
“In the face of the economic downturn, we will have to act prudently - no wastage, no roll-overs of funds - every cent must be spent wisely and fruitfully. The economic downturn will affect the pace at which our country is able to address the social and economic challenges it faces. But it will not alter the direction of our development.”

“We shall not rest, and we dare not falter, in our drive to eradicate poverty.”

*President of the Republic of South Africa : Jacob Gedleyihlekisa Zuma - State of the Nation Address June 2009*
SARS Overview
SARS Mandate

In terms of the South African Revenue Service (SARS) Act (no. 34 of 1997), SARS is mandated to:

• Collect all revenues due
• Ensure compliance with tax and customs legislation
• Protect our borders and facilitate trade
Main Tax Types

- Personal Income Tax
- Corporate Income Tax
- Provisional tax
- Secondary Tax on Companies
- Turnover Tax
- Value Added Tax
- Excise Duties
- Customs Duties
Elements of SARS Functions

Engage

Customer Interface

Queries, Communication and Complaints

Inspect, Examine, Audit

Legal Rulings

Educate

Channels

Telephone, Face-to-face, Electronic, Fax, Post

Registration/Licensing

Accounts

Debt Collection

Trade Facilitation & Border Inspection

Electronic, Fax, Post, Postal

Filing

Payments, Refunds & Receipts

Investigate

Objections and Appeals

Assessing

Litigation

Risk Profiling

Assessing

Risk Profiling

Assessing
Performance Highlights
2008/09
Revenue

- Revenue growth from R184b to R625b over past 10 years (CAGR ~ 13%)

- Revenue increased from R572.8b (07/08) to R625 b (08/09)
Modernisation Highlights

• Modernized personal income tax
• Employer filing season implemented and linked with individual filing
• Introduced new risk engine and automated case management system
• Initiated Customs modernisation programme
## Impact of Modernisation on Process Efficiency

<table>
<thead>
<tr>
<th>Metric</th>
<th>2004 – 2006 (1st 3 years)</th>
<th>2007 – 2009 (2nd 3 years)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Registered users</td>
<td>±500k</td>
<td>±5m</td>
</tr>
<tr>
<td>Number of returns</td>
<td>±1.5m p.a.</td>
<td>±7m p.a.</td>
</tr>
<tr>
<td>% of eFiled returns to total returns</td>
<td>±8%</td>
<td>±44%</td>
</tr>
<tr>
<td>Value of Assessment processed via eFiling</td>
<td>±R100bn</td>
<td>±R382bn</td>
</tr>
<tr>
<td>Payments processed via eFiling</td>
<td>±R55bn</td>
<td>±R343bn</td>
</tr>
<tr>
<td>% Payments to Total Revenue</td>
<td>±13%</td>
<td>±55%</td>
</tr>
</tbody>
</table>
Impact of Modernisation on Service

- Pre-populated PIT form achieved Customer satisfaction rating of 86.9%
- Paper return volumes declined by 74%
- Average turnaround of PIT assessments from 1% within 48 hours to 63% within 24 hours
Improved Compliance

- 31% improvement on PAYE submissions
- 518 guilty verdicts attained
- 73k audits - average yield of ~ R70k per case
- R13.4b debt collected
Customs

• 7 951 anti-smuggling seizures
• 731 counterfeit goods seizures to the value of R379 million
• R 2bn value of illicit tobacco and cigarettes out of economy
• Mobile X-ray container scanner deployed at the Durban Container Terminal
In 2007/08 SARS submitted a new 5-7 year Strategic Plan that:

- Reconfirmed our seven strategic objectives
- Introduced a modernization agenda
Our Philosophy

Slim the middle

+ 

Segmentation

Underpinned by our leadership Model
Strategic Approach informing Modernisation

1. Increasing Specialisation
   Improved targeting of high revenue generation taxpayers/traders

2. Streamline Middle
   Optimise and reduce effort on processing medium revenue generation taxpayers/traders

3. Increase Outreach
   Efficiently enlarge footprint to increase awareness and compliance amongst SMMEs and informal sector
Segmentation of Taxpayer and Trader Base

Segments in customer base

Agents & intermediaries
- 1. Tax practitioners
- 2. Trade intermediaries
- 10. Employer as agent

Individuals
- 3. Complex
- 4. Standard
- 5. SITE and below threshold

Businesses and SOEs
- 6. Large
- 7. Medium
- 8. Micro to small

Special
- 9. NGOs, PBOs, government departments
Leadership Model

Higher Purpose and Integrity
- Championing the Mandate
- Responsibility for Social Impact

Empowering Delivery
- Driving Excellence
- Mobilizing Teams

Transformation
- Developing others
- Building Sustainability
- Leveraging Diversity
- Influencing Others

Insight
- Conceptual Thinking
- Accurate Understanding
- Humility
Strategic Objectives

1. Optimising revenue and compliance
2. Better taxpayer and trader experience
3. Compliance and reducing risks
4. Enhance human capacity
5. Trader facilitation and border security
6. Operational efficiency
7. Good governance
Initial Modernisation Focus Areas

**Service** – improving customer service, outreach

**Risk** – developing an integrated risk management and enforcement system

**Operations** – enhancing core operations and building capabilities

**Customs** – strengthening border control at ports of entry

**Support** - support initiatives that reinforce core support systems
Since formulating the Strategic Plan South Africa is in a recession therefore we have developed new responses

• The extent of the current financial crisis has been more severe than initially anticipated

• Collecting the R659 billion tax revenues will be significantly affected
RESPONSE TO DECLINING REVENUES
International responses

• USA – 10 000 extra auditors
• Ireland & UK - hiring merchant bankers who have become surplus
• France & Belgium – accelerate VAT refunds
• Malaysia – measures to bolster capacity
• OECD – strong focus on tax havens
SARS Response

• Strengthen our enterprise-wide revenue management capability and develop initiatives to yield additional revenue
• Strengthen our risk management and audit capacity
• Intensified focus and audit on high-net worth individuals
• Large businesses Centre to focus on aspects such as aggressive tax planning, transfer pricing, off-shore arrangements & trusts
• Employ additional experts to unravel tax schemes
• Provide voluntary disclosure opportunity for non-compliant tax entities
Priorities and deliverables

- SARS table new Chapter 6 to reflect above priorities and deliverables
- 11 Priorities with specific deliverables set out in Chapter 6
# Resource Plan

Projected revenue and expenditure from 2009/10 to 2011/12

<table>
<thead>
<tr>
<th>SARS RESOURCE PLAN</th>
<th>2009/10</th>
<th>2010/11</th>
<th>2011/12</th>
<th>3 year total</th>
</tr>
</thead>
<tbody>
<tr>
<td>R millions</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Tax revenue target</td>
<td>659,304</td>
<td>720,935</td>
<td>793,667</td>
<td>2,173,906</td>
</tr>
<tr>
<td>Funds allocated</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Business as usual funding allocated</td>
<td>6,445</td>
<td>6,768</td>
<td>7,153</td>
<td>20,366</td>
</tr>
<tr>
<td>BCOCC</td>
<td></td>
<td></td>
<td></td>
<td>-</td>
</tr>
<tr>
<td>Initiatives funding allocated</td>
<td>940</td>
<td>850</td>
<td>910</td>
<td>2,700</td>
</tr>
<tr>
<td>Total funds allocated</td>
<td>7,385</td>
<td>7,618</td>
<td>8,063</td>
<td>23,066</td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>Key ratios</th>
<th>Percentages</th>
</tr>
</thead>
<tbody>
<tr>
<td>Business as usual increase on previous year</td>
<td>7.9 5.0 5.7</td>
</tr>
<tr>
<td>Total increase on previous year</td>
<td><strong>4.2 3.1 5.8</strong></td>
</tr>
<tr>
<td>Business as usual costs/revenue (%)</td>
<td>0.98 0.94 0.90</td>
</tr>
<tr>
<td>Total costs/revenue (%)</td>
<td>1.1 1.1 1.0</td>
</tr>
</tbody>
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### Resource Plan Continued...

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<tr>
<th></th>
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</tr>
</thead>
<tbody>
<tr>
<td>Total number of employees (incl. temps)</td>
<td>15,044</td>
<td>15,307</td>
<td>15,719</td>
<td>16,312</td>
</tr>
<tr>
<td>Permanent</td>
<td>14,548</td>
<td>14,751</td>
<td>15,414</td>
<td>16,107</td>
</tr>
<tr>
<td>Temporary staff</td>
<td>496</td>
<td>556</td>
<td>305</td>
<td>205</td>
</tr>
<tr>
<td>Attrition rate (%)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Movement in staff numbers</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Permanent staff</td>
<td>203</td>
<td>663</td>
<td>693</td>
<td></td>
</tr>
<tr>
<td>Temporary staff</td>
<td>60</td>
<td>-251</td>
<td>-100</td>
<td></td>
</tr>
</tbody>
</table>
Cost as a percentage of Tax Revenue Collected

- Tax Revenue Collected
- Cost as a % of tax revenue

01/02 02/03 03/04 04/05 05/06 06/07 07/08 08/09 09/10 10/11 11/12
Thank you
Questions
Back-up slides
Corporate strategic priorities 2009/10

1. Secure the revenue

Activities supporting Priority 1:

In 2009/10 SARS will:

- Define a specific revenue management programme
- Enhance understanding of compliance gap
- Focus on provisional payments of medium businesses
- Implementation of Turnover (Presumptive) tax for micro businesses
- Develop legislation to enhance SARS administrative capabilities and collection mechanisms
- Scale up electronic payments systems
- Ensure enhancement of SARS reputation as a tax and customs administration
Corporate strategic priorities 2009/10

2. Strengthen Compliance

Activities supporting Priority 2:

In 2009/10 SARS will:

• Develop a compliance programme
• Work on compliance risk rules and engines
• Improve the completeness, currency and integrity of the tax and trader register
• Simplify registration and facilitate single registration
• Focus on repositioning and equipping the Large Business Centre
• Tighten VAT registration
• Encourage compliance through implementing systems for administrative penalties
• Focus on the management of debt and the reduction of outstanding returns
• Develop and implement integrated enforcement case management and tracking
• Improve detection of and enhance response to commercial fraud
Corporate strategic priorities 2009/10

3. Improve border protection and management

Activities supporting Priority 3:

In 2009/10 SARS will:

• Contribute towards government’s strategy for a border management agency
• Prepare and implement measure for the Confederations Cup in 2009
• Prepare for World Cup 2010
• Modernise customs' business processes and technology systems
• Enhance human capacity
• Streamline customs operations
• Address accreditation and trader registration
4. Improve operations management and productivity

**Activities supporting Priority 4:**

In 2009/10 SARS will:

- Develop a standard measurement and monitoring backbone
- Promote the use of electronic channels for all interactions with taxpayers
- Develop tools enabling efficiency gains
Corporate strategic priorities 2009/10

5. Ensure improved service

Activities supporting Priority 5:

In 2009/10 SARS will:

- Work together with other government role players towards a single integrated business registration system
- Revise SARS service and channel strategy
- Continue focus on service delivery through improved contact centre facilities
- Update SARS service standards
- Develop differentiated service offerings
- Speed up resolution of service queries and complaints
- Enhance skill level of staff
Corporate strategic priorities 2009/10

6. Fix the basic legacy systems

Activities supporting Priority 6:

In 2009/10 SARS will:

• Clean existing records in taxpayer and trader register
• Develop new processes and systems for registration
• Clean taxpayer account information
• Develop an account management system
Corporate strategic priorities 2009/10

7. Improve governance

Activities supporting Priority 7:

In 2009/10 SARS will:

- Implement an early warning system for governance risk and compliance
- Extend implementation of Enterprise Risk Management
- Enhance regulatory and business compliance
- Improve information security
- Improve physical security
- Prepare for the implementation of Generally Recognised Accounting Principles (GRAP)
- Develop an integrity promotion framework and plan
Corporate strategic priorities 2009/10

8. Develop human capability

Activities supporting Priority 8:

In 2009/10 SARS will:

• Implement a Human Capital Planning System and process
• Implement a Learning and Development Strategy
• Implement a focused Leadership Development process
• Implement an Inclusive Employer Value Proposition
• Transform culture by embedding SARS values
• Enhance Human Resource Information Systems
Corporate strategic priorities 2009/10

9. Proceed with modernisation

Activities supporting Priority 9:

In 2009/10 SARS will:

• Further improve both PAYE and PIT systems
• Continue to focus on service delivery through improved contact centre facilities
• Commence the multi-year customs modernisation programme
• Build on successes achieved over the last two years in the Risk Programme
• Increase use of third party data
• Develop systems for more effective management of taxpayer and trader accounts and payments
• Modernise other business tax systems
Corporate strategic priorities 2009/10

10. Pursue segmentation strategy

Activities supporting Priority 10:

In 2009/10 SARS will:

• Continue segmentation research
• Develop more focused enforcement interventions
• Establish customer segment units
• A new business model for the Large Business Centre
• Develop and launch focused compliance programme for High Net Worth Individuals in a dedicated unit
Corporate strategic priorities 2009/10

11. Consolidate the new operating model

Activities supporting Priority 11:

In 2009/10 SARS will:

• Develop a standard measurement and monitoring backbone
• Continue to institutionalise the new operating model
• Complete people placement against the leadership model in alignment with new operating model