

**Address by Commissioner Tom Moyane:
2016 preliminary revenue collection outcomes**

The Honourable Minister of Finance, Mr. Pravin Gordhan,
Deputy Minister of Finance, Mr. Mcebisi Jonas,
Members of the SARS Executive Committee,
Senior officials of National Treasury,
Senior officials of SARS,
Members of the Media,
Good Afternoon

It gives me great pleasure to address you today, on the occasion of our preliminary revenue collection outcomes announcement for the financial year 2015/16. Indeed it seems like only yesterday that we were sitting in this very room outlining the revenue collection outcomes for the previous year.

This is indeed a historical and momentous occasion as this announcement speaks to the key mandate of South African Revenue Services (SARS). Providing the revenue for Government to deliver on its programme of creating a better life for all South Africans, is what SARS is about.

After all, SARS has never had to collect more than a **Trillion Rand before**. The achievement of the target of a trillion Rand is indeed a momentous, a historical and a first for South Africa and SARS.

We delivered on the seemingly impossible Revised Estimate R1069.7bn, surpassing it by R 154.07 million. Lest we forget, last year we exceeded the

Revised Estimate of R979.0bn by R7.4 billion. This is an incredible achievement.

At the centre of this achievement is the enhancement of our Operating Model which has begun transforming SARS in to an organisation that has delivered the results we are announcing today. I could wax lyrical on the multitude of benefits; however the simple truth is that, we live in a changing world, profound transformation, with new dynamics and never-before-seen threats. We have taken the decision to evolve as an organisation to survive and ensure that we collect all revenue due to the State.

Part of this new approach has been a more 'hands-on' view regarding revenue collection. Indeed my new leadership team and I have visited all our SARS regions numerous times since the beginning of the year and countless branches to engage employees and taxpayers, listen to the suggestions and where possible, troubleshoot to ensure that the revenue collection process was seamless.

Thanks to establishment of Group Executive Revenue Forum, which was the fulcrum and epicentre of these astounding results!

By supporting the transformation process, underpinned by the strong tenets of the Operating Model for organizational alignment, SARS employees have augmented our focus on the success of our revenue programmes and strategic initiatives. This has contributed towards the achievement of SARS' transformation ambition of materially increasing revenue, ensuring strong

control over the South African ports of entry and becoming a taxpayer and employee centric organisation in order to move South Africa forward.

Everything we have done as an organisation over the past financial year has been with the intention of ensuring that SARS becomes more **efficient** and **effective** so that it can provide Government with the resources to make South Africa great.

It is quite easy getting brilliant results when economic outlook is strong, but when sentiment is negative and GDP growth is down, the challenge is much harder.

Indeed, economists will tell you that the buoyancy effect, which correlates taxpayer behaviour and overall compliance with tax revenue realization, places an additional burden on tax administrations during difficult times.

Context of the Revenue Collection

Given the headwinds faced by the global economy and the concomitant significant downward revisions to the South African economic outlook, the challenging revenue target for the financial year 2015/16 forced SARS to 'think outside the box' and find new and creative ways of collecting the revenue due to fiscus.

This year revenue realization was made even more difficult given significantly declining consumption constrained further by an interest hike cycle and

deteriorating business confidence. The declining currency exchange rate provided real challenges to foreign business exposure.

Added to the economic challenges, there has been a sustained barrage of vitriolic negative media reportage over the past few months. Whilst we are here today to only focus on our results, we must acknowledge that the 14 500 SARS employees remained focused, committed and tenacious when it comes to serving our country despite these distractions.

Despite the seemingly insurmountable hurdles, what has made me proud of the team, ours was a single objective and commitment to reaching the revenue target. Despite the hurdles, **we delivered**, when many said we couldn't... and continuously questioned the calibre of the leadership at the helm of this organisation

Why are we here today?

In an era where complexity reigns supreme, simplicity is all too rare. In order for SARS to deliver on our mandate two stakeholders remain crucial.

In our universe, the **Taxpayer** and the **SARS employee** are our reason for existence. Without the commitment and sincerity of the millions of honest Taxpayers, reaching this target would have been near impossible.

At SARS, our aim has always been to make it easier and more convenient for the honest taxpayer to comply. Concurrently, it is vital that we turn up the

heat and make it more difficult for the dishonest taxpayers to cheat the system.

Ultimately, our vision is to make compliance requirements such as registration, filing, meeting ones deadlines and making payments to be more seamless than ever before.

As an organisation, SARS is seized with constantly improving our service to all taxpayers. Our aim is to provide a standard of service that makes it as easy and as hassle-free as possible for taxpayers to meet their compliance requirements. Indeed the basis of our current review of our operating model is premised on providing the taxpayer with the best possible service.

A key component of this improved service is the expansion of our Large Business Centre under the **new operating model**. Importantly, we have decentralised this service and have made it more accessible to Business across the country. Points of service will be located throughout South Africa and we have devoted more resources across the Relationship Management and Stakeholder Engagement areas.

To further enhance how we serve business, additional prominence has been given to our Relationship Management portfolio with the function now elevated to the level of a Group Executive. This GE is tasked with ensuring we service key stakeholders to the best of our ability.

My leadership team and I, visited the entire country to get to grips with the revenue collection. It was a baptism of fire for the many new Chief Officers at

SARS now, a new phenomenon of visible hands on leadership, ready to listen and learn Dialogue with the taxpayer and SARS employee was at the heart of these visits. Being at the coalface allowed my leadership team to synthesise and provide solution to various challenges.

We have listened to their insights and are using it. The reception and welcome we received can only be described as humbling. The pledges of support and the relentless march to the attainment of the SARS revenue estimate was indeed a humbling experience and epitomises everything that is great about our country and SARS.

On this historic occasion, I would like to single-out and applaud **all** our outstanding hardworking SARS employees and millions of our, taxpayers. You have allowed us to shine as an organisation. I would also like to thank our various banks for the role they play in facilitating our revenue collection. Not many of you might be aware that our revenue collection activity for the financial year continues until midnight on the 31 March. The collection of revenue until such a time would not be possible without the assistance of the banks. SARS meeting the revenue target is about you, our partners, the taxpayer and our employees.

We made it

Allow me to emphasis the following revenue stats:

- SARS collected R1.0699 trillion which is a 8.5% growth in total revenue from 2014/15.
- This is R154.07 million above the revised estimate announced in the February 2016 Budget.

- This revenue performance was made possible by an extraordinary drive by SARS on special initiatives which in aggregate, secured revenue of approximately R100bn. This closing of the compliance gap compensated for revenue collection shortfall caused by a slowing economy. The successful outcome of the 2015/16 Revenue drive lifted the estimated Tax to GDP ratio from the 25.1% anticipated in the 2016 Budget to 26.3 %.

The three main revenue contributors for 2015/16 were:

- **Personal Income Tax (PIT):** Total collections were R389.3 billion which were R3.9 billion (-1.0%) lower than the Revised Estimate in the 2016 Budget of R393.1 billion. This is R35.3 billion (10%) higher than the R353.9 billion outcome of the previous financial year.
- **Corporate Income Tax (CIT):** Total collections were R 193.5 billion. This is R1.9 billion (1.0%) above the Revised Estimate in the 2016 Budget of R191.7 billion. This is R 6.9 billion (3.7%) higher than the R186.6 billion outcome of the previous financial year.
- **Value Added Tax (VAT):** Total VAT collections were R280.8 billion. This is R2.7 billion (1.0%) higher than the Revised Estimate in the 2016 Budget of R278.1 billion. This is R19.5 billion (7.4%) higher than the R261.3 billion outcome of the previous financial year.

Special Revenue Collection initiatives:

The results I have mentioned are as a result of SARS becoming more clinical and methodical when it comes to revenue planning. Revenue collection is not

seen as a once off event, but rather an on-going effort (365 days a year). Thanks to the new Operating Model key tenets. This is the first time such an approach has been taken, if we had not done so, I believe we would have missed the revenue target by almost R12 billion.

The challenges we faced in meeting the target forced us at SARS to intensify our revenue collection efforts and develop innovative approaches including special revenue initiatives.

The tenets of our plans include:

- Managing the overall performance of the special initiatives program. These programmes were designed to curtail tax leakages, identify opportunities to close tax gaps and to ensure that all revenues were collected in the correct reporting period.
- The development of extensive business continuity plans and disaster recovery measures.
- Deployment of senior executives to champion regional steering committees in order to facilitate cross divisional cooperation and optimise workforce planning.
- SARS EXCO revenue visits to all SARS regional revenue forums during which guidance was provided on the regional revenue plans and challenges.

During the financial year, Service Channels completed another successful revenue collection drive while maintaining service delivery. The Contact Centre and Branch Operations made 1 million and 1.1 million outbound calls

respectively, totalling 2.1 million outbound calls for the year. Furthermore, 1.2 million "Reminder and Demand" SMSes were delivered to taxpayers with outstanding debt. These efforts resulted in revenue collection of R2.52 billion to date.

During the 2015/16 financial year-end the risk engines alerted 2,125,402 returns preventing R17.37 bn refunds from being paid-out. The bulk of this was against VAT refunds of R10.68 bn (414,035 returns), followed by PIT of R4.89 bn (1,592,711 returns) and CIT (69,734 return) R1.54 bn.

This saving excludes a further R4.5 bn refunds that were debt-equalised across other tax-types that had debit against them. These processes and systems enhancements were instrumental in preventing revenue leakages this year.

A concerted effort was applied this year in focusing on taxpayers with outstanding returns. This initiative had a due effect, namely improve compliance and improve revenue collection. During the 2015/16 financial year SARS contact 90,000 taxpayers with multiple returns outstanding. This intervention resulted in 268,801 returns being submitted and a payment of R2.45 bn collected. This initiative will now form part of business as usual in the new financial year.

This outstanding achievement, is a direct result of the consistent perseverance and commitment to service delivery and revenue collection efforts by the Service Channels.

Compliance

As has been the case previously, SARS will continue to focus on all the pillars of compliance, namely registration, filing, declaration and payment, in order to reduce the tax gap. Improved compliance will be pursued in a variety of ways including educational, outreach and enforcement initiatives.

These revenue results, along with success of the tax season a few months ago illustrate that South Africans by and large want to do the right thing.

It is pleasing that millions of South African taxpayers agree that meeting their tax obligations is **cool**. This high level of compliance contributes to nation building and enables the Government to deliver services that improve the quality of life of all its citizens.

In closing

I would like to thank my family, my wife in particular who took all the pains, stresses and insults I carried daily with me by the scornful and disparaging media articles. She spurred me on.

Despite all the attempts and efforts by naysayer's and doomsday prophets to distract my attention on the core mandate of SARS; to effectively and efficiently collect all revenue due to the fiscus, today we have closed that chapter:

- Aspersion was cast on my person as incompetent, incapable, inept leader of this important institution,
- My personal integrity questioned

In this hallowed and sacred environment where we dare to tread, how sacrilegious is it that a Team ably led by an African, cannot only overcome socio-historical prejudice but set the bar so high for its entire employees, that it begs belief.

Working together, unity in action we can achieve indeed and deliver the seemingly impossible, against the odds.

I would like to take this opportunity to introduce my EXCO team this is our first Revenue Announcement as the new EXCO. They are:

- Jed Michaletos, Chief Officer: Customs and Excise (CAET)
- Jonas Makwakwa, Chief Officer: Business and Individual Taxes and Digital Technology (BAIT)
- Hlengani Mathebula, Chief Officer: Strategy, Communication and Enforcement (DISC)
- Kosie Louw, Chief Officer: Legal Counsel
- Matsobane Matlwa, Chief Finance Officer
- Teboho Mokoena, Chief Officer: Human Capital and Development (HCD)

I look forward to many more successes with you.

I would also like to thank the Group Executives and all their managers, most importantly my entire 14 500 employees at SARS, the unsung heroes and heroines, who at all material times lived to our motto :AT YOUR SERVICE and

for the exceptional work they are putting into meeting our commitment to all South Africans.

Last, but certainly not least, thanks to all the South African Taxpayers and Traders who contributed to this historical tax revenue results. Without you, this target would not have been achieved.

Ndza nkhensa swinene hi mbilu ya mina hinkwayo na hi ku ti tsongahata eka Varhangeri vandzawulo ya Xibalo, vatirhirhi kolorhi ni va aki va Afrika Dzonga hi ku hi tshemba ku hlengeleta nhlayo leyikulu swongasi!

Miritirho ya vulavula!

Thank you.