# ANNUAL REPORT

South African Revenue Service **2021/22**






25 YEARS ANNIVERSARY 1997 - 2022
At Your Service

SARS
South African Revenue Service

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SARS
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# Message from the Minister of Finance

Severe disruptions were experienced by Governments and economies around the world due to the COVID–19 impact. The scarring impact of the crisis is evident in increased debt levels and income vulnerabilities, while unemployment, poverty and inequality are deepening. The Government is working very hard under severe challenges to restore confidence in South Africa's finances through faster implementation of structural reforms which in turn will unlock greater private sector investment, economic growth, job creation and building a better future for all South Africans.

Improved economic conditions will increase tax revenue collection which can be distributed to deliver on Government's key priorities, including healthcare, education, other critical public services, and social grants for Society's most vulnerable.

The South African economy recovered quicker than expected during the financial year with the size of the economy returning to pre-pandemic levels as at the end of March 2022. The growth in Gross Domestic Product (GDP) emanated from less stringent COVID-19 restrictions, along with relatively low interest rates, support from strong international demand and higher commodity prices, which contributed positively to enabling Government's unflinching commitment to achieve fiscal sustainability, enabling long-term growth by narrowing the budget deficit and stabilising debt.

Government views SARS as an essential institution in this effort. SARS collects more than 90% of all Government revenue. In addition to its revenue collection mandate and improving tax compliance, SARS also facilitates legitimate trade, thereby connecting us to international trade, whilst protecting the integrity of the domestic economy. It is of paramount importance that SARS functions effectively and earns respect from all South Africans and national, regional, and international stakeholders.

A focused turnaround strategy was driven by SARS leadership to position itself at the forefront of efficiency and service excellence. SARS has a concerted programme to promote tax morality and compliance, as this is the centre of revenue collection efforts.

State capture had a negative effect on taxpayer perception, impacting and undermining taxpayer morality, resulting in the loss of public trust in the organisation. Following from the Nugent Commission's recommendations for an improved tax administration and governance, SARS implemented the lion's share of the recommendations to restore stability to the organisation.

Purposefully rebuilding SARS as an effective and efficient tax and customs administration enables improvement of public trust which contributes to a culture of voluntary compliance. Voluntary compliance reflects citizens' commitment to pay taxes, fulfilling the role of good corporate citizenship, with strengthened integrity and sound ethics among professionals. A credible and sustainable voluntary tax compliance culture, as well as an increasingly broader tax base with an effective and efficient tax and customs administration, are required to achieve and sustain fiscal capability.

During the year under review, SARS collected revenue of R1.564 trillion which represents a positive variance of R16.7 billion against the final estimate. This is a 25.1% improvement over the previous year and a 15.3% increase over the last year prior to the COVID–19 pandemic. Continued focus on compliance revenue collection resulted in year-to-date compliance revenue collection of R215.4 billion by 31 March 2022. Compliance revenue collections include cash collections of R142.4 billion and revenue leakage protection worth R73.0 billion.

Without the continuous focus, hard work and dedication of the SARS employees South Africa would not be able to deliver on her strategic objectives. Thank you for using your remarkable skills and talents, under the leadership of the Commissioner, to pave the way towards a better tomorrow for all citizens. Whilst we require a continuous increase in voluntary tax compliance, I express my sincere appreciation to compliant taxpayers, traders, and intermediaries for being exemplary citizens.

**Mr Enoch Godongwana, MP**
MINISTER OF FINANCE

# Commissioner's Overview

We have made encouraging progress during the past three years notwithstanding many persistent challenges. We still have a long way to go and the journey will require constant effort and appropriate skill and sufficient financial resources.

Since my appointment at SARS on 1 May 2019, the world as we know it has changed in unpredictable and unprecedented ways. The 2021/22 FY was eventful, albeit not always positive. The lingering effect of the COVID-19 pandemic, the unrest in KZN and Gauteng, load shedding, increased unemployment and rising interest rates all contributed to strain South Africa's economic recovery and growth. SARS is an integral part of the transformation of our country and remains at the heart of building a capable state. Having the infrastructure to administer the tax system, collect all revenue due, to ensure optimal compliance with tax and customs legislation, as well as facilitate legitimate trade across our borders is an enormous challenge. The proliferation of tax crime and corruption is an aggravating factor and the depletion of institutional integrity and capability still has many stubborn traces throughout the organisation.

Notwithstanding huge challenges, SARS has made meaningful progress in rebuilding its integrity, credibility, and performance. We would be the first to admit, though, that there is always room for improvement. At the heart of the work of SARS is building and entrenching a culture of voluntary compliance among taxpayers and traders, which is inherent to nation building. This not only strengthens our democracy but lays a firm foundation for a future we all want as a nation.

Given National Treasury's expectations on the state of the economy and the current tax policies, the Minister of Finance set a revenue estimate for SARS of R1.365 trillion for the 2021/22 FY, at the February 2021 Budget. This estimate was adjusted upwards by R120.3 billion in the 2021 MTBPS to R1.485 trillion and was again raised with a further R61.7 billion in the February 2022 Budget, to R1.547 trillion. The tax revenue result for the 2021/22 FY was R1.564 trillion which is R16.7 billion more than the final estimate of R1.547 trillion. This represents an increase of 25.1% or R314.0 billion compared to the prior year and 15.3% growth from the pre-COVID 2019/20 FY. Gross tax revenue amounted to R1.885 trillion. This is reduced by tax refunds paid of R321.1 billion to taxpayers, resulting in the net revenue of R1.564 trillion for the year.

The resilience of tax revenue performance is evident in the rebound in tax collections in the 2021/22 FY. The tax-to-GDP ratio recovered to a high of 24.6% as viewed against the long-term average of 22% driven by a tax revenue buoyancy ratio (responsiveness of tax revenue growth to changes in GDP) of 1.93, which is above the long-term average ratio of 1.18. A tax revenue sector analysis indicated annual growth across all sectors, which was led by mining, manufacturing and the wholesale and retail sectors. The recovery of the various sectors of the economy were uneven and varied from quarter-to-quarter. Mining and manufacturing recorded strong real recoveries in 2021 of 11.8% and 6.6% respectively, but the construction sector contracted by 1.9%. Only agriculture, mining and personal services exceeded their pre-pandemic levels by the fourth quarter of 2021.

Our mandate is clear. We are to collect all revenues that are due, ensure optimal compliance, and facilitate legitimate trade. The efficacy of SARS administrative efforts, also referred to as compliance revenue, resulted in contributing R215.4 billion for the 2021/22 FY, including R142.4 billion in revenue and preventing impermissible refunds and tax leakages of R73.0 billion.

Through deliberate efforts, we are also steadily progressing towards transforming the organisation into the SARS we want it to be. Despite many challenges, we are optimistic that our strategic intent of promoting voluntary compliance is gradually gaining momentum as can be seen in the statistics and trends for the filing season. This is very encouraging under the circumstances. Ease of compliance was enabled through a virtual 2021 tax filing season, which aimed to deal with the impact of the COVID-19 pandemic on taxpayers, our staff, and other citizens. Specific filing season achievements include:

- Over 4.3 million non-provisional tax returns were submitted. This is an increase of 46% over the previous year. Of those, over 3 million were submitted via the eFiling and MobiApp digital channels. SARS auto assessed more than 2.8 million taxpayers.
- 93% of assessments were issued in under 5 seconds after the submission of returns (2020/21: 85%) and SARS paid out refunds to 86% of taxpayers, who claimed a refund, within 72 hours. SARS paid out more than R17 billion in refunds.

Other noteworthy achievements for the 2021/22 FY include:

- 90.74% of taxpayers and traders used digital and self-help platforms to interact with SARS.
- 97.67% success rate in the number of cases SARS took to court (via National Prosecuting Authority) for prosecution.
- R8.2 billion in revenue was recovered from illicit activities.

In pursuit of our strategic intent of voluntary compliance, it is important that we step up our efforts to provide certainty and clarity to taxpayers whilst working hard to make it easier to comply. At the same time, our ability to detect and respond to non-compliance has shown marked improvement, but we must do more to deter and prosecute dishonest taxpayers and traders. These strategic objectives are implicit in our modernisation journey which increasingly will be built on a platform that augments human effort with data-driven insights and enabling technology. Despite the measurable progress, the organisation will have to work hard to continually improve our service culture and standards, expand taxpayer education offerings, and promote the online platforms and digital offerings we have created to interact with taxpayers.

SARS continues its digitalisation journey towards becoming a SMART modern SARS, with unquestionable integrity, trusted, admired, and making it easier for taxpayers to understand their obligations and do business with government. In this respect, we are investing substantial resources to modernise our systems thereby expanding our capability, through leveraging enabling technologies, data analytics and artificial intelligence, as well as the use of machine learning algorithms. We believe that these initiatives will help improve the taxpayer experience, as well as improve our capability to detect and deal with non-compliance. Additional benefits of the aforementioned modernisation are improved Customs efficiencies which will yield improved service delivery.

SARS remains dedicated to strengthening its leadership. We are committed to providing opportunities internally where appropriate and expanding and improving leadership with external appointments. We established the enterprise leadership engagement structures for governance, leadership, and management, including the SARS EXCO, while all statutory committees remained in place. We have developed our own SARS Leadership Model.

We are committed to grow and develop the next generation leaders. The journey of the first ever SARS Junior Board was celebrated with an inaugural announcement ceremony during July 2021. The SARS Junior Council is made up of 15 Junior Board members, as well as an additional 10 members. The Junior Board will contribute to enhance the organisational capability, growth, employer brand, sustainability, and empowered leadership as an advocacy for the SARS leadership brand.

Since its formation, SARS has collected more than R16 trillion for the country's social and economic development. This revenue has enabled government to improve the lives of millions of South Africans through the provision of healthcare, education, social grants, and other basic services. Pursuant to the above, our focus will continue on a number of revenue generating priorities, which amongst others include the expansion of the use of data and artificial intelligence to detect risk and instances of non-compliance. Continued focus will be on increasing our capability to improve debt collection, implementing various recommendations on the tax compliance of companies and high wealth individuals, fast-track criminal investigations and counter illicit practices, as well as shaping the policy and approach to increase revenue collections and service to the informal economic sector. The momentum of the above compliance work will continue and accelerate. Furthermore, it is very important that we enhance taxpayer service delivery, which will make it easy for taxpayers to meet their legal obligations.

SARS will celebrate 25 years of existence in the 2022/23 FY. SARS continues to strive towards serving the people of this country effectively and efficiently. We will continue to work diligently to fulfil our mandate of collecting all revenue that is due to build a capable state that serves the well-being of all South Africans. This is the privileged work that aligns to the Higher Purpose that SARS serves.

I express my sincere appreciation to the former Minister of Finance Mr Tito Mboweni, the Minister of Finance, Mr Godongwana and the Deputy Minister of Finance, Dr David Masondo, for their guidance along with our colleagues in National Treasury under the leadership of my former colleague DG Dondo Mogajane. I also acknowledge the role of the Parliamentary Committees for their oversight and support as the community of intermediaries with whom and through whom we work. To the SARS Leadership, as well as the more than 12 800 hardworking women and men at SARS I express my wholehearted appreciation, continuing to step up and do this important work.

In conclusion, an unreserved thank you to every compliant taxpayer, trader, and intermediary whose tax contributions have made a significant difference. 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 1 of 1999 and National Treasury's Annual Report guidelines. This Annual Report includes information on SARS' performance for the 2021/22 FY, governance, risks, stakeholder, and human resource information, 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 2021/22 Annual Performance Plan. The Annual Financial Statements (Own Accounts) for the year ended 31 March 2022, 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 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 integrated 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 the 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 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 2022.

**Edward Chr Kieswetter**
SARS COMMISSIONER

# 1 PART ONE GENERAL INFORMATION

## Vision:

It is our vision to build a smart, modern SARS with unquestionable integrity that is trusted and admired.

## 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.

## Strategic Objectives:

1. Provide **CLARITY** and **CERTAINTY** for taxpayers and traders of their obligations
2. Make it **EASY** for taxpayers and traders to comply with their obligations
3. **DETECT** taxpayers and traders who do not comply and make non-compliance **HARD** and **COSTLY**
4. Develop a **HIGH** performing, **DIVERSE, AGILE, ENGAGED** and **EVOLVED** workforce
5. **INCREASE** and **EXPAND** the use of **DATA** within a comprehensive knowledge management framework to ensure integrity, derive insight and improve outcomes
6. Modernise our systems to provide **DIGITAL** and **STREAMLINED** online services
7. Demonstrate effective **RESOURCE STEWARDSHIP** to ensure efficiency and effectiveness in delivering quality outcomes and performance excellence
8. Work with and through **STAKEHOLDERS** to improve the tax ecosystem
9. Build **PUBLIC TRUST** and **CONFIDENCE** in the tax administration system

# Who We Are

SARS was established in terms of the South African Revenue Service Act (1997) 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 the Public Finance Management Act, 1999, (PFMA). In terms of the SARS Act, the Commissioner for SARS is the Chief Executive Officer and Accounting Officer of SARS.

## Our Mandate and Mission

Our mission is derived from our legal mandate that is crafted in the SARS Act (1997). 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.

## Our 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.

## Our 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 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.

# SARS Organogram

## Commissioner

### Taxpayer Engagement Cluster

**NATIONAL OPERATIONS**
(OPERATIONS ORCHESTRATION & 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 **(LBI, HWI, 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 **insight 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 & maintaining the **design and enabling** environment across the ENTERPRISE in terms of people, data and technology capability and capacity.

### Enterprise Services & Support Cluster

This cluster manages the allocation of **resources** for operational and capital investments and provides commercial business services, ensures effective **governance and risk** measures within the enterprise. That includes: Corporate Legal, Governance & Risk, Physical Facilities, Health, Occupational Health, Safety, Corporate Finance, Physical Security and Procurement.

### Corporate Cluster

This cluster manages the **corporate functions** in support of the enterprise. That includes: Office of the Commissioner, Strategy & Innovation, Liaison Desk, International Cooperation, Stakeholder Relations, Performance & Productivity Management, Communications & Meda, Capital Investment, Internal Audit, Anti-corruption & Integrity, Service Charter Ambassador and Women in Leadership.

# Highlights: Positioning our Progress Towards Achieving Vision 2024

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

- **59 million** SARS **website hits**
- **1.3 million** interactions with our **ChatBot – Lwazi**
- **69.06%** of taxpayers and traders **surveyed**, are **satisfied** with the clarity and certainty provided by SARS
- **888 Rulings** and **opinions** issued

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

- **90.74%** of taxpayers and traders used **digital and self-help platforms** to interact with SARS
- **91.03%** of standard taxpayers were **Auto Assessed**
- **AEO** Programme signed up **30 new clients**
- **7.5 million Customs declarations** processed
- Almost **8 million digital and manual interactions** with SARS

## SO3: DETECT taxpayers and traders who do not comply and make non-compliance HARD and COSTLY

- More than **98.48% of compliance risks** detected by SARS' **automated risk engines** are correctly identified
- **60 PPE** criminal investigations completed
- **Customs Seizures** to the value of **R4.1 billion**
- **97.7% Conviction Rate** through NPA

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

- **SARS Leadership Model** implemented
- **Junior Board** was established with **15 board members** and 10 additional members
- **Recruited 657 skilled employees**
- Re-established our **Graduate & Customs Cadet Programmes**
- **Racial equity improved** from 78.17% to 79.95%
- SARS ranked **no.1** as **most Admired Employer** in the young professionals B.Commerce field

## STRATEGIC INTENT

**R1.56 trillion Collected**
(R16.6 billion more than Revised Estimate)

**Refunds of R321.1 billion**
(R20.5 billion more than 2020/21)

**R215.4 billion Compliance Revenue** collected through **compliance interventions**
(R43.5 billion more than 2020/21)

**Facilitated Trade** to the value of **R3.3 trillion**

**COVID-19 relief** of **R8.5 billion** granted

## SO5: Increase and expand the use of DATA

- **99.997%** of standard audit cases were selected through the **automated risk assessment** functionality
- The **Self Service Portal** hosts over **130 Dashboards** and **PowerBI views** with a SARS user community of **2 750 users**
- **138 million Third Party Data** records collected, up from 20 million in 2013
- The **yield** emanating from **Automated risk engine** generated cases, increased by 33% year-on-year

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

- **99.997% Systems Availability**
- **Zero ITC security breaches** from known risks
- **Refine and improve** the efficient use of **3rd party data**
- **R120 million** spent on five modernisation **Information Technology Projects**
- **R486.7 million** investment in **IT business-as-usual**
- **77.19%** of SARS **Services** accessible through **virtual channels**

## SO7: Demonstrate effective RESOURCE STEWARDSHIP to ensure efficiency and effectiveness in delivering quality outcomes and performance excellence

- **Network and security upgrades** made to accommodate working from home
- Launch of a **newly equipped** state-of-the-art facility to host the **SARS Bridge**, from where all operational activities are scheduled and orchestrated in near real time
- **R217 million saved** due to **procurement negotiations**
- **Unqualified audit reports** for **own accounts, performance information** as well as **revenue accounts**

## SO8: Work with and through STAKEHOLDERS to improve the tax ecosystem

- SARS has met **100%** of its commitments in terms of the **OECD's EOI standards**
- **93.75%** of **intermediaries satisfied** with SARS' assistance
- **Extensive engagements** with stakeholders across different sectors
- Participated in **201 international engagements** (i.e.OECD, WCO, ATAF, SACU, BRICS)
- Elected to **WCO Policy Commission**

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

- **Service Charter performance** score improved from **54.88%** in 2020/21 to **70.09%** in 2021/22
- **Public Opinion survey** - Improvements in operational efficiency, accessibility, affinity and trustworthiness

## Revenue Collected

| Revenue Collected Gross | Refunds Paid | Revenue Collected Net |
|---|---|---|
| R1 884.9 billion | R321.1 billion | R1 563.8 billion |
| R1 550.3 billion 2020/21 | R300.6 billion 2020/21 | R1 249.7 billion 2020/21 |

| PIT | VAT | CIT | Fuel Levy | Customs | DT/STC | Other |
|---|---|---|---|---|---|---|
| 35.5% | 25.0% | 20.7% | 5.7% | 3.7% | 2.1% | 7.3% |

## Active Register

| | PAYE | Individual ITS | VAT | Trusts ITS | Company ITS | Customs |
|---|---|---|---|---|---|---|
| 2021/22 | 632 599 | 24 832 105 | 941 406 | 373 084 | 3 532 646 | 373 924 |
| 20/21 | 618 478 | 23 850 668 | 880 553 | 367 540 | 3 112 509 | 357 653 |

# The Volumes we Processed

| Tax Volumes | 2019/20 | 2020/21 | 2021/22 |
|---|---|---|---|
| New Registrations | 1.4 million | 1.6 million | 1.8 million |
| Tax Returns Submitted | 17.3 million | 19.1 million | 19.7 million |
| Taxpayers Served in Branches | 5.0 million | 1.3 million | 1.2 million |
| eBookings Completed | Service not available | 190 288 | 1.0 million |
| Payments Processed | 17.2 million | 16.4 million | 18.7 million |
| Refunds Paid | 3.4 million | 5.7 million | 7.0 million |
| Complaints Received | 31 445 | 34 327 | 61 677 |
| Audits and Verifications Conducted | 1.4 million | 1.5 million | 2.1 million |
| Rulings Issued | 287 Binding rulings<br>621 Non-binding opinions | 268 Binding rulings<br>666 Non-binding opinions | 268 Binding rulings<br>620 Non-binding opinions |
| Appeals Finalised | 7 981 | 8 931 | 9 961 |
| Tax Compliance Status Requests | 1.2 million | 1.2 million | 1.5 million |
| Inbound Calls | 3.7 million | 3.7 million | 3.0 million |
| Outbound Calls | 1.4 million | 4.0 million | 1.6 million |

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

# 2 PART TWO **PERFORMANCE INFORMATION**

# Situational Analysis

## Global Economic Environment

The global economy gained momentum in 2021 and was initially forecast by the International Monetary Fund (IMF) to grow 5.6%, following a 3.5% contraction caused by the COVID-19 pandemic in 2020. The global economy grew by 6.1% in 2021. Widespread policy support measures helped ease financial conditions in many countries and regions, helping to contain financial stability risks. Equity markets rallied aggressively for most of the time during the year, on expectations of a rapid economic recovery and continued policy backstops. Other indicators like the Chicago Board Options Exchange's (CBOE) Volatility Index (VIX), a volatility measure known as the market's fear gauge, signalled bullish trends supportive of rallies in stock markets. Corporate earnings were seen to be recovering as the reopening of large parts of most economies encouraged investors to go back into industries that suffered during the pandemic's prior stages such as transportation, hospitality, finance, energy, and retail.

Composite Leading Indicators (CLIs) designed to provide early signals of turning points in business cycles continued to point to a steady expansion in economic activity for most major economies around the globe. The CLIs continued to increase steadily in the United States, Japan, China, France, Spain, UK and the Eurozone. However, the OECD stressed that the data should be treated cautiously, given heightened uncertainty.

Commodity prices increased markedly during the year owing to the improving global outlook as well as commodity-specific supply factors. While there was significant recovery, the global outlook remained subject to significant downside risks, which included the possibility of large COVID-19 waves in the context of new virus variants and financial stress amid high Emerging Markets and Developing Economies (EMDE) debt levels. The pandemic revealed heightened macroeconomic vulnerabilities in many countries. Governments and corporations amassed considerable debt as they tried to weather the global recession. This followed a decade of rapidly accumulating debt after the global financial crisis. Elevated debt levels make the financial system vulnerable to a sudden increase in interest rates. Increased debt servicing costs amid heightened rollover risks would force governments in many EMDEs, particularly in countries with limited fiscal space, to cut consumption and delay investment projects. Elevated debt levels and the resultant vulnerability to higher financing costs have contributed to credit downgrades for nearly 40 percent of EMDEs by the end of 2021.

The global recovery remained uneven owing to elevated COVID-19 caseloads, obstacles to vaccinations, and in some cases, partial and or full withdrawal of macroeconomic support. History suggests that deep recessions often leave long-lived scars, particularly to productivity and importantly, financial instabilities. Unemployment has remained high even after the recession. Weak investment, low productivity, high debt burdens and sizable current account and fiscal deficits are already affecting a lot of countries. Losses have been particularly high among low-income countries, consistent with their more limited room to provide policy support.

The IMF had forecast that world trade volumes would increase by 8.0% in 2021, after falling 5.3% in 2020. Trade volumes grew by 10.1% in 2021. IMF staff calculations estimate the average annual loss in per capita GDP over 2020–24, relative to pre-pandemic forecasts, projected to be 5.7% in low-income countries and 4.7% in emerging markets, while in advanced economies the losses are expected to be smaller at 2.3%. Such losses are reversing gains in poverty reduction, with an additional 95 million people expected to have entered the ranks of the extreme poor, compared with pre-pandemic projections. Average per capita income losses are expected to be highest in emerging markets (excluding China), reversing the gains in poverty reduction over several decades.

Interest rates in advanced economies and emerging markets started to rise steadily in 2021. Long-term US interest rates rose rapidly, and a similar surge occurred in the United Kingdom, Eurozone, and Japan. Capital inflows to emerging markets were also showing signs of drying up. The fear of a repeat of the "taper tantrum" episode of 2013 was somewhat elevated when indications of an earlier-than-expected tapering of US bond purchases caused a rush of capital outflows from emerging markets.

## Domestic Economic Environment

The South African Reserve Bank (SARB) real policy stance remained supportive, as inflation was contained within the 3% - 6% target range. This allowed the keeping of the repo rate low, enabling greater portfolio flows and consumption. Global economic activity accelerated as the world emerged from the deepest global recession since World War II. Commodity prices increased remarkably, owing to the improving global outlook, as well as commodity-specific supply factors, with many reaching levels well above their pre-pandemic levels supported by a gradual firming in demand. Elevated commodity prices and improving external demand contributed to an improved outlook for South Africa.

As the year progressed with growing optimism, the IMF forecast that South Africa would shift from a -7.0% growth rate in 2020 to a 3.1% uptick in 2021, after which growth would moderate to 2.0% in 2022. The domestic economy grew by 4.1% in 2021 and is now projected to grow by 1.9% in 2022, and by 1.4% in 2023. At that juncture, the IMF also expected joblessness in South Africa to rise from 29.2% in 2020 to 29.7% in 2021, and then to 30.8% in 2022.

The 2020/21 financial year was characterised by relatively high economic and revenue volatility, spilling over from 2020. While there has been progress on the vaccination and treatment part, and a subsequent decrease in mortality rates given the context of the COVID-19 pandemic, the lasting legacies will linger-on for much of the short to medium term. Unemployment remained elevated at record highs despite the economy gaining some momentum at the start of 2021, on the back of the economy opening, as the impact of the pandemic and lockdown measures eased. Public finances also suffered severely, with the budget deficit and public debt increasing significantly amid the recession and pandemic-related expenses.

Unrest in Gauteng and KwaZulu-Natal in July 2021 is estimated to have wiped out R50 billion in GDP and put approximately 150 000 jobs at risk. Significant damage to shopping malls, liquor outlets, pharmacies, banks, and ATMs affected an estimated 50 000 traders and 40 000 businesses. In KZN, roads were blocked, container ports ceased operations, railway access to the coast stopped and there were also supply chain disruptions with regards to food, fuel, and medical supplies. In Gauteng, about 30 shopping malls were looted and 14 500 jobs were lost. Although no factories were affected in the riots, small-scale businesses were significantly affected.

The impact of recessions and unrest often leaves lasting legacies to employment, investments, productivity, fiscal stability and financial stability. There is also the lingering threat of further recurring COVID-19 flare-ups, which would weigh on risk sentiments and undermine the recovery in the economic activity. There is a lingering debt crisis in the country, social transfers remained high and on the increase. Interest rates could rise, which could cause further dampening of consumer demand.

Revenue collections over the previous financial year were severely impacted by the COVID-19 pandemic and an already struggling economy. However, as lockdown restrictions eased, there was a rebound in tax revenue supported by Domestic Value-added-tax (VAT) and higher than expected Corporate Income Tax provisional payments. While there was economic recovery of the domestic economy in 2021, as it is in most countries and regions, risks remained to the downside as there was heightened uncertainty regarding the duration, intensity, and the associated macroeconomic impact of the COVID-19 pandemic.

## COVID-19 Impact and Tax Relief Granted

Emergency tax relief measures were announced during 2021 in response to the continuing COVID-19 pandemic as well as the July 2021 social unrest in order to help affected and tax compliant businesses to recover and protect livelihoods. These tax relief measures are similar to those granted in the 2020/21 financial year and include:

» The extension of the expanded Employment Tax Incentive (ETI) age eligibility and the amount that can be claimed. This is aimed at supporting employment in the most vulnerable sections of the labour market and were applied for a period of four months from 1 August 2021 to 30 November 2021.

» Extension of the deferral of the payment of employees' tax liabilities (commonly referred to as Pay As You Earn (PAYE) for tax compliant small to medium sized businesses. This came into operation on 1 August 2021 and ended on 31 October 2021, allowing tax compliant businesses with a gross income of up to R100 million to delay 35% of their PAYE liabilities over three months, without penalties or interest.

» Deferral of excise duties on alcoholic beverages of up to three months by tax compliant licensees in the alcohol sector, on application setting out the circumstances justifying a deferral.

At the end of 2021/22 financial year, tax relief measures totalled R8.5 billion of which R2.3 billion was actual tax revenue loss and the remaining R6.2 billion was tax revenue deferred by taxpayers to be paid at future dates as legislated.

The total actual tax revenue loss amount of R2.3 billion consisted of ETI revenue refunded and defrayed against PAYE of R1.1 billion and Customs rebate granted on the importation of Personal Protective Equipment (PPE) goods of R1.2 billion. A total amount deferred of R6.2 billion consisted of PAYE liabilities of R0.2 billion and Customs and Excise duties of R6.0 billion.

# Performance Information

## Auditor-General South Africa's Audit of Annual Performance Report

The Auditor-General South Africa (AG) audited SARS' annual performance report and the outcome is included in the Report of the Auditor-General to Parliament on the South African Revenue Service. The audit was done in accordance with the Public Audit Act 25 of 2004 (PAA) and the general notice issued in terms thereof. The AG has a responsibility to report on the usefulness and reliability of the reported performance information against predetermined objectives for selected objectives presented in the annual performance report. They performed procedures to identify material findings but not to gather evidence to express assurance.

The AG evaluated the usefulness and reliability of the reported performance information in accordance with the criteria developed from the performance management and reporting framework, as defined in the general notice, for strategic objectives 1, 2 and 3, presented in SARS' annual performance report for the year ended 31 March 2022.

The AG did not identify any material findings on the usefulness and reliability of the reported performance information in strategic objectives 1, 2 and 3.

## Explanatory Note:

The preparation of the 2021/22 Annual Performance Report has been completed within a unique set of circumstances. For the year under review, there are both an originally approved Annual Performance Plan (Original APP), as well as an approved revised in-year APP (Revised APP) for the 2021/22 FY that was re-tabled in Parliament. This emanated from the outcomes and learnings from the Audit of Predetermined Objectives for the 2020/21 FY. Upon reflection of those audit outcomes, SARS prepared and tabled a revised in-year APP for 2021/22.

SARS has, however, in the spirit of complying with the Annual Report Guide for Schedule 3A and 3C Public Entities, attempted to provide sufficient transparency on how we arrived at the calculated results, such that the objective of presenting both negative and positive information in an understandable and concise manner is maintained.

This revised APP reduced and consolidated the number of key result indicators, from 37 to 19, 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. The changes from the original APP to the revised APP include 16 indicators carried over from the original APP, three new indicators were added, and 21 indicators were not retained. This continuous evolution of the key results underpinning our Strategic Intent (SI) and the nine SARS Objectives (SO) is taking SARS closer to establishing and building a solid nucleus of measurement criteria in line with its leadership model. 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.

It should be noted that due to the revised APP being tabled in Parliament after 31 March 2022, the three new key performance indicators in the 2021/22 revised APP were not tracked during the 2021/22 FY and could therefore not be reported on.

In the pages that follow, the performance information has been depicted in the following manner:

**Table A**: SARS 2021/22 Annual Performance Report (APR) against the 2021/22 Revised APP with detailed notes.

**Table B:** 16 Indicators from Original APP remained in the Revised APP (with updated wording and targets). See Annexure 2.

**Table C:** The three new indicators added to the revised APP. See Annexure 2.

**Table D:** The 21 indicators that were not retained from the original APP with reasons and detailed notes. See Annexure 2.

# Table A: SARS 2021/22 Annual Performance Report (APR) against the 2021/22 REVISED APP

| Strategic Intent: | To develop and administer a tax and customs system based on voluntary compliance, and where appropriate, enforce responsibly and decisively |
|---|---|

SARS' strategic intent is to develelp a tax and customs system based on voluntary compliance, which is achieved when society fulfils their obligations with minimal prompting by SARS.

## SARS Revenue Management System

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.
- 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.
- 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.

| | Actual 2020/21 | Target 2021/22 | Actual 2021/22 | Deviation 2021/22 |
|---|---|---|---|---|
| Printed revenue estimates are met and/or exceeded - % collection of revenue as agreed with Minister | R1 249.71 billion | R1 547.07 billion<br>100.00% collection of revenue as agreed with Minister (Revised Estimate) | R1 563.75 billion | R16.68 billion |

## Performance Analysis

For the 2021/22 FY, SARS collected a net revenue amounting to R1 563.75 billion, with gross receipts of R1 884.89 billion, offset by refund payments worth R321.14 billion. The Revised Estimate (RE) was exceeded by R16.68 billion (1.1%), while year-on-year growth of R314.04 billion (25.1%) was realised compared to the 2020/21 FY, and R207.99 billion (15.3%) compared to the 2019/20 FY.

**PIT** collections for the 2021/22 FY of R555.51 billion (including interest) were R67.06 billion (13.7%) higher than the prior year (mainly driven by PAYE collections) and R26.34 billion (5.0%) higher than 2019/20. PIT collections were just below the RE because of deficits in PIT Provisional Tax of R1.98 billion (6.1%), and PIT Assessed Tax of R1.94 billion (10.9%) being offset by a surplus in PAYE collections of R1.93 billion (0.4%), as well as PIT refunds paying out R1.79 billion (5.0%) less than expected. For the 2021/22 FY, the Finance sector is the largest contributor to PAYE collections, followed by the Social sector, with the latter driven by general salary increases at government and State-Owned Enterprises (SOEs).

**CIT** started the year on a positive trajectory with a robust performance during the highest collection months of June, August and September 2021, following an increase in commodity prices particularly the platinum basket, necessitating a drastic upwards revision of the estimate at the MTBPS 2021. The Mining sector again improved significantly during December 2021, despite the significant pull back from the US Dollar PGM basket and Iron Ore prices since September 2021. At Budget 2022, the CIT target was revised upwards to a RE of R321.90 billion citing these improvements. CIT collections amounted to R323.46 billion, recording a surplus of R1.56 billion (0.5%) against the RE, and growing by R119.07 billion (58.3%) against the 2020/21 FY.

**Domestic VAT** collections for 2021/22 amounted to R448.76 billion, exceeding RE by R2.02 billion (0.5%). Collections recorded year-on-year growth against the prior year and 2019/20 of R55.82 billion (14.2%) and R49.47 billion (12.4%) respectively. Growth was driven by higher collections from the Finance, Manufacturing and Mining sectors. This positive performance was boosted by the final consumption expenditure growth, which remained positive in 2021, recording a revised year-on-year growth of 5.6% from a 5.9% contraction recorded in the prior year. The number of VAT debit returns received for the 2021/22 FY totalled 2.13 million (2020/21: 2.06 million), with an associated liability value of R442.43 billion (2020/21: R397.31 billion). Return volumes grew by 3.4% whilst liability values grew by 11.4%.

**VAT refunds** paid out amounted to R262.42 billion, exceeding the RE by R2.47 billion (1.0%). Year-on-year growth against the prior year and 2019/20 was R34.22 billion (15.0%) and R29.90 billion (12.9%) respectively. As the economy continued to open up post the COVID-19 restrictions and hard lockdowns, vendors resumed with capital investments and restocking, thereby increasing the liability values claimed to R277.44 billion, from R238.21 billion claimed in the prior year, recording a R39.22 billion (16.5%) growth. This was mainly driven by the Large Business and International vendors which grew by R22.51 billion (17.3%), whilst Non-Large Business and International vendors grew by R16.72 billion (15.5%). The major contributors to the growth were in the Mining sector, followed by Manufacturing and the Finance sectors.

The revised gross fixed capital formation recorded contraction in Q1-2021 and Q4-2021 of 9.5% and 3.0% respectively. The 2021 calendar year recorded a growth of 0.2% compared to the 14.6% contraction in 2020; the highest growth was noted in Q2-2021 of 16.5% and Q3-2021 grew by 0.8%.

**Customs** collections for the 2021/22 FY amounted to R264.12 billion, thereby exceeding RE by R10.22 billion (4.0%), prior year by R50.24 billion (23.5%) and 2019/20 by R27.88 billion (11.8%). This surplus against RE was driven by surpluses in Import VAT and Customs Duties of R7.62 billion (3.9%) and R2.17 billion (3.9%) respectively. The key economic driver for these collections was the increase in nominal merchandise imports into the country, which totalled at R1.47 trillion in the fiscal year 2021/22, growing year-on-year by 28.3%. Trade during the full calendar year 2021 registered imports to the value of R1.38 trillion, equating to a cumulative year-on-year growth rate of 22.9%. Growth in import volumes during the 2021/22 fiscal year were expected to rise from the prior year's reduced base, which was curtailed by the negative impact of the COVID-19 pandemic on global trade and the manufacturing sector, especially during the first half of 2020/21.

For the 2021/22 FY, **Specific Excise** payments of R49.71 billion were R17.43 billion (54.0%) higher than the prior year, and R2.88 billion (6.1%) higher than 2019/20. Payments were R1.49 billion (3.1%) higher than the RE, mainly attributable to higher-than-expected collections from Beer of R1.64 billion (9.0%), Revenue from Neighbouring countries of R0.33 billion (17.5%), and Wine by R0.17 billion (2.8%).

Net **Fuel Levy** collections of R88.89 billion for the 2021/22 FY were R0.99 billion (1.1%) lower than the RE and R13.39 billion (17.7%) higher than the prior year. General Fuel Levy collections, a sub-component of the Fuel Levy, were R0.66 billion (0.7%) lower than the RE, while growing against prior year and 2019/20 by R12.43 billion (16.1%) and R6.88 billion (8.3%) respectively, with the latter being driven by imported fuel growth of R8.57 billion (83.8%).

**DT/STC** payments amounted to R33.43 billion, thus yielding a positive variance of R1.25 billion (3.9%) against the RE, and a growth of R8.58 billion (34.6%) and R5.50 billion (19.7%) against the 2020/21 FY and 2019/20 FY respectively. DT/STC growth of 34.6% is well above the full year required growth rate of 29.5% against the 2020/21 FY. The DT/STC growth was on the back of an upward trend across all sectors except for the Construction sector. Finance, Wholesale and Retail Trade, as well as the Manufacturing sectors are the top drivers of the DT/STC growth.

## Detailed Overall Revenue Performance in 2021/22

For the 2021/22 FY, the tax revenue estimate (Printed Estimate (PE)), based on 0.9% GDP growth, was set at R1 365.1 billion as per the 2021 Budget Review. The estimate was then revised upwards to R1 547.1 billion in the 2022 Budget Review Revised Estimate, due to anticipated improvements in tax revenue collections because of recovery in economic activities, in tandem with the easing of lockdown measures.

The 2021/22 FY's revenue collection amounted to R1 563.8 billion, which was R16.7 billion above the revised target.

Revenue collection is driven by the state of the economy, the fiscal policy choices, legislation, administrative efficiency, taxpayer compliance, tax morality and sentiment The gross amount collected amounted to R1 884.9 billion, which was offset by refunds of R321.1 billion, resulting in net collections of R1 563.8 billion. This represents an increase of R314.0 billion (25.1%) compared to the 2020/21 FY.

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

### Budget Estimates for 2020/21 and 2021/22

| Estimate description | Date announced | 2020/21 Estimate | Date announced | 2021/22 Estimate |
|---|---|---|---|---|
| | | R million | | R million |
| Printed Estimate (PE) | 26 February 2020 | 1 425 418 | 24 February 2021 | 1 365 124 |
| Special Supplementary Budget Review | 24 June 2020 | 1 121 327 | | |
| Medium Term Budget Policy Statement Estimate (MTBPS) | 28 October 2020 | 1 112 579 | 11 November 2021 | 1 485 415 |
| **Revised Estimate (RE)** | **24 February 2021** | **1 212 206** | **23 February 2022** | **1 547 071** |

Revenue estimates for the next three years and the medium term are set or adjusted on three occasions during the FY. For the 2021/22 FY, estimates were announced in the February 2021 budget (generally referred to as the Printed Estimate (PE)), in October 2021 in the MTBPS, and in the February 2022 budget (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.

### Budget Revenue Performance for 2021/22

| Tax Type | Printed estimate Feb 2021 | Revised estimate Feb 2022 | Actual result | Increase/ decrease on | Increase/decrease 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** |

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) and Skills Development Levy (SDL) contributions for the Department of Labour, Department of Higher Education, and the Road Accident Fund (RAF) on behalf of the Department of Transport.

### Tax Revenue Performance by Tax type 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 |
| Personal Income Tax (PIT) | 518 721 | 555 543 | 555 507 | 36 787 | -36 |
| Company Income Tax (CIT) | 216 542 | 321 902 | 323 465 | 106 922 | 1 563 |
| Dividends Tax (DT)/ Secondary Tax on Companies (STC) | 26 172 | 32 182 | 33 429 | 7 257 | 1 247 |
| Value-Added Tax (VAT) | 370 177 | 383 724 | 390 895 | 20 718 | 7 171 |
| Domestic VAT | 430 062 | 446 738 | 448 760 | 18 698 | 2 022 |
| Import VAT | 181 333 | 196 928 | 204 552 | 23 219 | 7 624 |
| VAT refunds | -241 217 | -259 942 | -262 417 | -21 200 | -2 475 |
| Fuel levy | 83 148 | 89 884 | 88 889 | 5 741 | -995 |
| Customs duties | 53 142 | 55 821 | 57 994 | 4 851 | 2 173 |
| Specific excise duties | 43 734 | 48 212 | 49 705 | 5 971 | 1 493 |
| Taxes on property | 16 837 | 19 693 | 22 033 | 5 196 | 2 339 |
| Skills development levy | 17 813 | 18 933 | 19 336 | 1 523 | 403 |
| Other taxes and duties | 18 838 | 21 177 | 22 501 | 3 663 | 1 324 |
| **Total tax revenue** | **1 365 124** | **1 547 071** | **1 563 754** | **198 630** | **16 684** |

**PIT** collections (including interest) for the full 2021/22 FY, was lower than the RE and surpassed the Printed Estimate (PE), mainly because of a growth in PAYE. **PAYE** collections, compared to prior year increased by R59.6 billion (12.2%), mainly driven by the Finance, Social and Wholesale sectors. However, significant job losses because of retrenchments, lower bonuses as well as lower salaries increases dragged down the growth of several sectors. The Construction sector has been under strain, primarily affected by business closure and business rescue. Finalised tax directive data show Y/Y PAYE growth mainly from Death, Share Incentives and Resignations - largely from the Mining, Wholesale, and Transport sectors. The active PAYE register increased by 2.1% from 618 478 at the end of the 2020/21 FY to 632 599 at the end of the 2021/22 FY. The active register for individuals increased from 23.8 million at the end of the 2020/21 FY to 24.8 million at the end of the 2021/22 FY.

**CIT** collections of R323.5 billion were significantly higher by R119.1 billion (58.3%), compared to the 2020/21 buoyed by a continuous positive trajectory in the Mining, Finance, and Manufacturing sectors which recorded the largest growths of R47.2 billion (110.6%), R24.7 billion (31.9%) and R20.6 billion (68.2%) when compared to the PY. The growth was mainly driven by the surge in CIT Provisional tax payments during the highest collection months of June, August, September, December 2021, February as well as March 2022, respectively. These months recorded significant growth against the 2020/21 FY of R54.7 billion (135.3%), R9.1 billion (53.7%), R7.6 billion (43.9%), R26.6 billion (39.6%), R6.3 billion (19.3%) and R3.8 billion (15.8%) respectively. The Mining sector's performance was driven by strong price increases from the PGM baskets, particularly the Platinum price; whilst the Finance sector, profitability was mainly driven by a strengthening South African economy.

**Dividends Tax/Secondary Tax on Companies** (DT/STC) collections of R33.4 billion yielding a positive variance of R1.2 billion (3.9%) against the RE and a Y/Y growth of R8.6 billion (34.6%) against the 2020/21 FY, well above the full year required growth rate of 29.5%. DT/STC collections grew by R5.5 billion (19.7%) against the 2019/20 FY. The DT/STC growth was on the back of an upward spiral across all sectors except for the Construction sector. Finance (a major contributor to the DT/STC collections); Manufacturing as well as the Wholesale and retail trade sectors are the top drivers of the DT/STC growth.

**Domestic VAT** collections for 2021/22 exceeded the Printed Estimate (PE) by R18.7 billion (4.2%). The surplus came from the economic activities which continued to pick up as lockdown restrictions were lifted as well as growth of the base following the VAT register increase during the year. Accordingly, both the volume and the value of debit return liabilities grew Y/Y - driven by both SMMEs and Large Business and International vendors. Y/Y growth in Domestic VAT collections for 2021/22 was driven by the Finance, Manufacturing and Mining sectors. The PE was set with the expectation that Gross Domestic Expenditure (GDE) would grow by 3.5% in 2021, with Real Final Household Consumption Expenditure (RFHCE) forecasted to expand by 2.9%. Both the GDE and RFHCE recorded a revised growth of 4.7% and 5.6% respectively for the calendar year 2021.

**Customs** revenue recovered well from the PY's reduced base, with collections performing favourably by registering positive Y/Y growth rates in each month of the 2021/22 FY; concluding with March 2022 being underpinned by a substantial inflow from the 13th Deferment statement. The overall 23.5% Y/Y growth recorded by Customs collections was underpinned by a 28.3% growth rate in nominal merchandise imports during the 2021/22 FY; with some of the key contributing commodities registering significant Y/Y increases; namely vehicles, original equipment components, machinery, electrical machinery, tobacco products, beverages, clothing and footwear, among others. In addition to Import VAT and Customs Duties, as mentioned on page 19, Miscellaneous Customs and Excise receipts also reflected a surplus of R0.3 billion (43.1%) against its 2021/22 RE, as well as Export Tax (on scrap metal) which, in its first fiscal year of collection, banked R0.4 billion and thereby exceeded its RE by R0.1 billion (34.9%).

**Excise-related** revenue exceeded the RE by R1.4 billion (0.9%) and was largely driven by higher collections from mainly Specific Excise duties (beer, spirits, and wine). The suspension of the tobacco and alcohol bans that was announced in SA during recent years has brought about a recovery in the alcohol industry with production returning to pre-COVID–19 levels. Fuel levy registered a growth of 17.7% in collections against the previous year. With regards to Fuel Levy, the refined product market has gradually shifted from a net export market to net imports. The fuel levy on imports was higher than expected in 2019/20 (growth of 33.6% against PY), 2020/21 (growth of 18.6%), 2021/22 (growth of 54.9%), which can be ascribed to exchange rate fluctuations, making it lucrative for imports.

**Diesel refunds**, included under the fuel levy, increased by R0.3 billion (3.6%) compared to the previous year and were higher in 2019/20 because of a drive to finalise, release older cases, and clear other cases on the credit book. Refunds decreased by R1.7 billion (-19.1%) in 2020/21, and increased again by R0.3 billion (3.6%) in 2021/22.

## Breakdown of Tax Revenue Collections and Contribution to Tax Revenue from 2016/17 to 2021/22

PIT, CIT, and VAT 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 2016/17 FY to 20.7% in 2021/22, while PIT decreased from 37.2% to 35.5%, and VAT decreased from 25.3% to 25.0% during this period. The tax-to-GDP ratio has decreased from 23.7% in the 2015/16 FY to 22.3% in 2020/21, and then increased to 24.6% in the year under review.

### Breakdown of Revenue Collected and Contribution of Tax Revenue

| 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 |
| 2016/17 | 425 924 | 207 027 | 31 130 | 289 167 | 62 779 | 45 579 | 82 475 | 1 144 081 | 4 831 200 |
| 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** | **6 348 269** |
| | | | | | | | | | |
| | % | % | % | % | % | % | % | % | % |
| 2016/17 | 37.2% | 18.1% | 2.7% | 25.3% | 5.5% | 4.0% | 7.2% | 100.0% | 23.7% |
| 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%** | **24.6%** |

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

## Tax Policy Measures

Tax relief was last granted in 2014/15 to individuals and companies totalling R5.6 billion. The five years since then to 2019/20 saw the implementation of tax policy reforms resulting in tax increases, with the most significant in 2017/18 and 2018/19 of R28.0 billion and R36.0 billion respectively. The 2019 budget proposals estimated tax policy measures to contribute R15.0 billion to revenue collections in 2019/20, mainly stemming from the PIT proposals. The one percentage point increase in the standard VAT rate from 1 April 2018 is the main contributor to the estimated tax proposal increase in tax revenue in 2018/19. The majority of the direct tax increases in the 2019/20 financial year stemmed from PIT where income tax brackets remained unchanged with no adjustments for inflation. This was expected to raise R12.8 billion in revenue as individuals with an inflationary increase in their taxable income are subject to a higher tax burden. Combined with an estimated R1.0 billion from no adjustment to the medical tax credit, direct tax proposals were estimated to yield R13.8 billion. The estimated R1.2 billion from indirect taxes comprised of R1.0 billion from increases in excise duties for tobacco (R400 million) and alcoholic beverages (R600 million) as well as the introduction of a carbon tax on fuel (R1.8 billion) which were off-set by the inclusion of additional zero-rated VAT items (R1.1 billion) and a general fuel levy adjustment (R500 million). The tax proposals announced in the 2020 Budget were aiming to support a recovery in economic growth, with some relief at the level of PIT. The introduction of the carbon tax levy and an increase in the plastic bag levy were estimated to counter the monetary relief granted to PIT.

Shortly after the 2020 Budget was tabled, South Africa entered a strict lockdown to contain the pandemic, severely limiting economic activity. Government provided relief for households and businesses, including through tax deferrals and direct tax relief. In June 2020, the Supplementary Budget tabled announced tax relief measures amounting to R26 billion in foregone revenue implemented as part of the COVID-19 relief package.

The 2021 Budget stated that tax policy changes over the medium term seek to create an environment that is conducive to broad-based economic growth, and that avoids complicated incentives for specific sectors or groups of taxpayers. Progressivity is to be enhanced by restricting deductions for the wealthy and increasing overall collections through improved administration. Previously announced tax increases of R40 billion had been withdrawn to support the economy.

To support the economic recovery, government did not raise any additional tax revenue in the 2021 Budget. The expected revenue loss of the higher-than-inflation adjustment to the personal income tax brackets was offset by an increase in excise duties on tobacco and alcohol.

## Summary Effects of Tax Proposals

The following main tax proposals were announced for 2021/22:

- Personal income tax relief was granted by providing above-inflation increases of 5% to the income tax brackets and rebates.
- An inflation-linked general fuel levy increase of 15c/litre for petrol and diesel, and an above-inflation increase of 11c/litre in the RAF levy.
- Excise duties on alcohol and tobacco were increased by 8%.

| 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 |
| 2016/17 | -5 650 | 1 000 | 100 | -4 550 | 2 284 | 6 800 | - | 9 084 | 456 | 4 990 |
| 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** | **2 000** | | **-** |
| **Total** | **27 976** | **650** | **6 624** | **35 251** | **9 380** | **10 717** | **28 210** | **48 307** | **456** | **84 014** |

During the past six-year period, maximum marginal tax rates remained unchanged across most tax types. The exception was PIT and Dividends Tax (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%. The standard VAT rate increased from 14% to 15%, effective 1 April 2018.

### Maximum Marginal Tax Rate

| Period | PIT* | CIT | DT | VAT |
|---|---|---|---|---|
| | % | % | % | % |
| 01 Apr 2015 – 31 Mar 2016 | **41.0%** | 28.0% | 15.0% | 14.0% |
| 01 Apr 2016 – 21 Feb 2017 | 41.0% | 28.0% | 15.0% | 14.0% |
| 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%** |

**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 1 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.

## Cost of Revenue Collection

Cost-to-revenue for 2021/22 was 0.72% against the target of 1.00%. 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 Unemployment Insurance Fund (UIF) contributions, as well as MPRR collections. If these amounts were included in the cost-of-revenue collections, then the cost-to-tax-revenue would have been even lower at 0.68%.

| Year | 2016/17 | 2017/18 | 2018/19 | 2019/20 | 2020/21 | 2021/22 |
|---|---|---|---|---|---|---|
| | R million | R million | R million | R million | R million | R million |
| Tax revenue | 1 144 081 | 1 216 464 | 1 287 690 | 1 355 766 | 1 249 711 | 1 563 754 |
| Operating cost* | 10 696 | 10 795 | **10 792 | 10 841 | 10 666 | 11 242 |
| | % | % | % | % | % | % |
| **Cost to tax revenue ratio** | **0.93%** | **0.89%** | **0.84%** | **0.80%** | **0.85%** | **0.72%** |

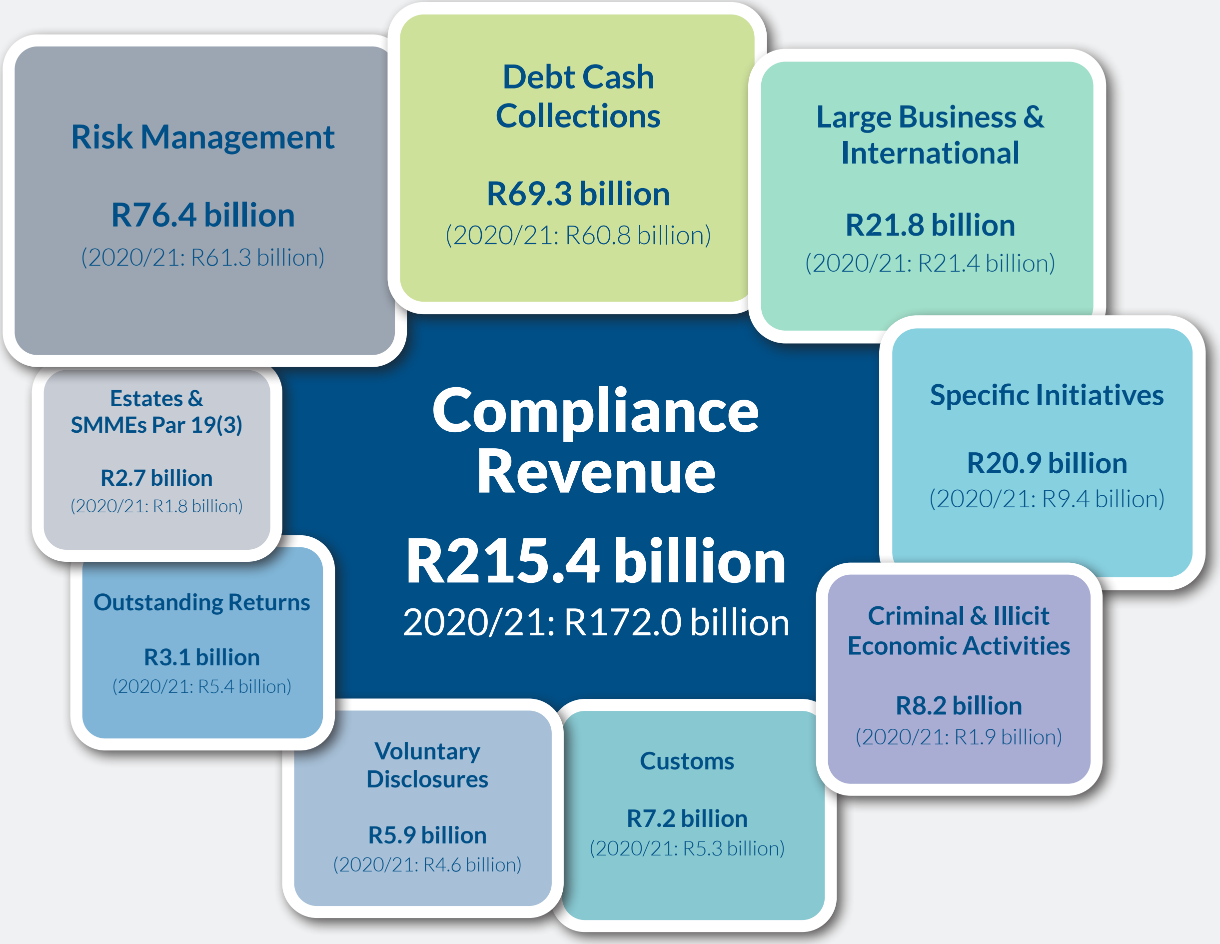
**Note:**

* Controlling entity.

** 2018/19 Operating cost has been restated.

# Compliance Revenue

The SARS Revenue Management System realises that actual revenue collection is the key result of optimal management of intractably linked and interdependent variables i.e. Economy/Tax policy, Taxpayer Behaviour and Administrative Efficiencies. The deployment of the Annual Revenue Plan, anchored on the SARS Revenue Management System, enabled the orchestration of revenue management activities across the SARS value chain building on well entrenched dedicated compliance improvement efforts emphatically executed as part of revenue administration efficiencies. Compliance Revenue for the year amounted to R215.4 billion and is made up of the categories depicted in the infographic below:



## Receivables and Payables

Receivables and payables represent the balance on taxpayer statements of account issued at the end of March 2022. Receivables represent accounts with debit balances that remain unpaid after year-end (due to SARS) whereas payables represent accounts with credit balances (due to taxpayers). Typically, taxpayers are disclosed as either a "receivable" or a "payable" based on their net account balance. Taxpayers are included in both categories only if a tax credit is still in the verification/audit process and there is an overdue debt on another tax, or by exception because of a timing difference in equalising a verified tax credit against an overdue debt.

Receivables grew by 22% over the prior year to R337 billion (2020/21: R276 billion). This is down from the significant increase experienced during the COVID-19 pandemic and economic shutdown of the prior year (2020/21: 31.5%). Payables also grew with 11.9%, which is at a lower rate than the 17.1% in 2020/21.

| Taxpayer and Trader Receivables and Payables | 31 March 2022 | % Change | 31 March 2021 |
|---|---|---|---|
| | R million | | R million |
| Debit Accounts (Receivables) | 337 138 | 22.0% | 276 253 |
| - Accounts included in the above that are regarded as Significant | 144 289 | 24.1% | 116 265 |
| Credit Accounts (Payables) | -84 238 | 11.9% | -75 310 |

### Collection Approach

SARS applies a differentiated collection approach 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.

This approach was implemented in the 2020/21 financial year and consists of three distinct capabilities.

- » 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 facility 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 the "Pay Now Argue Later" principles.

Various initiatives have been kicked off to strengthen this and to enhance internal collection capacity and capabilities. Included are two key initiatives, which are a focus for the 2022/23 financial year.

- » Behavioural modelling and predictive analytics. This is aimed at improving SARS' ability to dynamically tailor collection processes and recovery actions best suited to each situation, and to refine this on a continuing basis. This will improve agility and decision making and allow for a higher level of automation. The first phase, which prioritises cases within a collection capability, was successfully implemented towards the end of the 2021/22 financial year.
- » Debt co-sourcing and outsourcing initiatives. Case overflow is not managed effectively resulting in year-on-year increases in the level of long outstanding receivables. This will enable SARS to leverage the extensive industry networks and capabilities. The debt outsourcing Request for Proposal has been issued and the appointment of qualifying service providers is planned to be concluded and operational towards the end of the 2022/23 financial year.

### Collection Performance: Overall View

Total cash collected from receivables for the year was R81.6 billion, of which R64.5 billion is directly attributed to debt collection efforts. Comparatively, cash collected for the same period in the 2020/21 financial year was R66.2 billion, a year-on-year decrease of 2.6%.

The table below shows the distribution of collections across tax type. VAT was the largest contributor to the overall cash collections (R24.1 billion, 37%), followed by CIT (R12.2 billion, 19%).

| Schedule of Collections by Tax Type | 31 March 2022 | 2022 Contribution | 31 March 2021 | 2021 Contribution |
|---|---|---|---|---|
| | R million | % | R million | % |
| VAT | 24 108 | 37 | 23 054 | 35 |
| CIT | 12 203 | 19 | 20 595 | 31 |
| Excise | 9 793 | 15 | 8 527 | 13 |
| PAYE | 9 049 | 14 | 6 329 | 9 |
| PIT | 7 734 | 12 | 7 688 | 12 |
| Customs | 1 599 | 3 | 12 | 0 |
| **Total** | **64 486** | | **66 205** | |

The increase in receivables older than 25 months (2021/22: R164 billion; 2020/21: R107 billion) is attributed to Significant Receivables that grew by R37 billion (2021/22: R77 billion; 2020/21: R40 billion). Normal debt cases (excluding significant accounts) remained consistent at prior year levels of 47-48% of overdue receivables (2021/22: R87 billion; 2020/21: R67 billion).

| Ageing of Receivables | 2021/22 | 2020/21 | Growth | % Change |
|---|---|---|---|---|
| | R million | R million | | |
| **Not yet overdue** | **21 889** | **37 938** | **-16 050** | **-42%** |
| 0 - 3 Months | 32 681 | 35 055 | -2 375 | -7% |
| 4 - 6 Months | 28 844 | 15 317 | 13 527 | 88% |
| 7 - 9 Months | 19 478 | 10 855 | 8 623 | 79% |
| 10 - 12 Months | 20 482 | 20 796 | -314 | -2% |
| 13 - 24 Months | 49 479 | 48 643 | 836 | 2% |
| 25 - 36 Months | 47 998 | 29 652 | 18 346 | 62% |
| 37- 48 Months | 33 017 | 19 674 | 13 343 | 68% |
| 49 - 60 Months | 21 535 | 16 149 | 5 386 | 33% |
| More Than 60 Months | 61 735 | 42 174 | 19 561 | 46% |
| **Overdue** | **315 249** | **238 315** | **76 934** | **32%** |
| **Total Receivables** | **337 138** | **276 253** | **60 885** | **22%** |

Increases in ageing categories 4-6 Months (88%, R13.5 billion) and 7-9 Months (79%, R8.6 billion) is because of a growth in undisputed, normal debt cases. This is due to an increase in the number of default cases over the number of cases that can be dealt with by current staff capacity, resulting in a general debt case overflow. The risk is that this overflow will progressively age over time if not dealt with.

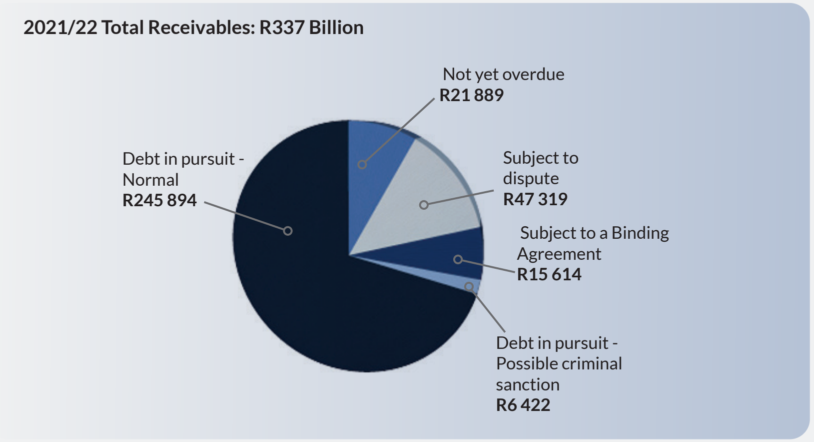
Revenue losses for the 2021/22 financial year amounted to R22.7 billion, which is net of reinstatement and recoveries of R12 billion. This reflects a decrease of 45% against the restated net revenue losses of the prior year of R41.1 billion, which contributed to the higher levels of older debt. Current year write-offs consist mainly of temporary write-offs (R20.2 billion, 90% of total write-offs), and to a lesser extent compromised debt (R1.7 billion).

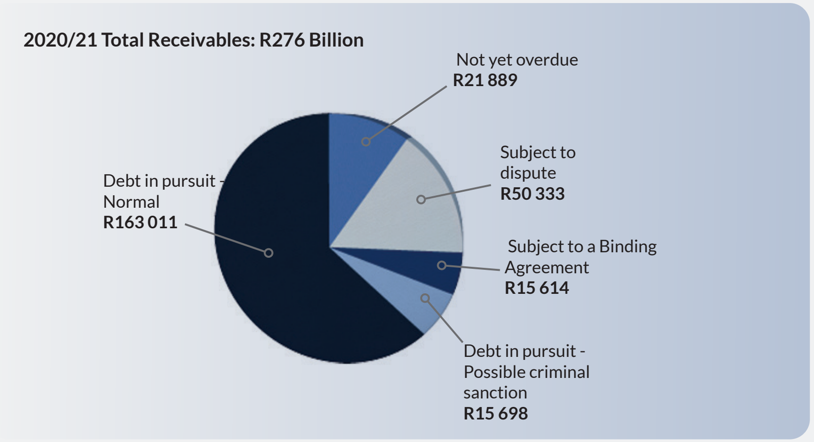
| Schedule of Revenue Losses (Temporary and Permanent Write-offs) | 2021/22 | 2020/21 |
|---|---|---|
| | R million | R million |
| Temporary write-offs | 20 287 | 38 106 |
| Compromises | 1 767 | 2 241 |
| Permanent write-offs | 597 | 812 |
| | **22 651** | **41 159** |

Impairments and future revenue losses will be necessary to adjust for the circumstances mentioned above. This will be done progressively and will result in receivable levels that better reflect the amount that is likely to be recovered.

## Collection Performance: by Receivable Category

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




The recovery of receivables not yet overdue and subject to dispute are typically not enforced until such time as they become overdue, or the dispute/suspension of payment is resolved/revoked. Both these categories showed a marked improvement with a combined decline of 22% over the prior year.

R16 billion in disputed debt at the end of March 2021 was resolved during the financial year, against new inflows of R13 billion. This was driven principally by a faster resolution in objections, resulting in a net R3 billion reduction over the prior year.

| Subject to Dispute | 2021/22 | % Change | 2020/21 |
|---|---|---|---|
| **R million** | | | |
| Objections | 19 761 | -18.6% | 24 291 |
| Appeals | 27 558 | 5.8% | 26 042 |
| | **47 319** | | **50 333** |

**Note**: 2021/22 balances include R3.2 billion currently under investigation for criminal sanction (2020/21: R3.5 billion)

The closing balance of R47 billion in disputed receivables comprises of 9 154 cases, of which R38 billion (193 cases) is classified as significant. Long outstanding appeals remain an issue with R16 billion aged 25 months and older.

Receivables subject to a binding agreement increased by 68% over the prior year to R15.6 billion (2021: R9.2 billion). This is primarily made up of payment deferrals (R14.5 billion) and compromise agreements (R583 million). Online deferral applications via eFiling accounted for 16% of all deferral applications (12 091). Adherence to payment terms however remains low with many defaults occurring within 2-3 months of initiation, suggesting ineffective financial risk management and/or abuse. eFiling however remains the channel of choice and processes will be enhanced to address this.

Debt in pursuit is made up of two categories - accounts subject to possible criminal sanction and those subject to normal collection processes. R6.4 billion is currently under investigation for possible criminal prosecution, of which R4.7 billion are "significant" cases (40 taxpayers). This debt is mostly made up of additional tax, penalties, and interest (R3.5 billion), and aged older than 25 months (R3.6 billion). This segment has a low recoverability rate, and therefore should be fully impaired.

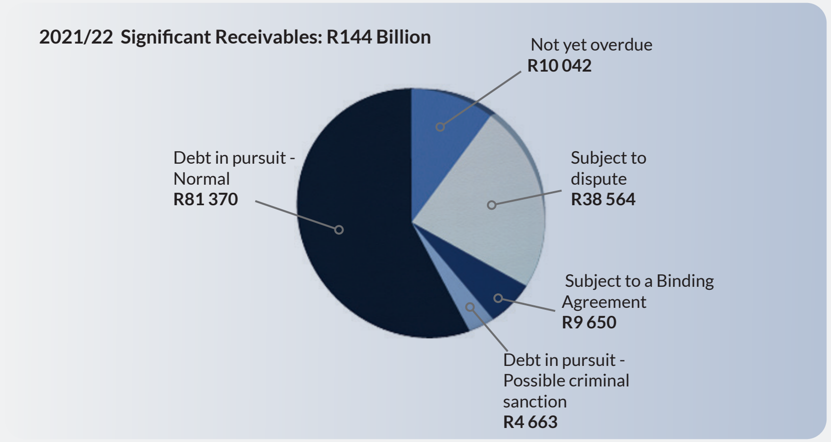
Normal debt in pursuit grew by R83 billion to R246 billion. This growth is attributed to an increase in significant cases (net new inflow of R34 billion), reduced write-offs, and a general increase in payment defaults. Approximately 3.7 million third party appointments were issued during the financial year, up from the 2.4 million that was issued in the prior year. Most of these appointments were issued against employers (84%), followed by banks, and other institutions/vendors. Although collections increased 40%, most of these appointments proved ineffectual achieving an average "hit" rate of below 10%, and a corresponding recovery rate of only 15-20%. Corrective action will be taken to improve these capabilities over the next 12-24 months.

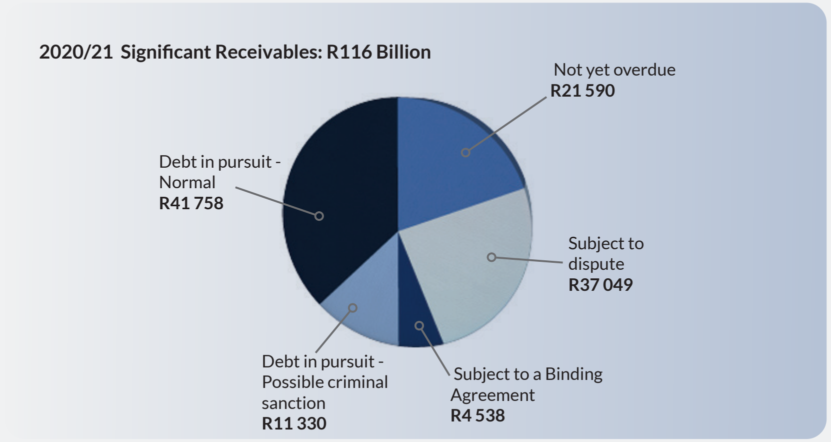
## Collection Performance: Significant Receivables

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 656 taxpayers that met this criterion at the end of March 2022 (2020/21: 547 taxpayers). These 656 accounts amount to R144 billion, or 43% of total receivables.

The categorisation of the R144 billion, together with comparatives, is reflected below.



The balance at the start of the financial year of R116 billion was reduced to R87 billion by the end of the year. This reduction of R29.3 billion affected 135 taxpayers, and is represented by:

» Recoveries of R4.4 billion, of which R1.2 billion is directly attributable to debt collection efforts.
» Revenue losses of R13.4 billion where accounts were temporarily written-off or compromised.
» Reversal of filing errors and assessments of R11.3 billion.

Although R14 billion was recovered from the remaining 413 taxpayers, this reduction was offset by additional assessments due to continuing investigations, new filings, and adjustments for an equivalent amount. Efforts to collect the remaining balance of R86.4 billion is being hampered because of ongoing disputes and investigations that affects more than half of this balance. Several taxpayers are no longer trading, have insufficient assets, or are being wound up where the prospect of recovery is low. Based on the nature of these cases, it is estimated that only R30 billion (or 34%) of the remaining balance of R83.4 billion is likely to be recovered.

New obligations raised in the financial year amounted to R57 billion, relating to 243 taxpayers. After year-end, this balance was revised down by R12.5 billion because of taxpayer filling errors (R9.2 billion) and revenue losses (R3.3 billion). The remaining balance includes receivables subject to dispute (R11.2 billion) and audit cases involving tax evasion, where additional taxes and penalties is a high proportion of the overdue debt (R7 billion). Impairments are necessary in each of the receivable categories, specifically in the areas of appeals where the issues are complex, and in audit. Preliminary indications are that less than R20 billion of the R57 billion is likely to be collected, after processing the adjustments referred to above.

As a result, less than R50 billion of the R144 billion in significant receivables is likely to be recovered. This is a preliminary assessment that is being refined on an ongoing basis, and specific focus is being directed to reduce the level of these potential losses.

## Unaudited Schedule of Taxpayer Credits as at 31 March 2022

| | 2022 | 2021 |
|---|---|---|
| | **Rands** | **Rands** |
| Income tax | (24 661 428 043) | (21 759 808 780) |
| Unallocated receipts | (10 874 084) | (10 873 963) |
| Returns not received | 397 220 940 | 405 363 669 |
| **Income tax** | **(24 275 081 187)** | **(21 365 319 074)** |
| Pay as you earn | (113 878 329) | (171 571 363) |
| Unallocated receipts | (3 545 222 628) | (3 821 844 546) |
| Returns not received | 14 098 107 | 14 249 815 |
| **Pay as you earn** | **(3 645 002 850)** | **(3 979 166 094)** |
| Value-added tax | (47 402 376 469) | (42 718 904 487) |
| Unallocated receipts | (2 167 099 757) | (2 913 518 584) |
| Returns not received | 1 445 818 227 | 562 524 684 |
| **Value-added tax** | **(48 123 657 999)** | **(45 069 898 387)** |
| Unemployment insurance fund | (14 128 198) | (13 414 171) |
| Returns not received | 2 102 141 | 2 569 255 |
| **Unemployment insurance fund** | **(12 026 057)** | **(10 844 916)** |
| Skills development levy | (12 396 965) | (9 949 892) |
| Returns not received | 897 109 | 1 085 675 |
| **Skills development levy** | **(11 499 856)** | **(8 864 217)** |
| Diesel | (7 757 310 089) | (4 012 472 224) |
| Returns not received | 8 794 638 | 532 697 |
| **Diesel** | **(7 748 515 451)** | **(4 011 939 527)** |
| Secondary tax on companies | (2 918 877) | (2 495 150) |
| Unallocated receipts | (56 096 195) | (56 096 199) |
| Returns not received | 516 766 | 477 919 |
| **Secondary tax on companies** | **(58 498 306)** | **(58 113 430)** |
| Estate duty | (4 614 898 899) | (3 357 706 330) |
| Returns not received | 4 614 898 899 | 3 357 706 330 |
| **Estate duty** | **-** | **-** |
| Dividend tax | (517 140 274) | (389 104 203) |
| Unallocated receipts | (3 901 298) | (3 901 298) |
| Returns not received | 517 140 274 | 40 334 715 |
| **Dividend tax** | **(3 901 298)** | **(352 670 786)** |
| Administrative penalties | (12 796 453) | (5 196 847) |
| Unallocated receipts | (1 417 568) | (1 438 347) |
| **Administrative penalties** | **(14 214 021)** | **(6 635 194)** |
| **Small business amnesty levy** | **-** | **-** |
| **Customs** | **(253 202 307)** | **(198 837 641)** |
| **Excise** | **(91 946 961)** | **(247 517 569)** |
| **Total Taxpayer Credits** | **(84 237 546 293)** | **(75 309 806 835)** |

## Unaudited Schedule of Taxes, Duties and Administrative Penalties as at 31 March 2022

| | 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 | 20 872 199 829 | 10 508 265 765 | 10 653 915 218 | 13 912 841 976 | 26 139 578 160 | 16 539 971 721 | 8 314 571 603 | 4 993 609 161 | 11 998 964 607 | 123 933 918 040 | 8 600 424 950 |
| Individuals | 12 431 020 524 | 2 679 285 467 | 3 213 937 058 | 5 300 678 236 | 7 432 368 713 | 5 726 996 353 | 3 224 157 905 | 2 496 749 289 | 6 263 481 633 | 48 768 675 178 | 2 953 999 704 |
| Trusts | 1 819 953 035 | 993 963 035 | 236 515 471 | 335 533 812 | 467 727 013 | 592 292 571 | 584 525 340 | 80 478 013 | 212 648 056 | 5 323 636 346 | 415 697 834 |
| Companies | 6 621 226 270 | 6 835 017 263 | 7 203 462 689 | 8 276 629 928 | 18 239 482 434 | 10 220 682 797 | 4 505 888 358 | 2 416 381 859 | 5 522 834 918 | 69 841 606 516 | 5 230 727 412 |
| Pay as you earn | 3 744 511 811 | 14 133 932 923 | 4 451 075 867 | 1 744 474 638 | 5 096 813 464 | 3 529 666 584 | 2 864 625 143 | 2 175 113 576 | 11 805 313 642 | 49 545 527 648 | 9 131 329 792 |
| Value-added tax | 3 859 871 944 | 2 396 187 167 | 2 549 978 825 | 3 536 058 719 | 10 574 880 314 | 21 914 673 089 | 19 256 000 076 | 12 518 541 402 | 29 343 756 680 | 105 949 948 216 | 2 836 460 132 |
| Secondary tax on companies | (10 000) | - | - | - | - | - | - | - | 527 309 824 | 527 299 824 | - |
| **Sub-Total** | **28 476 573 584** | **27 038 385 855** | **17 654 969 910** | **19 193 375 333** | **41 811 271 938** | **41 984 311 394** | **30 435 196 822** | **19 687 264 139** | **53 675 344 753** | **279 956 693 728** | **20 568 214 874** |
| Diesel | 23 404 | 2 896 701 | 1 911 632 | 3 175 276 | 38 919 168 | 90 217 315 | 114 373 368 | 114 958 259 | 375 535 180 | 742 010 303 | 26 169 |
| Skills development levy | 146 389 650 | 138 576 246 | 216 074 581 | 152 719 815 | 262 040 861 | 266 054 251 | 238 281 223 | 204 787 428 | 817 743 026 | 2 442 667 081 | 279 589 173 |
| Unemployment insurance fund | 236 643 115 | 212 368 737 | 331 341 034 | 203 641 129 | 527 481 016 | 397 577 796 | 349 591 879 | 299 132 682 | 1 113 163 221 | 3 670 940 609 | - |
| Customs | 2 198 008 284 | 339 821 118 | 249 386 058 | 197 730 267 | 1 088 617 007 | 2 937 891 361 | 754 321 055 | 224 390 496 | 1 446 299 769 | 9 436 465 415 | 271 554 190 |
| Excise | 281 105 919 | 144 860 959 | 68 461 879 | 23 362 359 | 3 772 065 688 | 671 747 400 | 32 868 132 | 47 668 145 | 23 926 536 | 5 066 067 017 | - |
| **Sub-Total** | **31 338 743 956** | **27 876 909 616** | **18 522 145 094** | **19 774 004 179** | **47 500 395 678** | **46 347 799 517** | **31 924 632 479** | **20 578 201 149** | **57 452 012 485** | **301 314 844 153** | **21 119 384 406** |
| Administrative penalties | 1 192 761 009 | 931 821 232 | 923 158 488 | 665 406 601 | 1 875 275 426 | 1 566 700 802 | 1 025 942 599 | 916 601 497 | 4 046 185 777 | 13 143 853 431 | 5 982 890 |
| Estate duty | 33 425 312 | 13 678 275 | 9 898 628 | 15 914 000 | 30 289 767 | 15 684 035 | 20 620 991 | 7 809 633 | 71 933 936 | 219 254 577 | - |
| Small business amnesty levy | - | - | - | - | - | - | - | - | - | - | - |
| Dividends tax | 115 582 980 | 21 181 839 | 23 114 138 | 26 501 433 | 73 217 381 | 68 121 384 | 45 772 920 | 32 669 526 | 139 878 167 | 546 039 768 | 763 428 302 |
| Donations tax | - | - | - | - | - | - | - | - | 25 209 648 | 25 209 648 | - |
| Transfer duty | - | - | - | - | - | - | - | - | - | - | - |
| **Total Taxpayer Debt** | **32 680 513 257** | **28 843 590 962** | **19 478 316 348** | **20 481 826 213** | **49 479 178 252** | **47 998 305 738** | **33 016 968 989** | **21 535 281 805** | **61 735 220 013** | **315 249 201 577** | **21 888 795 598** |

| Overall compliance has increased as measured by a well-defined compliance index - Develop and approve compliance Indexes | Actual 2020/21 | Target 2021/22 | Actual 2021/22 | Deviation 2021/22 |
|---|---|---|---|---|
| | Not applicable | Approved Compliance Index for PAYE, VAT and CIT as well as establish baselines | Approved Compliance Index for PAYE, VAT and CIT as well as baselines established | None |

### Performance Analysis

The aim of this indicator is to have an approved index in place that will track and measure compliance. The index will aggregate the four main tax compliance activities (registration, declaration, filing and payment) to give a composite score.

SARS has been using the previous tax compliance index to measure changes in tax compliance. The compliance monitoring report provided compliance performance for the various tax types and the composite compliance index.

SARS sought to develop a credible Voluntary Compliance Index (VCI) that will be used to measure changes in voluntary compliance. A team was assembled to review and develop a new and/or refined methodology to look at measuring voluntary compliance.

The review of the tax compliance index took longer than anticipated for Quarters 1, 2 and 3, which delayed implementation. However, the delay was overcome in Q4 when the new methodology was approved. With the approval of the new VCI methodology, the VCI was implemented, wherein the overall score and baselines were established.

Two VCI indices were computed: One according to the APP, which includes PAYE, VAT and CIT at 67.23%, and the other inclusive of PIT (Individuals and Trusts) at 62.89%.

The preliminary VCI for each tax product is as follows:

- PAYE (74.42%)
- VAT (67.02%)
- CIT (48.28%)
- PIT Individuals (56.93%)
- PIT Trusts (51.23%)

### Voluntary Compliance Index Development

We commenced this process with PAYE employers, as a test case during the year under review. In 2020/21, the PAYE VCI was at 75.50%. During 2021/22, SARS developed and implemented the VCI for PAYE, VAT and CIT, wherein the baselines were established. The VCI will be introduced into formal reporting going forward.

The indicator for PAYE employers has successfully been implemented and the lessons learnt have been used to develop and implement the VCI for the other taxes such as CIT, VAT, PIT (Individuals & Trusts). This provides a baseline for SARS to measure voluntary compliance in the 2022/23 year of review.

Improving voluntary compliance is an outcome that is dependent on multiple factors and we have started to put that in place as per our 9 Strategic Objectives. The results should become visible in the outer years.

| Enhance trade facilitation - Develop and approve a trade facilitation index | Actual 2020/21 | Target 2021/22 | Actual 2021/22 | Deviation 2021/22 |
|---|---|---|---|---|
| | Not applicable | Final version of the trade facilitation index completed and baseline calculated | New measure | N/A |

This is a new key performance indicator in the Revised 2021/22 APP and was not measured in the 2021/22 FY (Refer to page 17). It will be reported on in the 2022/23 FY.

The trade facilitation index is an important measure to assess the effectiveness of facilitating legitimate trade. The benchmarking work to determine the methodology has commenced and a baseline will be determined to measure this index in the outer years.

# In support of our Strategic Intent we have 9 Strategic Objectives:

## Strategic Objective 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.**

| SO:1 The majority of taxpayers and traders perceive the guidance SARS provides to be clear, unambiguous and easy to follow - % of taxpayers and traders surveyed are satisfied with the clarity and certainty provided by SARS | Actual 2020/21 | Target 2021/22 | Actual 2021/22 | Deviation 2021/22 |
|---|---|---|---|---|
| | Survey Conducted | 77.00% | 69.06% | -7.94% |

### Performance Analysis

This indicator gauges the taxpayers' 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. It seeks to establish the percentage of taxpayers and traders that are satisfied with the clarity and certainty of guidance provided by SARS. The study adopted a mixed (quantitative-qualitative) approach, with dominance on the quantitative method. A sample of 348 558 potential participants was selected from the SARS taxpayer register comprising 199 711 individual taxpayers and 148 847 companies and traders. The survey ran for three weeks, from 11 October 2021 to 29 October 2021, to achieve the defined sample. Several methods were used to increase the response rate. Email reminders have proven to be effective in nudging respondents to complete surveys. A total of 4 648 valid responses were received, which is a response rate of 1.33%, which is acceptable for studies of this nature.

The data collected in the study suggests that the estimated proportion of people who are clear and certain on their obligations is 67.7% for individuals, 68.1% for companies and 70.5% for traders. The overall proportion on the sample was 67.75%. The actual percentage of people who are satisfied with the clarity and certainty SARS provides is 69.06%. From a taxpayer category perspective, the segments have generally shown a significant increase in clarity and certainty over the past two years.

Regarding tax type, the lowest proportion in 2021 was in PAYE with 53%, and the highest proportion was in PIT with 62%. In 2022, across all key tax types, the values were all above 60% with PAYE having the highest proportion at 70%. Across all tax types, the values of 2022 were higher than the values of 2021.

This study provided a position on the proportion of taxpayers, companies, and traders towards the guidance they receive from SARS, and whether the experience was empowering. The feedback suggests that at a broad level, taxpayer and traders are satisfied with the guidance provided and at a general level, taxpayers and traders understand what is required of them to comply with their tax obligations. Although the results indicate pockets of regional differences in understanding the role of SARS in the society and in making it easy for taxpayer to interact with the revenue authority, taxpayers find PIT/PAYE taxes easier to understand and interact with as compared to VAT. Taxpayers and traders generally find VAT complex and Trade and Customs guidance less accessible. The results also showed that there are inconsistencies and lack of standardisation in the information provided, which creates hurdles for taxpayers and traders to fulfil their obligations.

The target for this indicator was increased from 65% in the original APP to 77% in the revised APP. This resulted in an overperformance against the original APP and an underperformance against the revised APP.

## Taxpayer Education and Awareness

During the year under review SARS placed significant emphasis on Taxpayer Education and Awareness. To this end a total of 13 Webinars, which were very well attended, were held. Some of the aspects covered by these sessions related to:

- Home Office Expenses - especially due to increase in remote work.
- VAT: covering registration requirements, VAT filing categories, payments, refunds and deregistration.
- SMME: tax obligation, eFiling navigation and TCS application processes.
- Customs: Registration, Licensing and Accreditation (RLA), Requirements for Travelers.
- Customs and Cargo: Clearance Procedures.
- Environmental Tax: covering sugar beverage tax, tyre levy, plastic and carbon tax.

SARS recorded approximately 59 million website hits during the period under review.

## Leveraged Products and Other Initiatives

### Advance Pricing Agreement (APA) Programme

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. Introducing an APA programme is a multi-year project, with annual milestones set out in the SARS strategic plan, and cascaded to SARS' original annual performance plan. As a milestone for 2021/22, the target of releasing an APA model for public comment to inform the development of the programme was set. The model was completed and released for public comment on 10 December 2021 and is available at https://www.sars.gov.za/lprep-dp-2021-02-proposed-model-for-establishing-apa-progamme-in-sa-and-release-of-draft-legislation-2/. The public comment process was concluded, and the next phase entails the proposal of legislation to National Treasury for inclusion in the 2023 legislative cycle.

### Leveraged Legal Products

SARS continued its work to issue interpretation notes, guides, binding general rulings, binding private rulings, binding class rulings, and non-binding opinions. A highlight was the update of Interpretation Note 28 "Deductions of Home Office Expenses Incurred by Persons in Employment or Persons Holding an Office", first as a draft for public comment and later as final document. This update provides useful guidance to people who have been working from home either permanently or as a hybrid model between office and home in the aftermath of the COVID-19 pandemic. Comments were also received relating to the Advance Tax Ruling System, which was published for comment on 15 January 2021.

### Primary Legislation

The Rates and Monetary Amounts and Amendment of Revenue Laws Act, 2021, Taxation Laws Amendment Act, 2021, and Tax Administration Laws Amendment Act, 2021, which gave effect to the 2021 Budget announcements and additional COVID-19 relief measures, were promulgated on 19 January 2022.

### Harmonised Commodity Description and Coding System 2022

The World Customs Organisation (WCO) publishes amendments to the Harmonised Commodity Description and Coding System (HS) at approximately five-year intervals, to keep the HS up-to-date with changes in technology or trade patterns. HS 2022 is the seventh edition of the HS since it was approved in 1983 and implemented in 1988. The HS serves as the basis for customs tariffs and for the compilation of international trade statistics in 211 economies (of which 158 are Contracting Parties to the HS Convention). The HS 2022 amendments to the common SACU tariff were not limited to the 351 amendments proposed by the WCO, but also required consequential amendments to the rest of the SACU tariff. The HS 2022 amendments were published in the Government Gazette on 22 October 2021, giving SACU members and trade ample time to complete their processes in time for implementation on 1 January 2022.

## Strategic Objective 2:

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

**Engagements with taxpayers and traders in the fulfillment 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 fulfillment 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.**

| Indicator | Actual 2020/21 | Target 2021/22 | Actual 2021/22 | Deviation 2021/22 |
|---|---|---|---|---|
| SO:2.1 Increased number of taxpayers and traders using digital and self-help platform - % of taxpayers and traders using digital and self-help platforms to interact with SARS | 86.31% | 87.00% | 90.74% | 3.74% |

#### Performance Analysis

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

During the FY, there was a total of 7 933 690 digital and manual interactions with SARS. 7 199 344 of these interactions were only digital, resulting in 90.74% of taxpayers and traders using digital platforms to interact with SARS. The following contributed to the uptake of Digital Channels:

» Continued availability of digital self-service channels.
» Digital channel awareness campaigns via taxpayer education and the contact centre agents.
» Educational material published on social media channels, i.e., the SARS Website, Twitter, and Facebook.
» A branch appointment process implemented due to COVID-19 restrictions.

For indicator SO:2.1, the target was increased from 80% to 87% as the baseline (2020/21 actual) was above the original 2021/22 target.

| Indicator | Actual 2020/21 | Target 2021/22 | Actual 2021/22 | Deviation 2021/22 |
|---|---|---|---|---|
| SO:2.2 Standard taxpayers are auto assessed by SARS - % of standard taxpayer's returns auto assessed by SARS (individual taxpayers) | 83.28% | 85.00% | 91.03% | 6.03% |

#### Performance Analysis

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 Assessments (AA), are issued with assessments based on an estimate using data held by SARS, and do not file an amended return thereafter.

During the 2021/22 FY, 4.20 million taxpayers submitted a return and were deemed standard taxpayers, however, at the time of identifying the AA population, only 3.41 million were identified based on historical and available third-party data. The final AA population measured was 3.16 million, resultant from new or updated data at the end of the Filing season. SARS applied auto-assessments to 97.18% (3.07 million) of this population, of which 91.03% (2.80 million) was accepted by taxpayers.

The strong achievement resulted from improved rules and criteria for the identification of taxpayers for auto assessment, based on the previous year learnings. SARS also issued automated assessments to a greater extent during this Filing Season, compared to previous Filing Seasons. This specifically included habitual branch filers, who would probably have visited a SARS branch during the third wave of COVID-19.

## Service Delivery

In aspiring to deliver a world class service SARS is striving towards the concept of 'the best service is no service'. Some of the actions that are underway or that will be embarked upon to enable SARS to achieve this are as follows.

- Embed a Culture of Service Obsession in pursuit of Voluntary Compliance.
- Ongoing development and investment in our staff.
- Disintermediate the need for so many service interventions and/or complaints.
- Improve the quality and frequency of communications (regular updates).
- Deploy more self-service terminals in and beyond our current footprint.
- Artificial Intelligence driven interactivity: interactive voice responses, chatbots, taxpayer call back.
- Allow more interaction via "Non-Smart" Phones.
- Migration to online Digital Channels – 6 million previous branch interactions migrated to our digital service offerings.
- Modernisation of the administrative systems across SARS entire value chain - "Smart Modern SARS".

SARS has commenced with the recruitment and development of 250 additional Service Consultants. Currently, SARS has 568 Contact Centre and 1 077 Branch service Agents who, during the year under review undertook the following service activities:

- Received 3.0 million inbound calls.
- Made 1.6 million outbound calls.

Attended to 1.2 million taxpayer service sessions by appointment, including:

- 71 000 video appointments.
- 237 000 in person Branch visits.
- 786 000 telephonic appointments.

Attended to 600 000 Branch visits - no appointments.

Attended to 385 000 virtual sessions to assist taxpayer filing through Help-U-eFile.

Despite these efforts, SARS acknowledges the need to do more to address the significant Service challenges that exist. The areas where significant improvement needs to be effected are:

- Taxpayer complaints that are unacceptably high.
- Understanding the reasons that so many cases take more than 21 days to resolve.
- Communication to taxpayers to report progress and manage expectations can improve.
- Taxpayers without appointments result in long queuing times.
- Taxpayers experience long waiting times and dropped calls when calling.

## Complaints

The relationship with the Office of the Tax Ombud on an operational level continued with regular engagements happening at least monthly. A concerted effort was made to reduce the old cases. Various systemic issues have been raised by the Ombud which are in process. These include disputes and consistency checks where a number of concerns have been raised. Various processes are underway to resolve these systemic issues and clarify processes to the Ombud.

## Strategic Objective 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.**

| | Actual 2020/21 | Target 2021/22 | Actual 2021/22 | Deviation 2021/22 |
|---|---|---|---|---|
| SO:3.1 Increase compliance through the accurate detection of risk - Risk detection rate | 83.28% | 95.00% | 98.48% | 3.48% |

### Performance Analysis

The aim of this indicator is to track SARS' ability to detect risk. In the 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 risk detection rate exceeds an accuracy of 95%.

More than 98% of compliance risks detected by SARS' automated risk engines are correctly identified. To measure the accuracy of the risk engine's detection rate, SARS must firstly consider both interventions, such as verifications and customs inspections that leads to an adjustment of tax- or customs duty liability, as well as to ascertain whether cases created, that yielded no monetary result, actually alerted a relevant risk to mitigate through a SARS intervention. To achieve this, SARS' quality management teams reviewed a sample of 14 971 closed cases across tax and customs products, which yielded no results and obtained first hand feedback from auditors that completed these cases to verify the accuracy of the risks detected. This process reflected a result of 98.48%. This feedback loop is also used to further enhance and refine risk rules. The risk engine team closely monitored risk rule performance, and used the feedback from both escalations, as well as insights gleaned from the quality management feedback loop process, to inform the refinement and enhancement of rules to eliminate false positives. The ability to detect risk, prevented more than R60 billion in undue refunds to flow out during the FY.

In measuring the accuracy of risk detection, it is important to consider the time to conclude a SARS intervention in the context of annual reporting periods – the interventions triggered through the automated risk engines are typically concluded in less than 3 months, whereas other interventions like full scope integrated audits may take more than a year to conclude.

Given the volume of risk cases created by the automated risk engines, as well as basing the feedback sample of cases relevant to the reporting period, the scope of this measure is described as above.

| | CIT | PIT | Trust | VAT | Customs | Total |
|---|---|---|---|---|---|---|
| Number of Cases tested | 188 | 9 979 | 419 | 1 348 | 3 037 | 14 971 |
| Cases with Invalid Risk | 1 | 51 | 8 | 126 | 41 | 227 |
| Cases with Valid Risk | 187 | 9 928 | 411 | 1 222 | 2 996 | 14 744 |
| **%** | **99.47%** | **99.49%** | **98.09%** | **90.65%** | **98.65%** | **98.48%** |

| | Actual 2020/21 | Target 2021/22 | Actual 2021/22 | Deviation 2021/22 |
|---|---|---|---|---|
| SO: 3.2 Extent to which SARS enables the NPA to successfully prosecute criminal cases referred by SARS - % of cases SARS referred to the NPA that is accepted for prosecution | Not applicable | 90.00% | New measure | N/A |

This is a new key performance indicator in the Revised 2021/22 APP and was not measured in the 2021/22 FY (Refer to page 17). It will be reported on in the 2022/23 FY.

## Enforcement interventions

### Strengthening the enforcement system

SARS' approach to enforcement takes as its point of departure the organisation's strategic intent to develop a Tax and Customs system based on voluntary compliance. In delivering against the Strategic Intent, SARS enforcement 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) and Strategic Objective 8 (to work with and through stakeholders) dominate implementation and performance measurement in enforcement.

The aim of enforcement activity is to promote fairness and to deter non-compliance with tax law in terms of civil law (tax) and criminal law (tax fraud). SARS' policy to combat tax fraud is premised on the understanding that tax fraud contributes to loss of revenue, significant compliance and administrative costs for SARS and taxpayers, distortions to competition, tax inequity and subsidies to organised crime. SARS seeks to create an environment where any taxpayer is equally likely to be touched by SARS.

SARS' anti-tax-fraud policy seeks to balance optimally the suppression of fraud through deterrence and punishment to maximise revenue and seeks to minimise the administrative costs of combatting tax fraud. SARS typifies tax fraud as simple evasion and organised fraud. Simple evasion results from either informality or part-time crime, which SARS defines as the deliberate omission, concealment, or misrepresentation of information to reduce tax liability. Organised fraud, on the other hand, involves coordinated and systematic actions, with varying levels of sophistication and national, regional, and international and organisation and (illicit) financial flows towards obtaining an unlawful financial advantage. The nature of the ensuing enforcement action to punish fraud must always be proportional to the level and severity of non-compliant behaviour.

In the year under review, the Enforcement Cluster Committee (ECC) sought to enhance the effectiveness and efficiency of SARS' civil and criminal enforcement actions by strengthening the integration of the enforcement value chain. The scope of the ECC spans the following functions: Inter-agency liaison; Criminal and Illicit Economic Activities; Criminal Investigation; Specialised Audit; Large Business and International; Debt; Litigation; Customs and Excise and Enterprise Data Management.

### SARS Liaison Unit

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

» To ensure that SARS sustains optimally its connection to the national financial intelligence system in pursuit of systemic and integrated administration.
» To exchange taxpayer information lawfully with the FIC, the law enforcement agencies, the South African Reserve Bank, the Auditor-General and Commissions of Inquiry in pursuit of sustained cooperative governance.
» To refer matters/cases derived from information received from the relevant agencies and Commissions of Inquiry to SARS enforcement divisions.

### The National Financial Intelligence System

A key focus in the year under review has been work aimed at strengthening 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. The concept was presented and endorsed by the ECC, and SARS has begun implementing measures incrementally.

To this end, the SLU spearheaded the conclusion of several new generation Memoranda of Understanding (MOUs) and Standard Operating Procedures that provides legal gateways to enhance collaboration and exchange of information between SARS and Law Enforcement Agencies, as well as the FIC.

The following documents were concluded between SARS and the relevant entities:

» A revised MOU and practical arrangement with the FIC. The practical arrangement relates to SARS' obligations in terms of Section 36 FIC Act to report suspected money laundering to the FIC and other mandated entities.
» A new MOU with the Investigating Directorate (ID).

In addition, SARS is in the process of negotiations with the SAPS to conclude a new MOU and with the Special Investigating Unit (SIU) to revise the existing MOU.

Strengthening the NFIS and SARS' position therein also forms the cornerstone of SARS' programme in dealing with the Financial Action Task Force (FATF) findings in 2019 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 support the outcome. To implement the programme, 14 streams of work/deliverables were identified. Implementation of the programme as of end March 2022 is at 72.42%, slightly behind the target of 80%. The shortfall will be caught up in the new FY.

### 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 resulting in significant growth in the supporting database. SARS maintains an extensive database of all information received and exchanged with Law Enforcement Agencies and Commissions of Inquiry to link non-compliant taxpayers and traders involved in suspected unlawful activities and Illicit Financial Flows (IFFs) to achieve a holistic view and establish links between the information and parties identified in the findings/recommendations made by the various Commisions of Inquiry.

### Referrals of matter/cases

In the year under review, SARS received and actioned referrals from the SIU pertaining to 468 individuals and entities suspected of tax fraud/evasion. Also received were 499 individual matters requesting mutual cooperation and exchange of information from SAPS, DPCI and the Investigating Directorate regarding State Capture cases and/or matters emanating from the Nugent, Zondo and Public Investment Corporation Commissions of Inquiry. The FIC referred 228 reports to SARS relating to suspected illicit financial flows and possible tax non-compliance and SARS submitted 100 requests for information from SARS business units to the FIC.

The SLU referred 99 individuals and entities in 14 case suggestions for potential tax offences to the relevant SARS business units relating to State Capture, in respect of tenders awarded by Eskom, SAPS, SAA Express, Digital Vibes and Estina.

### Criminal and Illicit Economic Activities (CIEA) Division

The Criminal and Illicit Economic Activities Division, now renamed the Syndicated Tax and Customs Crime (STCC) division, is responsible for investigating criminal and illicit organised and syndicated evasion schemes across all taxes to promote and ensure compliance. The division'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 division 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).

**Criminal & Illicit Economic Activities Division**

- 239 Investigations finalised R13.96 billion worth Assessments raised
- R8.22 billion Revenue recovered (2021/22: R1.9 billion)
- Customs Letters of Demand to the value of R1.75 billion issued
- 12 Preservation orders obtained – estimated asset value R5.4 billion
- 10 Search & seizure operations
- 2 Tax enquiries on IFF for Gold Sector
- 143 Civil investigations completed by Illicit Economy Unit

In 2021/22, the CIEA division finalised 385 preliminary investigations spanning the focus areas of fuel, tobacco, alcohol, clothing and textiles, leather and footwear, VAT carousels specifically relating to the gold sector, phoenixism (where a company is liquidated only for it to re-emerge as a fresh entity), abusive liquidation and business rescue practices, illicit financial flows, and tax evasion.

The division completed 239 investigations, resulting in assessments to the value of R13.96 billion being raised for income tax and VAT. Letters of demand for Customs payments to the value of R1.75 billion were also issued. The revenue recovered from these actions was R8.22 billion for the 2021/22 FY and R1.9 billion for the previous year.

The division conducted the following enforcement actions:

» 12 preservation orders were obtained resulting in the seizure of assets valued at an estimated asset value of R5.4 billion.
» 10 search and seizure operations were concluded.
» Two tax inquiries dealing with illicit financial flows in the gold sector were completed.
» There were 875 interventions, including the searches of vehicles and premises, examination of cargo, roadblocks and joint operations with other agencies, to detect trade in illicit goods, resulting in 689 detentions and 225 seizures, the most

significant of these featuring cigarettes and illegal second-hand motor vehicles.

» Joint operations between CIEA and Customs resulting in 4 295 seizures with a value of R4.1 billion. Amongst these were the seizure of 134.2 million sticks of cigarettes, valued at R163.9 million, and 745 seizures of counterfeit clothing, textiles, footwear, and other goods to the value of R2.94 billion.

The division's Illicit Economy Unit (IEU) concluded targeted investigations and revenue recovery actions into the illicit economy, completing a total of 143 civil investigations into the illicit economy.

The IEU currently has 38 active projects (covering multiple taxpayers, tax types and tax periods per focus area) with a total of 540 ongoing investigations. Of these, 35 are at an advanced stage, with letters of findings with a total value of R1.75 billion being issued.

The IEU's Forensic Debt team completed 94 cases in the year under review. The team have several cases with historic debt totalling R7.68 billion that are still being attended to, as well as cases that are subject to litigation, in liquidation/sequestration or under preservation.

The division has set up a dedicated capacity which has been mandated to deal with all matters arising from the Zondo, Nugent and PIC Commissions of Inquiry. There are currently nine Investigative projects in progress, made up of 143 cases involving individuals with their related parties. During the 2021/22 FY, 22 civil investigations were completed and tax assessments to the value of more than R650 million were raised and handed over for debt recovery.

### Criminal Investigations Division

The Criminal Investigations (CI) division has implemented a number of measures to expedite and optimise the finalisation of cases where tax crimes have been identified and referred for prosecution to the NPA.

The division has set up a designated team tasked with carrying out preliminary investigations on cases to assess the viability of pursuing a full investigation into these cases. The division has also enhanced processes to improve the quality of investigations and implemented new measurements to test a case before submitting dockets for prosecution to the NPA. To ensure impartiality, CI has also roped in an independent chairman for the case referral committee.

## Criminal Investigations

**129 Cases finalised in court**

**126 Convictions**

**13 Cases which resulted in custodial sentences, totalling 73 years covering Income Tax, Customs, Excise and VAT fraud**

**PPE Project:**
**60 Investigations completed**
**43 Cases with NPA**
**6 Suspects arrested**
**12 Cases on court roll**

Measures have also been implemented to strengthen relationship and cooperation with the NPA. During the year under review, the Criminal Investigations division finalised 129 cases in court, achieving convictions in 126 of these cases. This included 13 cases which resulted in custodial sentences totalling 73 years covering Income Tax, Customs, Excise and VAT fraud. In the other cases, fines to the value of R3.8 million were imposed and orders for R22 million to be paid to SARS were made by the courts.

The details of some of the cases which resulted in custodial sentences are provided below:

» A tax practitioner was sentenced to three years direct imprisonment by the Cape Town Regional Court. The tax practitioner submitted false tax refunds on behalf of his clients and took a commission from each refund paid out. In total SARS paid out R2.72 million as a result of the fraud.

» An offender who had evaded duties and excise payable on cigarettes by claiming they had been exported to Zambia when in fact they were sold locally was convicted in December 2021 and sentenced to ten years direct imprisonment.

» Four offenders were convicted of VAT fraud, including falsely claiming VAT refunds, and received jail sentences ranging from five to 14 years.

» An offender involved in supplying government departments with stationery received a four-year jail term after being found guilty of claiming false foreign tax credits in company income tax returns.

» A man was jailed for five years for impersonating a SARS official and demanding money from businesses in return for tax clearance certificates.

Obtaining convictions in these cases serves to deter non-compliance and helps build public trust and confidence in the tax administration system.

**Personal Protective Equipment (PPE) Project**

Pursuant to government's establishment of the Fusion Centre, a collaborative inter-agency response to address PPE corruption and tender fraud, SARS Criminal Investigations established a multi-disciplinary team to investigate tax non-compliance of those involved in PPE tenders. To date, 60 criminal investigations have been completed and registered with SAPS. Of these, 43 cases are registered with the NPA, and six suspects have been arrested. There are 12 cases currently on the court roll.

Additionally, an analysis of cases investigated by CI has revealed that certain individuals who play crucial roles in VAT fraud syndicates are also to be found in high profile tender fraud, including PPE procurement fraud. In conjunction with the NPA, these cases will be prioritised for prosecution in the new FY.

**PAYE Project**

Cooperation between SARS and the NPA to focus on the failure by some employers to comply with their legal obligations on filing their EMP201 EMP501 returns as required or failing to submit the PAYE deducted from employees to SARS have resulted in compliance gains.

Over the nine-month period between April and December 2021 the number of returns where on time payment was made increased to 88% and the accuracy of declarations increased to 80%.

### Specialised Audit

The Specialised Audit divisions conducts comprehensive in-depth civil audits of taxpayers and traders that appear non-compliant or appear to make a conscious decision not to comply. These audits assist in improving tax compliance levels, narrowing the tax gap, and generating revenue. The segment focus is on individuals, businesses, and related entities in the small and medium sector of the taxpayer/traders' base operating within the licit economy. The key attribute of the environment is low volume and high impact specialised audits (high risk, advanced, high yield) manually risk profiled by the Enterprise Data Management (EDM) unit. Specialised Audit also conducted standard audits during 2021/22. These involve the same segment of taxpayers as in-depth audits, but focus on fewer tax periods and risks. Some audits are manually profiled by EDM, with others being generated through the risk engine.

**Specialised Audit**

**4 532 Cases finalised with Assessment value of R25.8 billion**

**91% Success rate for In-depth audit 68% for Standard audits**

Specialised Audit completed 4 532 cases, with an assessment value of R25.8 billion (including savings of R5.7 billion), for the year under review. The unit achieved a 91% hit rate for in-depth audits and 68% for standard audits.

Large assessment cases, where the capital portion of the tax audit equals or exceeds R20 million, excluding General Anti-Avoidance Rule cases, are presented and approved by the Large Assessment Committee. A total of 75 cases were approved in the 2021/22 year, with a capital assessment value of R8.04 billion. Of these, 43 cases related to VAT with a capital assessment value of R6.1 billion, CIT had 16 cases with a capital assessment value of R639.2 million. PIT had seven cases with a capital assessment value of R292.9 million, Trusts had four cases with a capital assessment value of R860.3 million while PAYE and ETI had four, and one case, with a capital assessment value of R132.3 million and R22.7 million, respectively.

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

» **Impermissible deductions** in terms of section 23L of the Income Tax Act: Entities were identified wherein payments to investment policies were disguised as insurance premiums which were then deducted in terms of section 11(a). These cases were identified in 2020/21 but gained more traction in the 2021/22 FY. A total of nine cases were completed with a total assessment value of R64.0 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. Twenty-five cases were completed with a total assessment value of R474.7 million. A further four cases are currently at different stages of audit. The focus on lifestyle audits will continue in the new FY, with the aim to conduct more integrated cases that may include trusts.

» **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. Thirty-two cases were completed, 15 cases were relating to individuals and 17 cases relating to companies, with a total assessment value of R160.6 million. There are a further 49 cases currently at different stages of audit.

» **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. Thirty-five cases with a total assessment value of R742 million were completed in the year under review. A further seven cases are currently at different stages of audit.

» **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 26 cases were completed with a total assessment value of R153.3 million. A further four cases are currently at different stages of audit.

» **Employment Tax Incentive:** A scheme with several variations has been identified whereby learning institutions collude with employers to claim ETI in respect of students of the institution. A fixed term contract is concluded between the employers and the students, but the students never perform any substantive work. SARS' view is that the students do not fall within the ambit of the definition of employee as defined in section 1(1) of the ETI Act and the 'employer' therefore does not qualify to claim ETI. Thirty cases were completed with a total assessment value of R245.4 million. Fifty-three more cases are currently at different stages of audit.

» **Security Industry:** The security industry continues to be non-compliant across all pillars of tax compliance. Thirty-two cases were completed with a total assessment value of R682.7 million and 28 more cases are currently at different stages of audit.

### Large Business and International (LBI)

The Large Business and International division'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**

**463 Cases finalised**

**Assessment value of R23.3 billion**

**Including:**
26 BEPS cases – R5.6 million
2 102 VAT cases – R2.3 million
45 Mining cases – R2.1 million

**367 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 have delivered 463 cases to the value of R23.3 billion against an annual target of 506 cases. This includes delivery across Financial Services, Transfer Pricing, International Tax, CIT, VAT, and PAYE. Of critical importance is the delivery against the SARS Annual Performance Plan priorities. These include: 199 general cases to the value of R11 738 million, 26 Base Erosion and Profit Shifting cases worth R5 570 million, 2 102 cases related to VAT to the value of R2 263 million and 45 mining cases worth R2 148 million.

The division received and receipted 367 Reportable Arrangements (RAs) in the 2021/22 FY. RAs relating to Preference Shares (38%), Share Buy Backs (10%), Sale of Assessed Losses (6%), Contributions to Non-Resident Trusts (31%), and Premium to Foreign insures (5%) accounted for at least 90% of the total RAs received and receipted. A total of 565 Business Insight reports were completed during the year under review to focus revenue collection and improve the understanding of compliance behaviour.

The division is currently dealing with 53 significant cases with potential audit results of R10.7 billion.

Customs Border Operations, Port of Entry and Compliance

To ensure compliance with relevant legislative provisions, policies and directives, various interventions are carried out by the Customs and Border Operations division, either at a transactional level or post the import of goods through audit activities and control functions particularly to detect illicit activities. Compliance interventions by Customs in the 2021/22 FY yielded the following outcomes:

**Customs Border Operations**

**199 325 Inspections conducted, realising R491.4 million**

**1 529 Post Clearance Audits finalised**
**14% increase from 2020/21**

### 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 199 325 inspections were conducted in the 2021/22 FY, realising R491.4 million. In comparison to the same period last year, there has been an increase in the number of inspections. The overall success rate for inspections was 45% at year-end versus 25% in the previous year.

The clothing textile, leather and footwear valuation focus team has achieved a substantially higher success rate in both inspections and post clearance audits (63% and 59% respectively), reflecting a notable impact in addressing non-compliance in this sector. Since the establishment of this focus team, we have seen an increase from 37% in 2019 to 99% by the end of March 2022 in clothing and textiles declarations declared above reference price on the 163 tariff headings currently monitored by SARS, this was a 4% increase in comparison to the 95% achievement in the previous FY. On the other hand, Safety Footwear customs declarations above reference price were at 92.29% within 8 subheadings as at year end.

### Post Clearance Audits

Audit efforts since the beginning of the year have resulted in a collection of R1 426 793 828. In comparison to the same period last year, there has been an increase of R422.4 million in the effort revenue collected. A total of 1 529 cases were finalised in the 2021/22 FY which is a 14% increase when compared to the cases finalised in the previous FY. The total reported revenue, collection included non-core audit revenue with the biggest part being quarterly adjustments in the Automotive Production and Development Programme accounts.

### Seizures

The value of seizures for the period under review was R4.1 billion. The following factors must be considered:

» With regard to the number of seizures completed, there was 14% less seizures completed as compared to the previous FY.
» The value of seizures increased by 53% as compared to the previous year.
» The increase in value can be largely attributed to two seizures of counterfeit masks totalling over R2 billion.
» Almost 28% of the value of what was seized in 2020/21 were counterfeit goods, as opposed to this year where counterfeit goods accounted for 35%.

**Total Seizures**

**4 295 Total seizures to the value of R4.1 billion**

**Top 6 categories of seizures:**

311 seizures of Counterfeit goods - R2.6 billion
915 seizures of Narcotics - R440.8 million
434 seizures of Clothing and Textiles - R287.0 million
426 seizures of Cigarettes - R164.0 million
14 seizures of CITES - R145.4 million
10 seizures of Precious metals/stones - R144.8 million

76% of narcotics seizures, valued at R394.9 million, were recorded at OR Tambo International Airport (ORTIA), including Cannabis, Cocaine, Crystal Meth, Ecstasy, Ephedrine, Heroin, Ketamine, Khat, Magic Mushrooms and Mandrax. Some of the concealment methods included lining of boxes, books, bottles, creams, envelopes, files, footwear, frames, luggage, and paper. 83% of cigarette seizures, valued at R83.8 million, were recorded at the Beit Bridge Border Post. Concealment methods included luggage, light vehicles, cargo vehicles, as well as South African Police Service (SAPS) and South African National Defence Force (SANDF) handovers. 94% of counterfeit goods seizures were reported at ORTIA (47% valued at R1.6 billion) and the Lebombo Border Post (47% valued at R28.7 million), the goods were mostly clothing and footwear. The National Rapid Response Team (NRRT) conducted 342 interventions by year end which resulted in a total of 156 seizures with a seizure value of R382.8 million.

## Litigation Unit

The primary goal of the Litigation Unit is to ensure the speedy resolution of tax disputes, which include Customs and Excise matters, by providing quality legal advice, through an effective dispute resolution process and successfully managing litigation by defending litigation on behalf of SARS. In addition, the unit attends to the finalisation of notices of intended litigation in order to ensure that only matters suitable for litigation becomes part of the litigation process as opposed to disputes which should be referred to Alternative Dispute Resolution (ADR) or should be settled or conceded.

The litigation function, particularly the Tax Court litigation function, was integrated with dispute resolution, a regional legal service, and the High Court litigation function. The consolidation of the three functional litigation areas into a single unit with a centralised mandate has allowed us to focus on developing an expert SARS litigation service, develop a SARS litigation identity and presented significant opportunities to leverage litigation experience and expertise. The Litigation Unit defends SARS position in tax and customs disputes and utilises litigation initiatives for enforcement purposes.

## Disputes

This indicator calculates the difference in the number of disputes lodged between periods. The purpose of this indicator is to determine the level of misalignment between taxpayers and traders, and SARS, regarding the fulfilment of tax obligations. The decrease in disputes reflects the veracity of SARS' reforms on providing certainty and clarity of tax obligations.

Disputes relate to objections lodged by taxpayers. There are multiple reasons for the increase reported, which include the quality of decisions taken by SARS during the verification or audit process, the omission by some taxpayers to provide sufficient information during verification or during the objection process, as well as the lack of communication at various levels.

SARS recognises that tax disputes are a natural feature of tax administration, and that it is essential that clear and efficient processes exist to challenge assessments.

We have reported on both objections to assessments and on appeals lodged to objection decisions.Regarding appeals, the data reflects those arising from the disallowance of objections in verifications, Specialised Audit and the Illicit Economy Unit. Compared to the 2020/21 FY there was a 31.54% increase in objections filed and a 26.42% overall increase in appeals lodged in the 2021/22 FY. Although an appeal cannot be lodged without first following the objection process, we report separately on each process to provide a more detailed view of disputes and the manner of their finalisation.

### Objections

SARS finalised 126 671 objections in this reporting period, compared to 107 182 objections being completed in the 2020/21 period. There was a slight improvement in the percentage of objections completed within the regulated turnaround time in the 2021/22 FY – 75% of objection decisions were made within 60 business days in 2021/22 compared to 74% in 2020/21. These decisions were made in an average of 43 days, which is within the 60 days allowed in the dispute regulations.

The percentage of objections allowed and disallowed remained relatively constant this year, with 57.3% objections having been allowed fully or partially, and 19% being disallowed. The disputes in over half of the taxpayers who objected were therefore resolved at the first stage of the disputes process. Although it is difficult to match appeals received to objections received in the same year, the indication is that a relatively small percentage (approximately 6%) of taxpayers appealed against the objection decision.

### Appeals

All appeals are dealt with independently of the verification and audit organisational framework, and the responsible divisions are subject to governance structures that oversee all decisions taken in the appeals process, including the settlement, concession and prosecution of appeals in courts.

Although there was a 26.42% increase in the number of appeals lodged in 2021/22, the inflow was significantly less than the number of appeals (10 765) lodged in 2019/20.

### Appeals finalised

SARS finalised 8 353 appeals, excluding appeals dealt with by the Large Business and International unit, against an inflow of 8 215.

| Appeals inflow | 2019/20 | 2020/21 | 2021/22 |
|---|---|---|---|
| Appeals in ADR | 10 412 | 6 147 | 7 720 |
| Appeals in Tax Board | 173 | 134 | 232 |
| Appeals in Tax Court Litigation | 180 | 217 | 263 |
| **Total** | **10 765** | **6 498** | **8 215** |

| Appeals finalised | |
|---|---|
| Appeals in ADR | 8 201 |
| Appeals in Tax Board | 167 |
| Appeals in Tax Court Litigation | 167 |
| **Total** | **8 535** |

## Appeals resolved in Alternative Dispute Resolution (ADR)

The Dispute Regulations allow SARS and taxpayers to engage in ADR after an appeal is lodged, and this explains the high rate of resolution of cases outside of litigation, but during the appeal stage.

ADR was held in 8 201 appeals, meaning that SARS and taxpayers attempted to resolve 96.09% appeals through facilitation. Of these, 7 979 (97.29%) were resolved between SARS and taxpayers through a concession by SARS, a withdrawal of the appeal by the taxpayer, or a settlement.

| Appeals finalised in ADR | | | | |
|---|---|---|---|---|
| **Concedes** | **Partially concedes** | **TP withdrew** | **Settlements** | **Total** |
| 5 157 | 660 | 1726 | 436 | 7 979 |

## Tax Dispute Litigation

### Tax Board Litigation

Appeals below R1 million may be heard before a Tax Board for a decision by a chairperson who is independent of SARS. This occurs if ADR has not been successful or if SARS and the taxpayer do not agree to attempt ADR. The appeals are prepared and presented by regional legal staff to the Tax Board. Even though an appeal is prepared for a Tax Board hearing, the matter can be resolved at any time between the parties, and 46.75% were resolved on this basis.

Although it seems that the Tax Board found in favour of both parties equally, it is important to note that one in four appeals are withdrawn by taxpayers – had all those matters been argued, the overall success rate would have been 74.42%.

| Appeals finalised in Tax Board | | |
|---|---|---|
| SARS concedes | 25 | 14.97% |
| Taxpayer withdraws | 43 | 25.75% |
| Settlement | 10 | 5.99% |
| Tax Board upheld in favour of taxpayer | 13 | 7.78% |
| Tax Board partially upheld | 9 | 5.39% |
| Tax Board dismissed appeal | 21 | 12.57% |
| Appeal to Tax Court | 46 | 27.54% |

### Tax Court Litigation

Appeals over R1 million in value are heard in the Tax Court, when one of the parties declines to attempt ADR or if the ADR process is unsuccessful. During this reporting period, 167 appeals were finalised in the Tax Court Litigation Unit, however, during the litigation process parties may resolve cases without a judgment. 22.75% of appeals finalised were settled between the parties, while taxpayers withdrew their appeal in 34.13% of cases, and SARS conceded in 25.75% of appeals litigated on.

| Appeals finalised in Tax Court Litigation | | |
|---|---|---|
| SARS concedes | 43 | 25.75% |
| Taxpayer withdraws | 57 | 34.13% |
| Settlement | 38 | 22.75% |
| Court order in favour of taxpayer | 2 | 1.20% |
| Court order dismissed appeal | 19 | 11.38% |
| Other | 8 | 4.79% |

All judgments are carefully reviewed before a decision is taken to bring or oppose any further appeal. During the 2021/22 FY, 13 judgments were heard on appeal and SARS was successful in every appeal considered by the Supreme Court of Appeal and the Constitutional Court.

Of appeals finalised, 12.58% were concluded through a court order and SARS was successful in 90.48% of these cases. This reflects judgments against which no further appeal was pursued or possible. However, a total of 39 judgments were issued relating to appeals (including interlocutory proceedings), where SARS was successful in 30. This translates to an overall success rate of 76.32%, and 90.63% if taxpayers' withdrawals are included.

| All judgments and orders relating to appeals | In SARS Favour | In Taxpayers' favour | % success rate |
|---|---|---|---|
| Tax Court | 18 | 7 | 72.00% |
| Full Bench of High Court | 2 | 2 | 50.00% |
| Supreme Court of Appeal | 5 | 0 | 100% |
| Constitutional Court | 4 | 0 | 100% |
| **Total** | **29** | **9** | **76.32%** |

## Litigation

In the reporting period, the capacity to conduct civil litigation involving tax administration matters, which includes enforcement litigation, was increased, and the Centralised Litigation Unit carried 144 active civil litigation matters. In this reporting period, 25 judgments were handed down in SARS' favour, two matters were withdrawn by the taxpayers, and SARS lost five cases. The success rate, excluding withdrawals, was 83.33%, and including withdrawals was 84.38%.

Customs and Excise (C&E) remains an active area of litigation. The C&E Litigation Unit completed 97 court proceedings concerning counterfeit goods in the 2021/22 FY, compared to 31 in the prior reporting period. In the 2021/22 FY there were 28 judgments delivered, of which 25 were in SARS' favour and three against SARS – the direct success rate being 89.29%. Four decisions were of the Supreme Court of Appeal, of which SARS won three. Of the 11 cases that were "court-ready" but which did not proceed to court:

» Taxpayers withdrew three and SARS conceded one case.
» Five cases were settled in SARS' favour and two cases settled against SARS.

## Environment

Even though it is recognised that the data analysis of disputes is challenged by the lack of electronic reporting, some analysis is informative.

The OECD comparative analysis series reports on the number of "internal review" cases initiated per 1 000 active taxpayers. If this measure is adopted, and the total number of objections is measured against the entire active register, then five objection cases for every 1 000 taxpayers exist, while the OECD reports an average of 10 cases per 1 000 taxpayers [2017 OECD Series; page 114]. Total active taxpayers were 28.8 million on 1 March 2021.

We however, we recognise that 136 499 is a significant number of affected taxpayers, and that we must improve the efficiency and effectiveness of the dispute framework and process. We recognise that the allowance rate of objections is high, as is the concession and withdrawal rate of appeals. We believe that there are multiple reasons for this, which include the quality of decisions taken by SARS during the verification and objection process, the omission by some taxpayers to provide sufficient information during verification, or during the objection process, and the lack of communication at various levels.

SARS' dispute framework is not inconsistent with other tax administrations, however, we recognise that there is room for improvement. For instance, the dispute processes are not completely automated and rely on the manual recording of information. This is not ideal as it introduces some element of uncertainty in the reporting data which is drawn from manual records. In the 2022/23 FY we are committed to reviewing the dispute framework, and to revisit the administration of disputes to improve the efficiency of decision-making in order to attain clarity and certainty for taxpayers and for SARS.

In this reporting period, we have estimated that we have avoided civil litigation in approximately 68% of matters relating to tax administration, and in the coming year will improve the efficiency of all pre-litigation processes, including those that relate directly to the dispute rules.

The contentious litigation environment remains active, and the civil litigation capacity will be applied, in appropriate cases, and used to its fullest extent in order to protect the fiscus, enforce compliance with tax and customs legislation, and enhance SARS' reputation as an effective, skilled and trusted administration.

## Strategic Objective 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. 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.**

| | Actual 2020/21 | Target 2021/22 | Actual 2021/22 | Deviation 2021/22 |
|---|---|---|---|---|
| SO: 4.1 Improve the engagement of SARS employees - Employee Engagement Index score achieved based on survey of employees | Not applicable | Develop plan to address shortcomings identified in last engagement survey | A programme of work was developed and documented to address the five priority areas identified per the last employee engagement survey | None |

#### Performance Analysis

This indicator monitors the extent to which employees feel valued and involved in their everyday work, which helps to improve their level of commitment and affiliation to the SARS employer brand. For the current year, the plan to address and consequently improve employee engagement is relevant.

The Employee Engagement (EE) survey was not conducted during the FY to allow the outcomes of the previous survey to be fully implemented and embedded. The survey will only be conducted every 18 months, to enable SARS an opportunity to systematically address the underlying issues through survey results and other engagements with staff.

During the year, employees were engaged positively by ensuring that all line managers are responsible and accountable for the EE initiatives. The programme of work was run as a project with a multi-disciplined project team who met on a regular basis to ensure that all the deliverables are met and implemented. The EE programme of work comprises five streams per the identified priorities of the EE Connexion Survey. Each stream or emerging theme has initiatives in place to achieve an improvement in the EE index in the next FY.

SARS is planning to implement its Employee Charter by May 2022, as well as develop and implement its Employee Value Proposition (EVP) by June 2022.

SARS is creating a culture of recognition through the current process of the Annual Recognition Awards, by which employees are made aware of the entire process and timelines. SARS is also working on a revised Reward and Recognition Programme, which will be presented to the Commissioner in the 2022/23 FY. SARS will be facilitating the planning and appointment of the new service provider to determine the new EE index for the next survey taking place during 2022/23.

**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 insight and improve outcomes

**By expanding and increasing the use of data, data analytics and artificial intelligence, we create 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. We have incorporated data into a comprehensive system of knowledge management. The composite effect of the expanded and increased use of data must substantively support our strategic intent of voluntary compliance.**

| SO:5.1 Risk detection, assessment and profiling is largely automated and substantively informs case selection for standard matters. Manual risk profiling and case selection is only used for complex matters - % utilisation of automated risk assessment for taxpayers and traders | Actual 2020/21 | Target 2021/22 | Actual 2021/22 | Deviation 2021/22 |
|---|---|---|---|---|
| | Not applicable | 80.00% standard<br>60.00% complex | 99.997% standard<br>66.94% complex | 19.997% standard<br>6.94% complex |

### Performance Analysis

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.

Through using the data from various domestic and international sources as input into machine learning models, risk profiling and case selection, several trends with positive outcomes have already been observed.

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 data-base, as well as the national population register. International data sources include the automatic exchange of information on South Africans with offshore financial assets from about 100 foreign jurisdictions, as well as several mutual administrative agreements with sister organisations.

The data-driven compliance risk detection framework established in the previous FY laid the foundation which will be enhanced going forward.

SARS 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).

For the 2021/22 FY, 2 447 241 standard and 4 916 complex cases were created.

| Product | Total | Automated | Manual | % Automated |
|---|---|---|---|---|
| Full Scope* | 1 848 | 1 503 | 345 | 81.33% |
| Limited Scope** | 2 039 | 1 788 | 251 | 87.69% |
| Customs | 1 029 | 0 | 1 029 | 0.00% |
| Complex | 4 916 | 3 291 | 1 625 | 66.94% |
| Excise | 2 704 | 2 704 | 0 | 100.00% |
| Customs | 196 810 | 196 810 | 0 | 100.00% |
| Ops Audit | 2 247 727 | 2 247 653 | 74 | 100.00% |
| Standard | 2 447 241 | 2 447 167 | 74 | 99.997% |
| **Total** | **2 452 157** | **2 450 458** | **1 699** | **99.93%** |

**Note:**
* Full Scope: an audit case that relates a single or multiple taxpayers, involving multiple risks and may span across multiple tax types.
**Limited Scope: an audit case that relates to a single taxpayer with focus on a single risk or multiple risks for a tax period not exceeding a year, unless the risk is repetitive in nature.

In standard cases, 2 447 167 cases out of 2 447 241 originated through an automated identification process which equals 99.997%, and for complex cases, 3 291 cases out of 4 916 which equals 66.94%.

The achievement of 99.997% automated case creation for standard cases and 66.94% for complex cases have 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, which are then reviewed and selected for relevant intervention.

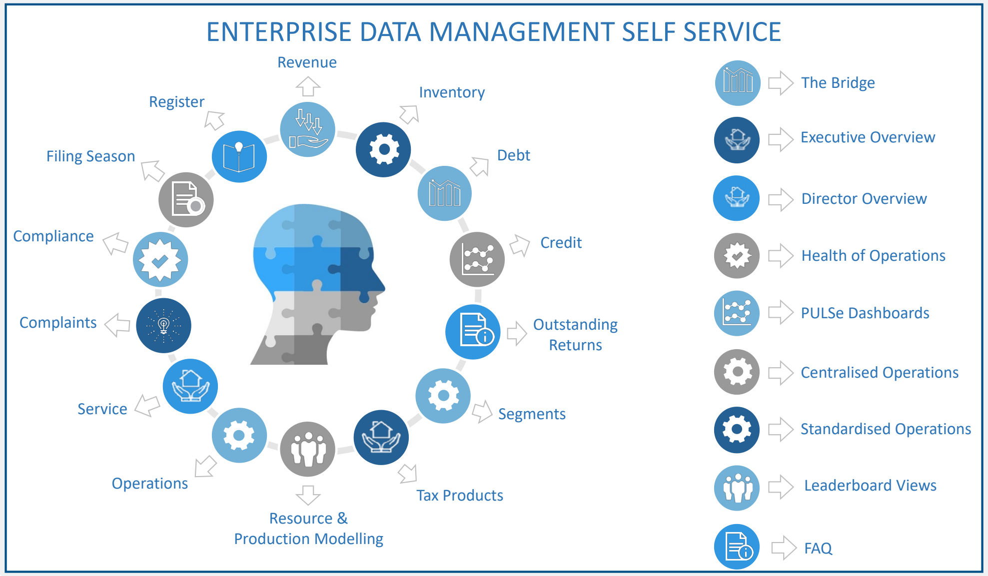
### Enterprise Data Management Self Service

The data driven journey has gained momentum through innovative and effective application of data capabilities. The Self Service brings together all the Enterprise Data Management (EDM) capabilities to allow for "one-stop" viewing and easy navigation. It provides data, information, insight and predictive analysis to enable strategic decision-making across the organisation through "Information at your fingertips".

Self Service provides a single version of the truth across Tax and Customs products, functions and processes at national and regional levels. The information is updated either on a real-time basis, daily, and monthly and is available 24/7 on all digital devices.

The Self Service Portal, is a new capability that has been introduced and delivered into the organisation, to enable the SARS Enterprise to use data within a comprehensive system of knowledge management framework to integrity, derive insight and improve outcomes.

The diagram below illustrates how the portal enables users to effectively navigate through all dimensions and functionality available, which include dashboards, multi-




dimensional views, integrated reporting, drill-through capabilities as well as guides from a single point of entry.

The Self Service was enhanced over the year with a number of new views including, 53 new dashboards, three new multi-dimensional information cubes, 32 specific reports and 66 refreshable workbooks that allow drill-though functionality.

The Self Service hosts over 130 dashboards and multi-dimensional views with a user community of 2 750 users.

The uptake and usage of the Self Service views has increased over the last period where an average of 2 706 views are used monthly, where 27 065 dashboards and views were utilised over 10 months across.

### Enhancing our Advanced Analytics capability

Through the increased and expanded use of data, SARS is continuing to build its Advanced Analytics and Machine Learning capability. Ongoing refinement is ongoing to SARS' current portfolio of Machine Learning Models, however, specific focus was placed on deriving taxpayer (human) behaviour from both SARS and 3rd party datasets to make it easy for taxpayers and traders to comply with their obligations and to detect taxpayers and traders who do not comply. The following are some of the relevant themes, where advanced analytics are applied:

The outputs of the PIT misdeclaration models was used as one of the key indicators to identify taxpayers who qualified for Auto Assessments while highlighting taxpayers with a potential risk for audit verifications.

A VAT fraud detection model has been developed and scaled for testing alongside the current SARS automated risk engine. This will add an additional vantage point on vendors that aims to defraud SARS by claiming invalid refunds. In future this will run in tandem with the existing risk engines.

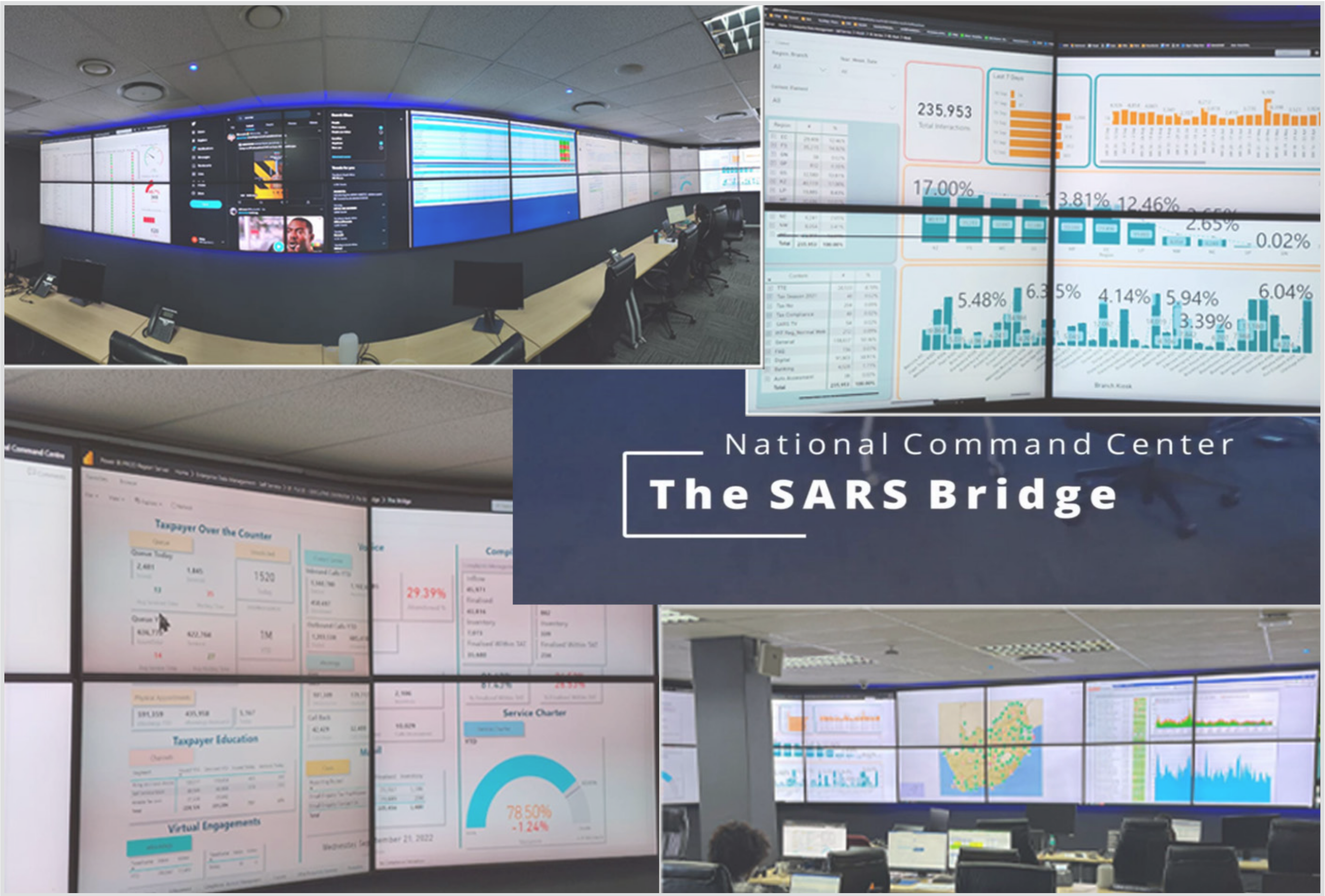
In an effort to increase Tax Pay Compliance, through the use of a clustering model, Taxpayers have been segmented based on their compliance behavior ranging from always compliant to continuous non-compliant. These compliance ratings will inform various strategies from service to risk detection.

In a continuous effort to demonstrate effective resource stewardship to ensure efficiency and effectiveness in maximising revenue collection we have enhanced our debt propensity models to a new entity model. This model predicts an entity's likeliness-to-pay their debt, across various tax products like CIT, VAT and PAYE. The scores are used to prioritize debt cases to enable the effective use of our resources in maximizing our collection efforts.

Work is ongoing on graph database technology, which will continue to improve SARS' ability to identify and better understand relationships between various entities. This will strengthen SARS ability to detect fraud and specifically target syndicates.

### Data-driven Operations Management

During the financial year, SARS launched its state-of-the-art facility to host the SARS Bridge, from where all operational activities are scheduled and orchestrated in near real time. The Bridge is one of the most active users of the EDM self-service products, and also use the SARS Automated Enterprise Capacity Management products to inform the Enterprise Production Schedule that is used to schedule operational activities. Other information sources that enables the Bridge to derive insights and prioritise work include actual production throughput, specific escalations, complaints as well as sentiment analysis reports.



## Strategic Objective 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, for taxpayers and traders to enable them 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 reports and analysis that enable them to hold us accountable.**

| | Actual 2020/21 | Target 2021/22 | Actual 2021/22 | Deviation 2021/22 |
|---|---|---|---|---|
| SO:6.1 Digital platforms availability for taxpayers and traders - % of planned capacity to be available for mission critical systems | 99.76% | 100.00% | 99.83% | -0.17% |

### Performance Analysis

The purpose of this indicator is to monitor the availability of digital platforms (e-channels) i.e. at e-Filing, Business-to-Business gateway (B2Bi), Declaration Processing Systems (DPS), Cargo Processing Systems (CPS) and Custom's Electronic Data Interchange (EDI). 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.

No unplanned downtime was experienced during the first quarter and the availability target of 100% was achieved. SARS continued with regular planned maintenance, enhancements, and upgrades across digital platforms, which contribute towards a higher system uptime and stability of the environment.

The reasons for under performance in August 2021 was due to downtime because of an error that occurred following an infrastructure change and network disruptions. For September 2021, an outage was encountered in a cluster distributing traffic workloads across transaction queues. In October 2021, unplanned downtime was experienced while upgrading the back-end network hardware and in December 2021, downtime affected the Cargo Progression System (CPS). In January 2022, unplanned downtime was caused by a production fix release on the Declaration Processing System (DPS) and in February 2022, due to an upgrade of an infrastructure component.

To mitigate service disruptions and unplanned outages, SARS continues to implement the following:

- Regular planned maintenance, enhancements and upgrades across digital platforms, which contribute towards a higher system uptime and stability of the environment.
- Corrective maintenance to repair and fix faults and errors in the Information Communication Technology (ICT) environment to prevent unplanned outages.
- Preventative maintenance to proactively mitigate problems with the aim of maintaining stability and availability of e-channels.
- Proactive monitoring of the ICT environment to ensure all components are performing at peak capacity- with a focus on early detection to avoid outages.
- Stringent security controls in line with best practice, upgrading security and implementing security initiatives on mission critical IT Platforms.
- Conduct root cause analysis to accurately report on high impact problems, and ensure that similar incidents can be avoided in future.

**Online Digital Services is a Key Enabler of SARS' Strategy, Operations and Successes**

| SO:6.2 Security of taxpayers and traders information and interactions via digital platforms - Number of security breaches on digital platforms from known risks | Actual 2020/21 | Target 2021/22 | Actual 2021/22 | Deviation 2021/22 |
|---|---|---|---|---|
| | No security breaches from known risks | 0 | 0 | None |

### Performance Analysis

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.

The IT Security Operations team has performed a few activities to ensure that security controls are up-to-date and risks are mitigated. No security breaches from known risks were recorded.

## What we Do to Manage ICT Security

### The Threats

**Access Control**
- Phishing
- Sharing of Passwords
- Attempts to capture login credentials

**Data Loss Prevention and End Point Protection**
- Attempts to infiltrate SARS by means of viruses and malicious files contained on external storage devices
- Operating system vulnerabilities on workstations

**Threat and Vulnerability Management**
- Denial of Service Attacks
- Attempts to infiltrate SARS by means of viruses and worms
- Reconnaissance attacks
- Access Attacks
- Port scans
- Operating system vulnerabilities on infrastructure

### Our Mitigation

**Access Control**
- Multi-factor Authentication
- Identity Management
- Access Control Upgrades
- End user Profile Tool
- VPN Remote Access Service
- Network Perimeter Security and Access Control

**Data Loss Prevention and End Point Protection**
- Mobile Device Management
- Anti-Virus Solutions
- Anti-Phishing and Content Inspection
- External Device Lockdown

**Threat and Vulnerability Management**
- Cyber Security Operations Centre
- Email Security Gateway & Web Filtering
- Cyber Resilience (Proactive Security and Penetration Testing)
- Content Delivery and Distributed Denial of Service Protection

### Outcomes

**ZERO**
Security Breaches

**4 528**
Reported Phishing Sites Taken Down

**72 645**
Viruses Blocked on SARS Workstations

**564 930**
Blocked SARS firewall, intrusion prevention and network attacks

**158 016**
Emails containing viruses successfully blocked

## Digital Platforms Enhanced

Several system enhancements projects were successfully delivered to improve SARS' digital offerings, to modernise our systems, address risks, and improve our service to taxpayers, traders and travellers.

### System enhancements in response to legislative changes

**Export Duty on Scrap Metals:** In 2020, export duty on scrap metals was introduced in the Customs and Excise Act (1964), (the Act) which made such duty compulsory for imported, locally obtained or manufactured scrap metal. To increase taxpayer compliance with legislative requirements, system enhancements were implemented within the Customs' export declaration process in July 2021 to meet the effective date of the law being 1 August 2021.

**System adjustments due to COVID-19 pandemic:** System enhancements were performed in July 2021 containing exceptional tax measures which formed part of the fiscal package aimed at assisting taxpayers who experienced cash flow constraints because of the COVID-19 pandemic and the national lockdown. This is in line with the Taxation Laws Amendment Act, 2021,and the Tax Administration Laws Amendment Act, 2021.

**PAYE relief:** In response to the challenges posed by the COVID-19 pandemic and 2021 unrest in the country, emergency relief measures were announced, inclusive of: Extension of the expanded Employment Tax Incentive (ETI), age eligibility criteria, and amount claimable, as well as an extension of the deferral of the payment of employees' tax liabilities for compliant small to medium sized businesses. Phase 1 of the above relief measures was successfully implemented in August 2021. The final phase – to create the instalments - was successfully implemented in November 2021.

**Tax Directives**: The directives project successfully implemented system enhancements to accommodate various changes in legislation, as well as implement a few processing optimisation initiatives. This included provident fund annuitisation requirements, enhancements to the Recognition of Transfer (ROT) process, taxation of multiple sources of income and budget speech-related changes.

**Legislative Amendments and Budget speech updates**: Enhancements were made to SARS tax systems to accommodate the various legislative and budget speech related changes affecting income tax (for both individuals, corporates and trusts and Turnover Tax).

**IT Connectivity - Rules to Customs Act published to make South African Customs Union (SACU), Unique Consignment Reference (UCR) mandatory for Lesotho and Namibia**: The SACU UCR (Unique Consignment Reference) for Lesotho and Namibia was activated on the Declaration Processing System (DPS) to make the UCR field mandatory on SARS Imports and to facilitate IT connectivity/ data exchange within SACU. Systems enhancements allowed matching of declaration details within SACU to assist with identifying discrepancies between SARS import and corresponding SACU export declarations.

### Modernising our Digital Channels and Tax Processing Systems

**Enhancements for Individuals filing Income Tax**: SARS has a vision to build a modern, smart organisation by 2024, and 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 2021/22, SARS implemented significant enhancements to the auto assessment process and estimated assessment processes. SARS also successfully implemented numerous project changes to refine and improve the efficient use of 3rd party data to support the income tax administration processes.

**Ease of doing business with SARS**: To increase ease of doing business with SARS, the process of automating applications for Deferments of Payment Arrangement was implemented on eFiling. Applications are approved automatically, and the taxpayer is informed within minutes about the outcome of their request.

**Enhancements to the SARS MobiApp**: One of the nine SARS strategic objectives is "Making it easy for Taxpayers to Comply" and in support of this objective, Debt Management has identified a need to extend the ability for taxpayers to request a Deferral Payment Arrangements on the SARS MobiApp. In addition, this functionality was made available on SARS eFiling. This will enable taxpayers to submit a deferment request without the need to visit a SARS branch office or contact the SARS Contact Centre.

Also delivered successfully during 2021/22 were various optimisations made to the MobiApp user interface. Enhancements were made to integrate with SOQS features and functionality and eLearning videos were facilitated through the MobiApp. To further improve the taxpayer experience, a survey component of the MobiApp was successfully implemented for taxpayers to share their feedback of their service experience with SARS.

To ensure full coverage across all platforms, SARS expanded the supported mobile platforms, and now offers the SARS MobiApp on the Apple App Store, Google Play Store and Huawei AppGallery.

**Technology Tools to Improve Taxpayer Service**: To improve the servicing of taxpayers that need to visit SARS branches, the SARS eBooking system was introduced. During the 2021/22 FY this application was enhanced to improve the options available for better management of bookings, as well as to introduce the capability to request bookings by using SMS.

To help with the uptake of SARS eFiling and MobiApp, SARS improved its Branch Queue Management System (BQMS) to accommodate taxpayers who need assistance with setting up their own devices, or need training or assistance with eFiling. An enhanced electronic case is used to manage multiple taxpayer service tickets simultaneously and linked to a single case. The functionality to create, update and resolve the ticket/cases was created on both SARS workstations and mobile devices, to allow flexibility for the SARS official to move around and assist taxpayers.

**New company registration enhancements**: Corrective maintenance was implemented to ensure successful company registration, to enable taxpayers to meet compliance requirements.

**Tax Compliance Status (TCS) Project**: In continuation of the TCS programme, several enhancements were implemented during the 2021/22 FY. The primary objective of the enhancements was to address the usability of the online solution, as well as introducing changes to the case management solution, to enable the business to be more efficient in reviewing the Foreign Investment Allowance (FIA) and Emigration TCS applications.

**Technical Optimisation and Monitoring**: Several technical enhancements were implemented to align to technological trends, to reduce risk, and ensure that the technology is fully supported by the original equipment manufacturer. To ensure SARS' electronic channels remain accessible and compatible with modern browsers, SARS embarked on a process to update its digital channels to use HTML5, the de facto standard 'for interactive capture forms', and remove the dependency on obsolete Adobe Flash technology. All SARS forms have now been successfully converted, and the requirement for additional add on browsers has been negated.

**SARS Website Redesign**: To improve taxpayers' access to information in support of providing clarity and certainty, SARS completed a review and redesign of its corporate website (www.sars.gov.za). The underlying platform was modernised to ensure deployment on a supported, robust platform. SARS converted over 700 pages of content, which was successfully launched in record time April 2021.

**SARS Self-Service Kiosks**: The SARS kiosks enable taxpayers to interact with SARS conveniently, allowing them to register for income tax, upload supporting documents, obtain their tax reference number and tax clearance certificates, amongst other features. To facilitate a seamless process, the taxpayer can scan their smart ID card at the kiosk, which enables the pre-population of key fields. SARS is busy rolling out these kiosks in convenient locations that allow taxpayers to conduct their tax affairs at any time and place.

### Customs Processing System and Declaration Process Systems Enhancements

**Registration, Licensing and Accreditation (RLA)**: The SARS RLA system was enhanced to include 35 new client types, which the traders can register for via eFiling and Service Manager. These include the following: warehouse application, Rebate user, Terminal/Depot Code number generation, Physical inspection workflow step ("black box") for relevant client types.

This enhancement will benefit traders by improving the turnaround time for Warehouse, Rebate User, Producers for preferential tariff treatment, Producer of goods, Manufacturer of goods and Searchers for Customs client applications.

**Compliance to Automotive Production and Development Programme (APDP) legislation**: Enhancement to the Declaration Processing System (DPS), License and Certificate Management (LCM) and Tariff Management System (TMS) were implemented. This change corrected rebates that were applied, and if necessary, the correct duties are collected in the importation of motor vehicle and components under APDP.

**Advance Payment Notification (APN)**: The purpose of the project is to reduce Illicit Financial Flows (IFFs) where advance payments are done for an Import, and no follow-up Import is done, or the advance payment is greater than the imported amount, and SARS is not aware of the advance payment. Additionally, using the Advance Payment Notification (APN) data to corroborate Customs Clearance Declarations (CCDs), to ensure that the correct duties and taxes are collected on goods imported based on an APN.

**Number Plate Recognition (NPR) implemented on the Cargo Processing System**: The arrival and exit management system was enhanced to integrate with the number plate cameras at the land ports. The registration numbers for all trucks entering or exiting the port are now displaying on the NPR screen, which allows the officers to select a Cargo Reference Number (CARN) to be marked for arrival. The exit management has been enhanced to automatically mark trucks for exit without any human intervention. This system enhancement contributes towards improved turnaround times for arrival and exit management at the land ports, reducing port congestion, and eliminating ghost exports.

### Improving SARS Capabilities to Manage Taxpayer and Trader Compliance

**Personal Income Tax once-off administrative penalties**: To enforce compliance, Personal Income Tax once-off administrative penalties for late submission of a return were effected. This system enhancement allowed SARS to impose once-off penalties for late submissions on the 2020 tax returns to ensure compliance. This enabled SARS to impose penalties which were communicated to the taxpayer via eFiling.

**PAYE Estimated Assessments**: Employers are the largest external stakeholder with SARS for purposes of administering tax on behalf of the institution, and their compliance levels have a far-reaching effect on the Government's ability to deliver on its mandate. To enable SARS to improve compliance, several projects were successfully implemented to focus on interim submissions, and the imposition of estimated assessment, coupled with the introduction of penalty regimes.

**Taxpayer Verification Project**: To improve security to taxpayer' records, SARS implemented an electronic interface with the Department of Home Affairs (DHA), where taxpayer fingerprints are verified to ensure SARS transacts with the correct taxpayer. The taxpayer is authenticated based on a fingerprint presented on a device linked to the SARS official's workstation. The fingerprint, together with the RSA Identity number (ID), are sent electronically to DHA to verify if the fingerprint matches the print that DHA has on record for the ID number, otherwise a photo matching the ID number will be returned.

### Infrastructure-related maintenance and upgrades across e-Channels

In support of achieving the current availability target for Digital Platforms, SARS implements regular planned maintenance and enhancements across digital platforms. Continuous and regular infrastructure and application refresh projects and maintenance/ enhancements contribute towards a higher system uptime as it is intended to minimise service disruptions and unplanned outages. The following activities were achieved as summarised below:

» The Wide area network links across the SARS landscape were upgraded to increase connectivity speed, which translates into more stability and productivity, ultimately benefiting taxpayers since they can be assisted quicker.
» Upgraded and replaced the SARS Mobile Tax Units infrastructure to ensure stability and mitigate against the unavailability of services on those units which are key to stakeholders that are unable to reach SARS branches.
» Additional systems have been upgraded to fully supported hardware and software versions, inclusive of the Process Server. Further to ensuring full supportability by the Original Equipment Manufacturer, this has positively contributed to securing SARS systems and closing security vulnerability gaps.

# IT Projects Expenditure

The total Information Technology project spend was R120 million and included the following projects:

## COVID-19 related Initiatives: R8 million

For the 2021/22 FY, SARS continued with the enhancement and development of digital platforms in support of new ways that SARS can engage with taxpayers. SARS has been able to deploy new capabilities to enhance taxpayer and trader experience, whilst reducing the need for them to visit SARS branches. These COVID-19 related projects were as follows:

**Customs Number Plate Recognition:** When a truck approaches the border post, the Number Plate Recognition (NPR) system/camera captures the image of the truck's registration number plate and sends it to service manager allowing the office to mark the truck for arrival without touching the papers.

**Branch eBooking Phase 5**: The Branch e-booking functionality was first introduced in 2020/21 to enable taxpayers to schedule appointments with SARS agents. The enhancement in 2021/22 was to implement a new process to automatically issue a reminder SMS and email to taxpayers to submit supporting documents prior to an appointment.

**PAYE Legislative Changes**: To implement tax relief in terms of the payment of employees' tax liabilities (PAYE) to SARS for a limited three-month period and expansion to the Employment Tax Incentive (ETI) for a limited four-month period.

**Estates – Contact Taxpayer letters**: Update the contents of Estate letters changes to stop the manual issuing of letters.

## Filing Season including Legal Changes: R42 million

The PAYE (and PIT) filing legal framework is based on outdated, pre-digitalisation principles and assumptions. It remains costly and burdensome for both non-business Individuals and Employers to file and reconcile. Even though SARS has a large amount of data at its disposal, we do not use all the data in an efficient manner. The significant value of PIT refunds because of PAYE received points to material inefficiency in our PAYE collection method.

In 2021/22 SARS implemented significant enhancements to the auto assessment process and estimated assessment processes. SARS also successfully implemented numerous project changes to refine and improve the efficient use of 3rd party data to support the income tax administration processes.

## Migration of SARS forms to HTML5: R15 million

SARS continued the journey of converting all Adobe Flex-based SARS electronic Forms into the HTML5 framework. The purpose of the HTML5 was to replace the technology constraints in using the Flex Forms within the SARS electronic channel, with device agnostic browser rendered forms. For the 2021/22 FY, 28 forms were successfully converted. The project was implemented on 15 April 2022.

## New Customs Act Programme (NCAP): R43 million

The aim of this programme is to provide business and system functionality in support of Reporting of Conveyances and Goods (RCG); Registration, Licensing and Accreditation (RLA) and Declaration Processing (DPS), as part of the implementation of the Customs Acts within the Customs Acts Programme (NCAP).

For the 2021/22 FY, work continued the Registration Licensing and Accreditation System (RLA) and the Reporting of Conveyances and Goods system (RCG). This phase of the RLA release during 2021/22 focused on the balance of Customs client types and automating the renewals process to support the organisational strategic plan of moving from a high administrative burden due to multiple registrations, multiple channels, and manual forms, to reduced administrative burden through, for example, single registration, integrated channels, and dynamic forms. The NCAP programme is in the close out stage, and all scope remaining and identified as valid will be covered in the new Customs Modernisation Programme (CMP).

## Customs Modernisation Programme - Advanced Import payment: R5 million

The purpose of the project is to reduce Illicit Financial Flows (IFF's) where advance payments are done for an Import, and no follow-up Import is done or the advance payment is greater than the imported amount, and SARS is not aware of the advance payment.

It further detects instances of possible Customs valuation fraud, thus preventing losses in import tax and customs duties, and recovering such losses through targeted case generation. The AIP solution brings together data from SARS, Financial Institutions, and the South African Reserve Bank (SARB), to ensure that traders making payments in advance for the goods, that they have paid for.

The 2021/22 project solution for eFiling software deployment, Service Manager Changes, Declaration Processing System and Electronic Data Interchange was successfully implemented.

## Strategic Objective 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 of 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.**

| | Actual 2020/21 | Target 2021/22 | Actual 2021/22 | Deviation 2021/22 |
|---|---|---|---|---|
| SO:7.1 Reconfigured SARS' cost structures to align with international peers - Increase ICT investment as % of total allocation | 2.90% | 2.00% | - 0.54% | - 2.54% |

### Performance Analysis

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, and align with its international peers.

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 initially provided 16.7% of total budget, and through cost reconfiguration, increased it during the year to 17.7% of the total budget. Part of the allocation will only be realised in the 2022/23 FY, as it represents work awarded at FY-end that will only be executed in that year.

The outcome of the actual expenditure against funding allocated was 13.82%, and inclusive of commitments was 15.65%. Compared to the spending of the previous FY of 14.36%, the 2021/22 FY calculated to a decrease of 0.54%, but inclusive of commitments, which is closely aligned to the original budget allocation, computes to an increase of 1.29%.

The organisation saved R217 million because of robust procurement negotiations, mainly in quarter four, which could unfortunately not be timeously re-allocated to other unfunded ICT cost category. When taking robust procurement negotiations specific to ICT (R122.97 million) into consideration spending would have computed to 2.33%. The NT directive, emanating from the ConCourt ruling on the Preferential Procurement Regulations of 2017, halted the procurement process for close to four weeks, which resulted in several procurement transactions being delayed or restarted. The total estimated impact, not limited to ICT, was R90 million.

| | Actual 2020/21 | Target 2021/22 | Actual 2021/22 | Deviation 2021/22 |
|---|---|---|---|---|
| SO: 7.2 Demonstrate effective stewardship through the appropriate spending of the budget allocation received from National Treasury - % Deviation between SARS' spending for the year and the allocation SARS received from National Treasury | Not applicable | 5.00% | New measure | N/A |

This is a new key performance indicator in the revised 2021/22 APP and was not measured in the 2021/22 FY (Refer to page 17). It will be reported on in the 2022/23 FY.

| | Actual 2020/21 | Target 2021/22 | Actual 2021/22 | Deviation 2021/22 |
|---|---|---|---|---|
| SO:7.3 Unqualified audit opinion achieved from the Auditor-General - Unqualified Audit opinion | Unqualified Audit Report with findings | Unqualified audit opinion | Revenue Accounts - Unqualified with no findings Own Accounts - Unqualified with findings | None |

# Business as Usual Capital Investment

A total amount of R486.7 million was allocated for business-as-usual IT investment in the 2021/22 budget. The following items were procured during the year:

## End-User Device Refresh – R212.3 million

A total amount of R212.3 million was spent on procuring new end-user devices as most of these devices in SARS was older than five years. This included monitors, laptops and desktops, as well as the installation of these devices. The number of devices procured was 7 825 units.

## Server and Storage Refresh – R177.1 million

The investment in SARS' server and storage infrastructure amounted to R177.1 million. The value of the investment in storage equipment was R30 million. The servers amounted to R138.3 million. Software upgrades to the value of R8.8 million was required for the servers.

## Software Upgrades – R41.4 million

R41.4 million was spent on various software upgrades for both off-the-shelf software and internally developed software. This included IBM, Debt Management, e@syfile and Remedy software. An amount of R6.5 million was spent on the testing of software upgrades before installation and integration.

## Network and Security Refresh – R18.9 million

Various upgrades had to be made to the network infrastructure to accommodate the 'Working from Home' traffic and serving taxpayers digitally.

## Software Development – R37.0 million

Software development by SARS' strategic business partners amounted to R37.0 million, which was mainly for the customs business area.

## Strategic Objective 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.**

| | Actual 2020/21 | Target 2021/22 | Actual 2021/22 | Deviation 2021/22 |
|---|---|---|---|---|
| SO:8.1 SARS has met all its commitments in terms of the Organisation for Economic Cooperation and Development's (OECD) Exchange of Information (EOI) standards - % of commitments met | Full compliance in terms of OECD rating | 100.00% | 100.00% | None |

### Performance Analysis

This indicator tracks the extent to which SARS has met commitments made in the Exchange of Information international fora. The aim is to meet all commitments made to exchange information with other stakeholders in tax administration across the world. Definition of meeting and satisfying a commitment is to submit everything that is required by the requestor/interested party to proceed to the next stage.

The progress is aligned to, and 100% in compliance with, the OECD EOI standards. The OECD Standard states: "C 5.1 - Jurisdictions should be able to respond to requests within 90 days of receipt by providing the information requested".

Calculation: % commitments met = (number of commitments met/total commitments made) x100

» Incoming Exchange of Information on Request (EOIR) was 162 (46/46 Exchanged Tax Rulings were finalised within seven days, 116/116 EOIR progress reports were issued within 90 days). Total of 90 EOIR cases were finalised, of which 18 are from cases brought forward and 72 from current year inventory. Total cases carried forward to the 2022/23 FY are 26.
» Assistance in Collection (AIC) cases were 108 (95 cases were brought forward from 2020/21 FY and 13 received in the current year). Quarterly progress reports for all 108 cases were transmitted to all partner jurisdictions regarding the status of their requests. A total of 12 cases were finalised, of which seven are from cases brought forward and 5 from the current year inventory. Total cases carried forward to the 2022/23 FY are 96.
» Outgoing EOIR were 51. (51/51 EOIR progress reports were issued within 90 days). Total of 24 cases were finalised, of which eight are from cases brought forward and 16 from the current year's inventory. Total cases carried forward to the 2022/23 FY are 27.

#### Automatic Exchange of Information (AEOI)

» Outgoing AEOI 2021 Common Reporting Standard (CRS) were 76 (Transmitted 2021 Reporting Period CRS data to 76 partner jurisdictions). All data transmissions were concluded between 21 and 22 September 2021 as per CRS exchange obligations of concluding all annual CRS exchanges by 30 September 2021.
» 99/102 partner jurisdictions met their exchange obligations with South Africa in 2021 (i.e. received CRS data from 96/102 partner jurisdictions, three jurisdictions indicated that they do not have any accounts to report for South Africa, while data from three jurisdiction are still outstanding due to technical issues). These technical issues were also highlighted in the Peer Input Questionnaire that was submitted as part of the OECD AEOI Peer Review process.
» 307 Outgoing Country-by-Country Report data packages were transmitted to 58 partner jurisdictions for the 2021/22 FY. This is in line with South Africa's current exchange relationships.
» SARS received 125 861 Country-by-Country Reports in respect of Multinational Entities (MNEs) in 53 partner jurisdictions, relating to 758 711 constituent entities.
» Concluded South Africa's virtual assessment on AEOI confidentiality and data safeguards. This assessment was conducted by the OECD AEOI Assessment Team.
» Updated and submitted the OECD Administrative Compliance Framework Questionnaire, to clarify administrative compliance framework applied by SARS to outline how SARS maintains accuracy, completeness, and enforcement of CRS reporting obligations by Reporting Financial Institutions.

SARS' performance exceeded the OECD standard expectations of responding to Exchange of Information requests within 90 days.

This is the final year that SARS will be reporting on this measure, as SARS has inculcated the participation of this strategic initiative, as an early adopter of the OECD's EOI programme. In future, SARS will maintain it and focus on optimally leveraging the insights gained through information sharing and collaboration as one of its pertinent compliance risk detection instruments.

| SO:8.2 A high number of intermediaries are satisfied with SARS' cooperation and collaboration - % of intermediaries that are satisfied with SARS' assistance | Actual 2020/21 | Target 2021/22 | Actual 2021/22 | Deviation 2021/22 |
|---|---|---|---|---|
| | Not applicable | 60.00% | 93.75% | 33.75% |

**Performance Analysis**

The purpose of this indicator is to gauge the extent to which intermediaries (including Customs) and tax practitioners are satisfied with SARS' cooperation and collaboration. SARS seeks to ensure that its intermediaries and tax practitioners receive timeous empowering and enabling assistance mainly through on-line digital services.

The 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).

The following two questions were posed and used in determining the net result:

- Indicate your overall level of satisfaction with the meeting proceedings and outcome of the meetings.
- In your opinion, do you find the current communication method (emails) used to distribute invitations to attend the Head Office Stakeholder Relations Unit's engagement sessions effective?

SARS made a concerted effort to proactively engage intermediaries, and maintained an approach that was receptive to feedback and/or escalation of issues. SARS does, however, acknowledge the limited number of respondents that participated in the survey. There were 16 participants, of which eight were satisfied and seven very satisfied (15/16 = 93.75%). Of the respondents, 75% were generally satisfied with the virtual meetings and outcomes from these meetings, and 88% consider the virtual meetings very effective. A total of 81% of the respondents regarded the members as very professional, and 94% were generally satisfied with the proceedings and outcome of the meetings, and indicated that the current communication channel is effective.

# Stakeholder Engagement

This summary highlights significant engagements that SARS had with the Private Sector as part of its annual calendar of engagements in 2021, which seeks to expand SARS' stakeholder engagement profile going forward, way beyond the current well-established platforms of engagement.

## Vision 2024 Engagements

SARS met with the Recognised Controlling Bodies, third party data providers (Insurance, Bank, Payroll and Medical Scheme Bodies) and Trade Associations in the 2021/22 FY, to introduce the projects that will be implemented as part of SARS Vision 2024.

One of the outcomes of the various dialogues is SARS' intention to expand existing engagement platforms by establishing dedicated working groups and task teams in the 2022/23 FY. These fora will comprise of the Private and Public Sector (where applicable) stakeholders to partner with SARS as it implements Vision 2024 and conceptualises the ideal Tax and Customs modernisation reforms.

Third party data enhancements include preparing for migration to near real time/ monthly submission of third party data to enrich the data ecosystem. This will further automate risk management and ensuring the remaining third party data providers, are engaged, assisted, and brought on board to ensure all necessary data is available to provide a seamless experience to taxpayers in the annual assessment requirements. Our collaboration will extend to those data providers who are issuing tax deductible receipts for donations for approved public benefit activities and to those trusts making distributions.

## The SARS Stakeholder Map


It is envisioned that the Customs Modernisation Working Group will comprise of SARS, Traders, and Other Government Agencies (OGAs) and certain Public Sector Entities, who have the relevant expertise required to robustly discuss and debate proposed changes, reach consensus on key policy, operational issues, and proposed solutions, highlighting problem areas and acting as a communication springboard between SARS and external parties.

## Participation in External Conferences/Events

- South African Institute of Tax Professionals (SAIT) Annual Tax Indaba: Theme "Closing the Tax Gap".
- South African Institute of Chartered Accountants (SAICA) Taxcon 2021: Theme "Harnessing Change".
- South African Association of Freight Forwarders (SAAFF) Summit.
- Ethics Symposium: Topic "Rebuilding Ethical Integrity in key institutions after state capture".

## Public Sector Stakeholders

Revenue agencies around the world face the continual challenge of improving and diversifying pathways to revenue collection. In South Africa, these challenges include deliberate non-compliance, illicit trade and financial flows, and base erosion and profit shifting are denying the country the income due to it. In addition, harsh economic conditions, together with a desire to withhold taxes on the part of taxpayers/traders, are likely to add to the challenges faced by SARS in the years ahead.

To this end, a SARS annual stakeholder engagement programme and calendar of events was 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 responses 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.

### Highlights of Engagements with Public Sector Stakeholders

Interaction with the various stakeholders must be managed, built, and leveraged to ensure that such relationships are beneficial to the SARS mandate, that the institution's reputation and credibility is sustained at high levels, and that inter-organisational relationships are continuously strengthened.

This year, a strategic approach for the stakeholder engagement component of SARS' activities was pursued. In doing so, it allowed for the following key considerations to be highlighted:

» The implementation of Vision 2024.
» More effective use of SARS' existing structures, mechanisms, and procedures that interface with the tax/customs base and its key stakeholders, that utilise various channels to communicate and engage with public sector stakeholders.

These efforts have yielded the requisite outcomes, in terms of what is defined as key success factors for managing stakeholder relationships.

This year, we also continued to formalise relations with stakeholders to promote effective compliance and enforcement within the tax and customs ecosystem. Memorandums of understanding were concluded with The Department of Environment, Forestry and Fisheries (DEFF), State Security Agency (SSA) and Financial Sector Conduct Authority.

## International stakeholders

The year saw SARS continue its journey of working with, and through its bilateral, regional, and multilateral stakeholders to improve SARS' tax and customs ecosystems.

In the customs space, highlights included SARS' election to the World Customs Organization (WCO) Policy Commission representing the East and Southern Africa (ESA) region. The WCO represents 184 Customs administrations across the globe that collectively process approximately 98% of world trade. SARS representatives have also been elected to chair key WCO working bodies, namely the Advance Passenger Information/Passenger name Record Contact Committee (dealing with exchange of information on the conveyance of both goods and passengers by air for risk management purposes), and the SAFE Framework working group dealing with setting standards for supply chain security and facilitation of global trade.

SARS continued to use its Customs Exchange of Information network to ensure compliance with South Africa's customs legislation and advancing the fight against illicit trade and revenue leakages. The past FY saw progress with the further expansion and enhancement of this network through the signing of a Customs Mutual Administrative Assistance (CMAA) Agreements with Malawi, finalising a CMAA Agreement amongst the BRICS Member States and introducing amendments to the Customs Mutual Administrative Assistance Agreements with Mozambique and Zambia. Additionally, SARS signed an Authorised Economic Operator Mutual Recognition Arrangement with the General Administration of China Customs.

As a first in the history of SARS, supported and facilitated by the WCO integrity experts and Ernst & Young, SARS conducted a Customs Integrity survey and diagnostics which benchmarked SARS against international best practice based on the Arusha Declaration focussing on Integrity in Customs. Overall, SARS performed well, scoring between 7 and 8 out of a possible maximum of 10 (10 indicating the highest levels of integrity in customs), as rated by both customs and the private sector.

In the area of tax, Commissioner Kieswetter continued leading the organisation in its engagements in bilateral, regional, and multilateral fora. SARS continued to play a strategic role in the affairs of the African Tax Administration Forum (ATAF), both as the Vice Chair of ATAF as well as the Chair of the ATAF Council's Governance and Organisational Development Committee (GOC). For African countries, building effective and efficient revenue authorities remain critical, and ATAF plays a leading role in this regard on the continent.

The Commissioner for SARS was re-elected as Vice Chair of the Africa Initiative (AI) for another year. The AI plays a seminal role in supporting the needs of African country members of the Global Forum on Transparency and Exchange of Information for Tax Purposes, in creating political awareness and commitment and developing capacities in African countries around areas of Exchange of Information (EOI), and the effective utilisation of the exchanged information. One success of the AI is that African countries became net senders of Exchange of Information on Requests (EOIR) for the first time. Commissioner Kieswetter also continued in his role as Bureau member of the prestigious Forum on Tax Administration, with SARS functional divisions participating in the various work streams of the Forum.

SARS participated in several strategic engagements, including the launch of the EU/WCO Women in Customs, the EU High-level webinar on taxation and business in Africa, Kenya's 7th Annual Tax Summit and various bilateral engagements.

Other highlights included:

» SARS' continued support of the technical assistance work of Tax Inspectors Without Borders (TIWB), a joint OECD/UNDP initiative.
» SARS, together with National Treasury, benefitted from a voluntary compliance programme that ran for 12 months, supported by the Swedish Tax Agency.

## Strategic Objective 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.**

| | Actual 2020/21 | Target 2021/22 | Actual 2021/22 | Deviation 2021/22 |
|---|---|---|---|---|
| SO:9.1 Public opinion survey results reflect high trust and confidence in SARS - % score as per public opinion survey | 74.50% | 75.00% | 71.80% | - 3.20% |

### Performance Analysis

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, amongst many other instruments, through the Public Opinion survey.

The survey seeks to gauge public opinion as it relates to tax compliance. Quantitative and qualitative surveys were conducted. Data was collected from over 3 000 taxpayers and traders that were randomly selected and from 30 influential public figures from academia, politics, civil society, and business.

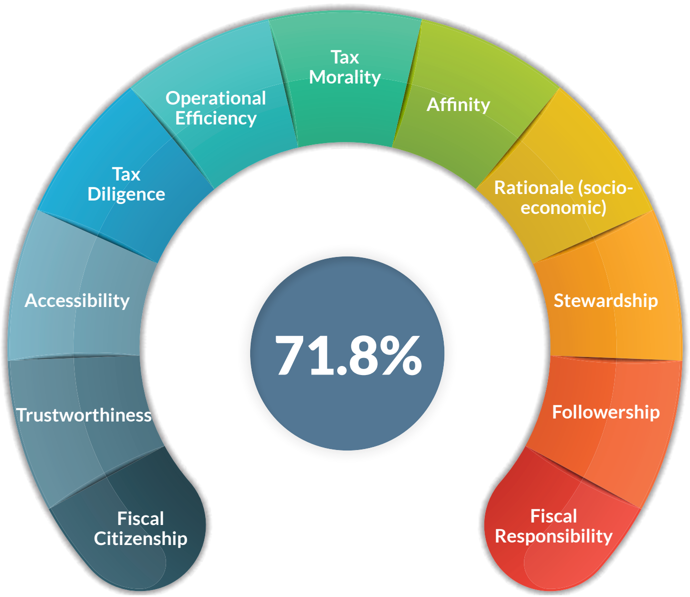
The following drivers influence tax compliance: tax morality, operational efficiency, accessibility, trustworthiness, tax diligence, fiscal citizenship, fiscal responsibility, followership, stewardship, socio economic and affinity.

Detailed qualitative and quantitative reports were produced and submitted. 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.

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

### The drivers that inform the public opinion index score on tax compliance



| SO:9.2 Service Charter index achievement - % Service Charter performance score (old Service Charter) | Actual 2020/21 | Target 2021/22 | Actual 2021/22 | Deviation 2021/22 |
|---|---|---|---|---|
| | 54.88% | 80.00% | 70.09% | - 9.91% |

### Performance Analysis

This indicator assesses how SARS performed against its Service Charter commitments.

Even though the Service Charter performance score of 70.09% shows an improvement of 15.21% higher than the 2020/21 outcome, the achievement is lower than anticipated. While performance showed inconsistencies month-to-month, seven months were above 70% and the other five just above 60%.

Areas that hindered performance were mostly Engagements, Registrations, Inspections/Audit/Verifications, 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.

This indicator was moved from Strategic Objective 2 to Objective 9 in the Revised 2021/22 APP, as it is better aligned to the outcome to 'Build public trust and confidence in the tax administration system'.

# 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 |
|---|---|---|---|
| | R'000 | R'000 | R'000 |
| SO 1: Provide Clarity and Certainty of tax obligations | 513 224 | 509 812 | 531 786 |
| SO 2: Make it Easy for Taxpayers to Comply and fulfil their obligations | 3 908 527 | 3 882 543 | 3 925 040 |
| SO 3: Making it Hard and Costly for Taxpayers/Traders who do not Comply | 2 794 778 | 2 776 198 | 2 725 924 |
| SO 4: Develop a high performing, diverse, agile and engaged workforce | 509 658 | 506 270 | 528 673 |
| SO 5: Increase the Use of Data to Improve Integrity, Derive Insights and Improve Outcomes | 568 386 | 564 608 | 601 505 |
| SO 6: Modernise our Systems to Provide Digital and Streamlined Services. | *1 012 125 | *1 005 397 | *1 143 109 |
| SO 7: Drive Efficient Use of Resources to Deliver Quality Outcomes and Performance Excellence | *1 558 004 | *1 547 646 | *1 532 931 |
| SO 8: Work With and Through Stakeholders to Improve the Tax Administration System | 93 368 | 92 747 | 110 536 |
| SO 9: Build Public Trust and Confidence in the Tax Administration System | 311 826 | 309 753 | 346 643 |
| **Total** | **11 269 895** | **11 194 973** | ****11 446 147** |

**Note:**

* ICT and property portfolio cost is centralised to SO 6 and SO 7.

** The amount of R11 446 147 represents operating expenditure including capital expenditure of R515 926 but inclusive of depreciation and amortisation of R311 740.

SARS was allocated an additional R3 billion as per the 2022 ENE over the 3-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 92% of SARS' costs are similarly contractual (salary costs +/ 70%; ICT operating costs +/ 12% and real estate and related costs +/ 10%).

The same OECD publication reports that the average allocation of staff resources are 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 13.82% and inclusive of commitments would be 15.65%. The commitments are expected to realise into expenditure during 2022/23.

# 3 PART THREE **GOVERNANCE AND RISK MANAGEMENT**

# Governance

SARS as a public entity is a critical role player within the public sector, as it ensures that government can deliver on its legislative mandate through revenue collection. SARS believes that good governance instils taxpayer confidence and builds trust in our organisation. The SARS governance philosophy is informed by ethical and effective leadership, which results in governance outcomes, inclusive of effective controls and an ethical culture.

The SARS governance philosophy is based on the combined assurance model and follows the five lines of the assurance model. This is a co-ordinated approach involving all assurance providers, with internal audit co-ordinating the combined plans and reporting to the Audit and Risk Committee. The various assurance providers within SARS have agreed their collective monitoring approach and have aligned the various monitor plans to the overall combined assurance model. Various units in SARS, including Enterprise Governance, Enterprise Risk Management and Enterprise Regulatory Compliance provide second line of assurance functions. The monitor and review functions play a vital role in ensuring that SARS ultimately delivers on the strategic plan, especially in respect of building trust and confidence in the tax administration system.

An update to the SARS enterprise governance framework was duly made and approved during the year. The governance framework seeks to promote sound governance mechanisms and/or controls, to ensure that SARS benefits from good governance practices.

To ensure that good governance principles are applied and implemented throughout SARS, it is imperative that SARS officials are equipped with the necessary basic knowledge about governance principles and mechanisms. For that purpose, a specific online training course was designed to be rolled out to all SARS employees to educate them on the requirements of good governance practice.

SARS will continue to set governance standards in line with national and international best practice, to ensure a common understanding of such standards, and measure the outcomes of governance in terms of its maturity.

# Parliamentary Engagement

| Standing Committee on Finance (SCOF) | |
|---|---|
| **Date of meeting** | **Matters raised** |
| 5 May 2021 | SARS 2021/22 Annual Performance Plan with Deputy Minister |
| 17 August 2021 | 2021 Rates and Monetary Amounts and Amendment of Revenue Laws Bill, Taxation Laws Amendment Bill; Tax Administration Laws Amendment Bill: National Treasury and SARS briefing |
| 31 August 2021 | 2021 Rates and Monetary Amounts and Amendment of Revenue Laws Bill, Taxation Laws Amendment Bill; Tax Administration Laws Amendment Bill: public hearings |
| 1 September 2021 | Germany, Eswatini and Switzerland Double Taxation Agreement |
| 9 November 2021 | National Treasury and SARS 2020/21 Annual Report and Audit Outcomes; with Deputy Minister |
| 10 November 2021 | 2021 Rates and Monetary Amounts and Amendment of Revenue Laws Bill, Taxation Laws Amendment Bill; Tax Administration Laws Amendment Bill: NT and SARS responses to submissions |
| 16 November 2021 | 2021 MTBPS: National Treasury briefing, with Deputy Minister |
| 24 November 2021 | 2021 Rates and Monetary Amounts and Amendment of Revenue Laws Bill, 2021 Taxation Laws Amendment Bill and 2021 Tax Administration Laws Amendment Bill: finalisation |
| 30 November 2021 | National Treasury and SARS Budget Review and Recommendation Report |
| 23 February 2022 | 2022 Annual Budget Tabling |
| 24 February 2022 | 2022 Budget: Public Hearings |
| 2 March 2022 | 2022 Fiscal Framework and Revenue Proposals: Public Hearing |
| 4 March 2022 | 2022 Fiscal Framework and Revenue Proposals: NT and SARS response to oral submissions |
| 8 March 2022 | 2022 Fiscal Framework and Revenue Proposals: Committee Report |
| 22 March 2022 | 2022 Tax Proposals, Draft Rates and Monetary Amounts and Amendment Revenue Laws Bill |

| Select Committee on Finance (SECOF) | |
|---|---|
| **Date of meeting** | **Matters raised** |
| 10 November 2021 | 2021 Rates and Monetary Amounts and Amendment of Revenue Laws Bill, Taxation Laws Amendment Bill; Tax Administration Laws Amendment Bill: NT and SARS responses to submissions |
| 30 November 2021 | 2021 Rates and Monetary Amounts and Amendment of Revenue Laws Bill, Taxation Laws Amendment Bill; Tax Administration Laws Amendment Bill |
| 30 November 2021 | National Treasury and SARS Budget Review and Recommendation Report |
| 7 December 2021 | 2021 Rates and Monetary Amounts and Amendment of Revenue Laws Bill, Taxation Laws Amendment Bill; Tax Administration Laws Amendment Bill: public hearings and NT/SARS responses |
| 8 December 2021 | 2021 Rates and Monetary Amounts and Amendment of Revenue Laws Bill, 2021 Taxation Laws Amendment Bill and 2021 Tax Administration Laws Amendment Bill: consideration of policy issue and processing |
| 23 February 2022 | 2022 Annual Budget Tabling |
| 24 February 2022 | 2022 Budget: Public Hearings |
| 2 March 2022 | 2022 Fiscal Framework and Revenue Proposals: Public Hearing |
| 4 March 2022 | 2022 Fiscal Framework and Revenue Proposals: NT and SARS response to oral submissions |
| 8 March 2022 | 2022 Fiscal Framework and Revenue Proposals: Committee Report |
| 22 March 2022 | 2022 Tax Proposals, Draft Rates and Monetary Amounts and Amendment Revenue Laws Bill |

# SARS Committees

## SARS Executive Committee

The SARS Executive Committee had 12 permanent members and convened 12 Exco meetings during the 2021/22 financial year.

| Name of Members | Designation | Permanent/Acting | Dates |
|---|---|---|---|
| Edward Kieswetter | Commissioner | Permanent | 1 April 2021 to date |
| Jeanneé Padiachy | Chief of Staff | Permanent | 1 April 2021 to date |
| Johnstone Makhubu | Chief Revenue Officer | Permanent | 1 April 2021 to date |
| Herman Smith | Head: Operations Enabling | Permanent | 1 April 2021 to date |
| Yolande van der Merwe | Chief Financial Officer | Permanent | 1 April 2021 to date |
| Intikhab Shaik | Head: Technology and Solutions Delivery | Permanent | 1 April 2021 to date |
| Marius Papenfus | Head: Enterprise Data Management | Permanent | 1 April 2021 to date |
| Bongiwe Mabanga | Head: Governance and Risk | Permanent | 1 April 2021 to date |
| Khutjo Nathaniel Mabetwa | Regional Director: Gauteng North | Permanent | 1 April 2021 to date |
| Rebone Gcabo | Head: Taxpayer and Trader Education | Permanent | 1 April 2021 to date |
| Beyers Theron | Head: Border Operations, Ports of Entry and Customs Compliance | Permanent | 1 April 2021 to date |
| Refiloe Ramaphakela (Permanent Invitee) | Head: Internal Audit | Permanent | 1 April 2021 to date |
| Vacant | Company Secretary | | |

## Audit and Risk Committee

| Number of meetings held | Number of members | Name of members |
|---|---|---|
| 23 Meetings<br>» 4 Official meetings<br>» 5 Special meetings with the Auditor-General South Africa<br>» 3 Special meetings with Internal Audit<br>» 3 Induction sessions<br>» 8 Ad-hoc meetings – Chairperson only | 4 | Ms Doris Dondur (Chairperson)<br>Mr Thabiso Ramasike<br>Ms Rachel Nkgodi (Resigned November 2021)<br>Mr Barend Petersen (Appointed September 2021)<br>Ms Carmen Mpelwane (Appointed February 2022) |

## Enterprise Risk Management Committee

| Number of meetings held | Number of members | Name of members | Designation |
|---|---|---|---|
| 3 Meetings | 24 | Edward Kieswetter | Commissioner |
| | | Jeanneé Padiachy | Chief of Staff |
| | | Johnstone Makhubu | Chief Revenue Officer |
| | | Herman Smith | Head: Operations Enabling |
| | | Yolande van der Merwe | Chief Financial Officer |
| | | Intikhab Shaik | Head: Technology and Solution Delivery |
| | | Marius Papenfus | Head: Enterprise Data Management |
| | | Bongiwe Mabanga | Head: Governance and Risk |
| | | Khutjo Nathaniel Mabetwa | Regional Director: Gauteng North |
| | | Rebone Gcabo | Head: Taxpayer and Trader Education |
| | | Beyers Theron | Head: Border Operations |
| | | Habiba Logday | Head: Criminal Investigations |
| | | Refiloe Ramaphakela (Invitee) | Head: Internal Audit |
| | | **Members until June 2021** | |
| | | Mark Kingon | Head: Stakeholder Relations |
| | | Viwe Mlenzana | Head: Talent and Capacity Development |
| | | Narcizio Makwakwa | Director: Large Business |
| | | Franz Tomasek | Head Legislative Policy |
| | | Firdous Sallie | Head: Digital Channels |
| | | Vlok Symington | Chairperson: Product and Process Owner |
| | | Dipuo Mvelazi | Chairperson: Segment Leader |
| | | Sobantu Ndlangalavu | Head: Employee and Labour Relations |
| | | Siphithi Sibeko | Head: Communications and Media |
| | | Nirala Ramlall | Chairperson: Women in Leadership |
| | | Mandiza Mbekeni | Chairperson: Gender Equality and People with Disabilities |

# Enterprise Risk Management

In terms of section 51 of the PFMA, the Commissioner has the legislated responsibility as the Accounting Officer of SARS to manage the risks and internal controls impacting SARS. The Enterprise Risk Management function was established and supports the Commissioner in fulfilling this responsibility. The Enterprise Risk Management (ERM) supports SARS by implementing an effective risk management system, through consulting and advising the organisation in the identification, assessment, and management of risks, as uncertainties that affect the SARS mandate, strategic objectives, and key operational outcomes.

During the FY, South Africa, particularly SARS, experienced major debilitating business interruptions affecting the ability to continue normal business processes and delivering a streamlined service to taxpayers, traders, and other Stakeholders. These events included the ongoing COVID-19 pandemic, the July 2021 unrest in KZN and Gauteng and the cyber-security attack on one of SARS' critical stakeholders at the Ports of Entry. SARS' responses to the impact of the pandemic from the early stages, elevated the appreciation of risk management as a discipline and to improve organisational performance under such challenging circumstances, thus further assisting the organisation to effectively respond to the other major crises experienced.

The strategic risk profile of SARS remained the same as the previous FY. The detailed strategic risks are listed in the table below. At the start of the FY, SARS EXCO, led by the Commissioner, updated the strategic risks in conjunction with the 2021/22 Annual Performance Plan (APP), and identified additional actions to mitigate these risks.

In terms of the management of risk, EXCO members, as risk owners, are held to account for the management of strategic risks at the quarterly internal Enterprise Governance and Risk Committee (EGRC) meetings chaired by the Commissioner. The Commissioner as CEO of SARS also accounts to the Audit and Risk Committee (ARC), as oversight body on risk management.

SARS was involved in the development of the OECD-FTA (Forum on Tax Administration) risk maturity model, intended to measure the effectiveness of risk management across the tax administrators. SARS has adapted the OECD-FTA risk maturity model and developed a hybrid model that will be used to measure the maturity of the risk environment.

SARS continued its working relationship with Enterprise Risk Management Community of Interest (ERM-COI) of the OECD-FTA. The SARS Commissioner chaired the FTA pre-plenary session in December 2021, where SARS played a constructive role in the development of the published OECD-FTA top and emerging risks for 2021.

The table below highlights the current strategic risk profile and key mitigating actions that were implemented to manage these risks. The risks listed below are in no order of ranking.

| Strategic Risk | Mitigating Strategic Objectives | Mitigation Actions |
|---|---|---|
| **Taxpayers who are unclear and uncertain** | SO1 | » Provide clarity of legal obligations through campaigns, education, awareness, advance rulings, advance pricing agreements, interpretations notes, and explanatory guidelines.<br>» Conduct regular research to gauge taxpayer, trader perceptions of clarity and certainty of tax and customs laws. |
| **Taxpayers who find the compliance burden too high** | SO2<br>SO6 | » Provide a seamless registration, filing, declaration and payment experience for standard taxpayers and traders (Eg Auto Assessment).<br>» Expanding secure digital platforms that host digital offerings and data - available 24/7. |
| **When SARS does not present a credible threat detection** | SO3<br>SO4<br>SO5 | » Improve capabilities to detect, profile, and select instances of non-compliance.<br>» Develop capability to manage interventions to address non-compliance instances.<br>» Assess and develop the competencies required to meet the future mode of work.<br>» Continue identifying new data sources to augment our datasets.<br>» Deepen our Data Science and Artificial Intelligence (AI) Technologies. |
| **When leadership is inadequate** | SO4 | » Completed the development of a SARS Leadership Model.<br>» Commenced the development of competent, professional and ethical leaders in line with the Model.<br>» Ensuring leaders are assigned to appropriate roles and held accountable for delivery.<br>» Ongoing refinement of governance and operational arrangements to drive efficient- and effectiveness. |
| **When employees are not appropriately engaged** | SO4 | » Ensure that we have a calibre of capable operational managers.<br>» Developed an Employee Rights Charter - clarifying five employee rights.<br>» Ongoing review of the Performance and Productivity Management.<br>» Creating more meaningful roles and career progression - commencing with the Service Consultants role. |
| **When SARS has insufficient resources** | SO7 | » Continuing to make appeal to Minister of Finance and National Treasury to address funding shortfall.<br>» Effective and efficient deployment of SARS resources through maintaining a strong focus on cost management and productivity gains.<br>» Responsible procurement, in line with Government's transformation imperatives.<br>» Build capability within SARS to improve Business Case development.<br>» Developing an effective Enterprise Programme Management Office (EPMO).<br>» Reviewing the Employee Value Proposition (EVP) with non-financial benefits to reduce pressure on the overall salary costs. |
| **When the economy declines** | SO1 – 9 | » Adopt tax broadening strategies and develop a full understanding of the economy to improve the tax collections from a wider base of taxpayers.<br>» Implementation of a revenue recovery programme that is aimed at raising 5-10% of overall revenue from compliance activities.<br>» Increase investigative and audit capacity, which is a deterrent to possible non-compliant taxpayers.<br>» Continuing to improve the Operationalising of the SARS Compliance Programme. |
| **Tax Morality in South Africa declines** | SO8<br>SO9 | SARS must build Public Confidence by:<br>» Acting with visible independence - without fear, favour and prejudice.<br>» Demonstrating professionalism beyond reproach.<br>» Showing measurable success tax non-compliance and crime.<br>SARS must play an Advocacy role by:<br>» Demonstrating exemplary Stewardship within Government.<br>» Appealing to the rest of Government to demonstrate resource stewardship.<br>» Work with and through all intermediaries to strengthen the Tax eco-system. |
| **The impact of COVID-19 on society remains uncertain** | Vision 2024 Strategic Intent | » Develop strategies for a post-COVID environment.<br>» Implement modern technological solutions to minimise the impact of the Coronavirus on business continuity and overall taxpayer compliance.<br>» Monitor the uptake of the COVID-19 Tax Relief measures in order to gauge the degree of the impact on business and ensure the wellbeing of staff.<br>» Maximize internal processes to ensure the wellbeing of staff - working towards hybrid workplace arrangements. |

# Integrity Promotion

The mandate of the Integrity Promotion Unit (IPU) is to facilitate the creation of a culture of unquestionable integrity which supports sound ethical behaviour and encourages a speak up culture that is courageous and intolerant of criminal and unethical behaviour, without fear, favour, or prejudice. The SARS integrity approach emphasises institutionalisation of integrity on three levels namely: system integrity, transactional integrity, and people integrity.

During the 2021/22 FY, the unit conducted 27 awareness and induction sessions as well as three executive sessions. A total of 7 953 (68%) staff completed the ethics e-learning course. All these initiatives served to create an improved understanding, clarity and certainty of employee and leadership obligations towards living the SARS values and applying the appropriate ethics. There has been a positive impact considering the increased reporting in the incidents of perceived integrity lapses and alleged fraud and corruption.

The unit reviewed various enterprise policies and Standard Operating Procedures (SOPs) for alignment with organisational values. At the end of March 2022, 19 policies and SOPS were reviewed and aligned in the Enforcement division. The seven SARS values were integrated into four value statements and the unit continued to align organisational programmes, such as the Operations Management Systems (OMS) and Employee Engagement work streams, to the value statements. The Code of Conduct and Ethics, as well as the Integrity Policy were also reviewed.

As part of gaining an understanding the current ethical landscape, efforts were made to benchmark best practices and integrity measurement tools, such as the Integrity Barometer, Integrity Testing Tool, and Integrity Helpline, as well as the SARS' Social and Ethics Committee.

The IPU successfully facilitated the WCO Customs Integrity Perception survey and Custom Integrity Diagnostic Assessment during this year. The unit also assisted the Customs Management unit to draft and begin implementation on a three-year Integrity Action Plan to address the recommendations emanating from the survey in the new FY. This is exceptionally important to enable SARS Leadership and the organisation to begin establishing a baseline on the levels of integrity within the organisation.

As a result of continuous benchmarking and research, the IPU published two ethics-related articles, one of which was for the WCO Integrity Newsletter. This enabled SARS to share knowledge and experiences with its global counterparts who participate in the field of fostering integrity and ethical standards.

The IPU received and processed 18 enquiries relating to conflict of interest, lack of understanding of acceptable behaviours, policy directives, employee relations and ethical dilemmas. The IPU participated in the SARS Combined Assurance Working Group (CAWG) and have identified areas where second line assurance can be provided on ethical and integrity risks. This has enabled Line Management to improve controls and strengthen oversight to reduce opportunities for transgressions.

**CODE OF BEHAVIORAL STANDARDS**
**FOR SARS EMPLOYEES**

BEHAVIORAL STANDARDS APPROVED 2021-02-18

The SARS Code of Ethical Conduct sets the standards for the personal and professional behaviour expected of SARS employees. It aims to encourage officials to behave honourably in all aspects of professional activity; to conduct themselves in such a manner as to maintain trust and confidence in the integrity of SARS; and to uphold the organisation's standards, policies, and all relevant legislation.

## Compliance with Laws and Regulations

SARS, as a public entity, must comply with applicable laws, rules, codes, and standards. To achieve this objective, it is necessary to establish a compliance framework and process that is appropriate for the organisation. SARS regulatory compliance risk management framework was finalised, together with documented and detailed roles and responsibilities. This is one of the key requirements as outlined in the SARS regulatory compliance policy. The purpose of the framework is to set out SARS' approach to the management of all categories of regulatory compliance risks. The Framework is aligned to, and forms part of the overall SARS enterprise risk management framework, and also adopts a risk-based approach to compliance management.

SARS embarked on a programme to improve regulatory compliance culture through training and awareness initiatives. Protection of Personal Information Act (POPIA) e-learning training was provided to raise awareness in relation to privacy responsibilities. In addition, e-learning training was provided on regulatory compliance principles and ensuring understanding compliance risks.

Whilst the organisation has always focused on compliance with laws and regulations, a need to increase efforts arose to ensure business receives optimal support in ensuring enablement of the strategic objectives. A corporate compliance officer was appointed to ensure dedicated regulatory compliance management by providing assurance services.

SARS will continue to build the regulatory compliance culture, review the compliance risk universe and profile at least annually to ensure improved compliance with applicable legislation.

## Fraud and Corruption

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 our 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 Head in the Corporate Cluster (the two units previously reported independently into the Stakeholder Management Structure). Although merged, the units maintain their distinctive features and roles. These two units lead the organisations' efforts in integrity promotion and countering internal fraud and corruption efforts, 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. The Integrity and Anti-Corruption Framework forms the basis of the unit's holistic approach to leading integrity promotion and counter internal fraud and corruption efforts, thereby contributing to the overall SARS vision, strategic intent, and compliance model.

A key focus during this year, which will be continued in subsequent years, was strengthening governance and stakeholder relationships both internally and externally, as well as governance. Governance Committees, at key decision points, through the end-to-end fraud and corruption process, were implemented. The Integrity Promotion and Anti-Corruption Unit, together with key partners such as the Vetting, Screening and Conflict of Interest unit, developed a consolidated stakeholder plan and road map which will continue to guide the units' combined efforts in engaging SARS management and employees.

## Anti-Corruption Unit (ACU)

The ACU's mandate is to combat internal fraud and corruption, 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 consequence management through disciplinary and criminal action where appropriate.

During the 2021/22 FY, almost two-thirds of all reports received by the ACU were submitted by SARS employees. All reports/allegations relating to internal fraud, corruption and serious misconduct by employees are extensively investigated.

For this FY, 129 reported incidents were escalated for ACU investigation. Most allegations investigated related to Irregular Customs Processes (33), Information Breaches (31), Unauthorised Interference in Tax Matters (19) and Ghost Exports (11).

The ACU completed 237 investigations during the FY, stemming from new incidents reported, as well as carried over incidents from prior years. From the completed investigations, 16 cases were referred to the SAPS, 19 to the NPA and 48 (involving 52 employees) for internal disciplinary action. The SAPS made five arrests related to ACU cases, including three employees. The NPA finalised four ACU cases and notable sentences were handed down, including a sentence of 48 years direct imprisonment for fraudulent changes to taxpayers' banking details.

Disciplinary proceedings relating to 68 employees were finalised during the year. Fifteen employees were dismissed and another fifteen resigned before the disciplinary process could be completed. An additional 23 employees were sanctioned, ranging from Counselling to Final Written Warnings with Unpaid Suspension.

The ACU has increased its efforts with the different lines of assurance to improve the efficacy of the resolution of cases and consequence management. As a result, ageing case inventory was notably decreased, and the unit experienced an 80% positive outcomes rate from investigations pursued. This means that in terms of investigations pursued these resulted in 80% of them ensuing in consequence management outcomes, ranging from internal sanctions, resignations and dismissals to criminal arrests and convictions.

The ACU has also conducted extensive work in assessing opportunities to strengthen its governance processes, resulting in the introduction of a governance review committee to assess investigations which are closed as undetected and unfounded. The purpose of this Committee is to provide appropriate oversight in supporting the ACU in ensuring that all aspects of alleged ethical transgressions are diligently processed and thus bring enhanced credibility and transparency in the investigations conducted by the ACU, whilst still maintaining requisite confidentiality.

The COVID-19 pandemic has had a negative impact on effective and interactive engagement with staff on ethics and integrity issues, as well as incident reporting and finalisation of ACU cases. The unit has leveraged technology tools in terms of e-learning platforms and virtual meeting platforms and coupled with the lifting of restrictions, this has allowed for an improvement in interactions and engagements with key stakeholders and staff.

To minimise revenue leakages the ACU Risk Mitigation Team (RMT) assessed and blocked the payment of suspicious refunds. Up to the end of September 2021, the team finalised 2 372 suspected fraudulent verifications, which resulted in R318 million being recovered (74% of the recorded losses). Since October 2021, the RMT forms part of the Case Selection Unit.

The ACU focused its communication efforts during the year on providing customised, strategic insights to individual SARS clusters, units, and regions. This encompassed extensive analyses of trends and patterns over periods of up to five years regarding, inter alia, transgressor demographics, location hot spots and case typologies. This practice will continue in the next FY. The ACU will also follow up with Line Management's efforts to effectively mitigate the fraud and corruption risks relevant to their areas of responsibility, including opportunities to address any control gaps which may be prevalent from a systems and process perspective.

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 initiatives. The ACU will continue to support this effort through focused activities outlined in the Action Plan.

The ACU also represents SARS at various Anti-Corruption forums, notably the National Anti-Corruption Strategy (NACS) Reference Group, whose work culminated to 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.

The concerted efforts of the ACU in the past FY to improve the ethical landscape and facilitate a culture of integrity culminated in SARS being recognised by the Association of Certified Fraud Examiners (ACFE) – a global body, as the winner of the Public Sector Corporate Company Award for 2021 in South Africa.

# Minimising Conflict of Interest

SARS achieved a 100% compliance rate for submission of Declaration of Private Interest (DOPI) by all employees in 2021. The declared private interest was verified to ensure that where conflict is identified, it is mitigated and/or resolved. Supply chain management employees and SARS top leadership's private interests are prioritised for verification. This is conducted twice a year to check for any change that could have been affected since the last verification. No conflict of interest was identified for the SARS National Bargaining Adjudicating Committee and the procurement members.

It is also important to manage private interests 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 exist, candidates are required to resolve the matter prior to their appointment.

In addition, employees are 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 doing 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. Failing which, disciplinary measures are instituted against them. This is a proactive measure to ensure that employees will not bid for tenders and conduct business with the State.

# SARS Social Responsibility

Social Responsibility (SR) initiatives primarily focused on the donation of decommissioned assets, through its partnerships with the Department of Education and the Department of Social Development, to mainly Government schools (non-fee paying) and a few Non-Government Organisations (NGOs).

SARS SR programmes further seek to promote volunteerism/community activism, which includes the donation programme and an element of tax awareness. There are currently over 100 active volunteer champions who are adding value to their communities.

The SR unit ensures that SARS contributes to Nation Building.

## Donations Programme

During the 2021/22 FY the SR Unit donated a total of 16 484 IT and furniture assets to 233 beneficiaries across all provinces of South Africa.

The record number of donations arose from SARS consolidating its footprint in the Pretoria area by closing certain offices. This led to the decommissioning of over 10 000 assets in the first quarter of the year under review.

The breakdown per quarter is as follow:

» In quarter one a total of 10 362 IT and non-IT assets were donated to 119 beneficiaries.
» In quarter two a total of 1 571 IT and non-IT assets were donated to 32 beneficiaries.
» In quarter three a total 2 819 IT and non-IT assets were donated to 31 beneficiaries.
» In quarter four a total of 1 732 IT and non-IT assets were donated to 51 beneficiaries.

## Other Noteworthy Community Initiatives

SARS was very generous in its donation initiatives in this FY.

**Seva Bhakti Foundation (SBF)**

The Durban State Warehouse donated bicycles and truckloads full of other gifts to the Seva Bhakti Foundation (SBF), who distributed the toys and bicycles to the children in their care.

**Tshwane Leadership Foundation's Potter House Project**

The SARS Women in Leadership (WIL) forum, head office region and SR, co-ordinated the collection and distribution of sanitary items, toiletries, women's and children's clothing, non-perishable groceries, detergents (including PPE), educational toys and previously loved books, as well as a cash donation to assist with the Potter House project.

## Education and Awareness Sessions

Together with the Taxpayer and Trader Education Division, SR invests in future taxpayers through the provision of tax education at donor schools.

# Internal Audit

## 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. The 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 2021/22 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 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 eventually Audit and Risk Committee:

» Review of Information Technology (IT) Security Strategy and Policy.
» Review of IT source code management.
» IT software and license management.
» Review of Disaster Recovery (DR) testing.
» Tax relief measures.
» Criminal case referrals.
» Post Implementation Review (PIR) of Personal Income Tax (PIT) auto assessments.
» Unallocated payments.
» National Treasury Quarterly reporting requirement.
» Irregular expenditures management review.
» Procurement open bids.
» 2021/22 - Audit of Predetermined Objectives (AoPO).

# 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 complies with relevant legislation, regulation and governance codes. The Committee is required to report amongst 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. SARS would like to express its sincere appreciation to Ms. Rachel Nkgodi for serving on SARS' Audit and Risk Committee until November 2021.

**Ms Doris Dondur**

**Chartered Accountant (SA), Chartered Director (SA)**

External

Appointed: 2 August 2018

Attended 23 meetings in 2021/22

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)
- Master's in Business Administration (Stellenbosch Business School)
- Post Graduate Certificate in Labour Relations (Unisa) (Cum Laude)

**Mr Barend Petersen**

**Chartered Accountant (SA)**

External

Appointed: 20 September 2021

Attended 7 meetings in 2021/22

Qualifications:

- B Compt Honours (UNISA)
- B Compt (UNISA)

**Mr Thabiso Ramasike**

**CAIB (SA) – (Institute of Bankers of SA)**

External

Appointed: 14 July 2016

Attended 15 meetings in 2021/22

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 0 meetings in 2021/22

Qualifications:

- Postgraduate Diploma in Accounting (UCT)
- Bachelor of Business Science (Finance Honours - UCT)

# Report of the Audit and Risk Committee

The Audit and Risk Committee ("the Committee") is established as an independent statutory committee in terms of the Public Finance Management Act (PFMA). The Committee functions within approved terms of reference and complies with relevant legislation, regulation and governance codes.

The Committee submits this report for the financial year ended 31 March 2022, as required by the Treasury Regulations 27.1.7 and 27.1.10 (b) and (c) issued in terms of sections 51(1)(a)(ii) and 76(4)(d) of the PFMA.

## AUDIT AND RISK COMMITTEE MEMBERSHIP

The Committee consisted of three Independent Members and a new member was appointed during February 2022. The Committee is chaired by Ms Doris Dondur.

In terms of section 77(b) of the PFMA, the Committee must meet at least twice a year. The Committee strives to meet at least four times per annum as per its approved terms of reference. Four ordinary meetings were held for the financial year ended 31 March 2022.

## AUDIT AND RISK COMMITTEE RESPONSIBILITY

The Audit and Risk Committee is satisfied that it has complied with its responsibilities as outlined in Section 51 (1)(a)(ii) of the PFMA and Treasury Regulation 27.1.7. The Committee also reports that it has adopted and reviewed formal terms of reference as its Audit Committee charter and has discharged all its responsibilities as contained therein.

## THE EFFECTIVENESS OF INTERNAL CONTROLS

The PFMA requires the Accounting Officer to ensure that the organisation has and maintains effective, efficient and transparent systems of financial, risk management and internal control, whilst it is the Committee's role to review the effectiveness of internal controls and oversee risk management. Reviews on the effectiveness of the internal controls were conducted and they covered financial, operational, compliance and risk assessment.

In line with the PFMA, 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.

Through the Committee's analysis of the audit reports and engagement with the SARS Management team, the Committee reports that the system of internal controls for the period under review was not entirely adequate and effective in improving the control environment and to reduce the risk to an acceptable level. The areas that require the continued focus of the management team to improve the internal control environment relate to the appropriate interpretation of accounting standards in the application of the requirements; the timeous resolution of audit findings and the improvement of IT controls to enable an effective IT environment. In addition to this the drivers on internal control for compliance monitoring have been assessed as concerning by the external auditors. The aforementioned are the areas that the Committee will specifically focus their oversight on during the financial year ending 31 March 2023. The objective of this focus is to ensure that management oversight over the accurate application of accounting standards and the review processes around the preparation of financial statements is strengthened, thereby addressing and preventing a recurrence of the highlighted internal control deficiencies.

## THE QUALITY OF THE QUARTERLY MANAGEMENT REPORTS

The Audit and Risk Committee has reviewed the quarterly management reports and, with the exception of the highlighted deficiencies in the preceding paragraph, is satisfied with the quality thereof.

## ENTERPRISE RISK MANAGEMENT

The Committee has noted some progress with the implementation of the Combined Assurance Model. In order to operationalise and strengthen implementation, a working group comprising of second level and third level assurance providers has been established to bring about synergy and coordinated efforts on broader assurance coverage. The Committee continues to monitor the progress of the implementation.

The committee concluded that Line Management must accept their responsibility relating to risk management and embed the risk management culture in their substantive work environment and day-to-day activities to ensure that the strategic objectives are achieved.

## 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 SARS to enable it to discharge its responsibilities effectively. The Internal Auditors have unrestricted access to 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 2022; the Internal Audit function derived at their overall opinion as per the table below which summarises the internal audit overall opinion based on the audit results for the financial year under review:

| No | Process | Opinion |
|---|---|---|
| 1 | Control Environment | Adequate and Partially Effective |

The Audit and Risk 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 CONSOLIDATED ANNUAL FINANCIAL STATEMENTS - OWN ACCOUNTS

The Committee reviewed the consolidated Audited Annual Financial Statements of the organisation and is satisfied, apart from the matters highlighted in the Auditor-General of South Africa's (AGSA) audit report, 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 set properly 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;
- Reasons for year-on-year fluctuations;
- Asset valuations and revaluations; and
- Re-assessment of the useful life of the assets.

The review of consolidated Annual Financial Statements and the Annual Report for the 2021/22 Financial Year was completed at the Committee's meeting held on 27 July 2022.

The consolidated annual financial statements submitted for auditing were not fully prepared in accordance with the prescribed financial reporting framework, as required by section 55(1) (b) of the PFMA. Material misstatements were identified by the external auditors in the submitted financial statements, which resulted in an Emphasis of Matter paragraph in the audit report and unqualified with non-compliance findings opinion issued by the AGSA.

## EVALUATION OF ANNUAL FINANCIAL ACCOUNTS – REVENUE ACCOUNTS

The Committee reviewed the Audited Financial Accounts – Revenue Accounts of the organisation and is satisfied, apart from the matters highlighted in the Auditor-General of South Africa's (AGSA) audit report in terms of the exemptions approved pertaining to the Modified Cash Standards, that they comply with the applicable Accounting Standards and that the accounting policies used are appropriate. The Annual Financial Accounts were reviewed with the following focus:

» Significant financial reporting judgements and estimates
» Clarity and completeness of disclosure and whether disclosures made have been set properly 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; and
» Reasons for year-on-year fluctuations;

The review of Annual Financial Accounts – Revenue Accounts for the 2021/22 Financial Year was completed at the Committee's meeting held on 27 July 2022.

## EXTERNAL AUDIT: AUDITOR-GENERAL SOUTH AFRICA

The Committee, in consultation with the Accounting Officer, noted the terms of the Auditor-General South Africa's engagement letter, audit strategy and audit fees in respect of the 2021/22 financial year.

The Committee also monitored the implementation of the action plans to address matters arising from the Management Report issued by the Auditor-General South Africa for the 2020/21 Financial Year.

The Audit Committee has also had in committee meetings with the Auditor-General of South Africa and the Accounting Officer.

The Committee has reviewed SARS' implementation plan for audit issues raised in the previous year and concluded that such plan is partially effective as many of the audit findings have not been adequately resolved.

## GENERAL

The Committee wishes to commend the organisation on the audit outcome relating to the Annual Performance Plan and Report, its key performance indicators and specifically the technical indicators. The audit outcome resulted in no audit findings and is a significant improvement of the position as at the previous year end.

The Committee also commends management on their efforts to curb the incurrence of fruitless and wasteful expenditure as well as irregular expenditure.

The Committee strongly recommends that SARS prioritises the adequate and effective implementation and frequent monitoring of the audit action plans for both internal and external audit to achieve the required effectiveness in governance, accountability and clean administration. Priority should be placed on a review relating to all aspects of assets as there are internal control deficiencies in this area which annually result in material misstatements.

The Committee further notes the ongoing AGSA work relating to other reports and will monitor the outcome of their work with an emphasis on the improvement of the internal control environment.

## CONCLUSION

The Committee has reviewed the Auditor-General of South Africa's management and audit reports for the financial year ended 31 March 2022 and concurs with their conclusions. The Committee therefore accepts the audit opinions and conclusions expressed by the Auditor-General of South Africa on the annual financial statements, annual performance report and annual report.

The review of the audited Annual Financial Statements and the Annual Report for the 2021/22 Financial Year was completed at the Committee's meeting held on 27 July 2022.

Signed on behalf of the SARS Audit and Risk Committee by:

**Ms Doris Dondur**

**Chairperson of the Audit and Risk Committee**

**Date: 19 August 2022**

# B-BBEE Compliance Performance Information

| Elements | Available points | Score Achieved 2020 | Score Achieved 2021 |
|---|---|---|---|
| Management Control | 20.00 | 17.94 | 15.95 |
| Skills Development | 25.00 | 13.37 | 3.11 |
| Supplier and Enterprise Development | 50.00 | 28.32 | 24.44 |
| Procurement | 30.00 | 26.08 | 22.94 |
| Supplier Development | 15.00 | 2.25 | 1.50 |
| Enterprise Development | 5.00 | 0.00 | 0.00 |
| Socio-Economic Development | 5.00 | 0.00 | 0.00 |
| **Total Achieved** | **100.00** | **59.63** | **43.50** |
| Level Achieved | | Eight | Non-Compliant |

## Management Control

SARS achieved 15.95 in 2021 vs 17.94 in 2020, and the difference can be attributed to the methodology applied in recognising black board members, where only the SARS Commissioner was considered for scoring purposes at this level.

## Skills Development

» SARS achieved 3.11 in 2021 vs 13.37 in 2020.
» The leviable amount has relatively remained unchanged compared to 2021 (R7.7 billion) vs 2020 (R7.6 billion).
» The decrease in points can be attributed to:
  » Decrease in skills spend for black people R91 million (2021) vs R173 million (2020) – 47.40% decline.
  » Decrease in the number of black people participating in learnerships, apprenticeships, internships 0.32% (2021) vs 2.00% (2020) – 84% decline.
  » Decrease in the number of black people absorbed after completing learnerships, apprenticeships, internships 5.00% (2021) vs 100% (2020) – 95% decline.

## Enterprise and Supplier Development: Procurement

SARS achieved 22.94/30.00 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 9.78/11.00.
» B-BBEE spend from empowering suppliers who are 30% black women owned 5/5.

SARS concluded its annual BEE verification with a non-compliant contributor status after achieving Level 8 contributor and being discounted to non-compliant due to minimum scores not achieved in the priority elements.

SARS scored 22.94/30.00 for procurement related activities, which indicates the commitment to empowering SMMEs and Black women owned companies.

| 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? | No | None required within SARS' mandate |

# 4 PART FOUR
# HUMAN CAPITAL AND DEVELOPMENT

## Staff Establishment

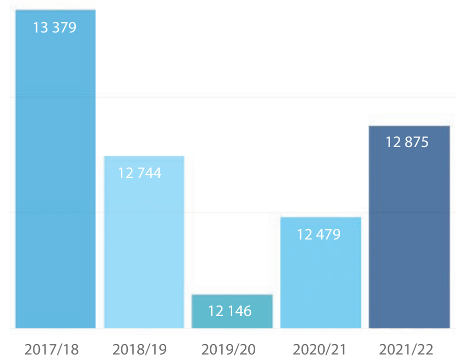
- Total Headcount: 12 875
- Permanent/Contract: 12 158
- Graduate/ Trainees: 234
- Short Term Contract/Season Workers: 483

## Gender Distribution

36.74% Male

63.26% Female

## Headcount Trendline




## Attrition Type: 481

| | |
|---|---|
| 66 | Deaths |
| 226 | Resignations |
| 166 | Retirements |
| 23 | Terminations |

**(Only permanent employees)**

## Attrition Employment Type: 497

| | |
|---|---|
| 481 | Permanent |
| 10 | Short Term Contract |
| 5 | Graduate/Trainees |
| 1 | Contract |

**(All employees)**

## Appointments: 892

| | |
|---|---|
| 182 | Permanent |
| 490 | Short Term |
| 219 | Graduate/Trainees |
| 1 | Contract |

**(Only external recruitments)**

## Workforce Profile

| | |
|---|---|
| 63.48% | African |
| 19.74% | White |
| 10.67% | Coloured |
| 5.80% | Indian |

### Employment Equity Race

79.95% achieved
81.36% annual target

### Gender @ Management Level

49.91% achieved
51.75% annual target

### Disability

1.94% achieved
3.16% annual target

# SARS People Management

At the heart of the SARS vision to be a "smart" and "modern" organisation," beyond reproach, trusted and admired", is our people. This vision is supplemented by our Strategic Objective 4 to "Develop a high performing, diverse, agile, engaged and evolved workforce".

Our employees are involved in a range of deliverables including:

- Engaging directly with taxpayers, traders and intermediaries through a number of frontline service channels as well as our digital online and web-based offerings to provide clarity and certainty of registration, filing and payment obligations; make the fulfilment of these obligations simple, seamless and easy, and when alerted, conducting audit and investigative work where compliance risks are detected, as well as resolving disputes when these arise.
- Through the deployment of research, policy & process design, engineering, data and technology expertise provide the products and platforms that enables effective and efficient engagement with taxpayers, traders, intermediaries and various stakeholders.
- Through the procurement and provision of financial, material and physical resources required to deliver the means in support of delivering the SARS mandate, as well as facilitating and ensuring compliance with applicable legislation and principles of good governance and risk management.

This chapter 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 ethos conducive to our 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.

## An Unprecedented New Normal

Since the start of the COVID-19 pandemic a "new normal" is emerging, which we do not yet fully understand. In order to ensure the delivery of our mandate of collecting revenue, improving compliance and facilitating legitimate trade, SARS had to reconfigure its ways of working at an unprecedented speed. Through the deployment of additional digital offerings and enabling up to 90% of employees to work remotely, we were able to continue to serve taxpayers, allowing them to fulfil their tax obligations. The impact on employees, however, should not be underestimated. We literally had individuals re-organise their homes, recalibrated their daily routines, and disrupt their usual family and social arrangements. Through various phases of lockdown, and in response to operational requirements, we adjusted work arrangements towards an emerging hybrid organisation. Amidst all this, employees and their families lived in anxiety of contracting the virus, and many dealt with the direct fallout of becoming sick, tending to family members who fell ill, and even coming to terms with the loss of a loved one, close friend or colleague. This has had and continues to have significant emotional and psychological impact on employees and their managers. Across the board we are all struggling, trying to make sense, and finding a new rhythm to a new normal.

It did not help that over the past few years, due to financial constraints within Government, our employees experienced a decline of the value proposition with the Employer. These factors have presented huge challenges for retaining the high levels of engagement with staff as well as managers.

We are learning as we go but have a long way to go toward a new normal.

## The SARS Leadership Model

The SARS Leadership Model was designed over a period of 15 months by the Senior Executive Leadership (Top 70) to provide a clear depiction of the core role of every SARS Manager/Leader, as well as the desired behavioural attributes. The past year was the first full year to socialise the Leadership Model beyond the Top 70 to the broader leadership. The key learning is that we should not underestimate the persistence of effort that will be required to embed the Leadership Model into daily leadership practices.

The Leadership Model informs how SARS recruits new managers as well as the deployment, development, and performance management of current managers.

Specifically, the model points out that every manager has, as a minimum, the role to:

- Formulate and/or provide strategic clarity
- Ensure the implementation of strategic intent
- Engage the employees they manage to deliver the work
- Develop employees for the future

In delivering these four roles, every manager must exhibit the core behaviours of:

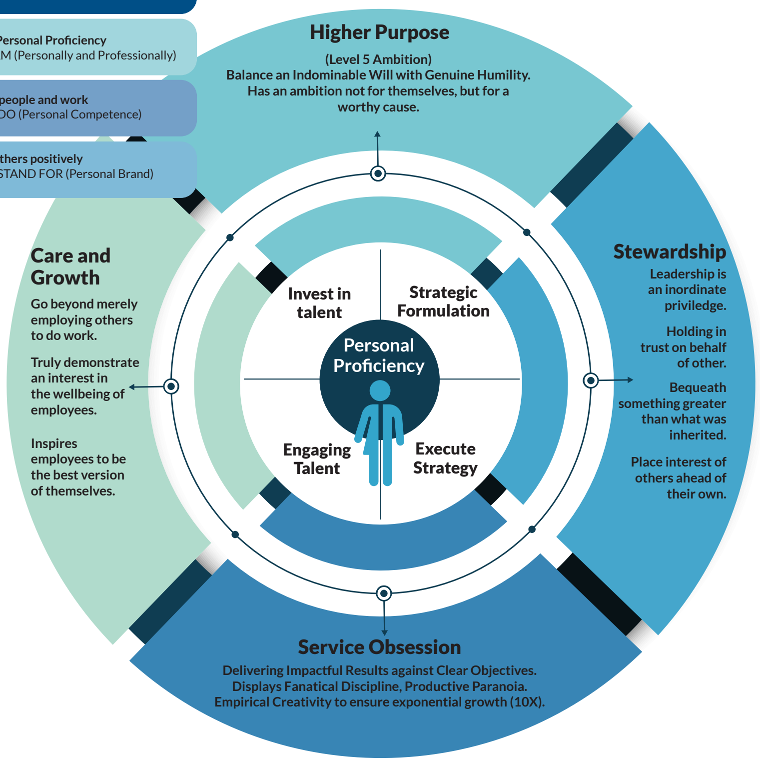
- Level 5 Leadership - Higher Purpose Orientation
- Stewardship
- Service Obsession & Performance Excellence
- Caring for, and personal growth of employees

The following diagram depicts a system of people management:

# SARS Employee Value Proposition

**SARS Leadership Model**
Every SARS Leader shall

1. Display Personal Proficiency
WHO I AM (Personally and Professionally)
2. Manage people and work
WHAT I DO (Personal Competence)
3. Impact others positively
WHAT I STAND FOR (Personal Brand)




**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, whilst 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

## Employee Engagement Model

When managers embrace these roles and exhibit the desired behaviours, they are more likely to engage their employees. Specifically, every manager must ensure the **5 Employee Rights** are experienced by every employee – the right:

1. To **enjoy** their work
2. To understand the **meaning** of their work
3. To know what **winning** means
4. To receive performance **feedback**
5. To experience a **fair deal**

When the relationship between managers and employees are characterised as set out above, the intellectual, psychological and emotional contract between SARS and its employees that renders a highly engaged workforce to deliver the institutional mandate effectively, whilst providing an experience to every employee that is fulfilling and rewarding. This comprehensive employee experience consists of a range of financial, non-financial quantitative and qualitative benefits which collectively is known as the **Employee Value Proposition (EVP).**

## Enabling Delivery

### Operational enablement

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, 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, among others, its human resources in an agile manner to respond to the unique cyclical demand of our taxpayers.

The Medium-Term Capacity Framework is published monthly and plays an integral role in assisting the organisation to obtain a balance between supply and demand of its resources. Regional and functional resource performance, analysis, and planning reports provide in depth analysis of key levers impacting resources across the value chain. SARS' staffing decisions are based on the established organisational capacity plans and available staff budgets, which are continually reviewed and adjusted to meet current and future organisational needs.

## Recruit a Skilled and Capable Workforce

SARS has 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 by SARS of the skills it 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.

SARS made 1 171 appointments during the year under review and these consist of the following:

» Permanent appointments (461).
» Graduates (219), inclusive of Customs Cadets and Chartered Accountant graduates.
» Temporary contract workers (490).

The appointments mentioned above were mainly in the core capability areas: Audit and Risk, Information Technology, Investigations, Data Analytics and Legal.

At the end of the year under review, there were a total of 927 positions in the recruitment process to be concluded in the new FY.

Every year, university students vote for their ideal employers in the country's largest, most comprehensive and independent career related study – the Universum Talent Survey. SARS ranked as #1 amongst Business/Commerce students, in this 2022 South Africa's Most Attractive Employers ranking.

Similarly, young professionals vote for their ideal employers in the South Africa's largest, most comprehensive and independent career related study – the Universum Talent Survey. SARS has been listed as Top of Industry within Accountancy by the Business/Commerce professionals, in this 2022 South Africa's Most Attractive Employers ranking.

## Learning and Development

SARS continues to regard skills development as one of the bedrocks for organisational performance and employee engagement to enable realisation of the organisational vision. 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. Whilst dealing with the challenges and constraints associated with COVID-19, SARS continued to deploy blended learning modes of which virtual approaches become a dominant feature. In this regard, SARS delivered learning and development interventions to 12 991 employees. This includes 481 seasonal workers at the peak of revenue collection periods for specific revenue and debt collection activities.

Additionally, the Association of Certified Fraud Examiners of South Africa (ACFE SA) recognised SARS as the winner of the Public Sector Corporate Company Award for 2021 for the investment made in our Capability Development in Fraud Examination and Management. This prestigious award aligns with our strategic objective of building a smart, modern SARS with unquestionable integrity that is trusted and admired by peers, the public and government. In summary, building Human Capability for the period under review is illustrated as follows:

### Skills Pipeline and Youth Development

SARS has embarked on a journey to rebuild its organisational capability and restore institutional integrity. Integral to this drive, is the development of young and emerging talent to cater for the future capabilities and skills of SARS. During the FY, SARS continued to increase the strength of its emerging talent through the development of young professionals, thus providing a skilled workforce that is equipped to adapt to future ways of working. SARS is currently hosting the following Graduate in Training (GIT) Programmes:

**Chartered Accountant Articles Programme (SAICA accredited learnership)**: The duration of the GIT: Chartered Accountant Article Programme is 36 months, which includes rotation within the business area or theme of work. The learning approach is structured through exposure in the seven areas of competence, with the requisite range and depth as defined by the SAICA competency framework. SARS currently has 25 graduates in development on the SAICA learnership.

**General Development Programme:** The duration of the GIT: General Development Programme is 24 months, which includes rotation within the business areas or theme of work. The learning approach is structured and exposes graduates to the service and compliance environments before they join their area of specialisation. This approach allows graduates to understand and gain an appreciation of the value chain within SARS. SARS currently has 195 graduates in development on the General Development Programme.

**Customs Cadet Programme**: The duration of the GIT: Customs Cadet Programme is 24 months, which includes rotation within the Customs Border Operations business area. The learning approach is structured and developed to ensure the Graduates in Training obtain the foundational knowledge and skills requirements of a Customs Officer. SARS currently has 15 graduates in development on the Customs Cadet Programme.

**Bursary Programmes for Young Talent:** Since 2012, SARS embarked on the External Bursary Programme with the intention to qualify students in disciplines aligned to SARS' core business. The purpose of the External Bursary Programme is to sponsor financially needy students. After completing their qualifications, the students are enrolled into the GIT Programmes. The External Bursary Programme is governed within SARS' bursary policy and related processes. Currently, six students in various South African public universities are in the SARS External Bursary Programme. In addition, SARS donated funding to the Thuthuka Education Upliftment Fund for the development of 81 previously disadvantaged persons who strive towards entering the accountancy profession.

## Leadership Development

### Women in Leadership (WIL)

The mandate and guiding coalition of the WIL committee 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 committee 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 Women in Leadership (WIL) committee forms an integral part of the SARS organisational design. The WIL committee is established as one of the enterprise committees of SARS. The WIL committee is in its second year of existence with robust implementation. An active participation by the leadership and especially the Commissioner for SARS, is a regular feature of the programme. Implementation is done through enterprise and regional initiatives that focus on the SARS leadership model and specific issues that women face. The total number of training hours for the FY is over 13 000 hours.

### Junior Board

The establishment of the SARS Junior Board, under the leadership of the Commissioner is an intentional thrust towards the 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 a fertile ground to invest in talent and engage talent aligned within the framework of the SARS leadership model. In addition, investment in talent is considered central towards improving the employee value proposition for the Youth @ SARS. Members form an integral component of the broader leadership platform led by the Commissioner, deliberate on Vision 2024 to contribute their insights to enrich the strategic conversation. Strong emphasis is placed on their development through conversations with the Commissioner and the leadership, group mentoring, individual coaching, and support.


# Health, Safety and Environmental Issues

The FY activities took place amidst the second year of being affected by a global pandemic.

SARS as an employer, continued to act in accordance with the Occupational Health and Safety Act by continuing to provide and maintain a working environment that is safe and without risk to the health of employees.

Interest groups were formed aimed at ensuring that there are internal controls in place to ensure the risk of infection is mitigated, and that SARS is compliant with the provisions relating to a safe and healthy environment.

The broad principles for a SARS response were set out as follows:

## COVID-19 Risk Communication Response

This was done through the continuation of an awareness programme of emails, Frequently Asked Questions (FAQs) and dedicated pages on the SARS intranet where all vital COVID-19 information was published on a regular basis. The Communications department also continued with their campaign through screensavers, newsflashes, posters, as well as the production of animated videos.

Information was provided on SARS' preparedness and the precautionary measures that were put in place to protect the staff and taxpayers. These were placed on the SARS website and social media platforms. Media statements were issued on COVID-19, to maintain transparency to the broader public.

## Promote Vaccination as a Preventative Measure

SARS actively promoted the use of vaccines as a measure to safeguard employees. Employees were granted an opportunity to be vaccinated prior to their eligible age groups as a once-off campaign.

### Respond Appropriately and with Urgency to a Case of COVID-19 in the Workplace

The manager and employee toolkits developed during the first year of the pandemic were continuously updated to be aligned with the Government regulations of each lockdown level. Daily tracking of cases, recoveries and deaths was done within the strictest confines, but with the aim of being able to respond to high-risk areas to always keep other staff members safe.

## Enabling Employees to Return to Work on a Rotational Basis

SARS took the decision to have 60% of the workforce return to the office as the lockdown levels eased. The decision for 60% was taken to ensure that safe physical distancing could still be maintained, as well as to limit the number of employees in a building at any time. All health protocols were strictly observed during this period and the continued purchase of Personal Protective Equipment (PPE) was procured to further ensure the safety of staff. The remaining 40% were able to work from home because of effective tools of trade that were distributed during the first few months of the pandemic.

## COVID-19 Related Deaths

It is with sadness that we report the loss of 48 of our colleagues during the year under review due to COVID-19 related complications. These colleagues not only represent human capital that has been eternally lost to SARS but a family member and potentially a breadwinner who was lost to their immediate family.

## Employee Wellness

Employee Wellness has been, and continues to be, at the centre of the organisation's rapid response to the COVID-19 pandemic. Through Wellness initiatives, the workforce has been kept emotionally resilient and enabled to bounce back from the adversities caused by the pandemic and the changing work environment. During 2021/22, with employees learning to co-exist with the virus, the focus shifted from crisis mode towards cautious recovery. The workforce slowly re-entered the physical work environment through a hybrid work model, and strong Health and Wellness protocols were deemed necessary, and accordingly implemented for continued prevention and containment.

Containment, as part of a recovery programme, is to help the organisation to bridge the crisis response to the new normal, by laying the foundation to thrive in the aftermath of the crisis. The recovery programme is characterised by five critical actions, which involved the following:

**Reflect:** Through the delivery of targeted interventions, employees were given the opportunity to reflect on the impact of COVID-19 and were empowered with life skills to enable them to function optimally in all spheres of their lives.

**Recommit**: The Wellness Unit strengthened its commitment to well-being and purpose through a focused approach on physical, psychological, and financial impact, among others.

**Re-engage**: Through group and individual interventions aimed at empowering employees to take charge of their lives, whilst preparing for the return to work and engagements with Managers on how to facilitate a cushioned return to work, given the anxiety that still surrounds COVID-19.

**Rethink**: By conceptualising a new Wellness programme that would respond to the needs of the employees under the new normal, which coincided with the appointment of a new Wellness Service Provider that is aligned to the new ways of conducting business brought about by the pandemic.

**Reboot**: As the organisation was trying to recover and reboot, whilst preparing for the return to work, the Wellness programme was critical in ensuring that the health and wellbeing of the workforce is a priority in reducing absenteeism and presenteeism, which have an impact on productivity.

The recovery journey is ongoing, and the organisation encourages commitment from all its employees to ensure self-care and care for those around them.

# Oversight Statistics

## Workforce Profile (Employment Equity)

| Occupational Levels | Designated | | | | | | | Non-designated | | | Total | % Representation |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Male | | | Female | | | | White Male | Foreign Nationals | | | |
| | A | C | I | A | C | I | W | | M | F | | |
| Top Management | 1 | 1 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 2 | 0.02% |
| Senior Management | 127 | 21 | 40 | 98 | 12 | 25 | 54 | 76 | 1 | 2 | 456 | 3.54% |
| Professionals | 946 | 162 | 153 | 927 | 164 | 157 | 497 | 389 | 16 | 7 | 3 418 | 26.55% |
| Skilled and Junior | 1 747 | 279 | 115 | 3 136 | 624 | 232 | 1 088 | 285 | 6 | 6 | 7 518 | 58.39% |
| Semi-skilled | 164 | 26 | 7 | 302 | 49 | 18 | 135 | 15 | 1 | 0 | 717 | 5.57% |
| Unskilled | 142 | 8 | 0 | 583 | 28 | 0 | 1 | 2 | 0 | 0 | 764 | 5.93% |
| **Grand Total** | **3 127** | **497** | **315** | **5 046** | **877** | **432** | **1 775** | **767** | **24** | **15** | **12 875** | |

| 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 CTC) as at 31 March 2022

| Cluster | Personnel Expenditure (CTC) | % Personnel Expenditure to Total Personnel Cost (CTC) | No. of employees | Average Cost per Employee |
|---|---|---|---|---|
| Corporate Cluster | 336 335 512 | 4.55% | 301 | 1 117 394 |
| Enterprise Design and Enablement Cluster | 1 496 388 834 | 20.24% | 1 905 | 785 506 |
| Enterprise Services and Support Cluster | 411 849 051 | 5.57% | 1 019 | 404 170 |
| Taxpayer Engagement Cluster | 5 149 407 996 | 69.64% | 9 650 | 533 617 |
| **Grand Total** | **7 393 981 392** | | **12 875** | **574 290** |

## 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 | 9 853 349 | 0.13% | 2 | 4 926 673 |
| Senior Management | 793 675 546 | 10.73% | 456 | 1 740 517 |
| Professionals | 3 157 722 375 | 42.71% | 3 418 | 923 851 |
| Skilled and Junior | 3 147 227 635 | 42.56% | 7 518 | 418 626 |
| Semi-skilled | 201 886 975 | 2.73% | 717 | 281 572 |
| Unskilled | 83 615 514 | 1.13% | 764 | 109 444 |
| **Total** | **7 393 981 392** | **-** | **12 875** | **574 290** |

## Labour Relations: Misconduct and disciplinary action from 2017/18 to 2021/22

| Disciplinary Action | 2017/18 | 2018/19 | 2019/20 | 2020/21 | 2021/22 | % of total no. of disciplinary actions 2021/2022 |
|---|---|---|---|---|---|---|
| Demoted | 0 | 0 | 0 | 0 | 0 | 0.00% |
| Dismissed (Disciplinary Hearing) | 56 | 35 | 46 | 17 | 25 | 34.72% |
| Final Written Warning | 8 | 5 | 8 | 4 | 8 | 11.11% |
| Salary Suspended | 21 | 7 | 8 | 7 | 9 | 12.50% |
| Written Warning | 0 | 1 | 0 | 2 | 0 | 0.00% |
| Not Guilty | 9 | 16 | 4 | 1 | 8 | 11.11% |
| Suspension with pay | 0 | 0 | 0 | 0 | 0 | 0.00% |
| Employee Deceased | 1 | 0 | 1 | 1 | 0 | 0.00% |
| Employee Resigned | 15 | 25 | 20 | 7 | 19 | 26.39% |
| Charges Withdrawn | 1 | 8 | 3 | 0 | 0 | 0.00% |
| Other | 6 | 6 | 10 | 2 | 3 | 4.17% |
| **Total** | **117** | **103** | **100** | **41** | **72** | **100.00%** |

## 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 | 451 | 456 | 5 |
| Professionals | 3 373 | 3 418 | 45 |
| Skilled and Junior | 7 076 | 7 518 | 442 |
| Semi-skilled | 822 | 717 | -105 |
| Unskilled | 755 | 764 | 9 |
| **Total** | **12 479** | **12 875** | **396** |

## Appointments

| Occupational Levels | External Appointments | Internal Appointments |
|---|---|---|
| Top Management | 0 | 0 |
| Senior Management | 10 | 20 |
| Professionals | 76 | 181 |
| Skilled and Junior | 571 | 78 |
| Semi-skilled | 219 | 0 |
| Unskilled | 16 | 0 |
| **Total** | **892** | **279** |

## Termination Reasons

| Reason | Permanent Employees | All Employees |
|---|---|---|
| Death | 66 | 67 |
| Resignation | 226 | 238 |
| Retirement | 166 | 166 |
| Termination ER | 23 | 23 |
| Other | 0 | 3 |
| **Total** | **481** | **497** |

# 5 PART FIVE FINANCIAL INFORMATION

# South African Revenue Service

# Financial Statements for the year ended 31 March 2022

## Contents



The following supplementary information does not form part of the financial statements and is unaudited:



The financial statements set out on page 100 -150 which have been prepared on the going concern basis, were approved and signed by:

**Edward Chr Kieswetter**
SARS COMMISSIONER
**29 July 2022**

# Report by the SARS Accounting Officer

## Introduction

The Accounting Officer 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 2022. 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 Officer 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 and Trader Education Productions |
| Ms B.O. Mabanga-Dyantyis | Head: Governance and Risk |
| Mr M.E. Papenfus | Head: Enterprise Data Management |
| Mr I. Shaik | Head: Technology and Solutions Delivery |
| Mr H. Smith | Head: Operations Enabling and 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 Permanent Invitee) |
| Vacant | Company Secretary |

## Revenue Accounts

Revenue in respect of Administered 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 Finance 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 SARS 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 SARS 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. The report issued by the Office of the Auditor General for Revenue Accounts for the year under review was a clean audit report (unqualified with no findings). 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 2022 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 a risk-based system of 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 Officer with the independent oversight by the Audit and Risk Committee. SARS has an established internal audit function with the required independence.

### Corporate Governance

The Accounting Officer is committed to business integrity, transparency and professionalism in all his activities. As part of this commitment, the Accounting Officer 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 amongst others the SARS Act of 1997, 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 exist or is in planning in the foreseeable future.

### Events Subsequent to the Balance Sheet Date

There are currently no other subsequent events over and above the Shandon transaction that is duly disclosed in the Consolidated Annual Financial Statements that required disclosure.

### Address

The entity's business, postal and registered addresses are:

| Business address | Postal address | Registered address |
|---|---|---|
| 299 Bronkhorst street<br>Nieuw Muckleneuk<br>0181 | Private bag x923<br>Pretoria<br>0001 | 299 Bronkhorst street<br>Nieuw Muckleneuk<br>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
**Date: 29 July 2022**

# 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 100 to 150, which comprise the consolidated and separate statement of financial position as at 31 March 2022, 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 as at 31 March 2022, and its 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 auditor-general's responsibilities for the audit of the consolidated and separate financial statements section of my report.

4. I am independent of the public entity 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 37 to the consolidated and separate financial statements, the corresponding figures for 31 March 2021 were restated as a result of an error in the consolidated and separate financial statements of the public entity at, and for the year ended, 31 March 2022.

#### Presentation of financial statements

8. As disclosed in the presentation of financial statement note 1 to the consolidated and separate financial statements, the reporting activity of SARS has been divided into Revenue Accounts and Own Accounts.

### Other matter

9. I draw attention to the matter below. My opinion is not modified in respect of this matter.

#### Unaudited supplementary schedules

10. The supplementary information set out on pages 151 to 160 does not form part of the consolidated and separate financial statements and is presented as additional information. I have not audited this schedule and, accordingly, I do not express an opinion on it.

### Responsibilities of the accounting authority for the financial statements

11. 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 controls as the accounting authority determines is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatements, whether due to fraud or error.

12. 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.

### Auditor-General's responsibilities for the audit of the consolidated and separate financial statements

13. 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.
14. 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

### Introduction and scope

15. In accordance with the Public Audit Act 25 of 2004 (PAA) and the general notice issued in terms thereof, I have a responsibility to report on the usefulness and reliability of the reported performance information against predetermined objectives for selected objectives presented in the annual performance report. I performed procedures to identify material findings but not to gather evidence to express assurance.
16. My procedures address the usefulness and reliability of the reported performance information, which must be based on the public entity's approved performance planning documents. I have not evaluated the completeness and appropriateness of the performance indicators included in the planning documents. My procedures do not examine whether the actions taken by the public entity enabled service delivery. My procedures do not extend to any disclosures or assertions relating to the extent of achievements in the current year or planned performance strategies and information in respect of future periods that may be included as part of the reported performance information. Accordingly, my findings do not extend to these matters.
17. I evaluated the usefulness and reliability of the reported performance information in accordance with the criteria developed from the performance management and reporting framework, as defined in the general notice, for the following selected objectives presented in the public entity's annual performance report for the year ended 31 March 2022:

| Objectives | Pages in the annual performance report |
|---|---|
| Strategic objective 1 - provide clarity and certainty for taxpayers and traders of their obligations | 31 |
| Strategic objective 2 - make it easy for taxpayers and traders to comply with their obligations | 33 |
| Strategic objective 3 - detect taxpayers and traders who do not comply, and make non-compliance hard and costly | 35 |

18. I performed procedures to determine whether the reported performance information was properly presented and whether performance was consistent with the approved performance planning documents. I performed further procedures to determine whether the indicators and related targets were measurable and relevant, and assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.
19. I did not identify any material findings on the usefulness and reliability of the reported performance information for these objectives:

» Strategic objective 1 - provide clarity and certainty for taxpayers and traders of their obligations
» Strategic objective 2 - make it easy for taxpayers and traders to comply with their obligations
» Strategic objective 3- detect taxpayers and traders who do not comply, and make non compliance hard and costly

### Other matter

20. I draw attention to the matter below.

#### Achievement of planned targets

21. Refer to the annual performance report on pages 18 to 62 and 152 to 160 for information on the achievement of planned targets for the year and management explanations provided for the over/under achievement of targets.

## Report on the audit of compliance with legislation

### Introduction and scope

22. In accordance with the PAA and the general notice issued in terms thereof, I have a responsibility to report material findings on the public entity's compliance with specific matters in key legislation. I performed procedures to identify findings but not to gather evidence to express assurance.

23. The material findings on compliance with the specific matters in key legislation are as follows:

### Annual financial statements and annual reports

24. The financial statements submitted for auditing were not fully prepared in accordance with the prescribed financial reporting framework, as required by section 55(1)(b) of the PFMA.

25. Material misstatements on non-current assets, impacting net assets and expenditure identified by the auditors in the submitted financial statements, were corrected, resulting in the financial statements receiving an unqualified audit opinion.

## Other information

26. The accounting authority is responsible for the other information. The other information comprises the information included in the annual report, which includes the commissioner's overview and the report of the audit and risk committee. The other information 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 in the auditor's report.

27. My opinion on the consolidated and separate financial statements and findings on the reported performance information and compliance with legislation do not cover the other information and I do not express an audit opinion or any form of assurance conclusion on it.

28. In connection with my audit, my responsibility is to read the other information and, in doing so, consider whether the other information 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 controls relevant to my audit of the consolidated and separate financial statements, reported performance information and compliance with legislation; however, my objective was not to express any form of assurance on it. The matters reported below are limited to the significant internal control deficiencies that resulted in the finding on compliance with legislation included in this report.

31. The financial statements submitted for auditing contained a material misstatement that was subsequently corrected. This was attributable to the requirements of the financial reporting framework not being fully implemented and ineffective review processes to identify misstatements prior to the financial statements being submitted for auditing.

## Other reports

32. I draw attention to the following engagements conducted by various parties which had, or could have, an impact on the public entity's financial statements, reported performance information and compliance with legislation and other related matters. These reports did not form part of my opinion on the 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 by 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 has 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.

Auditor General

Pretoria
31 July 2022

## Annexure - Auditor-General's responsibility for the audit

1. 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 respect to the selected subject matters.

### Financial statements

2. 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 by the accounting authority

   » conclude on the appropriateness of the accounting authority's use of the going concern basis of accounting in the preparation of the 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 financial statements about the material uncertainty or, if such disclosures are inadequate, to modify my opinion on the 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 financial statements, including the disclosures, and determine whether the 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

3. 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.

4. I also provide the Accounting Authority with a statement that I have complied with relevant ethical requirements regarding independence, and to 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.

# Statement of Financial Position as at 31 March 2022

| | Note(s) | Economic entity 2022 R'000 | Economic entity 2021 Restated* R'000 | Controlling entity 2022 R'000 | Controlling entity 2021 Restated* R'000 |
|---|---|---|---|---|---|
| **Assets** | | | | | |
| **Current Assets** | | | | | |
| Inventories | 9 | 27 956 | 26 853 | 27 956 | 26 853 |
| Statutory receivable - tax receivable - controlled entity | 29 | - | 367 | - | - |
| Receivables from exchange transactions | 10 | 58 318 | 73 199 | 57 147 | 72 135 |
| Prepayments | 8 | 305 802 | 250 999 | 310 209 | 252 135 |
| Cash and cash equivalents | 11 | 1 479 099 | 761 780 | 1 421 375 | 706 022 |
| | | **1 871 175** | **1 113 198** | **1 816 687** | **1 057 145** |
| **Non-Current Assets** | | | | | |
| Property, plant and equipment | 3 | 2 697 190 | 2 674 730 | 2 690 434 | 2 668 926 |
| Intangible assets | 4 | 955 289 | 819 521 | 1 749 688 | 1 553 743 |
| Living resources | 5 | 1 655 | 2 097 | 1 655 | 2 097 |
| Investments in controlled entity | 6 | - | - | - | - |
| Deferred tax - controlled entity | 7 | 82 | - | - | - |
| | | **3 654 216** | **3 496 348** | **4 441 777** | **4 224 766** |
| **Total Assets** | | **5 525 391** | **4 609 546** | **6 258 464** | **5 281 911** |
| **Equity and liabilities** | | | | | |
| **Current Liabilities** | | | | | |
| Finance lease obligation | 13 | 10 228 | 65 | 10 228 | 65 |
| Deferred income | 14 | 206 | 63 | 206 | 63 |
| Provisions | 15 | 671 239 | 213 881 | 667 426 | 210 201 |
| Current tax payable - controlled entity | 29 | 1 | - | - | - |
| VAT payable | | 942 | 819 | - | - |
| Trade and other payables | 19 | 683 722 | 900 005 | 677 233 | 892 874 |
| | | **1 366 338** | **1 114 833** | **1 355 093** | **1 103 203** |
| **Non-Current Liabilities** | | | | | |
| Finance lease obligation | 13 | 19 151 | - | 19 151 | - |
| Operating lease liability | | 60 672 | 73 598 | 59 774 | 72 829 |
| Deferred income | 14 | - | 77 | - | 77 |
| Deferred tax - controlled entity | 7 | - | 2 146 | - | - |
| Employee benefits | 16-18 | 553 376 | 375 879 | 553 376 | 375 879 |
| | | **633 199** | **451 700** | **632 301** | **448 785** |
| **Total Liabilities** | | **1 999 537** | **1 566 533** | **1 987 394** | **1 551 988** |
| **Net Assets** | | **3 525 854** | **3 043 013** | **4 271 070** | **3 729 923** |
| **Net Assets** | | | | | |
| Asset revaluation reserve | 12 | 102 744 | 99 490 | 102 744 | 99 490 |
| Accumulated surplus | | 3 423 110 | 2 943 523 | 4 168 326 | 3 630 433 |
| **Net Assets** | | **3 525 854** | **3 043 013** | **4 271 070** | **3 729 923** |

* Refer Note 37

# Statement of Financial Performance as at 31 March 2022

| | | Economic entity | | Controlling entity | |
|---|---|---|---|---|---|
| | Note(s) | 2022 R'000 | 2021 Restated* R'000 | 2022 R'000 | 2021 Restated* R'000 |
| **Revenue** | | | | | |
| **Revenue from exchange transactions** | | | | | |
| Rendering of services | 20 | 15 284 | 15 923 | - | - |
| Other income | 21 | 411 824 | 332 858 | 411 867 | 333 067 |
| Interest received | | 60 606 | 45 331 | 58 820 | 44 878 |
| Gain on disposal of assets | | 424 | - | 408 | - |
| **Total revenue from exchange transactions** | | **488 138** | **394 112** | **471 095** | **377 945** |
| **Revenue from non-exchange transactions** | | | | | |
| Government grant | 20 | 11 295 167 | 10 271 873 | 11 295 167 | 10 271 873 |
| Negotiated discount and donations received | 20 | 13 592 | 637 028 | 13 592 | 637 028 |
| **Total revenue from non-exchange transactions** | | **11 308 759** | **10 908 901** | **11 308 759** | **10 908 901** |
| **Total revenue** | | **11 796 897** | **11 303 013** | **11 779 854** | **11 286 846** |
| **Expenditure** | | | | | |
| Employee cost | | (8 363 200) | (7 789 160) | (8 266 079) | (7 692 681) |
| Depreciation and amortisation | 3-5 | (304 797) | (272 052) | (295 659) | (261 718) |
| Impairment loss | 24 | (16 081) | (45 120) | (16 081) | (45 785) |
| Finance costs | 25 | (757) | (1 165) | (757) | (1 165) |
| Operating leases | 26 | (485 039) | (559 057) | (481 315) | (555 338) |
| Administrative expenses | | (824 616) | (754 187) | (823 332) | (752 889) |
| Other expenses | | (18 067) | (26 518) | (17 692) | (25 986) |
| Loss on disposal of assets | | - | (2 284) | - | (2 258) |
| Inventories | | (16 929) | (27 332) | (16 929) | (27 332) |
| Professional and special services | | (1 289 477) | (1 170 136) | (1 324 117) | (1 192 431) |
| **Total expenditure** | | **(11 318 963)** | **(10 647 011)** | **(11 241 961)** | **(10 557 583)** |
| **Surplus before taxation** | | **477 934** | **656 002** | **537 893** | **729 263** |
| Taxation | 27 | 1 652 | 2 582 | - | - |
| **Surplus for the year** | | **479 586** | **658 584** | **537 893** | **729 263** |

* Refer Note 37

# Statement of Changes in Net Assets as at 31 March 2022

| | Revaluation reserve on land and buildings | Accumulated surplus | Total net assets |
|---|---|---|---|
| | R'000 | R'000 | R'000 |
| **Economic entity** | | | |
| Opening balance as previously reported | 300 027 | 2 116 159 | 2 416 186 |
| **Adjustments:** | | | |
| Correction of error Note 37 | (163 389) | 166 502 | 3 113 |
| Adoption of GRAP 110 - Living resources Note 5 | - | 2 278 | 2 278 |
| **Balance at 01 April 2020 as restated*** | **136 638** | **2 284 939** | **2 421 577** |
| Changes in net assets | | | |
| Surplus for the year | - | 658 584 | 658 584 |
| Surplus in revaluation of land and buildings | (32 046) | - | (32 046) |
| Depreciation on revalued portion of assets | (5 102) | - | (5 102) |
| **Total changes** | **(37 148)** | **658 584** | **621 436** |
| Opening balance as previously reported | 369 585 | 2 664 313 | 3 033 898 |
| **Adjustments:** | | | |
| Correction of error Note 37 | (270 095) | 277 115 | 7 020 |
| Adoption of GRAP 110 - Living resources Note 5 | - | 2 096 | 2 096 |
| **Balance at 31 March 2021** | **99 490** | **2 943 524** | **3 043 014** |
| Changes in net assets | | | |
| Surplus for the year | - | 479 586 | 479 586 |
| Surplus in revaluation of land and buildings | 8 298 | - | 8 298 |
| Depreciation on revalued portion of assets | (5 044) | - | (5 044) |
| **Total changes** | **3 254** | **479 586** | **482 840** |
| **Balance at 31 March 2022** | **102 744** | **3 423 110** | **3 525 854** |

## Statement of Changes in Net Assets (continued)

| | Revaluation reserve on land and buildings R'000 | Accumulated surplus R'000 | Total net assets R'000 |
|---|---|---|---|
| Note(s) | 12 | | |
| **Controlling entity** | | | |
| Opening balance as previously reported | 300 027 | 2 731 352 | 3 031 379 |
| **Adjustments:** | | | |
| Correction of prior period error Note 37 | (163 389) | 167 540 | 4 151 |
| Adoption of GRAP 110 - Living resources Note 5 | - | 2 278 | 2 278 |
| **Balance at 01 April 2020 as restated*** | **136 638** | **2 901 170** | **3 037 808** |
| Changes in net assets | | | |
| Surplus for the year | - | 729 263 | 729 263 |
| Surplus in revaluation of land and buildings | (32 046) | - | (32 046) |
| Depreciation on revalued portion of assets | (5 102) | - | (5 102) |
| **Total changes** | **(37 148)** | **729 263** | **692 115** |
| Opening balance as previously reported | 369 585 | 3 351 903 | 3 721 488 |
| **Adjustments:** | | | |
| Correction of prior year error Note 37 | (270 095) | 276 434 | 6 339 |
| Adoption of GRAP 110 - Living resources Note 5 | - | 2 096 | 2 096 |
| **Balance at 31 March 2021** | **99 490** | **3 630 433** | **3 729 923** |
| Changes in net assets | | | |
| Surplus for the year | - | 537 893 | 537 893 |
| Surplus in revaluation of land and buildings | 8 298 | - | 8 298 |
| Depreciation on revalued portion of assets | (5 044) | - | (5 044) |
| Total changes | 3 254 | 537 893 | 541 147 |
| **Balance at 31 March 2022** | **102 744** | **4 168 326** | **4 271 070** |
| Note(s) | 12 | | |

# Cash Flow Statement as at 31 March 2022

| | Note(s) | Economic entity 2022 R'000 | Economic entity 2021 Restated* R'000 | Controlling entity 2022 R'000 | Controlling entity 2021 Restated* R'000 |
|---|---|---|---|---|---|
| **Cash flows from operating activities** | | | | | |
| **Receipts** | | | | | |
| Rendering of services | | 15 195 | 13 645 | - | - |
| Government grant | | 11 295 167 | 10 271 873 | 11 295 167 | 10 271 873 |
| Interest received | | 59 820 | 45 213 | 58 034 | 43 231 |
| Other income | | 424 866 | 372 593 | 425 075 | 373 010 |
| | | **11 795 048** | **10 703 324** | **11 778 276** | **10 688 114** |
| **Payments** | | | | | |
| Employee costs | | (7 872 393) | (7 475 033) | (7 776 254) | (7 378 792) |
| Suppliers | | (2 769 312) | (2 417 383) | (2 797 581) | (2 461 738) |
| Tax refunded/(paid) | 29 | (209) | 970 | - | - |
| VAT refunded/(paid) | | 123 | (2 245) | - | - |
| | | **(10 641 791)** | **(9 893 691)** | **(10 573 835)** | **(9 840 530)** |
| **Net cash flows from operating activities** | **28** | **1 153 257** | **809 633** | **1 204 441** | **847 584** |
| **Cash flows from investing activities** | | | | | |
| Acquisition of property, plant and equipment | 3 | (334 855) | (375 058) | (333 003) | (374 273) |
| Proceeds from sale of property, plant and equipment | | 1 812 | 1 005 | 1 782 | 1 005 |
| Acquisition of intangible assets | 4 | (130 996) | (146 290) | (182 923) | (207 002) |
| Acquisition of living resources | 5 | - | (152) | - | (152) |
| Advances to other entities | | (456) | (651) | (3 501) | (4 988) |
| **Net cash flows from investing activities** | | **(464 495)** | **(521 146)** | **(517 645)** | **(585 410)** |
| **Cash flows from financing activities** | | | | | |
| Repayment of loan by controlled entity | | - | - | - | 12 596 |
| Finance lease payments | | 29 314 | (4 325) | 29 314 | (4 325) |
| Interest payments on finance leases | | (757) | (1 165) | (757) | (1 165) |
| **Net cash flows from financing activities** | | **28 557** | **(5 490)** | **28 557** | **7 105** |
| **Net increase in cash and cash equivalents** | | **717 319** | **282 997** | **715 353** | **269 279** |
| Cash and cash equivalents at the beginning of the year | | 761 780 | 478 783 | 706 022 | 436 743 |
| **Cash and cash equivalents at the end of the year** | **11** | **1 479 099** | **761 780** | **1 421 375** | **706 022** |

* Refer Note 37

# Statement of Comparison of Budget and Actual Amounts as at 31 March 2022

| Budget on an Accrual Basis | Final Budget<br>R'000 | Actual amounts on comparable basis<br>R'000 | Difference between final budget and actual<br>R'000 | Reference |
|---|---|---|---|---|
| **Controlling entity** | | | | |
| **Statement of Financial Performance** | | | | |
| **Revenue** | | | | |
| **Non-tax revenue** | | | | |
| Other income | 353 353 | 425 459 | 72 106 | Note 1 |
| Interest received | - | 58 820 | 58 820 | Note 2 |
| Gains on sale (disposal) | - | 408 | 408 | |
| **Total non-tax revenue** | **353 353** | **484 687** | **131 334** | |
| **Transfers received** | | | | |
| **Transfer revenue** | | | | |
| Government grant | 11 295 167 | 11 295 167 | - | |
| **Total revenue** | **11 648 520** | **11 779 854** | **131 334** | |
| **Expenditure** | | | | |
| Compensation of employees | (8 162 588) | (8 266 079) | (103 491) | Note 3 |
| Depreciation and amortisation | (560 469) | (295 659) | 264 810 | Note 4 |
| Goods and services | (2 936 686) | (2 680 223) | 256 463 | Note 5 |
| **Total expenditure** | **(11 659 743)** | **(11 241 961)** | **417 782** | |
| **Actual Amount on Comparable Basis as Presented in The Budget and Actual Comparative Statement** | **(11 223)** | **537 893** | **549 116** | |

## Reference

**Timing difference**

| | |
|---|---|
| The variance is mainly due to higher than budgeted income relating to Commission Income on collection of UIF and SDL on behalf of the Department of Labour and the Department of Education as well as Project fees received from Department of Home Affairs (DHA). 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 delivered 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. | Note 1 |
| The accumulation of interest income in the current year is mainly due to higher than anticipated interest earned on positive bank balances. | Note 2 |
| The negative variance is mainly due to the increase in bonus provision as a result off re-appropriation of savings realised through robust procurement negotiations. | Note 3 |
| The variance is mainly due to the lower than anticipated capital acquisitions and therefore lower actual depreciation. There was capex and project commitments at year end which will be rolled over to the next financial year upon approval from National Treasury. | Note 4 |
| Savings from robust procurement negotiations, mainly in quarter 4 which could not be timeously reallocated for meaningful spend as well as planned procurement that could not be executed as a result of ConCourt ruling on the Preferential Procurement Regulations of 2017. | Note 5 |

Planned lease payments are included from a budget perspective, where the actual amount represents the straight- line of lease payments as per policy requirement.

Loss accounted for in actual expenditure that mainly consists of the impairment of Property, Plant and Equipment and Intangible Assets based on the impairment policy and the adjustments in terms of revaluations performed on land and building.

# Statement of Comparison of Budget and Actual Amounts as at 31 March 2022

| Budget on an Accrual Basis | Final Budget R'000 | Actual amounts on comparable basis R'000 | Difference between final budget and actual R'000 |
|---|---|---|---|
| **Controlling entity** | | | |
| **Statement of Financial Position** | | | |
| **Assets** | | | |
| Carrying value of assets | 3 320 926 | 4 441 777 | 1 120 851 |
| Inventories | 20 512 | 27 956 | 7 444 |
| Receivables and prepayments | 311 396 | 367 356 | 55 960 |
| Cash and cash equivalents | 572 495 | 1 421 375 | 848 880 |
| **Total Assets** | **4 225 329** | **6 258 464** | **2 033 135** |
| **Equality and liabilities** | | | |
| Accumulated surplus | (2 526 027) | (4 168 325) | (1 642 298) |
| Capital and reserves | (292 620) | (102 744) | 189 876 |
| Finance lease obligation | - | (29 379) | (29 379) |
| Deferred income | (59) | (206) | (147) |
| Trade and other payables | (1 021 316) | (737 007) | 284 309 |
| Provisions | (385 307) | (1 220 802) | (835 495) |
| **Total Liabilities** | **(4 225 329)** | **(6 258 464)** | **(2 033 135)** |

# Statement of Comparison of Budget and Actual Amounts as at 31 March 2022

| Budget on an Accrual Basis | Approved Budget | Actual amounts on comparable basis R'000 | Difference between final budget and actuals R'000 | Reference |
|---|---|---|---|---|
| **Controlling entity** | | | | |
| **Cash Flow Statement** | | | | |
| **Cash flows from operating activities** | | | | |
| **Non-tax Receipts** | | | | |
| Other income | 353 353 | 425 075 | 71 722 | Note 1 |
| Transfers received | 11 295 167 | 11 295 167 | - | |
| Interest received | - | 58 034 | 58 034 | Note 2 |
| | **11 648 520** | **11 778 276** | **129 756** | |
| **Payments** | | | | |
| Compensation of employees | (8 162 588) | (7 776 254) | 386 334 | Note 3 |
| Goods and services | (2 905 941) | (2 797 581) | 108 360 | Note 4 |
| | **(11 068 529)** | **(10 573 835)** | **494 694** | |
| **Net cash flows from operating activities** | **579 991** | **1 204 441** | **624 450** | |
| **Cash flows from investing activities** | | | | |
| Acquisition of property, plant and equipment | (466 306) | (333 003) | 133 303 | |
| Proceeds from sale of property, plant and equipment | - | 1 782 | 1 782 | |
| Acquisition of intangible assets | (82 939) | (182 923) | (99 984) | |
| Other flows from investing activities | - | (3 501) | (3 501) | |
| **Net cash flows from investing activities** | **(549 245)** | **(517 645)** | **31 600** | Note 5 |
| **Cash flows from financing activities** | | | | |
| Repayment of finance leases | (65) | 28 557 | 28 622 | |
| **Net cash flows from financing activities** | **(65)** | **28 557** | **28 622** | |
| Net increase in cash and cash equivalents | 30 681 | 715 353 | 684 672 | |
| Cash and cash equivalents at the beginning of the year | 541 815 | 706 022 | 164 207 | |
| **Cash and cash equivalents at the end of the year** | **572 496** | **1 421 375** | **848 879** | |

## Reference

| | |
|---|---|
| The variance is mainly due to higher than budgeted income relating to Commission Income on collection of UIF and SDL on behalf of the Department of Labour and the Department of Education as well as Project fees received from Department of Home Affairs (DHA). 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 delivered 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. | Note 1 |
| The accumulation of interest income in the current year is mainly due to higher than anticipated interest earned on positive bank balances. | Note 2 |
| The positive variance is mainly due to savings realised as a result of longer than anticipated time lag in recruitment processes. | Note 3 |
| The positive variance is as a result of savings from robust procurement negotiations, mainly in quarter 4 which could not be timeously reallocated for meaningful spend as well as planned procurement that could not be executed as a result of ConCourt ruling on the Preferential Procurement Regulations of 2017. | Note 4 |
| The positive variance is mainly due to the lower than anticipated cash outflow from capital acquisitions. There was capex and project commitments at year end which will be rolled over to the next financial year upon approval from National Treasury. | Note 5 |

# 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 not being a registered VAT vendor.

### 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 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, and 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 and intangible assets at the end of each reporting period.

### Cash-generating assets - controlled entity

Judgements made by management in applying the criteria to designate 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

Assets 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 an asset ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

1.4 Property, plant and equipment (continued)

Items such as spare parts, standby equipment and servicing equipment are recognised when they meet the definition of an asset.

Assets 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 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 item 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 the 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 | 4 to 32 years |
| Plant and equipment | 10 years |
| Furniture, fittings and office equipment | 5 to 16 years |
| Land and water vehicles | 8 to 11 years |
| ICT equipment | 3 to 12 years |
| Leasehold improvements | 12 to 15 years |
| Generators | 10 to 15 years |
| Security equipment | 5 to 12 years |
| Assets 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 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 36).

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 item.

The economic entity separately discloses the following in the notes to the financial statements:

» expenditure to repair and maintain property, plant and equipment in the notes to the financial statements (refer note 3).
» relevant information relating to assets under construction or development, in the notes to the financial statements (refer 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.

» The expenditure attributable to the asset during its development can be measured reliably.

The useful life and residual value for intangible assets are reviewed at each reporting date.

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 14 years |
| Software 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 assets under construction or development, in the notes to the financial statements (refer note 4).

Intangible assets are derecognised when no future economic benefits or service potential are expected from its use or 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.

#### Recognition

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.

#### Measurement at recognition

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.

#### Measurement after recognition

#### Cost model

After recognition as an asset, a group of living resources are carried at its cost less any accumulated depreciation.

#### 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 systematic 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 economic 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 |

### Derecognition

The carrying amount of a living resource is derecognised on disposal, or when no future economic benefits or service potential are expected from its use or 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 Investments 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, the investment in the controlled entity is carried at cost less any accumulated impairment.

The investment in the controlled entity 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 types of financial assets (classes and categories), 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 types of financial liabilities (classes and categories) 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 taxes 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.

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 held at call with current banks.

### 1.13 Impairment of cash-generating assets- controlled entity

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 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

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 30).

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;
» bonus and performance related payments payable within twelve months after the end of the reporting period in which the employees render the related service.

1.16 Employee benefit obligations (continued)

When an employee has rendered service to the entity during a reporting period, the entity recognise 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 a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund 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.

Contingent assets and contingent liabilities are not recognised but are disclosed in note 32.

## 1.18 Commitments

Items are classified as commitments when an entity has contractually committed itself to future transactions 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 32):

- contractual commitments should be non-cancelable or only cancelable at significant cost;
- 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:

» the amount of revenue can be measured reliably;
» it is probable that the economic benefits or service potential associated with the transaction will flow to the entity;
» the stage of completion of the transaction at the reporting date can be measured reliably; and
» 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.

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 received from National Treasury to enable the controlling entity to execute its mandate in terms of the SARS Act (No. 34 of 1997).

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.

The controlling entity's main source of income is an annual grant appropriated by Parliament and distributed by National Treasury to execute its mandate in terms of the SARS Act (No.34 of 1997).

### Donations

Donations, including goods 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 Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

### 1.23 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.

### 1.24 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 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.

### 1.25 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 controlling 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 2021/04/01 to 2022/03/31.

This accounting policy applies only to the approved budget of the controlling entity.

The financial statements and the budget are on the same accrual basis of accounting and classified by nature. The controlling entity selects to disclose the comparison of budget and actual spend in separate comparison statements.

Comparative information is not required.

### 1.26 Related parties

Only the 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.

### 1.27 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.

### 1.28 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.

### 1.29 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); and
» 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 are waived.

### 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.

## 2. New standards and interpretations

### 2.1 Standards and Interpretations early adopted

The economic entity has chosen to early adopt the following standards and interpretations:

| Standard/Interpretation: | Effective date: Years beginning on or after | Expected impact: |
|---|---|---|
| Guideline: Guideline on the Application of Materiality to Financial Statements | The guideline does not have an effective date | The economic entity used the guideline to assess materiality throughout the reporting period |
| iGRAP 21: The Effect of Past Decisions on Materiality | 01 April 2023 | The impact of the iGRAP is not considered to be material |
| GRAP 2020: Improvements to the standards of GRAP 2020 | 01 April 2023 | The impact of the standard is not considered to be matrial |
| GRAP 1 (amended): Presentation of Financial Statements | 01 April 2023 | The impact of the standard is not considered to be material |

### 2.2 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 2022 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 |

# Notes to the Financial Statements

## 3. Property, plant and equipment

| Economic entity R'000 | 2022 | | | 2021 | | |
|---|---|---|---|---|---|---|
| | Cost/Valuation | Accumulated depreciation and accumulated impairment | Carrying value | Cost/Valuation Restated* | Accumulated depreciation and accumulated impairment Restated* | Carrying value Restated* |
| Land | 186 814 | - | 186 814 | 187 264 | - | 187 264 |
| Buildings | 650 771 | (221 331) | 429 440 | *606 699 | *(193 619) | *413 080 |
| Plant and equipment | 133 229 | (69 447) | 63 782 | 133 634 | (57 348) | 76 286 |
| Furniture, fittings and equipment | 423 816 | (266 629) | 157 187 | 429 361 | (296 352) | 133 009 |
| Land and water vehicles | 224 952 | (158 570) | 66 382 | 232 984 | (173 046) | 59 938 |
| ICT equipment | 2 927 280 | (1 474 357) | 1 452 923 | 2 672 737 | (1 248 823) | 1 423 914 |
| Leasehold improvements | 740 451 | (452 698) | 287 753 | 763 290 | (434 030) | 329 260 |
| Generators | 75 826 | (61 483) | 14 343 | 75 142 | (58 577) | 16 565 |
| Security equipment | 194 966 | (156 400) | 38 566 | 194 399 | (158 985) | 35 414 |
| | **5 558 105** | **(2 860 915)** | **2 697 190** | ***5 295 510** | ***(2 620 780)** | ***2 674 730** |

| Controlling entity R'000 | 2022 | | | 2021 | | |
|---|---|---|---|---|---|---|
| | Cost/Valuation | Accumulated depreciation and accumulated impairment | Carrying value | Cost/Valuation Restated* | Accumulated depreciation and accumulated impairment Restated* | Carrying value Restated* |
| Land | 186 814 | - | 186 814 | 187 264 | - | 187 264 |
| Buildings | 650 771 | (221 331) | 429 440 | *606 699 | *(193 619) | *413 080 |
| Plant and equipment | 133 229 | (69 447) | 63 782 | 133 634 | (57 348) | 76 286 |
| Furniture, fittings and equipment | 421 854 | (265 577) | 156 277 | 427 479 | (295 273) | 132 206 |
| Land and water vehicles | 224 952 | (158 570) | 66 382 | 232 984 | (173 046) | 59 938 |
| IT equipment | 2 909 001 | (1 460 682) | 1 448 319 | 2 656 146 | (1 235 928) | 1 420 218 |
| Leasehold improvements | 734 651 | (448 138) | 286 513 | 757 439 | (429 472) | 327 967 |
| Generators | 75 826 | (61 483) | 14 343 | 74 938 | (58 384) | 16 554 |
| Security equipment | 194 946 | (156 382) | 38 564 | 194 379 | (158 966) | 35 413 |
| | **5 532 044** | **(2 841 610)** | **2 690 434** | ***5 270 962** | ***(2 602 036)** | ***2 668 926** |

* Refer Note 37

3. Property, plant and equipment (continued)

### 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 | - | - | - | (12 937) | (31) | - | 63 782 |
| Furniture, fitting and office equipment | 133 009 | 34 298 | (62) | - | - | (5 259) | (4 832) | 33 | 157 187 |
| Land and water vehicles | 59 938 | 1 621 | (1 282) | - | 410 | 5 726 | (31) | - | 66 382 |
| ICT Equipment | 1 423 914 | 282 590 | (24) | - | - | (248 432) | (5 218) | 93 | 1 452 923 |
| Leasehold Improvements | 329 260 | 10 688 | - | - | - | (36 613) | (15 582) | - | 287 753 |
| Generators | 16 565 | 1 512 | (20) | - | - | (3 443) | (271) | - | 14 343 |
| Security equipment | 35 414 | 799 | - | - | - | 2 389 | (36) | - | 38 566 |
| | **2 674 730** | **334 855** | **(1 388)** | **3 253** | **410** | **(318 438)** | **(26 001)** | **29 769** | **2 697 190** |

Change in the useful life of land and water vehicles and security equipment decreased accumulated depreciation (Refer to Note 36).
Donations received relate to three Hammermills received to assist in the destruction of confiscated illegal and illicit cigarettes.

### Reconciliation of the carrying amount of property, plant and equipment - Economic entity - 2021

| Figures in Rand thousand (R'000) | Opening balance | Additions | Compensations for replacement assets | Disposals | Negotiated discount | Transfers | Revaluations Restated* | Depreciation Restated* | Impairment loss/scrapping Restated* | Impairment reversal Restated* | Total Restated* |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Land | 175 564 | - | - | - | - | - | *7 411 | - | *- | *4 289 | 187 264 |
| Buildings | 510 776 | 2 741 | - | - | - | - | *(44 558) | *(25 439) | *(30 440) | - | *413 080 |
| Plant and equipment | 87 742 | 226 | - | - | - | - | - | (11 793) | (4) | 115 | 76 286 |
| Furniture, fitting and office equipment | 134 741 | 6 148 | - | (38) | - | - | - | (6 866) | (997) | 21 | 133 009 |
| Land and water vehicles | 66 573 | 659 | - | (411) | - | - | - | (7 180) | (11) | 308 | 59 938 |
| ICT equipment | 654 223 | 351 552 | 22 | (2 536) | 576 332 | 727 | - | (155 220) | (1 428) | 242 | 1 423 914 |
| Leasehold improvements | 371 633 | 11 542 | - | - | - | - | - | (39 621) | (14 294) | - | 329 260 |
| Generators | 21 667 | 1 072 | - | (304) | - | - | - | (5 870) | - | - | 16 565 |
| Security equipment | 37 567 | 1 118 | - | - | - | - | - | (3 267) | (4) | - | 35 414 |
| | **2 060 486** | **375 058** | **22** | **(3 289)** | **576 332** | **727** | ***(37 147)** | ***(255 256)** | ***(47 178)** | ***4 975** | ***2 674 730** |

Net transfers between property, plant and equipment and intangible assets as per note 4 contra each other.
Negotiated discount represents discount negotiated on the acquisition of ICT equipment (Refer Note 20).

* Refer Note 37

3. Property, plant and equipment (continued)

## 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 | - | - | - | (12 937) | (31) | - | 63 782 |
| Furniture,fittings and office equipment | 132 206 | 34 157 | (59) | - | - | (5 228) | (4 832) | 33 | 156 277 |
| Land and water vehicles | 59 938 | 1 621 | (1 282) | - | 410 | 5 726 | (31) | - | 66 382 |
| ICT Equipment | 1 420 218 | 280 878 | (23) | - | - | (247 629) | (5 218) | 93 | 1 448 319 |
| Leasehold improvements | 327 967 | 10 688 | - | - | - | (36 560) | (15 582) | - | 286 513 |
| Generators | 16 554 | 1 513 | (10) | - | - | (3 443) | (271) | - | 14 343 |
| Security equipment | 35 413 | 799 | - | - | - | 2 389 | (37) | - | 38 564 |
| | **2 668 926** | **333 003** | **(1 374)** | **3 253** | **410** | **(317 551)** | **(26 002)** | **29 769** | **2 690 434** |

Change in the useful life of land and water vehicles and security equipment decreased accumulated depreciation (Refer to note 36).
Donations received relate to three Hammermills received to assist in the destruction of confiscated illegal and illicit cigarettes.

## Reconciliation of the carrying amount of property, plant and equipment - Controlling entity - 2021

Figures in Rand thousand (R'000)

| | Opening balance | Additions | Compensations for replacement assets | Disposals | Negotiated discount | Transfers | Revaluations Restated* | Depreciation Restated* | Impairment loss/scrapping Restated* | Impairment reversal | Total Restated* |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Land | 175 564 | - | - | - | - | - | *7 411 | - | *- | *4 289 | 187 264 |
| Buildings | 510 776 | 2 741 | - | - | - | - | *(44 558) | *(25 439) | *(30 440) | - | *413 080 |
| Plant and equipment | 87 742 | 226 | - | - | - | - | - | (11 793) | (4) | 115 | 76 286 |
| Furniture, fittings and office equipment | 134 100 | 5 888 | - | (38) | - | - | - | (6 768) | (997) | 21 | 132 206 |
| Land and water vehicles | 66 573 | 659 | - | (411) | - | - | - | (7 180) | (11) | 308 | 59 938 |
| ICT Equipment | 649 318 | 351 026 | 22 | (2 510) | 576 332 | 727 | - | (153 511) | (1 428) | 242 | 1 420 218 |
| Leasehold improvements | 370 170 | 11 543 | - | - | - | - | - | (39 451) | (14 295) | - | 327 967 |
| Generators | 21 656 | 1 072 | - | (304) | - | - | - | (5 870) | - | - | 16 554 |
| Security equipment | 37 566 | 1 118 | - | - | - | - | - | (3 267) | (4) | - | 35 413 |
| | **2 053 465** | **374 273** | **22** | **(3 263)** | **576 332** | **727** | ***(37 147)** | ***(253 279)** | ***(47 179)** | ***4 975** | ***2 668 926** |

Net transfers between property, plant and equipment and intangible assets as per note 4 contra each other.
Negotiated discount represents discount negotiated on the acquisition of ICT software (Refer Note 20).

* Refer Note 37

3. Property, plant and equipment (continued)

| | Economic entity | | Controlling entity | |
|---|---|---|---|---|
| | 2022 | 2021 | 2022 | 2021 |
| | R'000 | R'000 | R'000 | R'000 |
| **Assets subject to finance lease (Net carrying amount)** | | | | |
| Furniture, fittings and office equipment (multifunctional machines) | 30 858 | 11 091 | 30 858 | 11 091 |

### Revaluations

The effective date of the revaluations was 31 March 2022. Revaluations were performed by an independent professional valuer and appraiser, Mr. WJ Hewitt [NDPV, MIEA, FIVSA, RICS] of Mills Fitchet Valuations (Pty) Ltd. Mills Fitchet Valuations (Pty) Ltd is not connected to the economic entity.

Land and buildings are re-valued 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 Mills Fitchet considered the preferred valuation approach in terms of IVS and RICS, when valuing income producing properties, namely the Income Approach. As the property is owner occupied, and in the absence of third partly lease agreements the valuators considered market parameters, including market related gross rentals, part budget/market property related expenses and a similar long-term vacancy of 2.5% to determine a sustainable Net Operating Income (NOI). The weighted average gross market rental per $m^2$ have increased by 1.64% or R2.75/$m^2$ to R167.56 from 2021 which is mainly attributed to the covered and open on-site vehicle parking. The 1st year's Net Operating Income has been capitalised at 8.75% which is similar to the 2021 capitalization rate, based on the valuator's market evidence. The Market Value is supported by a "comparable" freehold sale.

When determining the Market Value of the Alberton Campus, the valuators relied on the Income Approach, based on market related parameters, including market related gross rental rates, part budget/market expenses and a long- term vacancy of 2.50%. Based on the valuator's market research the first year's NOI has been capitalised at 10.5%, which is a marginally increased capitalisation rate considered in the 2021 valuation of 10.25%. Due to the slight increase in the weighted average gross market rental per $m^2$ of 1.94% to R123.39, the Market Value has increased by 0.164%.

The valuations of the Ficksburg and Fouriesburg houses were performed using the Cost Approach method. This method employs the current replacement cost of the respective building, less a depreciation for physical, functional, and economic factors. The market value of the vacant land must be added to this resultant figure, yielding the total market value of the property.

The reason for the decline of the Market Value of 9.4% for Erf 807 in Ficksburg, is because this property has developed structural cracks since the last date of valuation. The minimal increase of the market value for Erven 733 and 258 is due to slightly higher sales prices being achieved in Fouriesburg due to semigration. The reason for the decline in market value of 1.5% for Erf 748 is due to the internal/external condition which has worsened slightly and has not been rectified since the last valuation. This dwelling is in a poorer condition than the other two dwellings.

Refer to Note 12 for the change in the revaluation surplus.

### Other information

No projects are delayed or deprioritised as at 31 March 2022.

3. Property, plant and equipment (continued)

| | Economic entity | | Controlling entity | |
|---|---|---|---|---|
| | 2022 | 2021 | 2022 | 2021 |
| | R'000 | R'000 | R'000 | R'000 |

**Expenditure incurred to repair and maintain Property, Plant and Equipment and Intangible Assets included in the Statement of Financial Performance**

| | | | | |
|---|---|---|---|---|
| Contracted services | 752 575 | 662 117 | 752 575 | 662 117 |
| General expenses | 52 653 | 27 534 | 52 277 | 26 851 |
| | **805 228** | **689 651** | **804 852** | **688 968** |

## 4. Intangible assets

| Figures in Rand thousand (R'000) | | | | | | |
|---|---|---|---|---|---|---|
| **Economic entity** | **2022** | | | **2021** | | |
| | **Cost** | **Accumulated amortisation and accumulated impairment** | **Carrying value** | **Cost Restated*** | **Accumulated amortisation and accumulated impairment** | **Carrying value Restated*** |
| Intellectual property and other rights | 73 583 | (63 435) | 10 148 | 73 583 | (56 077) | 17 506 |
| ICT software | 3 646 519 | (2 760 203) | 886 316 | *3 579 049 | (2 855 425) | *723 624 |
| Software under development | 58 825 | - | 58 825 | *78 391 | - | *78 391 |
| | **3 778 927** | **(2 823 638)** | **955 289** | ***3 731 023** | **(2 911 502)** | ***819 521** |

| Figures in Rand thousand (R'000) | | | | | | |
|---|---|---|---|---|---|---|
| **Controlling entity** | **2022** | | | **2021** | | |
| | **Cost** | **Accumulated amortisation and accumulated impairment** | **Carrying value** | **Cost Restated*** | **Accumulated amortisation and accumulated impairment** | **Carrying value Restated*** |
| ICT software | 4 405 547 | (2 753 212) | 1 652 335 | 4 243 131 | (2 849 327) | 1 393 804 |
| Software under development | 97 353 | - | 97 353 | *159 939 | - | *159 939 |
| | **4 502 900** | **(2 753 212)** | **1 749 688** | ***4 403 070** | **(2 849 327)** | ***1 553 743** |

* Refer Note 37

4. Intangible assets (continued)

### 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 | 21 385 | (19 862) | 886 316 |
| Software under development | 78 391 | 120 050 | - | (139 616) | - | - | 58 825 |
| | **819 521** | **130 997** | **10 606** | **-** | **14 027** | **(19 862)** | **955 289** |

Negotiated discount represents discount negotiated on the acquisition of ICT software.
Change in the useful life of ICT software decreased accumulated depreciation (Refer to note 36).

### Reconciliation of the carrying amount of intangible assets - Economic entity - 2021

| Figures in Rand thousand (R'000) | Opening balance | Additions Restated* | Negotiated discount | Transfers Restated* | Amortisation | Impairment loss/ scrapping | Total Restated* |
|---|---|---|---|---|---|---|---|
| Intellectual property and other rights | 24 864 | - | - | - | (7 358) | - | 17 506 |
| ICT software | 592 686 | *65 900 | 59 704 | *16 888 | (9 105) | (2 449) | *723 624 |
| Software under development | 16 084 | *80 390 | - | *(17 615) | - | (468) | *78 391 |
| | **633 634** | ***146 290** | **59 704** | **(727)** | **(16 463)** | **(2 917)** | ***819 521** |

Net transfers between property, plant and equipment and intangible assets as per note 3 contra each other.
Negotiated discount represents discount negotiated on the acquisition of ICT software (Refer to note 20).

### 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 | 22 278 | (19 862) | 1 652 335 |
| Software under development | 159 939 | 146 895 | - | (209 481) | - | - | 97 353 |
| | **1 553 743** | **182 923** | **10 606** | **-** | **22 278** | **(19 862)** | **1 749 688** |

Negotiated discount represents discount negotiated on the acquisition of ICT software.
Change in the useful life of IT software decreased accumulated amortisation (Refer to note 36).

* Refer Note 37

4. Intangible assets (continued)

### Reconciliation of the carrying amount of intangible assets - Controlling entity - 2021

| Figures in Rand thousand (R'000) | Opening balance | Additions Restated* | Negotiated discount | Transfers | Amortisation | Impairment loss/ scrapping | Total Restated* |
|---|---|---|---|---|---|---|---|
| ICT software | 1 201 359 | 66 548 | 59 704 | 76 748 | (8 106) | (2 449) | 1 393 804 |
| Software under development | 97 427 | *140 454 | - | (77 474) | - | (468) | *159 939 |
| | **1 298 786** | ***207 002** | **59 704** | **(726)** | **(8 106)** | **(2 917)** | ***1 553 743** |

Net transfers between property, plant and equipment and intangible assets as per note 3 contra each other.
Negotiated discount represents discount negotiated on the acquisition of ICT software (Refer to note 20).

### Intangible assets in the process of being constructed or developed that have been delayed:

| | Economic entity | | Controlling entity | |
|---|---|---|---|---|
| | 2022 | 2021 | 2022 | 2021 |
| | R'000 | R'000 | R'000 | R'000 |
| Mineral and Petroleum Resources Royalties Project (MPRR) | 1 491 | 1 491 | 1 491 | 1 491 |

The MPRR Project is aimed at providing a financial platform for the collection and administration of mineral and petroleum resource royalties. Challenges were encountered in the project from a technical perspective that resulted in a project roll-over to 2022/2023.

## 5. Living resources

| Figures in Rand thousand (R'000) | | | | | | |
|---|---|---|---|---|---|---|
| **Economic entity** | **2022** | | | **2021** | | |
| | **Cost** | **Accumulated amortisation and accumulated impairment** | **Carrying value** | **Cost Valuation** | **Accumulated amortisation and accumulated impairment** | **Carrying value** |
| Customs Detector Dogs | 3 315 | (1 660) | 1 655 | 3 626 | (1 529) | 2 097 |

| Figures in Rand thousand (R'000) | | | | | | |
|---|---|---|---|---|---|---|
| **Controlling entity** | **2022** | | | **2021** | | |
| | **Cost** | **Accumulated amortisation and accumulated impairment** | **Carrying value** | **Cost Valuation** | **Accumulated amortisation and accumulated impairment** | **Carrying value** |
| Customs Detector Dogs | 3 315 | (1 660) | 1 655 | 3 626 | (1 529) | 2 097 |

* Refer Note 37

5. Living resources (continued)

### 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 |

### Reconciliation of living resources - Economic entity – 2021

| Figures in Rand thousand (R'000) | Opening balance | Depreciation | Impairment loss/ scrapping | Total |
|---|---|---|---|---|
| Customs Detector Dogs | 2 278 | 152 | (333) | 2 097 |

### 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 |

### Reconciliation of living resources - Controlling entity – 2021

| Figures in Rand thousand (R'000) | Opening balance | Depreciation | Impairment loss/ scrapping | Total |
|---|---|---|---|---|
| Customs Detector Dogs | 2 278 | 152 | (333) | 2 097 |

## 6. Interests in other entities

### Investment in controlled entity

| Name of company | Held by | % holding 2022 | % holding 2021 | Carrying amount 2022 | Carrying amount 2021 |
|---|---|---|---|---|---|
| International Frontier Technologies SOC Ltd | South African Revenue Service | 100 % | 100 % | - | - |

The controlled entity has a share capital of R1 (One Rand).

| | Economic entity | | Controlling entity | |
|---|---|---|---|---|
| | 2022 | 2021 Restated* | 2022 | 2021 Restated* |
| | R'000 | R'000 | R'000 | R'000 |

## 7. Deferred tax - controlled entity

### Deferred tax liability

| | | | | |
|---|---|---|---|---|
| Deferred tax asset/(liability) | 82 | *(2 146) | - | - |

### Reconciliation of deferred tax asset/(liability)

| | | | | |
|---|---|---|---|---|
| At beginning of year | (2 146) | (4 371) | - | - |
| Reversing temporary difference on intellectual property | 1 390 | 1 441 | - | - |
| Temporary difference on property, plant and equipment | (137) | (232) | - | - |
| Originating temporary difference on operating lease | 35 | 88 | - | - |
| Temporary difference on prepayments | 25 | (20) | - | - |
| Movement in provision and accruals | 838 | *948 | - | - |
| Reduction in opening balance due to rate change | 77 | - | - | - |
| | **82** | ***(2 146)** | **-** | **-** |

## 8. Prepayments

| | | | | |
|---|---|---|---|---|
| Leave taken in advance | 17 579 | 13 313 | 17 579 | 13 313 |
| Prepaid expenses | 287 116 | *237 035 | 284 141 | *233 834 |
| Prepaid development cost | 1 107 | *651 | 8 489 | *4 988 |
| | **305 802** | ***250 999** | **310 209** | ***252 135** |

## 9. Inventories

| | | | | |
|---|---|---|---|---|
| Combat uniforms | 6 823 | 14 286 | 6 823 | 14 286 |
| Corporate uniforms | 20 808 | 12 341 | 20 808 | 12 341 |
| Uniforms personal protective equipment | 325 | 226 | 325 | 226 |
| | **27 956** | **26 853** | **27 956** | **26 853** |

## 10. Receivables from exchange transactions

| | | | | |
|---|---|---|---|---|
| Government departments | 39 260 | 59 340 | 39 260 | 59 340 |
| Refundable deposits | 4 082 | 4 083 | 4 067 | 4 068 |
| Advance Tax Ruling (ATR) debtors | 130 | 367 | 130 | 367 |
| Staff accounts receivables | 4 356 | 5 405 | 4 356 | 5 405 |
| Sundry receivables | 7 790 | 2 032 | 7 833 | 2 240 |
| Trade debtors | 1 199 | 1 257 | - | - |
| Interest receivable | 1 501 | 715 | 1 501 | 715 |
| | **58 318** | **73 199** | **57 147** | **72 135** |

* Refer Note 37

10. Receivables from exchange transactions (continued)

| | Economic entity | | Controlling entity | |
|---|---|---|---|---|
| | 2022 | 2021 | 2022 | 2021 |
| | R'000 | R'000 | R'000 | R'000 |
| **Fair value of receivables from exchange transactions** | | | | |
| Trade and other receivables | 58 318 | 73 199 | 57 147 | 72 135 |

### 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 2022, R5.4m (2021: R1.993m) were past due but not impaired.
The ageing of amounts past due but not impaired is as follows:

| | | | | |
|---|---|---|---|---|
| 1 month past due | 2 731 | 225 | 2 731 | 225 |
| 2 months past due | 890 | 79 | 890 | 79 |
| 3 months past due | 1 779 | 1 689 | 1 779 | 1 689 |

### Receivables from exchange transactions impaired

As of 31 March 2022, R5.975m (2021: R5.946m) were impaired and provided for.
The ageing of these receivables from exchange transactions is as follows:

| | | | | |
|---|---|---|---|---|
| 0 to 3 months | 268 | 426 | 268 | 426 |
| Over 3 months | 5 707 | 5 520 | 5 707 | 5 520 |

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 (2021: R0). Constant service lapses at border posts by the Department of Public Works forced the controlling entity to appoint service providers to attend to these problems. The costs incurred by the controlling entity was billed to the Department of Public Works.

Also 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 (2021: R0). 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.

Included in the provision for Third party debtors (Sundry receivables) is an amount of R435k (2021: R0) in respect of debt owed by the previous Commissioner of SARS, Mr TS Moyane.

Lastly the controlling entity included an amount of R2.1 million (2021: R1.2 million) 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.

10. Receivables from exchange transactions (continued)

| | Economic entity | | Controlling entity | |
|---|---|---|---|---|
| | 2022 | 2021 Restated* | 2022 | 2021 Restated* |
| | R'000 | R'000 | R'000 | R'000 |

### Reconciliation of provision for impairment of receivables from exchange transactions

| | | | | |
|---|---|---|---|---|
| Opening balance | 5 946 | 4 499 | 5 946 | 4 499 |
| Provision for impairment | 600 | 1 676 | 600 | 1 676 |
| Amounts written off as uncollectable | (571) | (229) | (571) | (229) |
| | **5 975** | **5 946** | **5 975** | **5 946** |

## 11. Cash and cash equivalents

| | | | | |
|---|---|---|---|---|
| **Cash and cash equivalents consist of:** | | | | |
| Cash on hand | 566 | 581 | 563 | 575 |
| Bank balances | 1 478 533 | 761 199 | 1 420 812 | 705 447 |
| | **1 479 099** | **761 780** | **1 421 375** | **706 022** |

## 12. Asset revaluation reserve

| | | | | |
|---|---|---|---|---|
| Opening balance | 99 490 | *136 638 | 99 490 | *136 638 |
| Current year revaluation | 8 298 | *(32 046) | 8 298 | *(32 046) |
| Depreciation on the revalued portion of assets | (5 044) | *(5 102) | (5 044) | *(5 102) |
| | **102 744** | ***99 490** | **102 744** | ***99 490** |

## 13. Finance lease obligation

| | | | | |
|---|---|---|---|---|
| **Office Equipment** | | | | |
| **Minimum lease payments due** | | | | |
| - within one year | 15 358 | 82 | 15 358 | 82 |
| - in second to fifth year inclusive | 28 667 | - | 28 667 | - |
| | **44 025** | **82** | **44 025** | **82** |
| less: future finance charges | (14 646) | (17) | (14 646) | (17) |
| **Present value of minimum lease payments** | **29 379** | **65** | **29 379** | **65** |
| Non-current liabilities | 19 151 | - | 19 151 | - |
| Current liabilities | 10 228 | 65 | 10 228 | 65 |
| | **29 379** | **65** | **29 379** | **65** |

Multi functional machines under lease were capitalised, and the corresponding finance lease liability raised and the leases are payable in monthly installments. The controlling entity awarded a new contract in the year under review.

* Refer Note 37

| | Economic entity | | Controlling entity | |
|---|---|---|---|---|
| | 2022 | 2021 | 2022 | 2021 |
| | R'000 | R'000 | R'000 | R'000 |

## 14. Deferred income

| | | | | |
|---|---|---|---|---|
| Tower rentals | 129 | 63 | 129 | 63 |
| Deferred income | 77 | 77 | 77 | 77 |
| | **206** | **140** | **206** | **140** |
| Non-current liabilities | - | 77 | - | 77 |
| Current liabilities | 206 | 63 | 206 | 63 |
| | **206** | **140** | **206** | **140** |

Tower rentals are charged annually in advance, for the installation and operation of electronic communication equipment.

## 15. Provisions

### Reconciliation of provisions - Economic entity – 2022

| Figures in Rand thousand (R'000) | Opening Balance | Accumulation | Utilised during the year | Adjustments during the year | Total |
|---|---|---|---|---|---|
| Provision for building rentals | 7 730 | 873 | (5 425) | (2 006) | 1 172 |
| Provision for insurance | 1 471 | 1 392 | (494) | (977) | 1 392 |
| Performance bonuses | 204 680 | 651 133 | (203 737) | (942) | 651 134 |
| Salary related provisions | - | 17 541 | - | - | 17 541 |
| | **213 881** | **670 939** | **(209 656)** | **(3 925)** | **671 239** |

### Reconciliation of provisions - Economic entity – 2021

| Figures in Rand thousand (R'000) | Opening Balance | Accumulation | Utilised during the year | Adjustments during the year | Total |
|---|---|---|---|---|---|
| Provision for building rentals | 5 237 | 5 190 | (2 527) | (170) | 7 730 |
| Provision for insurance | 1 100 | 1 159 | (389) | (399) | 1 471 |
| Performance bonuses | 100 410 | 204 680 | (3 654) | (96 756) | 204 680 |
| | **106 747** | **211 029** | **(6 570)** | **(97 325)** | **213 881** |

### Reconciliation of provisions - Controlling entity – 2022

| Figures in Rand thousand (R'000) | Opening Balance | Accumulation | Utilised during the year | Adjustments during the year | Total |
|---|---|---|---|---|---|
| Provision for building rentals | 7 730 | 873 | (5 425) | (2 006) | 1 172 |
| Provision for insurance | 1 471 | 1 392 | (494) | (977) | 1 392 |
| Performance bonuses | 201 000 | 647 321 | (200 160) | (840) | 647 321 |
| Salary related provisions | - | 17 541 | - | - | 17 541 |
| | **210 201** | **667 127** | **(206 079)** | **(3 823)** | **667 426** |

15. Provisions (continued)

## Reconciliation of provisions - Controlling Entity - 2021

| Figures in Rand thousand (R'000) | | | | | |
|---|---|---|---|---|---|
| | Opening Balance | Accumulation | Utilised during the year | Adjustments during the year | Total |
| Provision for building rentals | 5 237 | 5 190 | (2 527) | (170) | 7 730 |
| Provision for insurance | 1 100 | 1 159 | (389) | (399) | 1 471 |
| Performance bonuses | 96 134 | 201 000 | - | (96 134) | 201 000 |
| | **102 471** | **207 349** | **(2 916)** | **(96 703)** | **210 201** |

### 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 for the 2021/22 financial year 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 has 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 as the amount is known but the timing uncertain.

## 16. Employee benefits - special dispensation leave

| | Economic entity | | Controlling entity | |
|---|---|---|---|---|
| | 2022 | 2021 | 2022 | 2021 |
| | R'000 | R'000 | R'000 | R'000 |
| Valuation | **159 757** | **-** | **159 757** | **-** |

Leave pay represents leave no longer forfeited during the 2020 and 2021 calendar years due to the impact of the COVID -19 pandemic.

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 will no longer be forfeited.

The special dispensation leave can be utilised by employees during their employment with the controlling entity or paid upon service termination.

## 17. Employee benefits - leave accumulated prior 1999

Leave pay represents the entitlements of amounts due to personnel, for leave accumulated prior to 1999.

| | Economic entity | | Controlling entity | |
|---|---|---|---|---|
| | 2022 | 2021 | 2022 | 2021 |
| | R'000 | R'000 | R'000 | R'000 |
| Opening balance | 7 698 | 8 307 | 7 698 | 8 307 |
| Actuarial gain | (752) | (1 103) | (752) | (1 103) |
| Benefits paid | (825) | (1 140) | (825) | (1 140) |
| Other movement | 73 | 37 | 73 | 37 |
| Interest cost | 350 | 494 | 350 | 494 |
| | **7 296** | **7 698** | **7 296** | **7 698** |

The valuation was performed on a member-by-member basis, using the projected unit credit method as 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, effective 1 April 2022 for employees graded 1 to 6 and salary increases, effective 1 July 2022 for employees graded 7 and above, was set at zero.

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, or to employees qualifying for long service awards.

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.

## 18. Employee benefits - accumulated annual leave

Accumulated annual leave is the portion of 5 working days per annum that may be accumulated up to a maximum of 20 working days.

| | Economic entity | | Controlling entity | |
|---|---|---|---|---|
| | 2022 | 2021 | 2022 | 2021 |
| | R'000 | R'000 | R'000 | R'000 |
| Opening balance | 368 181 | 332 215 | 368 181 | 332 215 |
| Actuarial adjustment | 1 057 | 14 218 | 1 057 | 14 218 |
| Benefits paid | (20 048) | (16 379) | (20 048) | (16 379) |
| Other movement | 21 105 | 30 597 | 21 105 | 30 597 |
| Interest cost | 17 085 | 21 748 | 17 085 | 21 748 |
| | **386 323** | **368 181** | **386 323** | **368 181** |

The valuation has been performed on a member by member basis using the projected unit credit method as 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 for money.

Salary increases, effective 1 April 2022 for employees graded 1 to 6 and salary increases, effective 1 July 2022 for employees graded 7 and above, was set at zero.

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 | |
|---|---|---|---|---|
| | 2022 | 2021 Restated* | 2022 | 2021 |
| | R'000 | R'000 | R'000 | R'000 |

## 19. Trade and other payables

| | | | | |
|---|---|---|---|---|
| Trade accounts payable and accruals | 374 693 | 446 667 | 373 500 | 444 752 |
| Accruals for salary related expenses | 308 312 | *452 219 | 303 016 | 447 003 |
| Other payables | 717 | 1 119 | 717 | 1 119 |
| | **683 722** | ***900 005** | **677 233** | **892 874** |

## 20. Revenue

**The amount included in revenue arising from exchanges of goods or services are as follows:**

| | | | | |
|---|---|---|---|---|
| Rendering of services | 15 284 | 15 923 | - | - |

**The amount included in revenue arising from non-exchange transactions is as follows:**

| | | | | |
|---|---|---|---|---|
| Government grant | 11 295 167 | 10 271 873 | 11 295 167 | 10 271 873 |
| Negotiated discount and donations received | 13 592 | 637 028 | 13 592 | 637 028 |
| | **11 308 759** | **10 908 901** | **11 308 759** | **10 908 901** |

## 21. Other income

| | | | | |
|---|---|---|---|---|
| UIF and SDL commission received | 369 646 | 314 935 | 369 646 | 314 935 |
| Sundry receipts | 34 032 | 17 901 | 34 075 | 18 110 |
| SDL training grant | 685 | - | 685 | - |
| Compensation for replacement assets | - | 22 | - | 22 |
| Profit from exchange rate differences | 7 461 | - | 7 461 | - |
| | **411 824** | **332 858** | **411 867** | **333 067** |

## 22. 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 31), the controlling entity does not have a surplus to surrender.

## 23. Auditors' remuneration

| | | | | |
|---|---|---|---|---|
| Audit fees | 33 893 | 30 909 | 33 294 | 30 251 |

* Refer Note 37

| | Economic entity | | Controlling entity | |
|---|---|---|---|---|
| | 2022 | 2021 Restated* | 2022 | 2021 Restated* |
| | R'000 | R'000 | R'000 | R'000 |

## 24. Impairment and scrapping losses

| | | | | |
|---|---|---|---|---|
| **Net impairments** | | | | |
| Property, plant and equipment | 16 150 | *45 120 | 16 150 | *45 120 |
| Loan to the controlled entity | - | - | - | 665 |
| Net reversal of inventories | (69) | - | (69) | - |
| | **16 081** | ***45 120** | **16 081** | ***45 785** |

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 the controlling entity's asset policy an event is defined 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 at the subsequent reporting date. In 2022 assets to the value of R25.4m (2021: R1.3m) was impaired.

Impairment reversal of land and buildings of R29.6m (2021: impairment charge of *R26.1m) represent adjustments in terms of valuations performed. Refer Note 3.

The impairment loss amounts as per Note 3 to 5, include losses made on the scrapping of assets R20.4m (2021: R17.6 m).

## 25. Finance costs

| | | | | |
|---|---|---|---|---|
| **Finance leases** | **757** | **1 165** | **757** | **1 165** |

## 26. Operating leases

| | | | | |
|---|---|---|---|---|
| **Building and related rentals on straight-line basis** | **485 039** | **559 057** | **481 315** | **555 338** |

| | | | | |
|---|---|---|---|---|
| Contractual building and related rental | 497 965 | 566 545 | 494 370 | 563 139 |

Clauses pertaining to renewal or purchasing options are evaluated on a case by case basis. The escalation rates vary between 0% and 10% per annum.

Minimum future lease payments:

| **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 |

| **Economic entity - 2021** | **Less than 1 year** | **Between 2 and 5 years** | **Beyond 5 years** | **Total** |
|---|---|---|---|---|
| Building and related rentals | 368 904 | 544 112 | 49 600 | 962 616 |

| **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 |

| **Controlling entity - 2021** | **Less than 1 year** | **Between 2 and 5 years** | **Beyond 5 years** | **Total** |
|---|---|---|---|---|
| Building and related rentals | 364 564 | 532 363 | 49 600 | 946 527 |

* Refer Note 37

| | Economic entity | | Controlling entity | |
|---|---|---|---|---|
| | 2022 | 2021 Restated* | 2022 | 2021 |
| | R'000 | R'000 | R'000 | R'000 |

## 27. Taxation - controlled entity

### Major components of the tax (income)/expense

### Current

| | | | | |
|---|---|---|---|---|
| Local income tax - current period | 574 | (328) | - | - |
| Local income tax - recognised in current tax for prior periods | 2 | (29) | - | - |
| | **576** | **(357)** | **-** | **-** |

### Deferred

| | | | | |
|---|---|---|---|---|
| Deferred tax movement current year | (2 228) | *(2 225) | - | - |
| | **(1 652)** | ***(2 582)** | | |

### Reconciliation of the tax expense

Reconciliation between accounting deficit and tax expense.

| | | | | |
|---|---|---|---|---|
| Applicable tax rate | 28% | 28% | 0% | 0% |

| | | | | |
|---|---|---|---|---|
| Accounting deficit | (8 035) | *(11 352) | - | - |
| Tax at 28% | (2 249) | *(3 179) | - | - |
| **Tax effect of adjustments on taxable income** | | | | |
| Originating temporary differences | 2 151 | *2 225 | - | - |
| Non-deductible differences | 572 | 626 | - | - |
| Prior year under/(over) provision | 2 | (29) | - | - |
| Reduction in deferred tax movement for the year due to rate change effective April 2022 | 101 | | - | - |
| | **577** | **(357)** | **-** | **-** |

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 .

* Refer Note 37

| | Economic entity | | Controlling entity | |
|---|---|---|---|---|
| | 2022 | 2021 | 2022 | 2021 |
| | R'000 | R'000 | R'000 | R'000 |

## 28. Cash generated from (used in) operations

| | | | | |
|---|---|---|---|---|
| Surplus | 479 586 | 658 584 | 537 893 | 729 263 |
| **Adjustments for:** | | | | |
| Depreciation and amortisation | 304 797 | 272 052 | 295 659 | 261 718 |
| (Profit)/Loss on sale of assets | (424) | 2 284 | (408) | 2 258 |
| Compensation for replacement assets | - | (22) | - | (22) |
| Negotiated discount | (10 606) | (636 036) | (10 606) | (636 036) |
| Donations received | (410) | - | (410) | - |
| Finance costs | 757 | 1 165 | 757 | 1 165 |
| Impairment loss | 16 150 | 45 120 | 16 150 | 45 785 |
| Movement in operating lease liabilities | (12 926) | (7 488) | (13 055) | (7 801) |
| Movement in employee benefits | 177 497 | 35 357 | 177 497 | 35 357 |
| Movement in provisions | 457 358 | 107 134 | 457 225 | 107 730 |
| Movement in tax receivable | 368 | 614 | - | - |
| Interest income inter-company loan | - | - | - | (1 529) |
| Movement in deferred tax | (2 228) | (2 225) | - | - |
| **Changes in working capital:** | | | | |
| Inventories | (1 103) | (5 341) | (1 103) | (5 341) |
| Receivables from exchange transactions | 14 881 | 36 401 | 14 988 | 37 867 |
| Prepayments | (54 349) | (85 489) | (54 575) | (85 001) |
| Trade and other payables | (216 280) | 389 764 | (215 637) | 362 167 |
| VAT | 123 | (2 245) | - | - |
| Movement in deferred income | 66 | 4 | 66 | 4 |
| | **1 153 257** | **809 633** | **1 204 441** | **847 584** |

## 29. Tax refunded/(paid) - controlled entity

| | | | | |
|---|---|---|---|---|
| Balance at beginning of the year | 367 | 980 | - | - |
| Current tax recognised in surplus or deficit | (577) | 357 | - | - |
| Balance at end of the year | 1 | (367) | - | - |
| | **(209)** | **970** | **-** | **-** |

| | Economic entity | | Controlling entity | |
|---|---|---|---|---|
| | 2022 | 2021 | 2022 | 2021 |
| | R'000 | R'000 | R'000 | R'000 |

## 30. 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 | 583 486 | 571 723 | 577 348 | 565 706 |

## 31. Financial instruments disclosure

### Categories of financial instruments

| Financial assets by category | | | | |
|---|---|---|---|---|
| Receivables from exchange transactions at amortised cost | 58 318 | 73 199 | 57 147 | 72 135 |
| Cash and cash equivalents at fair value | 1 479 099 | 761 780 | 1 421 375 | 706 022 |
| | **1 537 417** | **834 979** | **1 478 522** | **778 157** |

| Financial liabilities by category | | | | |
|---|---|---|---|---|
| Finance lease obligation at amortised cost | 29 379 | 65 | 29 379 | 65 |
| Payables from exchange transactions at amortised cost | 375 410 | 447 786 | 374 217 | 445 871 |
| | **404 789** | **447 851** | **403 596** | **445 936** |

## 32. Commitments

### Authorised capital expenditure

| Already contracted for capital expenditure | | | | |
|---|---|---|---|---|
| Property, plant and equipment | 273 539 | 44 306 | 273 539 | 44 306 |
| Intangible assets | 52 569 | 65 226 | 52 569 | 65 226 |
| | **326 108** | **109 532** | **326 108** | **109 532** |

| Authorised but not yet contracted for capital expenditure | | | | |
|---|---|---|---|---|
| Property, plant and equipment | - | 9 479 | - | 9 479 |
| Intangible assets | 340 765 | 78 229 | 340 765 | 78 229 |
| | **340 765** | **87 708** | **340 765** | **87 708** |

32. Commitments (continued)

| | Economic entity | | Controlling entity | |
|---|---|---|---|---|
| | 2022 | 2021 | 2022 | 2021 |
| | R'000 | R'000 | R'000 | R'000 |
| **Total capital commitments** | | | | |
| Already contracted for capital expenditure | 326 108 | 109 532 | 326 108 | 109 532 |
| Authorised but not yet contracted for capital expenditure | 340 765 | 87 708 | 340 765 | 87 708 |
| | **666 873** | **197 240** | **666 873** | **197 240** |
| **Authorised operational expenditure** | | | | |
| Already contracted for operational expenditure | 12 956 | 8 483 | 11 143 | 8 353 |
| Authorised but not yet contracted for operational expenditure | 5 436 | 8 761 | 5 436 | 8 761 |
| **Total** | **18 392** | **17 244** | **16 579** | **17 114** |
| **Total operational commitments** | | | | |
| Already contracted for operational expenditure | 12 956 | 8 483 | 11 143 | 8 353 |
| Authorised but not yet contracted for operational expenditure | 5 436 | 8 761 | 5 436 | 8 761 |
| **Total** | **18 392** | **17 244** | **16 579** | **17 114** |
| **Total commitments** | | | | |
| Authorised capital expenditure | 666 873 | 197 240 | 666 873 | 197 240 |
| Authorised operational expenditure | 18 392 | 17 244 | 16 579 | 17 114 |
| | **685 265** | **214 484** | **683 452** | **214 354** |

## 33. Contingencies

Contingencies exclude any matters arising as a result of tax-and-customs related activities.

### Contingent Liabilities

#### Trade Vendors

The controlling entity was served with a summons in 2020/2021 by the service provider for the provision of Personal Protective Equipment (PPE) to the value of R7 million. During the current year under review the case was concluded in favour of the controlling entity who is currently pursuing the recovery of legal cost to the value of R57k against the service provider. The controlling entity could also be brought into a litigation and apportionment claim as it 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 service provider intends arguing in court that the controlling entity had a role to play in the damages the employee of the controlling entity suffered. The controlling entity intends to leverage the indemnity provision in its contract with the service provider. The controlling entity's prospects of success are good.

### Directors and Officers

In 2021 the controlling entity received and settled claims for legal cost by former SARS officials, pursuant to the initial rejection of the insurance cover by the controlling entity's professional liability insurer. The organisation does not agree with the insurer's decision, and continue to engage the insurer further and to date, the insurer has paid a portion of the cost. The controlling entity still believes that the prospects of successful recovery of the claims from the insurer is good, based on the controlling entity's ongoing coverage advice received.

### Reparations process recommended by the Nugent Commission

The controlling entity has a contingent liability arising from the reparations process recommended by the Nugent Commission which has been implemented for former employees, negatively affected by the seizure of the controlling entity between 2014 and 2018. The controlling entity in 2021 appointed an independent advisory panel of esteemed jurists to conduct the reparations process. The advisory panel submitted its final report in March 2022. The controlling entity is finalising the process for 15 former employees and the final amount is subject to the outcome of settlement negotiations with these former employees.

The controlling entity settled a legal bill of R94.8k, as part of the reparations process for current employees. The legal cost was incurred by the employee because of an irregular disciplinary process. The controlling entity is engaging the insurance service provider to ascertain possible recovery from the Insurer.

### Legal costs arising from reports by the Public Protector

The legal costs arose from reports by the Public Protector (PP) into matters of Mr. Pillay's pension matter and the so called "rogue unit" matter, as well as the legal proceedings that have ensued from taking the reports on review. The pension matter was heard before the Gauteng North High Court which set aside the PP's report. The PP lodged an appeal at the Supreme Court of Appeal which upheld the High Court decision. The PP filed a notice of motion to the Constitutional Court in February 2022 which the Constitutional Court still must rule upon. The matter pertaining to "rogue unit" was also heard before the Gauteng North High Court which set aside the PP's report. The PP lodged an appeal at the Supreme Court of Appeal which upheld the High Court decision. The PP has appealed to the Constitutional Court on the matter. 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. To date, the legal costs for the High Court and Supreme Court of Appeal proceedings have been submitted to the controlling entity. Legal costs arising from the Constitutional Court proceedings will only be known once the matters are concluded. Refer note 44.

### 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 Custom matters

The controlling entity received a damages claim of R5.8 million for loss of income and damage to the retained property. Although it appears that the plaintiff may have a valid claim, the computation of the damages appears to be unrealistic.

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 keeping the goods at the SACD warehouse.

There is a standing 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 in order to settle the cost order.

33. Contingencies (continued)

| | Economic entity | | Controlling entity | |
|---|---|---|---|---|
| | 2022 | 2021 | 2022 | 2021 |
| | R'000 | R'000 | R'000 | R'000 |

**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 R10.6 million 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. Both parties are waiting for confirmation of the hearing date.

## 34. Related parties

**Relationships**

| | |
|---|---|
| 33.1 Interfront | Refer to Note 6 |
| 33.2 Key members of the controlled entity's management who are employed by the controlling entity | Mr. B. Theron - Non-Executive Director<br>Ms. Y. van der Merwe - Non-Executive Director<br>Mr. V.C. Ntlhabyane - Non-Executive Director<br>Mr. H. Smith - Non-Executive Director |

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 to resolve taxpayers' complaints against the controlling entity and the OTO grant appropriation is administered through the controlling entity.

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.

34. Related parties (continued)

| | Economic entity | | Controlling entity | |
|---|---|---|---|---|
| | 2022 | 2021 | 2022 | 2021 |
| | R'000 | R'000 | R'000 | R'000 |
| **Related party balances - controlling entity** | | | | |
| **Amounts included in trade and other payables** | | | | |
| Interfront | | | 8 489 | 4 988 |
| **Related party transactions - controlling entity** | | | | |
| **Rendering of services to related parties** | | | | |
| Department of Home Affairs (DHA) | | | 93 170 | 67 636 |
| **Rendering of services by related parties** | | | | |
| Interfront | | | 110 591 | 107 845 |
| **Property, plant and equipment** | | | | |
| National Prosecuting Authority (NPA) | | | 438 | - |

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 delivered 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.

The controlling entity donated property, plant and equipment (R438k) to the NPA.

## 35. Executive remuneration

### Controlling entity - 2022

| Figures in Rand thousand (R'000) | Years of service in SARS on 31 March 2022 | Salary paid/ payable | Gratuity bonus paid/ payable | Other allowances | Contributions (Pension Fund, Group life and UIF) | Total |
|---|---|---|---|---|---|---|
| Commissioner | 2.92 | 6 156 | 415 | 125 | 97 | 6 793 |
| Chief of Staff | 28.18 | 2 465 | 167 | 79 | 279 | 2 990 |
| Chief Revenue Officer | 5.83 | 3 023 | 215 | 92 | 355 | 3 685 |
| Head: Operations Enabling and Production Planning | 15.51 | 2 974 | 135 | 44 | 47 | 3 200 |
| Chief Financial Officer | 17.42 | 2 386 | 171 | 71 | 220 | 2 848 |
| Head: Technology and Solutions Delivery | 31.60 | 2 974 | 203 | 102 | 289 | 3 568 |
| Head: Enterprise Data Management | 18.01 | 3 181 | 203 | 42 | 50 | 3 476 |
| Head: Governance and Risk | 5.65 | 2 093 | 148 | 49 | 252 | 2 542 |
| Regional Director – Gauteng North | 1.75 | 2 947 | 166 | 76 | 379 | 3 568 |
| Head: Taxpayer and Trader Education Products | 12.42 | 1 615 | 85 | 84 | 200 | 1 984 |
| Head: Border Operations, Ports of Entry and Customs Compliance | 38.36 | 2 700 | 124 | 54 | 44 | 2 922 |
| Head: Internal Audit (permanent invitee) | 9.67 | 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.

35. Executive remuneration (continued)

### Controlling entity - 2021

| Figures in Rand thousand (R'000) | Salary | Other allowances | Contributions (Pension Fund, Group life and UIF) | Total |
|---|---|---|---|---|
| Commissioner for SARS | 5 976 | 120 | 89 | 6 185 |

The committee appointed in the 2020/21 financial year served as an extended management committee, with no resolutions taken during the period.

## 36. Change in estimate

### Property, plant and equipment and Intangible assets

Management assesses the useful lives of property, plant and equipment and intangible 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:

| Controlling entity<br>(Figures in Rand thousand (R'000)) | Prior estimate | Current estimate | Decrease in depreciation charge - current year | Net book value to be depreciated over the amended useful lives - future periods |
|---|---|---|---|---|
| Furniture, fittings and office equipment | 5 to 14 years | 5 to 16 years | (24 962) | 126 736 |
| Land and water vehicles | 6 to 9 years | 8 to 11 years | (44 751) | 64 154 |
| ICT equipment | 5 to 9 years | 6 to 12 years | (10 198) | 246 232 |
| Security equipment | 7 to 10 years | 9 to 12 years | (22 579) | 38 385 |
| ICT software | 9 to 14 years | 11 to14 years | (348 011) | 1 332 102 |
| | | | **(450 501)** | **1 807 609** |

| Controlled entity<br>(Figures in Rand thousand (R'000)) | Prior estimate | Current estimate | Decrease in depreciation charge - current year | Net book value to be depreciated over the amended useful lives - future periods |
|---|---|---|---|---|
| Leasehold improvements | 10 years | 12 years | (95) | 95 |
| Furniture, fittings and office equipment | 5 to 10 years | 5 to 15 years | (75) | 123 |
| Security equipment | 10 years | 12 years | (1) | 2 |
| ICT equipment | 3 to 10 years | 3 to 12 years | (507) | 1 088 |
| ICT software | 3 to 5 years | 3 to 12 years | (1) | 1 |
| | **-** | **-** | **(679)** | **1 309** |

| | Economic entity | | Controlling entity | |
|---|---|---|---|---|
| | 2022 | 2021 | 2022 | 2021 |
| | R'000 | R'000 | R'000 | R'000 |

## 37. Prior period error

The correction of the error(s) results in adjustments as follows:

### Statement of Financial Position

| | | | | |
|---|---|---|---|---|
| Prepayments | - | 11 128 | - | (1 905) |
| Payables from exchange transactions | - | (1 038) | - | - |
| Software under construction | - | 12 914 | - | 12 383 |
| Software server | - | (13 059) | - | - |
| Buildings | - | (4 138) | - | (4 138) |
| Deferred tax | - | 1 215 | - | - |
| Revaluation reserve | - | 106 705 | - | 106 705 |
| Opening revaluation reserve | - | 163 389 | - | 163 389 |
| Accumulated surplus | - | (110 614) | - | (108 894) |
| Opening accumulated surplus | - | (166 502) | - | (167 540) |

### Statement of Financial Performance

| | | | | |
|---|---|---|---|---|
| Impairment (Buildings) | - | 2 794 | - | 2 794 |
| Depreciation (Buildings | - | 1 344 | - | 1 344 |
| Impairment (Reserve) | - | (116 243) | - | (116 243) |
| Depreciation (Reserve) | - | 9 538 | - | 9 538 |
| Professional and special services | - | (6 832) | - | (6 327) |
| Taxation | - | (1 215) | - | - |

The controlling entity allocated a prepayment (R10.5m), over the period of the contract and not based on utilisation resulting in an over statement of professional fees in expenses of R6.3m in the 2020/21 and R4.2m in the prior years.

Due to the change in funding model between the controlling entity and the controlled entity, from a time and material based model to a fixed price model, the billing cycle was amended to reflect the stage of completion for work done up to March of each financial year. As a result an adjustment was made for the work not yet deemed to be completed at 2021 year end (R12.4m) in the controlling entity.

This also had an impact on the deferred tax calculation of 2021 (R1.2m) of the controlled entity.

The elimination of intergroup transactions was incorrectly classified in amount between Software under Construction (R59.3m), Software Server (R46.8m), Prepayments (R13.0m) and Software Network expenditure (R505k) in the controlled entity in the 2021 financial year and was corrected in 2022 to Software under Construction, Software Server and Opening Accumulated Surplus respectively.

The elimination of intergroup transactions in financial year 2016 was incorrectly not included in the roll-forward of financial year 2017 and remained undetected and was corrected in the 2022 financial year to Software under Construction (R59.9m) and Software (R59.9m).

A prior year salary related accrual (R1.0m) was incorrectly recorded as an elimination journal and corrected in financial year 2022.

The controlling entity's Buildings closing balance for 2021 was overstated by R4.1m due to understatement of Impairment of R2.8m and Depreciation of R1.3m.

The controlling entity's revaluation reserve calculation incorrectly increased year-on-year with cumulative impairment movements of R116m, and reduced with the incorrect amounts recognised as depreciation against the reserve of R9.5m and was corrected in financial year 2022. The impact on the Revaluation reserve was R107m for financial year 2021 and R163m for the restatement of the opening balance.

## 38. 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 economic entity follows an extensive planning and governance process to determine its operational and capital requirements, which is then presented to National Treasury.

The table below analyses the economic entity's financial liabilities into relevant maturity groupings based on the remaining period at the Statement of Financial Position.

**Economic entity**

**At 31 March 2022**

| Figures in Rand thousand (R'000) | | | | |
|---|---|---|---|---|
| | 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 obligations | 10 228 | 10 228 | 8 923 | 29 379 |

38. Risk management (continued)

### At 31 March 2021

| Figures in Rand thousand (R'000) | Less than 1 year | Between 1 and 2 years | Between 2 and 5 years | Total |
|---|---|---|---|---|
| Trade and other payables | 447 786 | - | - | 447 786 |
| Finance lease obligations | 65 | - | - | 65 |

## Controlling entity

### At 31 March 2022

| Figures in Rand thousand (R'000) | Less than 1 year | Between 1 and 2 years | Between 2 and 5 years | Total |
|---|---|---|---|---|
| Trade and other payables | 374 217 | - | - | 374 217 |
| Finance lease obligations | 10 228 | 10 228 | 8 923 | 29 379 |

### At 31 March 2021

| Figures in Rand thousand (R'000) | Less than 1 year | Between 1 and 2 years | Between 2 and 5 years | Total |
|---|---|---|---|---|
| Trade and other payables | 445 871 | - | - | 445 871 |
| Finance lease obligations | 65 | - | - | 65 |

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 2022 was R338 971 (2021: R297 980).

### 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.

## 39. 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.

## 40. Events after the reporting date

The controlled entity entered into an agreement for the transfer of 43 employees from Shandon Business Solutions in accordance with section 197 of the Labour Relations Act No. 66 of 1995. The effective date of the transfer is 1 April 2022. A finders fee of R4.8 million and a early termination settlement fee of R4.1m is payable in terms of the agreement. The controlled entity will be responsible for the finders fee and the controlling entity for the early termination settlement fee. The agreement enables the controlling entity, through its subsidiary Interfront, to bring continued development and support of taxation applications, therefore reducing the risk of reliance on external service providers.

## 41. Fruitless and wasteful expenditure

| | Economic entity | | Controlling entity | |
|---|---|---|---|---|
| | 2022 | 2021 | 2022 | 2021 |
| | R'000 | R'000 | R'000 | R'000 |
| **Opening balance as previously reported** | **11 153** | **20 244** | **11 153** | **20 244** |
| Remuneration for personal assistants in the absence of attachés relating to the prior year | - | (2 759) | - | (2 759) |
| Lease payments and fit out expenses incurred for City Deep scanner site relating to the previous years | - | (3 412) | - | (3 412) |
| Lease payments made for Kobe state warehouse | - | (230) | - | (230) |
| Interest incurred on late payments to service providers | 2 | 6 | 2 | 6 |
| Consulting fees incurred - Mashiane Moodley Monana | - | (684) | - | (684) |
| Prior Commissioner of SARS travel to Russia | - | (74) | - | (74) |
| New Pier Epoxy removed | (2 027) | 2 027 | (2 027) | 2 027 |
| Colenso lease removed | - | (2 292) | - | (2 292) |
| Colenso assets removed | - | (1 673) | - | (1 673) |
| Interest on overdue accounts removed | (61) | - | (61) | - |
| Alberton settlement removed | (580) | - | (580) | - |
| Employee travelled to Belgium to attend a meeting that was cancelled removed | (68) | - | (68) | - |
| **Closing balance** | **8 419** | **11 153** | **8 419** | **11 153** |

41. Fruitless and wasteful expenditure (continued)

**The New Pier State Warehouse project (R2m) -** was halted in 2020/21 due to service delivery issues and lack of progress on the project and settlement reached with the contractor that resulted in the expiry of the epoxy and related products delivered for the project. A new tender was issued in 2021/22 to conclude the project and as part of the contract negotiations the contractor offered an amount of R1,7m for the epoxy and related products and the balance of the transactions will be written off. Refer to Note 43 for the irregular expenditure component relating to this transaction.

**Kobe Lease (R8.4m) -** this transaction was investigated and a report issued on 16 May 2022 with recommended corrective measures which is in process of being assessed and implemented. The transaction will be removed once consequence management is concluded and the transaction appropriately condoned.

**Alberton Settlement (R580k) -** the transaction was investigated and represent a settlement reached with the appointed contractor at the Alberton Campus pertaining the ergonomic refresh project for the Contact Centre. As this settlement is legally governed it was removed from the register.

**Belgium Trip (R68k) -** an investigation was conducted and disciplinary process concluded. The miscommunication from World Trading Organisation Secretariat and the fact that the delegate was the stand-in representative deemed the debt not recoverable and was removed from the register.

**Interest on overdue accounts (R67k) -** materialises in the main on utility accounts administered by local Municipalities with their own administrative challenges and accrues in instances where SARS own or rent premises. The accounts were assessed and determined that in cases where the interest is of immaterial value, it is not cost effective to investigate and institute recovery steps for each transaction. It should be noted that cases of recurring interest has been referred for further investigated and the balance of R61k was removed from the register. The control environment was further strengthened and staff educated on the importance of timeous follow-ups and processing of accounts.

## 42. Irregular expenditure

| | Economic entity | | Controlling entity | |
|---|---|---|---|---|
| | 2022 | 2021 | 2022 | 2021 |
| | R'000 | R'000 | R'000 | R'000 |
| **Opening balance** | **13 373** | **23 609** | **13 373** | **22 206** |
| Irregular expenditure relating to goods and services in the current year | 732 | 3 113 | 732 | 3 113 |
| Irregular expenditure relating to goods and services relating to prior years | 7 | 1 096 | 7 | 1 096 |
| Irregular expenditure condoned and to be removed | (9 051) | (14 445) | (9 051) | (13 042) |
| **Closing balance** | **5 061** | **13 373** | **5 061** | **13 373** |

The controlling entity investigated all transactions and confirm that the matters are relating to non-compliance to procurement prescripts but confirm that value was derived for all goods received and services rendered.

Transactions to the value of R9.1m was condoned and removed from the register. The balance of transactions is in various stages of the required consequence management before it will be submitted for condonement.

The New Pier State Warehouse project to the value of R4.5m was investigated and a report issued on 4 July 2022 with recommended corrective measures which is in process of being assessed. The transaction will be removed once consequence management is concluded and the transaction appropriately condoned. Refer to Note 41.

With reference to the report issued on 29 April 2022 by the Public Protector pertaining to the irregular procurement processes in the appointment of Barone, Budge and Dominick (Pty) Ltd, the controlling entity does not agree with the Public Protector's findings and remedial action and intends to challenge the Public Protector's findings and remedial action as discussed as per Note 43.

## 43. Other matters

### Public Protector Reports

Legal proceedings arising from two investigative reports issued by the Public Protector (PP) in 2019 are still ongoing. In the first report, the PP dealt with allegations that SARS had illegally established an investigative unit that operated outside of its mandate. In the second report, the PP investigated allegations of impropriety in the approval of Mr.Pillay's early retirement with full pension benefits and his subsequent retention of by the controlling entity. Refer note 33.

Both reports were declared unlawful and invalid and were reviewed and set aside on 7 and 17 December 2020 respectively by the North Gauteng High Court. On the pension matter, on 7 April 2021, the full bench of the North Gauteng High Court refused the PP's leave to appeal its earlier decision of 17 December 2020. The PP nevertheless petitioned the Supreme Court of Appeal (SCA), which upheld the High Court decision. The PP filed a notice of motion for leave to appeal to the Constitutional Court in February 2022, which the Constitutional Court must still rule upon.

On 23 April 2021, a political party and the PP argued before the SCA that the full bench of the North Gauteng High Court had erred when it overturned the PP's report on the so-called SARS "rogue unit". The SCA dismissed the PP's bid to appeal the invalidation of her report in September 2021. The PP filed an application at the SCA for a reconsideration of her application in October 2021 and this was dismissed by the court in February 2022. The PP has appealed to the Constitutional Court on the matter.

On 29 April 2022, the Public Protector (PP) issued another investigative report into allegations of mis-administration and impropriety relating to irregular procurement processes by the controlling entity in the appointment of Barone, Budge & Dominick (Pty) Ltd and the continued extension of the same contract. The controlling entity's counsel has advised that it has more than sufficient grounds to apply to a High Court to suspend the implementation of the remedial actions as an interim relief measure pending a judicial review of the report before the remedial actions' due date. In addition, counsel is confident that the controlling entity has excellent prospects of success to challenge the validity of the Public Protector's findings and subsequent remedial orders and is therefore in process to prepare an application to the High Court to review and set aside the report and to suspend the operation of the remedial orders, pending the final determination of the judicial review. The controlling entity have written to the PP on 9 May 2022 to request written confirmation if the PP will pose the interim relief measure upon which the PP confirmed on 16 May 2022 that it will not oppose any interim relief measures sought, provided that the application is brought on an urgent basis. The controlling entity, with its external counsel are in the process of drafting the relevant papers required to bring the review application.

### Tatis International (Pty) Ltd

Tatis International (Pty) Ltd (in liquidation), with whom Interfront contracted through a sale of business agreement, was placed in liquidation on 19 April 2018. The liquidators convened an insolvency inquiry into the affairs of Tatis International (Pty) Ltd (in liquidation), for the purpose of inter alia identifying possible claims and following up inter alia on the agreements to which the controlled entity was also a party. Tatis International (Pty) Ltd (in liquidation) indicated its intention to commence arbitration proceedings in accordance with the provisions inter alia of the sale of business agreement, and an arbitration agreement is in the process of being entered into between Tatis International (Pty) Ltd (in liquidation) and Interfront. The parties agreed that an informal without prejudice mediation process would not be followed. This process is ongoing and no clear estimation can be made on the date that the process will be concluded. The controlled entity, as well as its legal representation remain of the view that it is not liable for any claim. Accordingly, no provision or contingency has been included in these financial statements.

### Labour Relations

A number of internal labour relations-related issues are ongoing. These matters will be reported as they are concluded, if required.

## 44. Fraudulent activities

Management is committed to the process and continues to investigate and report all fraudulent activities identified.

## 45. 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 South African Revenue Service ("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 amongst 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 found that there had been a massive failure of integrity and governance at SARS 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.

The controlling entity has taken concrete steps in the period under review to address these matters. An investigation into Bain and Company Inc. is ongoing. Legal proceedings against former SARS employees to recover public funds expended for purposes other than the controlling entity's purposes are also continuing. A summons was served on the former Commissioner Mr Tom Moyane, to which he subsequently filed three (3) defective pleas. An Exception Application was set down for hearing on 26 April 2022 for Mr Moyane to amend the defective pleas. Mr Moyane as yet has not registered his intention to oppose the Exception Application.

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 period under review. The final report of the Advisory Committee has been handed over to the Commissioner and will serve to inform any reparations to be made to the former employees. The process is anticipated to be finalised in the first quarter of 2022.

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 the SARS Act (1997) as amended, section 18(3) without obtaining the requisite Ministerial approvals, which also led to non-compliance. In the year under review, the controlling entity engaged with the Executive Authority to clarify the Minister's authority in relation to SARS' level of autonomy in this regard.

## 46. Zondo Commission of Inquiry

The Judicial Commission of Inquiry into State Capture (Zondo Commission of Inquiry) dealt specifically with the capture of SARS in Part 1, volume 3 of its report. It called on SARS to support a deeper investigation of the Bain procurement contract at SARS 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 SARS to investigate a number of matters relating to tax which SARS is acting upon. The bulk of the Zondo CoI recommendations identify matters that SARS is analysing and investigating for civil, criminal and administrative tax and customs non-compliance.

To ensure the optimal, systematic and sustained impact of the implementation of the recommendations of the Commissions of Inquiry, SARS 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

Particulars of each donation or bequest accepted by SARS must be disclosed in accordance with section 24 (2) (b) of the South African Revenue Service Act (Act no. 34 of 1997).

| | | 2022 | 2021 |
|---|---|---|---|
| **No.** | **Description** | **R'000** | **R'000** |
| 1 | World Customs Organisation (WCO) | 25 | - |
| | Travel and accommodation to attend a WCO Capacity Building Support Mission for the Zambia Revenue Authority (ZAR) on Authorised Economic Operator (AEO) from 07-11 March 2022 | | |
| | **Grand Total** | **25** | **-** |

# Annexure 2

## Table B:16 Indicators from Original APP remained in the Revised APP: Changes to the wording and/or targets

| 2021/22 Revised APP | | 2021/22 Original APP | Summary of changes | Reference to detailed notes |
|---|---|---|---|---|
| **Key result** | **Key result indicator** | **Key result – Key result indicator** | | |
| Printed revenue estimates are met and/or exceeded | % collection of revenue as agreed with Minister | Printed revenue estimates are met and/or exceeded– **% collection of revenue as agreed with Minister** | No change | **SI: 1** |
| Overall compliance has increased as measured by a well-defined compliance index | Develop and approve compliance Indexes<br>2021/22 Target: Approved Compliance Index for PAYE, VAT and CIT, as well as establish baselines | Voluntary compliance index has increased as measured by a credible voluntary compliance index – **approved voluntary compliance index**<br>2021/22 Target: Voluntary Compliance Index Implemented for PAYE, VAT and Corporate Income Tax (CIT) (baseline established) | Rearticulated<br>Target changed | **SI: 2** |
| The majority of taxpayers and traders perceive the guidance SARS provides to be clear, unambiguous and easy to follow | % of taxpayers and traders surveyed are satisfied with the clarity and certainty provided by SARS<br>2021/22 Target: 77.00% | The majority of taxpayers and traders surveyed perceive the guidance SARS provides to be clear, unambiguous and easy to follow - **% of taxpayers and traders that are satisfied with the clarity and certainty of guidance provided by SARS**<br>2021/22 Target: 65.00% of taxpayers and traders surveyed are satisfied with the clarity and certainty of guidance provided by SARS | Rearticulated<br>Target changed | **SO: 1.1** |
| Increased number of taxpayers and traders using digital and self-help platforms | % of taxpayers and traders using digital and self-help platforms to interact with SARS<br>2021/22 Target: 87.00% | Increased number of taxpayers and traders using digital platforms - **% of taxpayers and traders using digital platforms to interact with SARS**<br>2021/22 Target: 80.00% | Rearticulated<br>Target changed | **SO: 2.1** |
| Standard taxpayers are auto assessed by SARS | % of standard taxpayer's returns auto assessed by SARS (individual taxpayers) | Standard taxpayers are auto assessed by SARS - **% of standard taxpayers returns auto assessed by SARS (individual taxpayers)** | No change | **SO: 2.2** |
| Increase compliance through the accurate detection of risk | Risk detection rate<br>2021/22 Target: Refinement of methodology completed to achieve 95.00% hit rate | Detection and selection methodology for non-compliance completed – **approved detection and selection methodology document**<br>2021/22 Target: 95.00% | Rearticulated<br>Target changed | **SO: 3.1** |
| Improve the engagement of SARS employees | Employee Engagement Index score achieved based on survey of employees<br>2021/22 Target: Develop plan to address shortcomings identified in last engagement survey | Employee engagement index score based on an annual survey of employees - **% score achieved based on annual survey**<br>2021/22 Target:65.00% | Rearticulated<br>Target changed | **SO: 4.1** |
| Risk detection, assessment and profiling is largely automated and substantively informs case selection for standard matters. Manual risk profiling and case selection is only used for complex matters | % utilisation of automated risk assessment for taxpayers and traders | Risk detection, assessment and profiling is largely automated and substantively informs case selection for standard matters. Manual risk profiling and case selection is only used for complex matters - **% utilisation of automated risk assessment for taxpayers and traders** | No change | **SO: 5.1** |
| Digital platforms availability for taxpayers and traders | % of planned capacity to be available for mission critical systems | Digital platforms availability for taxpayers and traders - **% of planned capacity to be available for mission critical systems** | No change | **SO: 6.1** |
| Security of taxpayers and traders information, and interactions via digital platforms | Number of security breaches on digital platforms from known risks<br>2021/22 Target: 0 | Security of taxpayers and traders information and interactions via digital platforms - **number of security breaches on digital platforms from known risks**<br>2021/22 Target: No security breaches from known risks | No change to wording<br>Targets changed | **SO: 6.2** |
| Reconfigured SARS' cost structures to align with international peers | Increase ICT investment as % of total allocation<br>2021/22 Target: 2.00% | Reconfigured SARS' cost structures to align with international peers – **Information Communications Technology (ICT) investment as % of total allocation**<br>2021/22 Target: Increase ICT investment by 2.00% p.a. | Rearticulated<br>Target changed | **SO: 7.1** |
| Unqualified audit opinion achieved from the Auditor-General | Unqualified audit opinion<br>2021/22 Target: Unqualified audit opinion | Clean audit opinion achieved from the Auditor-General - **clean audit opinion**<br>2021/22 Target: Clean Audit Opinion | Rearticulated<br>Target changed | **SO: 7.3** |
| SARS has met all its commitments in terms of the Organisation for Economic Cooperation and Development's (OECD) Exchange of Information (EOI) standards | % of commitments met<br>2021/22 Target: 100% | We have satisfied all SARS' commitments in terms of Organisation for Economic Cooperation and Development (OECD) Exchange of Information (EOI) standards - **% of commitments met**<br>2021/22 Target: 100% compliance in terms of OECD EOI Standards | Rearticulated<br>Target changed | **SO: 8.1** |
| A high number of intermediaries are satisfied with SARS' cooperation and collaboration | % of intermediaries that are satisfied with SARS' assistance | A high number of intermediaries are satisfied with our cooperation and collaboration - **% of intermediaries that are satisfied with our assistance** | Rearticulated | **SO: 8.2** |
| Public opinion survey results reflect high trust and confidence in SARS | % score as per public opinion survey | Public opinion survey results reflect high trust and confidence in SARS – **% score as per public opinion survey** | No change | **SO: 9.1** |
| Service Charter index achievement | % Service Charter performance score (old Service Charter) | Service Charter achievement index - **Service charter performance score (%)** | Rearticulated and moved from objective 2 to objective 9 | **SO: 9.2** |

## Table C: 3 New indicators were added

| Key result | Key result indicator | 2021/22 Target | Reference to detailed notes |
|---|---|---|---|
| Enhance trade facilitation | Develop and approve a trade facilitation index | Final version of the trade facilitation index completed and baseline calculated | **SI: 3** |
| Extent to which SARS enables the NPA to successfully prosecute criminal cases referred by SARS | % of cases SARS referred to the NPA that are accepted for prosecution | 90% | **SO: 3.2** |
| Demonstrate effective stewardship through the appropriate spending of the budget allocation received from National Treasury | % Deviation between SARS' spending for the year and the allocation SARS received from National Treasury | 5% | **SO: 7.2** |

## Table D: 21 Indicators were not retained

| Key Result & Indicator | Audited Actual Performance 2020/21 | Planned Annual Target 2021/22 | Actual Achievement 2021/22 | Deviation 2021/22 | Reason indicator not retained in Revised APP | Reference to detailed notes |
|---|---|---|---|---|---|---|
| Strategic Intent: To develop and administer a tax and customs system based on voluntary compliance, and where appropriate, enforce responsibly and decisively. | | | | | | |
| Total compliance revenue collected – **revenue collected from identified compliance initiatives as a % of total revenue collections** | R171.97 billion | Compliance revenue collection = 10.00% of total revenue collections<br>R156.38 billion | **R215.45 billion** | R59.07 billion | Indicator SI:4 was removed as the compliance revenue has been incorporated into the key result on the attainment of the Minister's revenue estimate. The appreciation that implicit in the Minister's revenue estimate is the attainment of revenue from all compliance activities informs the relegation of this key result. | **SI: 4** |
| **Performance Analysis:**<br>The compliance revenue achievement was realised through the management of a well-established tracking and reporting framework that formed part of the 2021/22 Compliance Revenue Programme. Through this framework, various revenue initiatives were identified and implemented, with results being tracked and reported on fortnightly. These compliance revenue initiatives were implemented against the backdrop of Vision 2024, which enabled significant focus to be placed on efforts that will improve voluntary compliance and detect and deter instances of non-compliance. It is expected that compliance revenue will decrease in future years, as taxpayer compliance behaviour improves in line with SARS' strategic intent of voluntary compliance.<br>This indicator measures compliance revenue emanating from identified and targeted compliance initiatives. These initiatives are specifically initiated by SARS, and are largely informed by its compliance programme to crack down on non-compliance. These include debt recovery efforts and outstanding return follow-ups. With increased voluntary compliance, this part of revenue is expected to decrease.<br>For the 2021/22 FY, the target for compliance revenue collections amounted to R156.38 billion, calculated as 10% against the final collections for the respective reporting period.<br>Compliance revenue collections totalled R215.45 billion (13.78% of total tax and customs revenue collected), comprising of cash amounts of R142.44 billion and revenue leakage protection worth R73.01 billion. This performance resulted in a surplus of R59.07 billion (37.77%).<br>The attainment and/or exceeding of the minister's revenue estimate is achieved through the execution of all three aspects of SARS' mandate, which are: 1) the collection of all revenue due, 2) enhancement of overall compliance, 3) facilitation of legitimate trade. The compliance revenue has been incorporated into the key result on the attainment of the minister's revenue estimate. The appreciation that implicit in the minister's revenue estimate is the attainment of revenue from all compliance activities informs the relegation of this key result. Furthermore, this shift is strengthened by a bid to ensure that key results are integrated as far as possible. The incorporation of revenue from compliance activities under the attainment of the minister's revenue estimate is done without losing the requisite focus on the intended improvement of overall revenue performance, through the leveraging of efficient tax administration compliance activities. | | | | | | |
| Cost of compliance study implemented – **approved cost of compliance study** | Cost of compliance study methodology adopted | Cost of compliance baseline developed (for all segments) | **A pilot cost of compliance survey was conducted.** | Cost of compliance baseline (for all segments) not developed. | SI:5 was removed as this deliverable will be incorporated in indicators SO:1.1 and SO:2.1. | **SI: 5** |
| **Performance Analysis:**<br>The aim is to have an approved study on cost of compliance in place. The study seeks to improve the understanding of cost of compliance across the business, and to determine cost of compliance. The cost of compliance study was meant to collect data to determine the cost of compliance in complying with tax obligations. The study sought to establish the cost of compliance baselines for the main segments such as Individuals, SMME, Large Business and International.<br>During March 2022, a pilot survey was conducted, where-in the questionnaires were distributed to a limited sample. The purpose of the pilot survey was to determine the efficacy of the questionnaires for SARS to collect the data that will enable the determination of the cost of compliance for each segment. The data collected from the pilot study will be used to refine and improve the questionnaires.<br>The cost of compliance study to develop a cost of compliance baseline for all segments was not achieved due to the complex requirements and small response rate on the pilot study. Mitigating actions for the underperformance include an analysis of the data collected from the pilot survey for the segments, refining the questionnaires after considering feedback from the pilot study, rolling out the main study in 2022/23, and securing resources to be dedicated to the study. | | | | | | |

| Key Result & Indicator | Audited Actual Performance 2020/21 | Planned Annual Target 2021/22 | Actual Achievement 2021/22 | Deviation 2021/22 | Reason indicator not retained in Revised APP | Reference to detailed notes |
|---|---|---|---|---|---|---|
| Strategic Objective 1: Provide clarity and certainty for taxpayers and traders of their obligations | | | | | | |
| There are fewer taxpayers and traders that need SARS to help them resolve their tax and customs queries – **% reduction in the number of taxpayers and traders requiring to visit a SARS branch office** | Not applicable | 20.00% reduction in inbound volumes relative to base | **6.16%** **reduction in inbound volumes relative to base** | - 13.84% | Indicator SO:1.2 was included as a focus area before the COVID pandemic. The lockdown resulted in a rapid deployment of digital offerings and significant decline of taxpayers visiting branches (from 5 million branch visits in 2019/20 to less than 1.3 million in 2020/21). The essence of the desired outcome intended for 2024 was thus brought forward and largely achieved. Therefore, this measure is removed. Indicator SO:2.1 also supports and measures this trend. | **SO:1.2** |

**Performance Analysis:**

This indicator determines the change in the number of taxpayers and traders required to visit a SARS branch office for the resolution of tax and custom queries. A reduction in the number of visits indicates that reforms to provide certainty and clarity, and making it easy for taxpayers and traders to comply with tax obligations are successful, and ultimately eliminates the need for taxpayers and traders to visit branches.

The number of taxpayers visiting the branch office decreased by 6.16% compared to the previous FY. In the 2021/22 FY, 1 219 866 taxpayers visited the branch office, whereas in the previous year, 1 299 974 taxpayers visited branch offices. This translates into 80 108 less taxpayers visiting a branch office in the 2021/22 FY. This is less than the envisaged decrease of 20%.

The COVID lockdown resulted in a rapid deployment of SARS' digital offerings and significant decline of taxpayers visiting branches (from 5 million branch visits in 2019/20 to less than 1.3 million in 2020/21). The essence of the desired outcome intended for 2024 was thus brought forward and largely achieved in the previous reporting period.

The non-achievement can be attributed to a 30% call abandonment rate, and 12-minute waiting time in the contact centre for calls to be answered, driving taxpayers to visit the office to resolve their queries. Furthermore, a segment of taxpayers prefers to resolve their queries face-to-face. This provides opportunities for improvement in resource scheduling and taxpayer education.

Mitigating actions to improve performance on this indicator include an improved predictive scheduling approach to better address the taxpayer demand over the FY based on priorities, increase education and awareness on the use of digital channels as it is the easier and cost-effective option in comparison to office visits, and continue to invest in automation to simplify taxpayer queries and increase first time resolution.

| Key Result & Indicator | Audited Actual Performance 2020/21 | Planned Annual Target 2021/22 | Actual Achievement 2021/22 | Deviation 2021/22 | Reason indicator not retained in Revised APP | Reference to detailed notes |
|---|---|---|---|---|---|---|
| We have a continuous downward trend in overall disputes - **% reduction in the number of disputes lodged with SARS** | Not applicable | 10.00% reduction | **31.54% increase** | - 41.54% | Indicator SO:1.3 addresses a small percentage of taxpayers, and dispute resolution is gauged through the Service Charter. Hence this was removed from the Revised APP. | **SO:1.3** |

**Performance Analysis:**

This indicator calculates the difference in the number of disputes lodged between periods. The purpose of this indicator is to determine the level of misalignment between taxpayers and traders, and SARS, regarding the fulfilment of tax obligations. The decrease in disputes reflects the veracity of SARS' reforms on providing certainty and clarity of tax obligations.

Disputes relate to objections lodged by taxpayers. There are multiple reasons for the increase reported, which include the quality of decisions taken by SARS during the verification or audit process, the omission by some taxpayers to provide sufficient information during verification or during the objection process, as well as the lack of communication at various levels.

SARS recognises that tax disputes are a natural feature of tax administration, and that it is essential that clear and efficient processes exist to challenge assessments.

| Dispute inflow | 2020/21 | 2021/22 | % Increase |
|---|---|---|---|
| Objections | 103 770 | 136 499 | 31.54% |
| Appeals in ADR and Tax Board | 6 281 | 7 952 | 26.60% |
| Appeals in Tax Court Litigation | 217 | 263 | 21.20% |

We have reported on both objections to assessments and on appeals lodged to objection decisions.Regarding appeals, the data reflects those arising from the disallowance of objections in verifications, Specialised Audit and the Illicit Economy Unit. Compared to the 2020/21 FY there was a 31.54% increase in objections filed and a 26.42% overall increase in appeals lodged in the 2021/22 FY. Although an appeal cannot be lodged without first following the objection process, we report separately on each process to provide a more detailed view of disputes and the manner of their finalisation.

**Objections**

SARS finalised 126 671 objections in this reporting period, compared to 107 182 objections being completed in the 2020/21 period. There was a slight improvement in the percentage of objections completed within the regulated turnaround time in the 2021/22 FY – 75% of objection decisions were made within 60 business days in 2021/22 compared to 74% in 2020/21. These decisions were made in an average of 43 days, which is within the 60 days allowed in the dispute regulations.

The percentage of objections allowed and disallowed remained relatively constant this year, with 57.3% objections having been allowed fully or partially, and 19% being disallowed. The disputes in over half of the taxpayers who objected were therefore resolved at the first stage of the disputes process. Although it is difficult to match appeals received to objections received in the same year, the indication is that a relatively small percentage (approximately 6%) of taxpayers appealed against the objection decision.

| Key Result & Indicator | Audited Actual Performance 2020/21 | Planned Annual Target 2021/22 | Actual Achievement 2021/22 | Deviation 2021/22 | Reason indicator not retained in Revised APP | Reference to detailed notes |
|---|---|---|---|---|---|---|
| Leveraged products introduced – Advance Pricing Agreement (APA) Programme introduced | Discussion paper to inform legislation completed | APA model released | **APA model released** | None | Indicator SO:1.4 addresses a small segment of taxpayers and was removed from the Revised APP. | **SO:1.4** |

**Performance Analysis:**

The aim is to introduce an APA programme in the medium term. In keeping with international developments and the recommendations of the Davis Tax Committee, the establishment of an APA programme has been a key aspect of SARS' strategic objective of providing clarity and certainty to taxpayers of their obligations.

The APA model was released on 10 December 2021, with a closing date for public comment of 31 January 2022.

Although SARS is advanced in developing a model on how it envisages the development of an APA programme, some aspects have not yet been finalised. To further develop and refine the model, a pilot APA project is planned for as soon as possible after the legislative framework has been put in place.

| Key Result & Indicator | Audited Actual Performance 2020/21 | Planned Annual Target 2021/22 | Actual Achievement 2021/22 | Deviation 2021/22 | Reason indicator not retained in Revised APP | Reference to detailed notes |
|---|---|---|---|---|---|---|
| Uptake of AEO Programme by traders - **% uptake of Authorised Economic Operator (AEO) Programme by active economic operators** | 16.20% | 30.00% of total active economic operators targeted | **33.02% of total active economic operators targeted** | 3.02% | Indicator SO:1.5 addresses a small segment of taxpayers, and was removed from the Revised APP. | **SO:1.5** |

**Performance Analysis:**

This indicator assesses the uptake of the Authorised Economic Operator programme by operators in the supply chain. An AEO is partly involved in the international movement of goods in whatever function that has been approved, by or on behalf of a national Customs administration, as complying with WCO or equivalent supply chain security standards.

Participation in the AEO programme is voluntary. Uptake relates to participation in the AEO programme. The aim of the programme is to increase compliance, safety, and security of the international trade supply chain. Therefore, all economic operators who participate by submitting applications and receiving an Accreditation Status will be regarded as an uptake into the AEO programme. Inflow was bolstered by previous applications in the pipeline, where economic operators voluntarily applied to be considered for AEO status.

For the FY, 215 traders were targeted to become part of the AEO programme. 30 economic operators were conferred with the AEO status, and in addition, 41 applications were received to partake in the AEO programme, which calculates to a total of 71. Calculated as a percentage of the 215 traders targeted, this equates to 33.02%.

Identified top economic operators must be engaged/invited to participate in the AEO concept by lodging a formal application. Revised AEO legislation, making provision for the different trader types that may apply, was published on 23 July 2021, and the team is currently engaging the traders.

Strategic Objective 2: Make it easy for taxpayers and traders to comply with their obligations

| | | | | | | |
|---|---|---|---|---|---|---|
| When taxpayers and traders are satisfied with SARS as evidenced by - **% Net Easy Score (NES)** | Not applicable | Completed review and testing of the methodology. -100.00% complete | **Review and testing of the methodology were 100% completed** | None | Indicator SO:2.3 was removed as this output will be combined with the Service Charter indicator SO:9.2. | **SO:2.3** |

**Performance Analysis:**

This indicator determines how easy (the amount of effort required) taxpayers and traders find it to interact with SARS. The purpose is to determine if our reforms on making it easier for taxpayers and traders to fulfil their tax obligations are successful. During the 2021/22 FY, SARS will develop and finalise testing of the NES methodology and actual tracking will happen in the subsequent periods.

The Net Easy Score (NES) methodology is a quantitative study that measures the ease of interacting and completing a transaction and/or a process. In the SARS context, it was important to measure how easy it is for taxpayers to interact with SARS when submitting their personal tax returns using various platforms i.e. eFiling, MobiApp, HYeF, Branch self-service kiosk, Self-Service Terminal (SST), and branch submissions.

In a process to review and test the NES methodology, a study was conducted in the form of a survey. The survey was distributed during the period of 17 August 2021 to 2 December 2021 to 1 177 187 taxpayers, who completed their 2021 Personal Income Tax returns.

In completing the review and testing of the methodology, SARS has ascertained that the overall NES baseline score has been established as an average positive score of 49%. The NES is a range bound indicator, meaning that its value can potentially lie between -100% and +100%. The closer the NES score is to 100%, the more favourable it is.

Strategic Objective 3: Detect taxpayers and traders who do not comply and make non-compliance hard and costly

| | | | | | | |
|---|---|---|---|---|---|---|
| Increase in employer compliance - **employer compliance index (%)** | 54.55% | 75.00% | **67.20%** | - 7.80% | Indicator SO:3.3 will be incorporated into the Voluntary Compliance indicator. | **SO:3.3** |

**Performance Analysis:**

This indicator tracks and monitors the compliance of employers with their on-time filing, on-time payment, accuracy of declarations and registration obligations.

The compliance index for employers is measured in terms of four indicators:

» Registration on-time 29.99% – 13 498 out of 45 001 registrations were on-time.
» Filing on-time 56.21% - 4 192 151 out of 7 457 883 returns were submitted on-time.
» Accurate declarations 68.99% - 26 899 out of 38 990 audits were finalised with no revised assessment being issued.
» Payments on-time 83.76% - 2 656 027 out of 3 170 916 payments were settled in full on-time.

A weighting is allocated to each of these compliance areas, being: Filing on-time 45%, Payment on-time 40%, Accurate declaration 10% and Registration 5%.

This calculates to the employer compliance index of 67.20%, which is below the target of 75%. The accuracy of the PAYE register, which is used to determine the four indicators, remains a concern. Initiatives to address this will continue.

| Key Result & Indicator | Audited Actual Performance 2020/21 | Planned Annual Target 2021/22 | Actual Achievement 2021/22 | Deviation 2021/22 | Reason indicator not retained in Revised APP | Reference to detailed notes |
|---|---|---|---|---|---|---|
| Achieve high success rate in the number of cases we take to court (via National Prosecuting Authority NPA) for prosecution - **% success (conviction) rate of cases referred for prosecution** | Not applicable | 90.00% | **97.67%** | 7.67% | Indicator SO:3.4 is replaced with the % of cases SARS referred to the NPA that are accepted for prosecution, as SARS does not control the success rate of cases prosecuted by the NPA (SO:3.2) | **SO:3.4** |
| **Performance Analysis:**<br>This indicator tracks the success rate of the number of tax and customs cases taken to court (via NPA) for prosecution.<br>Of the 129 cases finalised in court, 126 cases resulted in convictions. Criminal Investigations (CI) introduced regular monthly meetings with the NPA from the Head of CI level, down to regional level. Contributing to the performance is the process to re-assess the quality process and the implementation of new procedures before submitting the docket to the NPA for prosecution. | | | | | | |
| Declared customs values are above the reference price - **% of declared customs values above reference price** | Not applicable | 90.00% of declarations with values are above the reference price in identified industries | **97.06% of declarations with values above the reference price in identified industries** | 7.06% | Indicator SO:3.5 was incorporated into indicator SO:3.1, as this forms part of SARS' automated risk engine. | **SO:3.5** |
| **Performance Analysis::**<br>The indicator tracks the extent to which goods imported into the country are declared at reference or minimum prices. It serves to determine the extent of under-declaration of import values upon entry.<br>Customs works on the premise of a data-driven risk-based approach and part of SARS' automated risk engine includes the matching of data contained in declarations with other data sources, such as reference price data, to detect risk. Business had a focused strategy to proactively identify and discourage the under-declaration of goods, and enabled this through incorporating an automated check in the Customs Risk engine. | | | | | | |
| Evasion schemes and / or syndicates involved in illicit economic activities are reduced – **number of evasion schemes collapsed** | Not applicable | 1 scheme collapsed | **1 Tobacco scheme collapsed** | None | Indicator SO:3.6 will be covered in operational plans, however, SARS will continue to publicly report on successes made in this regard. The number of ongoing projects on illicit schemes are vast, and the measure reflecting the collapse in one area of one scheme cannot represent or do justice to the effort from the area. | **SO:3.6** |
| **Performance Analysis:**<br>This indicator aims to progressively reduce the number of evasion schemes and/or syndicates involved in illicit economic activities.<br>A total of 20.2 million kilogram of raw tobacco was imported via Beit Bridge by an individual through seven related entities. The customs licence of the clearing agent, which instituted the scheme, was cancelled in September 2021, and two more licences were cancelled in March 2022. In total eight licences have been cancelled to date.<br>The company was liquidated on 31 August 2021 for the debt of R18 billion and joint liquidators appointed, per the final order. The liquidators have sold trucks to the value of R3.5 million at the end of March 2022, which will be utilised to pay for expenses incurred, and to fund the insolvency enquiry that will continue in May 2022.<br>The clearing agent for the entities has also been held liable in his personal capacity for R4.7 billion. His application for suspension of payment for his own tax debt of R34 million was declined in March 2022, and SARS will proceed to launch a sequestration application in 2022/23.<br>Another logistics company, where a letter of demand was issued for R1.8 billion, was also assessed for Income Tax for a total liability of R1.05 billion. A Letter of Findings was issued against this company for VAT for a possible capital amount of R142.53 million. This company has been linked to a money laundering scheme used to move money out of the country. Further enforcement actions are planned against this entity and the persons in control.<br>Illicit scheme (evasion scheme) – is a devious plan or an arrangement designed by, or on behalf of, a taxpayer and/or trader with the intention to evade taxes administered by the Commissioner for SARS and/or defraud SARS.<br>A scheme is deemed to have been collapsed if the entities or persons involved in the scheme to evade taxes or customs duties have been investigated in terms of the legislation administered by the Commissioner and enforcement action taken that will prevent them from continuing with their illicit conduct.<br>A business and/or person is regarded as part of a syndicate if that business or person/s collaborates to promote and/or engage in illicit activity to contravene legislation administered by the Commissioner for SARS. | | | | | | |
| Recovery of revenue from illicit activities – **total revenue recovered from illicit activities** | Not applicable | R2.5 billion | **R8.22 billion** | R5.72 billion | SO:3.7 was removed as the revenue from illicit activities will be incorporated into the key result on the attainment of the Minister's revenue estimate. | **SO:3.7** |
| **Performance Analysis:**<br>This indicator tracks the quantum of revenue recovered from targeted illicit economic activities. These recovery efforts are SARS initiated, and external assistance is sought as and when required.<br>Revenue collected for the 2021/22 FY amounted to R8.22 billion. This amount includes cash collections of R5.21 billion, refund savings of R263 million and the prevention of revenue leakage of R2.75 billion.<br>The largest contributor to the revenue collections on Income Tax (Companies) is attributed to four payments received through third party appointments of R3.042 billion in September 2021.<br>The over performance relates to one investigation that SARS concluded and executed into the State Capture, SARS obtained preservation orders that enabled it to seize R4.2 billion cash. The preservation order was obtained pending the finalisation of the audit. SARS issued assessments and executed collection steps against the amount preserved by SARS. Through these action steps, SARS collected R3.6 billion. The R3.6 billion was collected through the issuing of third-party payment notice. | | | | | | |

| Key Result & Indicator | Audited Actual Performance 2020/21 | Planned Annual Target 2021/22 | Actual Achievement 2021/22 | Deviation 2021/22 | Reason indicator not retained in Revised APP | Reference to detailed notes |
|---|---|---|---|---|---|---|
| Strategic Objective 4: Develop a high performing, diverse, agile, engaged and evolved workforce | | | | | | |
| Diversity and Employment Equity:<br>**Racial Equity**<br>**Gender Equity (grade 6 – 9)**<br>**Disability Equity** | Racial Equity: 78.17%<br>Gender Equity: 49.63%<br>Disability Equity: 2.08% | Racial Equity: 81.36%<br>Gender Equity: 51.75%<br>Disability Equity: 3.16% | **Racial Equity: 79.95%**<br>**Gender Equity: 49.91%**<br>**Disability Equity: 1.94%** | Racial Equity: -1.41%<br>Gender Equity: -1.84%<br>Disability Equity:-1.22% | Indicator SO:4.2 is reported on in the Annual Report as part of statutory regulations. | **SO:4.2** |
| **Performance Analysis:**<br>This indicator gauges how adequately SARS is representing the country's demographics in the workforce, and to promote diversity, gender equality and create opportunities for people with disabilities.<br>Limited recruitment opportunities resultant from a 3-year freeze on vacancies, made the achievement of SARS' equity ratio against the set targets challenging.<br>SARS is making slow, but sustainable progress in transforming its workforce profile to be reflective of the demographics of the country. The attrition over recent years also proved not to change the employment equity profile of the organisation significantly from the previous reporting period – this is due to attrition not being more prominent in specific groups than others.<br>» Black representation improved from 78.17% to 79.95%.<br>» Gender representation at management levels improved from 49.63% to 49.91%.<br>» Disability representation declined from 2.08% to 1.94%.<br>Concerted efforts are being embarked upon during the recruitment and selection processes to prioritise adherence to EE requirements in pursuit of targets, during advertising and externally sourcing. | | | | | | |
| Employer brand (Employer of choice) – **Certified top employer by the Top Employer Institute** | Not applicable | Certified top employer | **Top employer certification not pursued** | Top employer certification not pursued | Indicator SO:4.3 was removed as it is not cost-effective to pursue. | **SO:4.3** |
| **Performance Analysis:**<br>This indicator measures the extent to which the South African public views SARS as an employer of choice. The aim is to increasingly improve SARS' world of work to attract the best talent in the market and retain it for the longest period possible. The employer brand will be largely boosted by engaging and delivering the best taxpayer and trader experience characterised by professionalism and actions that are beyond reproach.<br>Due to the unexpected high cost associated with the attainment of a branded certificate of recognition, it was decided not to proceed with the deliverable in the planned format.<br>As employer brand recognition is part of the overall EVP, the focus will be shifted to other EVP related activities. | | | | | | |
| Strategic Objective 5: Increase and expand the use of data within a comprehensive knowledge management framework to ensure integrity, derive insight and improve outcomes | | | | | | |
| Data governance framework developed and implemented - **% of milestones achieved** | Updated data governance framework developed | Data governance framework implemented - 90% mile-stones achieved | **Data governance framework implemented - 100% milestones achieved** | 10% | Indicator SO:5.2 is not a long-term output-based target. The essence of the programme has been delivered. | **SO:5.2** |
| **Performance Analysis:**<br>This indicator tracks the progress towards implementing an approved Data Governance Framework, with the first step being the update of a Data Governance Framework.<br>The Data Governance Framework was implemented successfully by means of the Data Governance Policy, which was compiled, approved, published and rolled-out into the organisation. Due to focused efforts, executive sponsorship and appropriate enterprise participation, all target milestones (Gap Analysis Report, Data Governance Policy, Communication and Awareness, as well as Training) were completed, and the project was implemented ahead of time.<br>SARS works with information of a sensitive nature, which is an asset to the organisation. SARS is the custodian of this information, and the Data Governance Policy, effective since September 2021, guides SARS employees on how to perform their duties whilst being mindful of the data and information at their disposal.<br>To ensure that enterprise-wide policy, governance processes, roles, and responsibilities are clearly defined and understood, the Change Management team socialised the framework at a management level in the different divisions and regions. The complete communication, awareness and change management activities include several internal communications to staff, awareness screen savers, as well as awareness and change management sessions held with key role players. Training activities completed include three eLearning training modules, which were completed by more than 60% of SARS staff. | | | | | | |

| Key Result & Indicator | Audited Actual Performance 2020/21 | Planned Annual Target 2021/22 | Actual Achievement 2021/22 | Deviation 2021/22 | Reason indicator not retained in Revised APP | Reference to detailed notes |
|---|---|---|---|---|---|---|
| SARS interventions achieve intended outcomes - **% of interventions that yield the intended results** | Not applicable | 60.00% | **66.64%** | 6.64% | SO:5.3 is incorporated in indicator SO:3.1. | **SO:5.3** |

**Performance Analysis:**

This indicator seeks to gauge the extent to which the interventions carried out by SARS that are informed by data analytics and insights, are yielding the intended results.

The focused efforts to derive benefits from the increased use of data resulted in the over-achievement of the target. In support of SARS' vision to influence compliance behaviour, the data team introduced the ability to track the impact of compliance interventions and measure it year-on-year, and proved that compliance interventions, specifically PIT verifications, resulted in a favourable deemed yield. In addition, debt collection was identified as a major focus area, however, the challenge was to align available capacity to focus on prioritised debt cases. It was against this background that the debt propensity machine learning model was developed and deployed. PIT verifications and debt collection consumes a significant portion of operational resources, and contributes significantly to the compliance revenue collected, hence these were chosen as the main interventions.

In order to determine if we are achieving the desired outcomes from data-driven initiatives focus was placed on the areas which contributes towards the absolute majority of compliance revenue. These are compliance interventions, and more importantly the ability to influence compliance behaviour emanating from automated risk engines, and secondly the ability to identify and prioritise debt collection cases with the highest probability of cash collection, based on a debt propensity machine learning model.

**Automated risk engines**

All taxpayers were identified, who, in the previous FY had an audit completed. It was determined whether they had any findings and then compared to see whether these taxpayers had filed returns during the same period for the current reporting year, whether they were audited, and if they were, whether the outcomes of their audits were scrutinised.

Of the 1.26 million taxpayers identified, 1.88 million audit cases (including cases rolled over from the previous year) were completed in the 2020/21 FY. 546 253 of these taxpayers had findings after the audit was completed. Of these 546 253 taxpayers, only 165 598 taxpayers had adjustments again in the 2021/22 FY. This means 380 655 taxpayers have not been flagged for audit, or did not have any adjustments done during the 2021/22 year. This is an achievement of 69.68%.

**Debt propensity models**

The model was able to successfully predict 63.59% of the volume of cases suggested by the propensity model, and 82.10% of the value collected represented by these cases.

Combining the risk engine and debt propensity models, the overall achievement for 2021/22 is 66.64%.

Strategic Objective 6: Modernise our systems to provide digital and streamlined online services

| Key Result & Indicator | Audited Actual Performance 2020/21 | Planned Annual Target 2021/22 | Actual Achievement 2021/22 | Deviation 2021/22 | Reason indicator not retained in Revised APP | Reference to detailed notes |
|---|---|---|---|---|---|---|
| All SARS service offerings made available digitally - **% SARS taxpayer and trader service offerings made available online** | Areas (products/services) to develop digital offerings, were identified and prioritised | 77.00% | **77.19%** | 0.19% | Indicator SO:6.3 was incorporated in indicator SO:2.1 to indicate the migration from manual to digital services. | **SO:6.3** |

**Performance Analysis:**

This indicator measures the proportion of service offerings digitally available. The higher the proportion, the more the engagement options available, and the easier it is for the taxpayers/traders to access and engage with SARS.

Engagements to identify all service offerings segmented between online and manual were completed with product and segment owners in the 2020/21 FY. During that period, 244 of the 320 service offerings identified were migrated. This equated to a baseline percentage of 76.25%.

In the 2021/22 year, an additional three services were migrated taking the online service offerings to 247 out of the 320 services identified, equating to 77.19%.

The services migrated were:

» Customs - Rebate User: Schedule 3 and 4: The third phase of the systems enhancements to the Registration, Licensing and Accreditation (RLA) system has been implemented to allow Customs rebate user clients to apply for registration or licensing electronically via eFiling.

» Income Tax - Trust Registration: Request Trust Registration for Income Tax has been added to the SARS Online Query System, to minimise the need for taxpayers to visit SARS branches. This functionality allows users to complete a registration form, upload supporting documents online and submit the registration request to SARS.

» In-Bond Acquittal System (IBAS Acquittals) - The creation of a new risk ID for acquittal was created by the Customs Risk Engine (CRE), as well as the automatic attachment of the Customs Notification (CN2). This functionality allows for the automatic attachment of the CN2 to the Service Manager case, and the finalisation of the acquittal case.

| Key Result & Indicator | Audited Actual Performance 2020/21 | Planned Annual Target 2021/22 | Actual Achievement 2021/22 | Deviation 2021/22 | Reason indicator not retained in Revised APP | Reference to detailed notes |
|---|---|---|---|---|---|---|
| Strategic Objective 7: Demonstrate effective stewardship of our resources to ensure efficiency and effectiveness in delivering quality outcomes and performance excellence | | | | | | |
| Revenue is collected at a level in line with comparable international peers' cost - **cost to revenue ratio** | Not applicable | 1.00% | **0.72%** | - 0.28% | Indicator SO:7.4 was replaced with the % deviation between SARS' spending for the year and the budget allocation SARS received (SO:7.2), as the allocation to SARS is not within its control. | **SO:7.4** |

**Performance Analysis:**

The purpose of this measure is to assess the extent to which SARS is achieving its mandate in a cost-effective manner. SARS is mandated to achieve its strategic objectives in a manner that is cost effective and optimises all its available resources. This measure seeks to track and monitor the cost efficiency of its operations in relation to the revenue that it collects. This will in turn be compared with international best practices and benchmarks.

The main reason for the underperformance is that the numerator, which represents the SARS funding allocation, is not aligned to the Organisation for Economic Cooperation and Development (OECD) recommendation of 1% of revenue collected for developing countries.

The outcome of this key result will remain under pressure if the funding shortfalls of SARS are not appropriately addressed. This was highlighted in the Medium-Term Expenditure Framework (MTEF) and Estimates of National Expenditure (ENE) 2022 submissions again, as well as by the Commissioner to the Minister of Finance during a meeting in mid-January 2022.

| Key Result & Indicator | Audited Actual Performance 2020/21 | Planned Annual Target 2021/22 | Actual Achievement 2021/22 | Deviation 2021/22 | Reason indicator not retained in Revised APP | Reference to detailed notes |
|---|---|---|---|---|---|---|
| Increased productivity achieved across SARS - **% productivity levels achieved across SARS** | Not applicable | 80.00% productivity achieved across SARS | **111.38% productivity achieved across SARS** | 31.38% | Indicator SO:7.5 was removed as this will be part of operational management going forward. | **SO:7.5** |

**Performance Analysis:**
The purpose of this measure is to track the level of productivity within SARS. Productivity results will be measured daily, monthly, quarterly, and annually.
SARS uses a common formula to measure productivity (volume based) of all employees involved in production, based on their available time less leave and training. Productivity levels are continuously monitored, and additional actions have been introduced to ensure productivity is aligned to the required performance standards and thresholds.

Factors contributing to the overperformance were:

» Continued focus on the improvement in scheduling resources to focus on priority work items (orchestrated from a national level across all regions).
» Focus on production resources to work on priority activities in accordance with the main inventory work types (primarily the Audit, Debt, Services and Disputes inventory buckets).
» Advancements in the enablement of remote working capabilities across all SARS production resources, minimising events of unforeseen downtime.
» Focus on assigning dedicated capacity and maximising output for planned campaigns/initiatives (for example, the mobilisation of additional capacity to Compliance Audit PIT cases during filing season).
» Enhancements made to the organisational structure during the 2021/22 FY for improved output, such as the "3 factories approach" for management of debt cases (Debt Buckets 1,2 and 3 segmentation of resources).
» The contracting of additional capacity through temporary resources for increased output, particularly within the Debt and Contact Centre functions.

| Key Result & Indicator | Audited Actual Performance 2020/21 | Planned Annual Target 2021/22 | Actual Achievement 2021/22 | Deviation 2021/22 | Reason indicator not retained in Revised APP | Reference to detailed notes |
|---|---|---|---|---|---|---|
| Strategic Objective 8: Work with and through stakeholders to improve the tax ecosystem | | | | | | |
| We have met SARS' commitments in terms of the Financial Action Task Force (FATF) Mutual Evaluation findings - **% of FATF deliverables met** | Not applicable | 80% Achievement on SARS' deliverables to South Africa's Action Plan | **72.42% Achievement on SARS' deliverables to South Africa's Action Plan** | - 7.58% | Indicator SO:8.3 is not a long-term output-based indicator, and it is project specific. | **SO:8.3** |

**Performance Analysis:**

This measure tracks the extent to which SARS has met its commitments in respect of South Africa's Action Plan, coming out of the FATF Mutual Evaluation findings on the country in 2019. Definition of achieving all set deliverables is implementing the people, process and system enhancements that will enable the combatting of money laundering and terror financing.

There are operational plans for 14 work streams. The SARS FATF programme progressed well in respect of the more strategic work streams, as these were managed in terms of operational plans, and did not require specialised resources such as IT architecture and process engineers.

The operational work streams lagged as they require systems changes, which requires specialised resources and approved business cases to access resources. Several delays occurred in respect of the business cases developed for the operational work streams, resulting in them not progressing to the Enterprise Investment Prioritisation Committee (EIPC).

The mitigation actions that will be implemented, included the development of business requirement specification for the traveller declaration system, which will fast-track the system development. SARS will introduce system changes and develop a business case for the entire FATF programme, which could enable access to the required specialised resources.

| Key Result & Indicator | Audited Actual Performance 2020/21 | Planned Annual Target 2021/22 | Actual Achievement 2021/22 | Deviation 2021/22 | Reason indicator not retained in Revised APP | Reference to detailed notes |
|---|---|---|---|---|---|---|
| Strategic Objective 9: Build public trust and confidence in the tax administration system | | | | | | |
| Sentiments analysis continuously reflects high confidence in SARS – **top 3 words that the public associates with SARS are positive** | Not applicable | Top 3 words the public associates with SARS are positive | **Of the pre-selected words, the overall leading words for SARS in the media, were 'Clarity' (46%), 'Easy' (15%), and 'Certainty' (12%) generating the highest number of clips for the year. Coverage was positive for all three words.** | None | Indicator SO:9.3 will be incorporated in SO:9.1 with the public opinion survey. | **SO:9.3** |

**Performance Analysis:**

The purpose of this indicator is to gauge the public's sentiments on SARS' operations. The goal is to ensure that the public is confident that its stewardship of the country's tax system is professional, unbiased, and fair, that SARS always acts and does the right things all the time, SARS maintains the highest standards of integrity and ethics that it has transparent governance systems and processes, and it has capable and trustworthy leaders.

The original analysis was generic, and SARS needed to select words the public associates with SARS to be aligned with the brand and mandate. For SARS to achieve this goal, sentiment analysis instead of a survey needed to be conducted. A methodology to select the top words, involved selecting key words from key organisational objectives to be tracked. Monthly thematic analysis of media reports was done by the service provider. The results indicated a positive or negative sentiment based on topic coverage.

Share of Voice (SOV) acts as a gauge for brand visibility and how much SARS dominated the conversations in the media. Articles written about SARS had a cumulative reach to 8 814 071 405 readers for the 2021/22 FY. The more reach SARS has, the greater the authority among users and taxpayers and traders alike. This is important because it measures how many people know or are aware of the SARS brand. In the digital era, where competition for customer attention is high, it is critical to monitor to what extent taxpayers and traders give attention to the SARS brand and the sentiment they have towards it.

The results suggest that SARS is becoming visible to the taxpayers on different platforms (Twitter, Facebook, and digital articles). This also means the organisation is beginning to provide awareness and understanding on what its core business is, and as such, indicating consistency about what we say against what we ultimately do. It is important to continue to share work we do in the form of campaigns, public relations, digital marketing, including positive feedback from taxpayers and to be transparent when we do not achieve what we planned for. These mentions are likely to have emotional appeal about the brand, increase the number of people who are aware of and talking about our brand, and enable us to continue to measure the sentiments towards the service SARS provides. Although the quality of the articles mentioned cannot be guaranteed, SARS uses other measures to validate sentiment. SARS uses internal surveys e.g., public opinion surveys and clarity and certainty survey to track sentiments and perception towards the core business. The results of the clarity and certainty survey indicate that 69% of taxpayers and traders are happy with the guidance and support they receive from SARS. The results triangulate positively with sentiments relating to the keywords, clarity, certainty, and ease mentioned above.

# Abbreviations and Acronyms

| | |
|---|---|
| AA | Auto Assessments |
| ACFE | Association of Certified Fraud Examiners |
| ACTT | Anti-Corruption Task Team |
| ACU | Anti-Corruption Unit |
| ADR | Alternative Dispute Resolution |
| AEO | Authorised Economic Operator |
| AEOI | Automatic Exchange of Information |
| AG | Auditor-General |
| AI | Africa Initiative |
| AIP | Advance Import Payment |
| APA | Advance Pricing Agreement |
| APDP | Automotive Production and Development Programme |
| APN | Advanced Payment Notification |
| APP | Annual Performance Plan |
| APR | Annual Performance Report |
| ASB | Accounting Standards Board |
| ATAF | African Tax Administration Forum |
| CI | Criminal Investigations |
| CIEA | Criminal and Illicit Economic Activities |
| CIT | Corporate Income Tax |
| CN2 | Customs Notification |
| CPS | Cargo Progression System |
| CRE | Customs Risk Engine |
| CRS | Common Reporting Standard |
| CTC | Cost to Company |
| DEFF | Department of Environment, Forestry and Fisheries |
| DHA | Department of Home Affairs |
| DPCI | Directorate of Priority Crime Investigation |
| DPS | Declaration Processing System |
| DSD | Department of Social Development |
| DT | Dividends Tax |
| ECC | Enforcement Cluster Committee |
| ECC | Enforcement Cluster Committee |
| EDM | Enterprise Data Management |
| EE | Employee Engagement |
| eMCS | Enhanced Movement Control System |
| EMDE | Emerging Markets and Developing Economies |
| EOI | Exchange of Information |
| EOIR | Exchange of Information on Request |
| ERM | Enterprise Risk Management |
| ETI | Employment Tax Incentive |
| EVP | Employee Value Proposition |
| EXCO | Executive Committee |
| FATF | Financial Action Task Force |
| FIC | Financial Intelligence Centre |
| FTA | Forum on Tax Administration |
| FY | Financial Year |
| GDE | Gross Domestic Expenditure |
| GDP | Gross Domestic Product |
| GIT | Graduate in Training |
| GRAP | Generally Recognised Accounting Practice |
| HS | Harmonised System |
| ICT | Information Communication Technology |
| ID | Identity Document |
| IEU | Illicit Economic Unit |
| IFFs | Illicit Financial Flows |
| IMF | International Monetary Fund |
| IPU | Integrity Promotion Unit |
| ISAs | International Standards on Auditing |
| ISV | Independent Software Vendors |
| IT | Information Technology |
| LBI | Large Business and International |
| MNEs | Multinational Entities |
| 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 |
| NCAP | New Customs Act Programme |
| NES | Net Easy Score |
| NFIS | National Financial Intelligence System |
| NPA | National Prosecuting Authority |
| NPR | Number Plate Recognition |
| NT | National Treasury |
| OECD | Organisation for Economic Cooperation and Development |
| ORTIA | OR Tambo International Airport |
| OTO | Office of the Tax Ombud |
| PAA | Public Audit Act |
| PAA | Public Audit Act |
| PAYE | Pay-As-You-Earn |
| PE | Printed Estimate |
| PFMA | Public Finance Management Act |
| PIT | Personal Income Tax |
| PP | Public Protector |
| PPE | Personal Protective Equipment |
| RAF | Road Accident Fund |
| RCG | Reporting of Conveyances and Goods |
| RE | Revised Estimate |
| RHFCE | Real Households' Final Consumption Expenditure |
| RLA | Registration, Licensing and Accreditation |
| RMT | Risk Mitigation Team |
| SACD | South African Container Depots |
| SACU | Southern African Customs Union |
| SAICA | South African Institute of Chartered Accountants |
| SAPS | South African Police Service |
| SARB | South African Reserve Bank |
| SARS | South African Revenue Service |
| SBF | Seva Bhakti Foundation |
| SCA | Supreme Court of Appeal |
| SDL | Skills Development Levy |
| SI | Strategic Intent |
| SIU | Special Investigating Unit |
| SLU | SARS Liaison Unit |
| SMME | Small, Medium and Micro-sized Enterprises |
| SO | Strategic Objectives |
| SOEs | State-Owned Enterprises |
| SOPs | Standard Operating Procedures |
| SR | Social Responsibility |
| SSA | State Security Agency |
| STC | Secondary Tax on Companies |
| TCS | Tax Compliance Status |
| UCR | Unique Consignment Reference |
| UIF | Unemployment Insurance Fund |
| UWO | Unexplained Wealth Orders |
| VAT | Value Added Tax |
| VCI | Voluntary Compliance Index |
| WCO | World Customs Organisation |
| WIL | Women in Leadership |
| Y/Y | Year-on-Year |

# Notes

## Notes

# Notes

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