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Ref: M3/4/1/5(128/2023)

Mr. Edward Kieswetter
Commissioner
South African Revenue Service (SARS)
Private Bag X923
PRETORIA
0001

Dear Mr. Kieswetter,

REQUEST FOR APPROVAL TO SUBMIT THE MID–TERM PROGRESS REPORT OF GOVERNMENT COMPONENTS AND SCHEDULE 3A PUBLIC ENTITIES TO THE DEPARTMENT OF PLANNING, MONITORING AND EVALUATION

I hereby note the submission of the mid-term progress report of the Strategic Plan in line with the requirements of the Revised Framework for Strategic Plans and Annual Performance Plans (RFSPAPP), Chapter 8 (3). In doing so, the report may be submitted to the Department of Planning, Monitoring and Evaluation.

The RFSPAPP requires entities to conduct an end-term progress report on Strategic Plans for a five-year planning cycle. In line with Section 8.3.2 of the RFSAPP read together with the guidelines for the reporting on the 2020-2025 Strategic Plans**,** National Treasury supports that the end-term progress reports on Strategic Plans for a five-year planning cycle include both internal as well external analysis on the performance of the SARS in order to strengthen the credibility and objectivity of the report.

I trust you find the above in order.

Yours sincerely,

ENOCH GODONGWANA
MINISTER OF FINANCE
DATE: 27/02/2023

SARS
At Your Service

Strategic Plan Mid-Term Progress Report 2020 – 2025

(1 March 2020 – 30 September 2022)

Executive Authority Statement

SARS presents its Mid-term progress amidst difficult and challenging times for the country and world, following severe disruptions experienced by Governments and economies due to the COVID–19 impact, and more recently, the Ukraine-Russia War.

South Africa continues to face a challenging fiscal and economic outlook, high energy and food prices, the destruction caused by natural disasters such as the recent floods, and the global economic slowdown aggravated by the challenging circumstances in which we operate. These circumstances undermine efforts to build and uplift society, contributing to high levels of poverty and inequality, as job creation is limited.

Due to several long-standing structural impediments, South Africa’s economy has underperformed for many years. These impediments include unreliable electricity supply, costly and inefficient ports and rail network, crime and corruption, weak state capacity, as well as high levels of market concentration and barriers to entry that suppress the emergence and growth of small businesses.

An average of 1.6% economic growth is expected in the next three years, with a projected consolidated fiscal deficit of 4.9% of the GDP in 2022/23. Reducing the annual deficit will contribute to curb high Government debt-service costs. The aim is to achieve primary fiscal surplus as soon as possible, freeing up funds to deliver on strategic Government objectives.

Revenue collection efforts have enabled the South African Government to provide much-needed relief to millions of South Africans and businesses since the start of the pandemic, reiterating the fact that a well-functioning and effective revenue service is crucial to meeting the fiscal needs, and ensuring the viability of our democracy in the most difficult of times.

The printed revenue collection estimate, since 2020, has been R3 510.27 billion. SARS managed to make excellent progress on tax and customs revenue collection, collecting R3 598.3 billion, R88.03 billion more than the printed estimates for the past two and a half years.

I applaud the efforts demonstrated by SARS to increase voluntary tax compliance, grow the tax base, and rebuild its capabilities to achieve their strategic goals, which enable the collection of tax and customs revenue. Efficient revenue collection affords Government an opportunity to build a better South Africa for all citizens. SARS will continue with focussed effort to ensure successful delivery on the Medium Term Strategic Framework by 2024.

Mr Enoch Godongwana
MINISTER OF FINANCE

Accounting Authority Statement

At the South African Revenue Service (SARS), we are mindful that "Our work enables Government to build a capable State, to foster sustainable economic growth and social development that serves the wellbeing of all South Africans", therefore it is with pride that the SARS vision for 2024, to build a smart, modern institution with unquestionable integrity that is trusted and admired, is pursued.

To effectively deliver on the SARS mandate, which is to collect tax revenues, ensure a culture of taxpayer compliance and facilitate trade across our borders, SARS has nine strategic objectives to develop and administer a tax and customs system of voluntary compliance, and where appropriate, enforce responsibility and decisively. Key to the successful execution of the mandate is building capacity to strengthen the organisation's technical competence to administer the relevant Acts, conceptualise a Compliance Programme and the ability to understand and respond to attendant risks.

Since my appointment at SARS on 1 May 2019, the world as we knew it changed in unpredictable and unprecedented ways. During the 2020/21 financial year (FY), the COVID-19 pandemic started. The 2021/22 FY was eventful, albeit not always positive. The lingering effect of the COVID-19 pandemic, the unrest in KZN and Gauteng, loadshedding, increased unemployment and rising interest rates, all contributed to strain South Africa's economic recovery and growth. With the start of the Ukraine - Russia war in February 2022, global economies were again negatively impacted.

SARS has seen encouraging progress over the past two and a half years in its pursuit to modernise, ensure better voluntary tax compliance and making it more difficult and costly for South Africans to evade paying tax.

The digitalisation journey towards becoming a SMART modern SARS continued, making it easier for taxpayers to understand their obligations and do business with SARS. In this respect, SARS invested substantial resources to modernise systems, thereby expanding on the capability, through leveraging enabling technologies, data analytics and artificial intelligence, as well as the use of machine learning algorithms. The return on investment of these initiatives were improved taxpayer experience, as well as internal capability to detect and deal with non-compliance.

The COVID-19 pandemic accelerated the progress made to migrate SARS' services to self-help electronic channels, making it easy for taxpayers to be compliant. A significant 61% reduction in the number of taxpayers and traders using SARS channels for services or queries were recorded since the 2019/20 FY to 2021/22 FY, when there were only 4.2 million contact centre or branch engagements as opposed to the earlier 11 million.

SARS has been on a drive to use data to its advantage to ease the burden on standard personal income taxpayers by filing tax returns automatically. Auto-assessments started with a successful pilot project. To date, outstanding successes have been recorded, with 91% of standard taxpayers being auto-assessed during the 2021/22 FY and 94.9% up to the second quarter of the 2022/23 FY.

Notwithstanding the huge challenges, SARS has made meaningful progress in rebuilding its integrity, credibility, and performance. The exciting journey of rebuilding the organisation is yielding some positive results. During the period under review, our efforts to build capacity and capability in specialised skills, technology and data analysis, as well as audit and investigations started to reap some benefits, and will help to close the compliance tax gaps.

Leadership is a key defining aspect for setting the desired organisational ethos, clarifying the strategic intent, and inspiring positive action. SARS remains dedicated to strengthening its leadership by providing opportunities internally where appropriate, and expanding and improving leadership with external appointments. The enterprise leadership engagement structures for governance, leadership, and management, including the SARS EXCO, were established, while all statutory committees remained in place. SARS developed its own 'SARS Leadership Model' to ensure that the values of the organisation are embedded in the day-to-day operations.

The new regional and segmented operations assign end-to-end accountability for engaging, serving taxpayers, and resolving all related aspects within a region or segment. The growth and development of the next generation leaders is a high priority in SARS, therefore a 'SARS Junior Board' was appointed in July 2021. 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.

SARS is central to the fiscal framework by ensuring efficient and effective tax administration. To make progress in shaping the organisation to better meet its legislative mandate, SARS embarked on a continuous improvement process to become more effective and efficient in delivering the work and serving the taxpayers and traders. We have made encouraging progress during the past two and a half years, notwithstanding many persistent challenges. Although there is still a long way to go, SARS is committed to deliver on the SARS mandate, and will put in the constant effort to pursue the SARS Vision.

It is therefore with gratitude that despite very turbulent economic and operational circumstances, SARS managed the successful collection of R3 598.3 billion over the two and a half year period, R88 billion more than the target for that period.

Thank you for the support of the Standing Committee on Finance, to whom SARS accounts, as well as the trust placed in us by the Minister of Finance, Mr Godongwana under whose policy guidelines SARS works. SARS is deeply appreciative to our colleagues in

National Treasury, with whom we work to ensure a credible National Tax Revenue Fund that funds the programmes undertaken by Government.

At the heart of the work of SARS is building and entrenching a culture of voluntary compliance among taxpayers and trader s, which is inherent to nation building. This not only strengthens our democracy, but also lays a firm foundation for a future we all want as a nation. In conclusion, an unreserved thank you to every compliant taxpayer, trader, and intermediary whose tax c ontributions have made a significant difference.

Edward Chr Kieswetter
SARS COMMISSIONER

30 November 2022

Part A: Our Mandate

Legislative and policy mandates:

The SARS Act, 1997, enables SARS to:

- collect all revenue due
- ensure optimal compliance with Tax and Customs legislation
- provide a Customs service that optimises revenue collection, protects our borders and facilitates legitimate trade.

The primary legislation that SARS administers includes:

- Income Tax Act, 1962
- Customs and Excise Act, 1964
- Value-Added Tax Act, 1991
- Tax Administration Act, 2011
- Employment Tax Incentive Act, 2013

Institutional policies and strategies governing the five-year planning period:

Policies

The National Development Plan (NDP) 2030, later broken down into smaller five-year implementation plans, continues to shape Government's policy framework. Government's policy directions, as outlined in the NDP, the Medium-Term Strategic Framework (MTSF) and other State policy documents, provide the policy framework for how SARS carries out its mandate. As one of the critical organs of State, SARS will continue to diligently carry out its mandate of collecting the revenue required by government to fund critical Government programmes. We will continue to promote and facilitate legitimate trade through the country's borders, to help grow the economy and protect it from harmful and illicit trade activities.

Strategy over the five-year planning period

SARS Higher Purpose

Our work enables Government to build a capable State, to foster sustainable economic growth and social development, that serves the wellbeing of all South Africans.

Our Strategic Intent

Our mandate is to collect all revenue due, ensure optimal compliance with tax and customs legislation, provide a customs service to optimise revenue, border protection and facilitate legitimate trade.

To give effect to our mandate, our Strategic Intent is to develop a Tax & Customs system based on Voluntary Compliance.

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

In support of our Strategic Intent and to give effect to our compliance philosophy, we have identified and committed to achieving nine Strategic Objectives to guide and inform our efforts and decisions, and focus our resources over the course of this planning cycle.

Our Nine Strategic Objectives are:

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 leveraged products such as advance pricing agreements, advance rulings (inclusive of VAT rulings and Binding General Rulings) and cooperative compliance programmes.
2.	**Make it EASY for taxpayers and traders to comply with their obligations** Engagements by taxpayers and traders in the fulfilment of their obligations will be mainly on-line, intuitive, and self-managed, with minimal face-to-face visits. For standard taxpayers (largely non-provisional taxpayers), the fulfilment of their registration, filing, declaration, and payment obligations will be seamless. Exceptions will be resolved with ease and minimal intervention. Complex taxpayers (largely provisional taxpayers - individuals and entities), as well as their intermediaries, will experience engagements customised to their specific needs. Increasingly, trusted intermediaries will be empowered and enabled as authorised agents acting on our behalf.
3.	**DETECT taxpayers and traders who do not comply, and make 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. 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 costs for noncompliance will be high and severe.
4.	**Develop a HIGH performing, DIVERSE, AGILE, ENGAGED and EVOLVED workforce** Our employees consider us to be an Employer of Choice and are engaged to deliver the best taxpayer and trader experience, characterised by professionalism and actions that are beyond reproach. Tasks have become less administrative, and more analytical and service oriented. Our employees easily collaborate to leverage their combined strengths, and we invest in them appropriately and provide them with the right tools for the job. They are able to respond to future demands of the work environment, and the changing needs of taxpayers and traders with ease.
5.	**Increase and expand the use of DATA within a comprehensive knowledge management framework to ensure integrity, derive insight and improve outcomes** 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, an 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.
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 anywhere. For our employees, 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.
7.	**Demonstrate effective resource stewardship to ensure efficiency and effectiveness in delivering quality outcomes and performance excellence** We steward the limited resources entrusted to us in a manner that creates value to achieve quality outcomes and performance excellence. The way we organise ourselves reflects agility and responsiveness to deliver the best experience for all our constituencies. We demonstrate a high work ethic, strive for performance excellence, and achieve the most with the least effort and cost, and best-in class innovations that enable us to achieve our strategic intent.
8.	**Work with and through Stakeholders to improve the tax ecosystem** We have effective and beneficial partnerships with all Stakeholders in the tax ecosystem which benefit the taxpayers, 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 on-line digital services.
9.	**Build PUBLIC TRUST and CONFIDENCE in the tax administration system** The public is confident that our stewardship of the country's tax system is professional, unbiased, and fair, we always act and do the right things 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, as well as elected public office bearers, whose trust we must earn.

Part B: Our Strategic Focus

Vision:

A smart, modern SARS with unquestionable integrity, 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 & service work
- Become an Employer of Choice with a high performing and engaged workforce

Externally, this aspiration implies that we

- Achieve substantially 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

Mission:

To ensure that the Tax and Customs revenues due to the state are collected when they become due by building a high level of taxpayer compliance, facilitating legitimate trade and building public confidence in SARS through a strong service ethos, and professional integrity.

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 & Mandate, we hold the following values dear:

1. Uncompromising regard for Taxpayer Confidentiality
2. Unquestionable Integrity, Professionalism and Fairness
3. Exemplary Public Service
4. Incontestable insights from Data & Evidence

Part C: Measuring our Performance

Impact Statement:

In reflecting on our privileged work at the South African Revenue Service (SARS), we are mindful that our work enables Government to build a capable State, to foster sustainable economic growth and social development that serves the wellbeing of all South Africans. This is the true reason for our existence and the Higher Purpose we serve.

The legal mandate of SARS is clearly set out in law, viz.: to collect tax revenues, ensure a culture of taxpayer compliance and facilitate trade across our borders. However, how effectively we deliver on this mandate depends on a few other factors. Key factors for SARS include: its technical competence to administer the relevant acts, how it conceptualises a Compliance Programme, and its ability to understand and respond to attendant risks. This Strategic Plan, which covers the 5 years from 2020 – 2025, presents an opportunity for SARS to clarify how it plans to approach its work, as well as the key results for which it ought to be held accountable.

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

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

The Strategic Plan also informs the Annual Performance Plan (APP) for this year and subsequent years covered by the Plan, with some deliverables spilling into ensuing years.

Progress on the Achievement of Outcomes:

Context and explanatory note:

The table below has been compiled to fulfil the requirements of the guideline for mid-term reports, however, needs to be read in conjunction with SARS's most recent Annual Report, with specific reference to the explanatory note on page 17. Similar to the reasoning for tabling a revised APP with updated and enhanced measures and technical descriptor indicators, SARS will table a revised Strategic Plan to address the shortcomings of some of the original measures; the strategic intent and specifically how the strategic objectives are framed, does however not change.

Table of Outcomes, Indicators and Targets:

Outcome	Outcome Indicator	2019/20 Baseline	2024/25 Target	Actual achievement as at 30 Sept 2022 (2.5 years)	Data Sources (refer to TIDS)	Improvements required for the remainder of the planning period
Strategic Intent:	Printed revenue estimates are met and/or exceeded		Target as announced by Minister **Total: R 3 510.27 billion** 2020/21: R1 212.2 billion 2021/22: R1 547.1 billion YTD 09/2022: R750.97 billion	**Total: R3 598.3 billion** 2021: R1 249.71 billion 2022: R1 563.75 billion YTD2023: R784.8 billion	Customs & Excise and SARS core tax systems	The printed revenue estimates have been exceeded every year during the last 2.5 years. SARS will continue to review the process to ensure the 2024/25 target is met.
	Voluntary compliance has increased as measured by a credible voluntary compliance index (VCI)	67.20%	5% improvement on prior year	63.54% (Weights updated)	CEMIS	SARS developed and implemented the VCI. Baselines were established during the 2021/22 FY. Improving voluntary compliance is an outcome that is dependent on multiple internal and external factors. Improvements in this regard is medium to long term and will become visible in the outer years.

Outcome	Outcome Indicator	2019/20 Baseline	2024/25 Target	Actual achievement as at 30 Sept 2022 (2.5 years)	Data Sources (refer to TIDS)	Improvements required for the remainder of the planning period
	We have reduced the tax gap significantly – total tax gap as a percentage of total revenue due	New Measure	Between 10% - 15%	Tax Gap Study on-going		SARS is making steady progress in its administrative efforts to close the tax gap as several pockets of efficiencies emerge. Future tax gap studies will follow a long-term and collaborative approach with key stakeholders e.g. industry and academic experts in the field. The insights from the tax gap studies will inform the strategy regarding the required communication and compliance interventions to ensure a reduction in the tax gap over time.
	We have substantially met or exceeded our performance targets based on our plans	65.00%	85.00%	2021: 67.67% 2022: 73.68%	Annual reports	A continuous upward trend in meeting the targets has been observed. SARS will continue to focus on areas of underperformance to improve the achievement to the 2024/25 target of 85%.
Strategic Objective 1:	The majority of taxpayers, traders and public surveyed perceive the guidance SARS provides as clear, unambiguous and easy to comply with – % of taxpayers and traders that are satisfied with the clarity and certainty of the guidance provided by SARS based on an annual survey (clarity survey)	New measure	82.00% of taxpayers and traders	2022: 69.06%	Tax Certainty Survey	Although the progress of this KR has been slow, the view is held that through planned interventions an increase of taxpayers and traders that are satisfied with the guidance SARS provides will be achieved.

Outcome	Outcome Indicator	2019/20 Baseline	2024/25 Target	Actual achievement as at 30 Sept 2022 (2.5 years)	Data Sources (refer to TIDS)	Improvements required for the remainder of the planning period
	There are fewer taxpayers and traders that need SARS to help them to resolve their tax and customs queries – % reduction in the number of taxpayers and traders requiring to use SARS channels for services or queries that are provided through self-help platforms	11 million inbound currently	60% reduction in inbound volumes relative to base	2021: 5 million 2022: 4.2 million 61.8% reduction from 2020	SARS core systems	SARS exceeded the 60% five-year reduction in inbound volumes target, mainly as a result of introducing more pervasive digital offerings during the pandemic. It would appear that these initiatives are able to sustain a reduced inbound demand for services that were traditionally offered at our branches. Auto assessments also disintermediated PIT retum filing for more than 2 million taxpayers.
	We have a continuous downward trend in overall disputes – % reduction in the number of disputes (including objections and appeals) lodged with SARS	New measure	• Simple taxpayers (PIT) disputes to largely disappear by 2024/25 • Provisional taxpayer disputes to significantly decrease by 2024/25 • VAT disputes to significantly decrease by 2024/25	Increase in the number of objections and appeals, but a decrease when compared to the number of revised assessments which has a direct correlation with objections and appeals.	SARS core systems	Both the objection and appeal rates are on a downward trend when measured against the number of revised assessments issued by SARS. SARS will continue to review the process to reduce the number objections and appeals.
Strategic Objective 2:	Standard taxpayers are auto assessed by SARS – % of standard taxpayer returns auto assessed by SARS (individual taxpayers)	New	95.00% auto assessment of standard taxpayers	2021: 83.28% 2022: 91.03% YTD 2023: 94.9%	SARS core systems	YTD Performance is 0.1% below the 2024/2025 target and 4.9% above the annual target. The organisation will continue to improve the rules and criteria for the identification of taxpayers for auto assessment, focus

Outcome	Outcome Indicator	2019/20 Baseline	2024/25 Target	Actual achievement as at 30 Sept 2022 (2.5 years)	Data Sources (refer to TIDS)	Improvements required for the remainder of the planning period
						on increasing the uptake of the auto assessments.
	Increased number of taxpayers and traders using digital platforms – % of taxpayers and traders using digital platforms to interact with SARS	75.00%	95.00%	2021: 86.31% 2022: 90.74%	SARS core systems	YTD Performance is 5.43% below the 2024/2025 target and 0.43% below the annual target. With 6 months left to achieve it. There is a low risk of not achieving target. The organisation will continue to keep the digital self-service channels available. Promote Digital channel awareness campaigns via taxpayer education and the contact centre agents. Publish educational material on social media channels, i.e., the SARS Website, Twitter, and Facebook. Specific improvements include more effective Branch appointment processes.
	All standard taxpayers are auto registered without the need for them to come to SARS – Proportion of standard taxpayers auto-registered	New	95.00% auto-registration of taxpayers and traders by SARS	2021: 8.28% 2022: 13.79% YTD2023: 18.20%	SARS core systems	All new and validated (against third party data and relevant thresholds) potential taxpayers will be 100% auto-registered in future due to the implementation of a systemic manner of dealing

Outcome	Outcome Indicator	2019/20 Baseline	2024/25 Target	Actual achievement as at 30 Sept 2022 (2.5 years)	Data Sources (refer to TIDS)	Improvements required for the remainder of the planning period
						with outstanding registrations.
Strategic Objective 3:	SARS interventions achieve intended outcomes - % of interventions that yield the intended results	Customs 13.00% Core taxes 30.00%	90.00% overall success	2022: 66.64% YTD2023: 75.98%	SARS core systems	The intervention outcomes have improved steadily and achieved the set annual targets. SARS will continue to review the process to ensure the 2024/25 target is met. (measure revised)
	We achieve a high success rate in the number of cases we take to court (via NPA) for prosecution – % success (conviction) rate of cases referred for prosecution	New measure	95%	2022: 97.67% YTD2023: 98.2%	SARS core systems and NPA records	SARS achieved the set annual targets. SARS will continue to review the process to ensure the 2024/25 target is met. (measure revised to focus on cases accepted by NPA)
Strategic Objective 4:	Improve the engagement of employees - Employee Engagement Index score achieved based on survey of employees		Top quartile in the market		Staff survey through an independent company	SARS will improve the engagement level of employees through the implementation of the new Employee Value Proposition, creating a culture of recognition and other prioritised internal initiatives.
	Diversity and Employment Equity: Racial Equity Gender Equity Disability	Racial equity – 76.31% Gender – 49.14% Disability – 2.16%	Racial Equity = 81.97% Gender = 50.04% Disability = 2.24%	Racial equity – 80.39% Gender – 50.20% Disability – 2.00%	SAP system	Concerted efforts are being embarked on during the recruitment and selection processes to prioritise adherence to EE requirements in pursuit of targets.

Outcome	Outcome Indicator	2019/20 Baseline	2024/25 Target	Actual achievement as at 30 Sept 2022 (2.5 years)	Data Sources (refer to TIDS)	Improvements required for the remainder of the planning period
Strategic Objective 5:	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	Risk engine currently using structured data, based on declaration submission.	100.00% utilization of automated risk assessment for standard taxpayers and traders, 80.00% utilisation automated risk assessment for complex taxpayers and traders	2022: Standard: 99.997% Complex: 66.94% YTD2023: Standard: 100.00% Complex: 68.05%	SARS core systems	The target for Standard taxpayers has been achieved and SARS will continue with the implemented process. The Complex taxpayer automated risk detection process will be reviewed continuously to ensure that all available data is used optimally in the risk detection process to increase the utilisation of automated risk assessments. Specific focus will be to embrace AI and ML technologies to cater for a broader and more circumspect approach to risk detection, based on an increasing variety of data sources.
	Accurate and complete register of taxpayers	Register which is not reliably reflecting all taxpayers, their inter-relationships and their respective statuses (% accuracy)	Register which reliably reflects all taxpayers, their inter-relationships and their respective statuses. 90% accurate tax registers	Completeness of taxpayer register substantially achieved, based on the specifications of how registrations should reflect on the register. SARS has however not been able to correctly codify active taxpayers, as dormant and/or shell companies do not actively engage to indicate they do not	SARS core systems	SARS will continue to work with taxpayers, stakeholders and data sharing partners, which includes local and international organisations in both private- and public sectors, to improve and expand the use and sharing of data. SARS will also step up its efforts to embrace KYC initiatives in order to enable correct codification of active vs dormant taxpayers.

Outcome	Outcome Indicator	2019/20 Baseline	2024/25 Target	Actual achievement as at 30 Sept 2022 (2.5 years)	Data Sources (refer to TIDS)	Improvements required for the remainder of the planning period
				pursue economic activity.		
Strategic Objective 6:	All SARS service offerings are made available digitally – % of SARS taxpayer and trader service offerings made available online	New	95.00%	77.19%	SARS core systems	SARS will continue to digitise manual processes to make it easy for taxpayers to comply and to reach the 2024/25 target.
Strategic Objective 7:	Reconfigured cost structure - ICT investment as percentage of total grant	5.00%	Increase ICT investment by 2.00% (per year for 5 years) = 15% of total grant	2021: 14.36% 2022: 13.82%, YTD2023: 11.48%	SARS accounting systems	SARS is on track to achieve the 2024/25 target of 15%.
Strategic Objective 8:	The majority of intermediaries are satisfied with SARS' cooperation and collaboration - % of intermediaries that are satisfied with SARS' cooperation and collaboration	New	70.00%	2021: 93.75% 2022: 82.86% YTD2023: 82.86%	External survey	The set outer year target has been exceeded. Recommendations to further improve the satisfaction rate of SARS' intermediaries and achieve the 2024/25 target will be prioritised and implemented.
	Multilateral bodies peer review assessment of our administration and engagements – peer review score based on current multilateral agreements (example TADAT, WCO, Global Forum on Tax Transparency and EOI, ATAF)	New	Top quartile ranking	Multiple peer reviews completed and in progress.	External study	SARS will continue to partake in peer review opportunities and continue to ensure positive results.
Strategic Objective 9:	Public opinion survey results reflect high trust and confidence in SARS	67.00%	76.50%	2021: 74.5% 2022: 71.8%	External survey	An enterprise-wide action plan is being developed to respond to the recommendations and findings of the Public Opinion study to improve the results by 2024/25.

Outcome	Outcome Indicator	2019/20 Baseline	2024/25 Target	Actual achievement as at 30 Sept 2022 (2.5 years)	Data Sources (refer to TIDS)	Improvements required for the remainder of the planning period
	Sentiment analysis continuously reflects high trust and confidence in SARS	New measure	Top 3 words the public associates with SARS are all 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.	External survey	Currently SARS is on track to meet the 2024/25 target.

Explanation of Achieved Performance Over the Mid-Term Period:

Economic Overview

The **global economy** has undergone unprecedented economic turmoil over the past couple of years. Economic activity worldwide has been constrained mostly due to the COVID-19 pandemic. Measures like quarantines, regional lockdowns, workplace closures and social distancing curtailed the movement of people and goods, disrupted supply chains, lowered productivity and consumption, and triggered business closures and job losses. Globalisation has enabled disruptions in one country or region to transit and spill over to trading partners through trade and global value chain linkages, adding to the overall macroeconomic effects.

Most countries and regions around the globe faced a health crisis, severe external demand shocks, and dramatic tightening in global financial conditions. While partial recovery in most countries and regions has occurred over 2021 and 2022, with above trend growth rates, risks to the outlook are on the downside. As the world emerged from the pandemic induced crises, global economic activity accelerated. Commodity prices increased remarkedly, owing to the improving global outlook and commodity-specific supply factors, with many reaching levels well above their pre-pandemic levels, supported by a gradual firming in demand. As the pandemic is unprecedented, there is still heightened uncertainty regarding virus mutations and the associated macroeconomic impact. Idiosyncratic events like the Russia and Ukraine war, surging energy prices, plans in some European countries to ration and priorities gas usage have raised concerns. Forecasts and estimates on output and expectations for the future have weakened with most major institutions like the IMF lowering outlook forecasts.

Inflation has surged across the globe and risks are mounting that the global economy will experience a period of stagflation reminiscent of the 1970s, with low growth and high inflation. In the US, high prices, rising interest rates and falling markets propelled the economy to decline in Q2-2022, raising concerns about a possible recession. In China, prolonged closures of factories and key ports because of COVID-19 lockdowns pose a significant downside risk to the near-term trade outlook. Growth is expected to remain suppressed for much of the short to medium-term as the war in Ukraine disrupts activity, investment, and trade in the near term, pent-up demand fades, and fiscal and monetary policy accommodation is withdrawn.

Prospects for the **domestic economy** remain clouded by spill overs from the global system. Over the past 2 years, South Africa faced low growth outcomes, rising inflation, tightening financial conditions, and elevated debt levels. This 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 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. Public finances also suffered severely, with the budget deficit and public debt increasing significantly amid the recession and pandemic-related expenses.

The South African Reserve Bank real policy stance remained supportive for much of the period under review as inflation was contained within the 3%-6% target range. This allowed the keeping of the repo rate low, which enabled greater portfolio flows and consumption. Elevated commodity prices and improving external demand contributed to an improved outlook for South Africa. However, the tightening cycle began in November 2021 as inflation began to increase.

As the year progressed and with growing optimism, the IMF highlighted that South Africa would shift from a -7.0% growth rate in 2020 to a 3.1% uptick in 2021, after which growth will moderate to 2.0% in 2022. The domestic economy grew by 4.9% in 2021, and is now projected to grow by 2.1% in 2022 and by 1.1% in 2023.

Unrest in Gauteng and KwaZulu-Natal in July 2021 is estimated to have wiped out R50 billion in GDP. Significant damage to shopping malls, liquor outlets, pharmacies, Banks, ATMs, etc. 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.

The impact of recessions and riots often leaves lasting legacies to employment, investments, productivity, fiscal stability, and financial instabilities. 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, and social transfers remained high and on the increase.

Revenue collections over the past 2.5 year were also severely impacted. Weak economic conditions exacerbated by the pandemic and associated lockdowns, and electricity shortages, led to a severe contraction in GDP and tax revenue in 2020/21. This saw tax revenues contract at a faster pace than the GDP, resulting in a decline of the tax-to-GDP ratio to 22.5%, and buoyancy ratio increase to 4.8 in 2020/21. Job losses and decreases in wages had a negative impact on Personal Income Tax. Domestic VAT collections were negatively impacted by a reduction in consumption, and weak imports led to a reduction in Customs revenue.

However, 2021/22 saw revenues recovering and growing year-on-year by 25.1% as the restrictions were eased and SARS gained traction on its rebuilding journey towards vision 2024. The increase was supported by Domestic VAT and higher than expected Corporate Income Tax provisional payments. While there was economic recovery of the domestic economy as it is in most countries and regions, risks remained to the downside.

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

Our mandate is to collect all revenue due, ensure optimal compliance with tax and customs legislation, provide a customs service to optimise revenue, border protection and facilitate legitimate trade. To give effect to our mandate, our Strategic Intent is to develop a Tax & Customs system based on Voluntary Compliance.

SARS has exceeded the revenue targets set by the Minister of Finance for both the 2021 and the 2022 financial years, as well as the first six months of the 2023 financial year. This very positive outcome is the result of SARS' commitment to improving voluntary compliance. This journey started by developing a credible Voluntary Compliance Index (VCI) methodology. Two VCI indices were computed in the 2022 financial year: 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%. For the first six months in 2023 FY, this index stands at 63.54%, excluding filing compliance on PIT individuals and trusts. SARS believes that this positive trajectory will continue in the future to achieve a much higher voluntary compliance among taxpayers, thereby reducing the tax gap.

In terms of facilitation of trade, SARS is in the process of developing a "Trade Facilitation Index". Although not mentioned in the SARS Strategic Plan, this will be 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.

SARS will achieve voluntary compliance when everyone is aware of their tax obligations (clarity and certainty), it is reasonably easy and less costly to meet these obligations (ease of compliance), and when there's a credible threat of detection and consequences for those who do not to comply with their obligations (detection and costly non-compliance). To deliver this, we need to build administrative and institutional capability that has integrity and serves the public beyond reproach.

Printed revenue estimates are met and/or exceeded

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 the compliance behaviour of taxpayers and traders – compliance is normally directly proportionate to trust and public confidence.
- Efficacy of the tax administration, which represents the institutional integrity and ability to collect revenues due to the State through the effective execution of its Compliance programme.

SARS overperformed on both the 2020/21 and 2021/22 FYs Revised Estimate targets as set by the Minister of Finance. For the six months of the 2022/23 FY, up to September 2022, SARS again exceeded the set target.

2020/21:
Full year revenue collections of R1 249.71 billion recorded a surplus of R37.50 billion against the Revised Estimate (RE) due to the following tax types showing positive results against their respective revised estimates: PIT full year collections continue to show signs of strain versus the Prior Year (PY) following high unemployment levels. This is despite PAYE growth recovering from a contraction of -16.0% in June 2020 to -0.02% in March 2021. The required annual growth to reach the RE was -6.7%. The current improvement in the growth is likely to be temporary, as payments are boosted by PAYE on retrenchment packages. However, as retrenched employees are removed from the employment base, it is expected that monthly PAYE payments will shrink in the near future. CIT collections yielded a positive variance of R12.2 billion against the RE. This follows the exceptional performance during the significant collection months of February and March 2021. The stellar performance was on the back of a recent quarterly GDP growth of 6.3% in Q3-2020, following an upward revision of 67.3% in Q3-2020 due to the lag effect and the easing of the lockdown restrictions, with the government allowing more economic activity to resume. Domestic VAT collections amounted to R392.9 billion, this was R6.4 billion (1.6%) below PY collections of R399.3 billion. The contraction was mainly as a result of significant contractions in April 2020 (-R1.4 billion, -4.3%), May 2020 (-R9.2 billion, -27.9%) and June 2020 (-R4.1 billion, -13.2%). May 2020 collections pertained to the April 2020 tax period, the first full month of the National lockdown, when the country was placed on

level 5 restrictions. However, March 2021 collections were strong, reflecting an above inflation growth of R2.8 billion (8.4%), following a much-welcomed recovery from the earlier lockdown levels. Customs collections for the full 2020/21 financial year amounted to R213.9 billion, reflecting a year-on-year (Y/Y) decline of R22.4 billion (9.5%), despite exceeding the RE by R14.0 billion (7.0%). This surplus against RE was underpinned by a record 13th deferment statement total of R15.3 billion, which resulted in March 2021 exceeding the RE by a significant R10.3 billion (44.2%), as well as becoming the fourth month in the last five months of 2020/21 to register a positive Y/Y growth rate (15.7%). Each of the first seven months of 2020/21 registered negative Y/Y growth rates in Customs collections, at an average of -21.8%. Specific Excise collections started to improve as declaration values reflected signs of recovery. The ban on the sales of alcohol resulted in weakening production and deferred payments. Specific Excise revenue for March 2021 were higher by R6.1 billion than the expected RE. Deferred payments for beer to the amount of R1.4 billion that were approved to be paid in April 2021, were paid earlier in March 2021. Full year Fuel Levy collections improved as all COVID-19 relief deferment payments were paid in full. Diesel refunds (included in Fuel Levy) were lower compared to the PY. VAT refunds for 2020/21 amounted to R228.2 billion, contracting against the PY by R4.3 billion (1.9%). However, pay-outs exceeded the 2020/21 RE by R8.0 billion (3.6%). Seven of the 12 months recorded a contraction against the PY, this included months where the country was under hard lockdown restrictions.

2021/22:
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 an 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 the 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 a 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 the 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.

2022/23 - September 2022 YTD:
Year-to-Date (YTD), net revenue collections as at 30 September 2022 amounted to R784.8 billion, yielding a surplus of R33.9 billion (4.5%) against the Printed Estimate (PE) of R751.0 billion, while growing Y/Y by R64.7 billion (9.0%).

YTD Gross revenue collections of R972.4 billion exceeded the PE by R69.6 billion (7.7%), and grew Y/Y by R97.3 billion (11.1%). YTD Refund payments of R187.6 billion were higher than the PE by R35.7 billion (23.5%) and PY by R32.5 billion (21.0%).

The major contributors to the surplus against the YTD PE are as follows:

YTD CIT Provisional tax payments amounted to R171.1 billion, thus exceeding the PE by R41.7 billion (32.3%) and growing Y/Y by R19.7 billion (13.0%). The latter was mainly driven by the major contributing sectors such as Manufacturing, Finance, Transport, storage & communications, as well as Wholesale & retail trade sectors, which recorded Y/Y increases of R10.8 billion (45.6%), R9.5 billion (21.6%), R1.9 billion (28.4%) and R1.6 billion (9.3%) respectively. However, this was partially offset by the negative performance of the Mining sector, which contracted by R4.8 billion (9.7%).

YTD Customs collections amounted to R142.7 billion, higher than the PE by R18.5 billion (14.9%) and growing Y/Y by R35.7 billion (33.4%); driven by surpluses against the PE on Import VAT of R13.2 billion (13.7%), Customs Duties of R4.9 billion (18.2%), Miscellaneous Customs and Excise receipts of R0.3 billion (63.2%) and Export Tax of R0.2 billion (75.8%). This performance was driven by a 39.3% Y/Y increase in nominal merchandise imports into SA during the first five months of 2022/2023 FY. The key contributing commodities driving YTD Import VAT were mineral fuels (Y/Y growth of 101.5%), electrical machinery (38.7%), vehicles (36.0%), machinery (25.5%) and original equipment components (11.2%), among others. These five commodities make up 48.2% of the YTD Import VAT total. The YTD performance of Customs Duties has been largely driven by Y/Y growth in vehicles (of 61.7%), footwear (49.0%), electrical machinery (33.4%), clothing (32.1%) and beverages (20.3%). These commodities make up 62.7% of the YTD Customs Duties collected.

YTD PAYE collections amounted to R286.7 billion, higher than the PE by R7.9 billion (2.8%) and growing Y/Y by R24.1 billion (9.2%); with the latter being as a result of higher bonus pay-outs compared to PY (mainly from employers in the Finance sector). PAYE on directives finalised is normally paid out the following month after being finalised. Finalised tax directives data for April to September 2022 reported a Y/Y PAYE net contraction of R8.6mill; mainly from Retrenchments (R0.5 billion), Emigrations (R0.3 billion) and Deaths (R0.1 billion) largely from the Finance and Mining sectors. The contractions were offset by a growth in Resignations (R0.8 billion) mainly from the Wholesale and Manufacturing sectors.

YTD Domestic VAT collections amounted to R236.7 billion, which is R4.1 billion (1.8%) above the PE and growing against PY by R20.2 billion (9.3%). An organic register growth of 32,019 vendors was noticed, which yielded a R1.2 billion net revenue inflow; whilst 2,661 vendors were deregistered. The YTD growth rate of 9.3% is above the required full year growth rate of 6.1%; mainly driven by the Finance sector which grew by R9.3 billion (10.4%), followed by the Manufacturing sector which grew by R2.9 billion (8.6%), as well as R2.8 billion (30.0%) growth from the Electricity sector, which benefitted from the 9.6% increase in average electricity tariffs that came into effect on 01 April 2022.

YTD DT/STC collections amounted to R18.1 billion, exceeding the PE by R4.0 billion (27.9%) and growing Y/Y by R3.1 billion (20.6%). Growth from PY is on the back of a positive trajectory in all sectors except for the Agricultural sector, which contracted against PY.

YTD Specific Excise payments of R23.4 billion were higher than the PE by R1.1 billion (4.8%), mainly due to surpluses in Spirits (R2.0 billion, 42.2%), Beer (R1.5 billion, 19.0%) and Wine (R0.7 billion, 35.4%); partly offset by lower-than-expected Cigarettes (R2.3 billion, 38.2%). Payments were R5.2 billion (29.0%) higher than the PY, mainly due to growth in Beer (R2.4 billion, 34.6%), Spirits (R2.0 billion, 43.6%), Wine (R0.7 billion, 34.8%) and Cigarettes (R0.2 billion, 7.0%).

The major negative drivers against the YTD PE are as follows:

YTD VAT refund pay-outs of R150.6 billion grew against PY by R26.2 billion (21.1%) and exceeded the PE by R29.8 billion (24.7%), thereby contributing 83.5% to the total refund variance against the PE. The Manufacturing sector was the largest recipient of YTD

VAT refund payments (at R48.1 billion), followed by the Mining (R32.5 billion) and Finance (R28.1 billion) sectors, recording Y/Y growth rates of 21.3%, 8.5% and 33.4% respectively. Liability claims grew by 25.7% in Q2, signalling the pay-out rate is more than the input rate to the pipeline following heightened trade volumes and improved Import VAT collections.

YTD Net Fuel Levy collections of R34.4 billion reflected a deficit of R9.0 billion (20.8%) against the PE, while contracting Y/Y by R9.3 billion (21.3%). The Fuel Levy shortfall against the PE is mainly from local manufacturers and on the back of the implementation of the fuel levy relief measures to soften the impact of rising fuel prices and the consequential increase in production input costs and inflation.

YTD PIT refunds of R24.0 billion were higher than the PE and PY by R5.1 billion (27.1%) and R5.5 billion (29.8%) respectively. PIT refunds usually peak during the first months of each year's Filing Season, as early return submissions are usually characterised by very high volumes of PIT refunds flowing from credit assessments. The 2022 Annual Filing Season commenced on 01 July 2022. The refund peak observed during the YTD reporting period is as a result of ongoing improvements made to the auto-assessment strategy for the 2022 Filing Season, which yielded higher volumes of credit assessments, which in turn resulted in the release of higher-than-expected refunds earlier in July. This year, all auto-assessments that were issued were automatically paid within 72 hours of issuance. In the prior year's Filing Season, taxpayers needed to accept the auto-assessment first to finalise the case after which credit assessments were released for payment. Accordingly, PIT Refund volumes and values over the coming months are expected to slow-down and normalise.

YTD PIT Provisional tax collections of R11.9 billion were R1.6 billion (11.6%) lower than the PE and grew Y/Y by R0.6 billion (5.7%). The first noteworthy PIT Provisional tax payments for the 2022/2023 tax year were due at the end of August 2022, with the second payments due at the end of February 2023.

YTD CIT refunds amounted to R9.6 billion, which is higher than the PE by R0.3 billion (2.9%) and growing against PY by R0.8 billion (9.0%). The Y/Y growth was mainly driven by higher CIT refunds paid out to the Finance (R1.3 billion, 42.8%) as well as the Mining (R0.2 billion, 20.4%) sectors.

Voluntary compliance has increased as measured by a credible voluntary compliance index

SARS aims to have an approved index to measure the level of compliance of the tax base. The index will aggregate the four tax compliance clusters (registration, declaration, filing and payment) to give a composite score.

SARS has embraced the philosophy of voluntary compliance wherein taxpayers and traders fulfil their obligations to register, file, report correctly and pay the tax due with minimal prompting by SARS. To determine whether voluntary compliance is improving, SARS developed a credible Voluntary Compliance Index (VCI) methodology. The VCI is a composite measure intended to measure the level of voluntary compliance of taxpayers and traders.

SARS set targets to develop such an index in the 2021 financial year using Employer and PAYE data as a test case. The approval of the index and determining of baselines were set for the 2022 financial year. SARS achieved both targets.

For the 2021/22 FY, the preliminary VCI for each tax product was PAYE (74.42%); VAT (67.02%); CIT (48.28%); PIT Individuals (56.93%) and PIT Trusts (51.23%). 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%.

Until 30 September 2022, the VCI's indicated PAYE (74.63%); VAT (65.90%); CIT (47.18%); PIT was not complete as filing compliance could not be included in the calculation at that stage.

Improving voluntary compliance is an outcome that is dependent on multiple factors. SARS will continue to focus its efforts to improve voluntary compliance to achieve the ambitious target of 85%, however, it might only be achieved in years beyond 2024/25 as multi socio-economic factors, beyond SARS' control, have a strong influence on taxpayer behaviour.

Compliance Revenue Collected
The revenue management system creates focus on two streams of revenue i.e. revenue receipted and revenue collected, with the revenue collected reflecting focused and measurable efforts implemented with successful revenue outcome, whilst revenue receipted reflects revenue due to voluntary compliance. Whilst the organisation has always focused on the revenue generating efforts, the outcome of these efforts was not part of the Annual Performance Plan, and was accordingly not externally reported in the previous periods.

Compliance revenue emanates from identified and targeted compliance initiatives that 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.

Collected revenue is reflected as revenue, stemming from compliance activity. The defining factor is the nature of the activity, which must involve focused and deliberate efforts to improve compliance. As such, the current compliance revenue methodology has deliberately departed from prior approaches where only revenue collected from newly conceptualised initiatives could be attributed to a special revenue programme. A desirable trend is a decreasing percentage of revenue from these compliance interventions. For the 2020/21 FY, compliance revenue collections amounted to R171.97 billion, resulting in a surplus of R78.24 billion against the planned R93.73 billion. Compliance revenue comprises cash revenue of R113.5 billion (PY: R74.2 billion) and refund savings of R58.5 billion (PY: R54.1 billion).

The compliance revenue achievement for the 2021/22 FY was realised through the management of a well-established tracking and reporting framework that formed part of the 2021/22 Compliance Revenue Programme. 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.

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. 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.

We have reduced the tax gap significantly – total tax gap as a percentage of total revenue due

Tax revenues provide governments with the funds they need to invest in development, relieve poverty, deliver public services, and build the physical and social infrastructure for long-term growth. However, many developing countries face challenges to collect all revenue due to the tax authority, resulting in a 'Tax Gap'. South Africa is no exception, with tepid growth, declining tax morality, at least in part due to the consequences of state capture and widespread corruption as reported in the Zondo Commission findings, a significant degradation of the capacity of SARS to collect tax (as reported by the Nugent Commission) among other, are cited as some of the reasons for the South African Tax Gap.

Multiple research studies show that tax jurisdiction uses the tax gap studies to understand what drives non-compliance and to formulate compliance strategies. As part of the efforts to close the tax gap, tax jurisdictions pursue innovative approaches to identify, detect and resolve potential non-compliance. SARS' strategy and vision 2020/21 - 2024/25 is to reduce the tax gap to between 10% and 15% of total revenue collected, in the process of building a smart modern SARS.

Tax gaps are, in effect, about measuring what is not visible – what people have not told SARS about their compliance, whether through misunderstanding, by choice, or by taking a tax position that differs from the SARS view of the law. The process of gap estimation is technically complex, in essence, it measures the unobservable.

Over the years, SARS conducted tax gap studies using multiple approaches, which provided SARS with an understanding of the relative size and nature of non-compliance of the tax gap in South Africa. According to the SARS tax gap top-down approach or macro study findings conducted in 2017, the tax gap was estimated to be R293bn or 26% of total revenue made up of VAT R138bn, PAYE / PIT R121bn and CIT R35bn. The top-down methods use external independent data sources to estimate total consumption of taxable products to calculate the total theoretical liabilities. This approach uses national accounts, economic data, actual tax collections.

During the last financial year, a tax gap micro study commenced, based on the scope of the Davis Tax Committee work for the year. The approach followed was a bottom-up approach that used recorded audit results based on full scope compliance verification to discern the gap. The micro study exercise was insightful in profiling taxpayer behaviour, compliance trends and risks, and especially in assessing audit capability. In summary, compliance levels are not high, and warrant tailored interventions to shift the compliance landscape.

SARS is making steady progress in our administrative efforts to close the tax gap as several pockets of efficiencies emerge. Future tax gap studies will follow a long-term and collaborative approach with key stakeholders e.g. industry and academic experts in the field. The insights from the tax gap studies will inform the strategy regarding the required communication and compliance interventions to ensure a reduction in the tax gap over time.

We have substantially met or exceeded our performance targets based on our plans

For the 2020/21 financial year, SARS achieved targets for 23 of the 34 measures, equating to 67.67%, while in 2021/22, it achieved 14 of the 19 (73.68%) measures in the Revised APP. SARS will continue to focus on areas of underperformance to improve the achievement to the 2024/25 target of 85%.

Strategic Objective 1: Provide CLARITY and CERTAINTY for taxpayers and traders of their obligations

Taxpayers and traders who are aware, clear and certain of their rights and obligations are more likely to comply voluntarily. In 2022, 69.06% of taxpayers and traders were satisfied with the clarity and certainty of the guidance provided by SARS, based on an annual survey. To the greatest extent possible, SARS endeavours to administer tax and customs laws in a manner that is sufficiently simple, clear and easily understood and applied by taxpayers and traders. To this effect, SARS achieved a 61.8% reduction in the number of taxpayers and traders required to use SARS channels for services or queries that are provided through self-help platforms over the last 2 years. SARS provides easy to understand and easy to access clarity and guidance to taxpayers and traders, and provides certainty and consistency through prompt rulings (536 binding rulings and 1 286 non-binding opinions for the 2021 and 2022 financial years), interpretation notes and explanatory guidelines. SARS also provided leveraged products such as advance pricing agreements, which were released for comments in 2021/22, and advance rulings to certain segments of taxpayers and traders. Further to these accomplishments in the past two and a half years, SARS had 59 million SARS website hits in the 2022 FY alone and 1.3 million interactions with its ChatBot – Lwazi.

The majority of taxpayers, traders and public surveyed perceive the guidance SARS provides as clear, unambiguous and easy to comply with – % of taxpayers and traders that are satisfied with the clarity and certainty of the guidance provided by SARS based on an annual survey (clarity survey)

The purpose of this indicator is to gauge taxpayer's satisfaction with the clarity and certainty of guidance offered by SARS as they conduct their tax business. The clarity survey is an annual survey which started in 2020. 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 potential participants was selected from the SARS taxpayer register comprising individual taxpayers, companies and traders.

In the 2022 financial year, the actual percentage of people who are satisfied with the clarity and certainty SARS provides was 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%, which is a year-on-year improvement across all tax types. 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 survey for 2023 FY will be conducted in the second half of the year. SARS performance for this measure is on track to achieve the 2025 target of 82%.

There are fewer taxpayers and traders that need SARS to help them to resolve their tax and customs queries – % reduction in the number of taxpayers and traders requiring to use SARS channels for services or queries that are provided through self-help platforms

This indicator measures the change in the number of taxpayers and traders who visit a SARS branch office or call the call centre for the resolution of tax and custom queries. A reduction in this number 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 or call the SARS call centre for assistance.

The COVID-19 pandemic has necessitated that the way SARS conducts business be fundamentally altered. The project focussed to enhance digital platforms to empower taxpayers to easily comply with their tax obligations, thereby limiting the need for walk-ins into the branches. The enhancement and development of channels resulted in a reduction of traffic in SARS branches. Taxpayers traditionally visited branches to obtain Tax directives and reference numbers, confirm banking details, do VAT- and PIT registration, or submit supporting documents. Capabilities were added to the digital channels to ensure that those functions could be accessed and concluded remotely and easily by taxpayers.

The COVID lockdown resulted in a rapid deployment of SARS' digital offerings and significant decline of taxpayers visiting branches. The essence of the desired outcome intended for 2024 was thus brought forward and largely achieved in the 2020/21 period.

The number of taxpayers visiting branch offices in 2021/22 decreased from 6.5 million in the 2019/20 FY, to 1.2 million taxpayers in the 2021/22 FY. This translates into 5.3 million less taxpayers visiting a branch office per year compared to pre-COVID. This is a decrease of 81.5%.

The number of taxpayers calling our contact centres in 2021/22 decreased from 4.6 million inbound calls in 2019/20 to 3 million in 2021/22. This equates to 1.6 million less inbound calls per year, which is a decrease of 34.8% since 2019/20.

In total, the number of taxpayers requiring SARS' assistance to resolve their queries reduced from 11 million in 2019/20 to 4.2 million in 2021/22. This calculates to a reduction of 61.8% in 2 years. SARS has therefore already achieved the 2025 target of a reduction of 60%.

SARS will continue to work on the 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 easier and the most cost-effective option in comparison to office visits. SARS will continue to invest in automation to simplify taxpayer queries and increase first time resolution.

We have a continuous downward trend in overall disputes – % reduction in the number of disputes (including objections and appeals) lodged with SARS

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.

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.

OBJECTIONS INFLOW - TAX TYPE	FY2020	FY2021	FY2022	MID YEAR - FY2023
CIT	10 805	9 541	9 791	4 630
PAYE	1 379	685	2 061	1 553
PIT	114 497	81 671	106 294	58 754
VAT	13 249	11 873	18 353	6 842
Total	**139 930**	**103 770**	**136 499**	**71 779**

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%

Regarding appeals, the data reflects those arising from the disallowance of objections in verifications, Specialised Audit an d 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.

Disputes in relation to the number of Revised Assessments

Tax Years	Number of verifications/Audits	Revised Assessments	Revised Assessment Rate	Objections	Objection Rate	Appeals	Appeal Rate
FY2020	1 667 874	570 771	34%	139 930	25%	12 216	9%
FY2021	1 629 633	822 793	50%	103 770	13%	7 995	8%
FY2022	2 022 061	761 574	38%	136 499	18%	8 952	7%

The dispute rates for the 2023 FY have not been populated above since many taxpayers' returns are only due in January 2023. Historical trends confirm an increase in submission of objections and appeals in the period from January to March. With the introduction of original estimates in the current financial year, it is not yet clear what the impact of the enhancements in the auto assessment space is going to have on annual dispute numbers.

From the table above, the Appeal Rate is on a downward trend (from 9% to 7%) when measured against the number of revised assessments issued by SARS. The objection rate is also showing a downward trend since the 2020 FY (from 25% in 2020 to 18% in 2022).

Root Cause Analysis
Recently, an analysis was done on the current appeals inventory to determine what issues were raised in the appeals. For PIT and CIT, the analysis was conducted with reference to the source code tables and for VAT and PAYE, with reference to the dispute codes in the SARS system. Even though the same analysis has yet to be completed on the inflow of objections, we are of the view that the ratios as evident from the appeals inventory will still apply at the objections stage.

Strategic Objective 2: Make it EASY for taxpayers and traders to comply with their obligations

SARS recognises that providing an easily accessible, professional and efficient service promotes voluntary compliance. Its service must enable taxpayers and traders, throughout their lifecycle, to meet their obligations as fair, easy, cost effective and convenient manner as possible. SARS endeavours to provide equitable access to service channels, and a seamless service from registration, filing, declaration, payment and deregistration to taxpayers and traders, using mainly its online self-service digital channels. During the 2022 FY, 91.03% of standard taxpayer returns were auto assessed by SARS (individual taxpayers), and 90.74% of taxpayers and traders used digital platforms to interact with SARS in that FY. Service offerings are attuned to the needs and behaviours of groups of taxpayers and traders e.g. the Small Business engagement programme and the Accredited Economic Operator Programme for traders. Where appropriate, SARS uses intermediaries (accredited, certified or trusted) to provide services that enable taxpayers and traders to meet their obligations with the least effort and cost.

Standard taxpayers are auto assessed by SARS – % of standard taxpayer returns auto assessed by SARS (individual taxpayers)

This measure is to determine the extent to which SARS can use data and information to accurately 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.

In line with SARS' strategic objectives to improve taxpayer experience and service delivery, enabled by the increased and expanded use of data as well as innovative technology solutions, SARS piloted with the auto assessment of tax returns in the 2019 filing season. The population of taxpayers who were auto assessed in the 2020 filing season was significantly expanded to just more than 3.6 million. These taxpayers are referred to as "standard taxpayers", and are loosely defined as "largely non provisional taxpayers" in the APP. This category typically includes taxpayers in formal employment, where SARS has all relevant third party data at its disposal to auto assess them.

The auto assessment feature made PIT return filing a seamless experience for standard taxpayers.

In the 2020/21 FY, a total of 2 863 311 out of a final auto assessment (AA) population of 3 437 994 (83.28%) of taxpayers who were categorised as standard taxpayers, were auto assessed by SARS, as no changes were made to the assessment presented to them. The formula used for calculation is thus the number of PIT returns auto assessed, divided by the auto assessment population, considering the context and explanation provided above. This was above the annual target of 80%.

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. SARS applied auto-assessments to 97.18% (3.07 million) of this population, of which 91.03% (2.80 million) was accepted by taxpayers. This was again above the annual target of 85% for that could take on average, less than year.

The strong achievement resulted from improved rules and criteria for identifying 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.

For the first six months of the current year, 94.9% of the 2.8 million standard taxpayer population was auto assessed. This is above the annual target of 90%.

SARS has consistently performed above target for the indicator for the past 2.5 years. The 2024/25 target for this indicator is 93% according to the 2022/23 SARS APP. SARS anticipates reaching this target.

Increased number of taxpayers and traders using digital platforms – % of taxpayers and traders using digital platforms to interact with SARS

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

SARS embarked on a service offerings identification by means of consultation across the enterprise value chain. The process commenced with an initial analysis of available service offerings, segmented into online vs manual. With the current pandemic situation, more people opted to register and file returns via the online channels, being eFiling and the MobiApp.

For the 2020/21 FY, of the total number of taxpayer and trader interactions, 86.31% unique taxpayers and traders used the SARS digital platforms. SARS used unique taxpayers and traders for the purpose of the calculation to prevent double counting, where a single taxpayer or trader may have had more than one interaction with SARS. Of the total number of taxpayers and traders interactions (8 412 883), 7 260 857 unique taxpayers and traders used the SARS digital platforms. This was above the target of 75% for that specific year.

During the 2021/22 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. This was above the annual target of 87%.

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.

As at 30 September 2022, performance of 91.37% for PIT exceeded the planned target of 80% by 11.37%. The CIT performance was 94.12%, which exceeded the planned target of 84% by 10.12%. EMP201 (PAYE monthly returns) performed at 99.66%, and exceeded the planned target of 99% by 0.66%. On the other hand, EMP501 (PAYE reconciliations) performed at 98.79%, which is below the planned target of 99% by -0.21%, and lastly, VAT performed at 99.78%, exceeding the planned YTD target by 0.78%.

SARS consistently overperformed on this indicator for the past 2.5 years, and will continue to encourage taxpayers to utilise the various digital platforms and tools to interact with SARS. SARS is committed to meet the 2024/25 target of 95%.

All standard taxpayers are auto registered without the need for them to come to SARS – Proportion of standard taxpayers auto-registered

This indicator measures the proportion of taxpayers automatically registered for tax by SARS. The intent is to automatically register taxpayers when they become economically active.

SARS initiated a process to broaden the taxbase and to make it easier for taxpayers to be added onto the tax register by registering them for Personal Income Tax (PIT) via their employers upon PAYE data submission. In addition to the employer data, an auto registration process for PIT was designed and implemented, using credible and reliable data from third party data sources, who are compelled to supply such data to SARS in terms of Section 26 of the Tax Administration Act of 2011. The individuals are registered when their total income exceeds specified legislative income thresholds and triggers pre-defined registration rules, which then indicates that such individuals must file a PIT Return.

The table below reflects a continuous increase in the percentage of auto PIT registrations, reflecting an increase from 8.28% in the 2021 FY to 18.20% of PIT registrations being automated by the end of September 2022 for the 2023 FY. During October 2022, the new third party data was used to register additional taxpayers, increasing the automated registration percentage to 35.59%.

Reporting Period	New Registrations	Auto Registration Total	% Auto Registrations
PIT New Registrations 1 April '20 - 31 March '21	879 591	72 818	8.28%
PIT New Registrations 1 April '21 - 31 March '22	1 080 269	148 974	13.79%
PIT New Registrations 1 April - 30 September '22	489 428	89 056	18.20%

SARS will continue to improve on the use of third party data to register standard taxpayers, although taxpayers who earn below the required legislative registration threshold will always be able to voluntarily register manually.

Strategic Objective 3: DETECT taxpayers and traders who do not comply, making non-compliance HARD and COSTLY

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

For the 2021/22 FY, SARS achieved a 98.48% accuracy rate on the detection of risk based on an analysis of almost 15 000 completed audit cases. SARS has developed 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. SARS reported an increase in the achievement in intended outcomes of 66.64% for 2021/22 and 75.98% for the first six months of 2022/23. In terms of cases referred to the NPA and the prosecution thereof, the success rate was very satisfactory at 96% in 2021, 97.67% in 2022 and YTD September 98.2%.

Some outputs from the various enforcement interventions for the 2021/22 financial year include 239 criminal and illicit economic investigations finalised with assessments of R13.96 billion raised. This resulted in R8.22 billion revenue recovered (2020/21: 1.9 billion). 4 532 Specialised audit cases were finalised with an assessment value of R25.8 billion. Of these cases, 91% of in-depth cases and 68% of standard audits were successful. Focus areas for 2021/22 included Impermissible deductions, lifestyle audits, luxury vehicles, religious entities, PPE tenders, employment tax incentive schemes and the security industry. 463 Large business and international audit cases were completed with an assessment value of R23.3 billion. Customs completed almost 200 thousand inspections worth R491.4 million and 1 529 post clearance audits (14% increase from 2020/21). Total seizures totalled 4 295 for the 2022 FY to the value of R4.1 billion.

SARS interventions achieve intended outcomes - % of interventions that yield the intended results

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.

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 SARS is achieving the desired outcomes from data-driven initiatives, focus was placed on the areas which contribute towards most of the 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.

The focused efforts to derive benefits from the increased use of data resulted in the over-achievement of the target in 2021/22.

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, what the outcomes of their audits were.

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, reflecting 69.68% improved taxpayer declaration compliance behaviour.

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%. This was above the annual target of 60%.

For the 2022/23 half year, SARS achieved 80.26% on the automated risk engines. 613 273 taxpayers were identified, for whom 977 465 cases were completed in Q1 and Q2 of 2022 FY. 274 864 of these taxpayers had adjustments done to their cases. Of these

274 864 taxpayers, only 54 247 taxpayers had adjustments during Q1 and Q2 of the 2023 FY. This means 220 617 taxpayers have not had any adjustments done in Q1 and Q2 of the 2023 FY, reflecting improved compliance behaviour.

The debt propensity model was able to successfully predict 66.83% of the volume of cases suggested by the propensity model, and 76.56% of the value collected represented by these cases in the first half of the 2023 FY.

When combining the automated risk engines and debt propensity models, the overall achievement for Q1 and Q2 of 2023 FY is 75.98%. This is above the annual target of 70% for 2022/23.

SARS will continue to refine these models and improve its efficiency and accuracy to achieve the 2024/25 target of 90%.

We achieve a high success rate in the number of cases we take to court (via NPA) for prosecution - % success (conviction) rate of cases referred for prosecution

This indicator tracks the success rate of the number of tax and customs cases taken to court (via NPA) for prosecution.

For the 2020/21 FY, 24 cases were finalised in court (23 cases with guilty convictions and one not guilty), which is a success rate of 96%. This was 6 % above the annual target of 90%. Cases in which the taxpayers were found guilty relate to bribery, fraud and theft regarding the contravention of the Income Tax Act, VAT Act and Customs and Excise Act. As at 31 March 2021, 1 885 cases were still work-in-progress with the NPA.

In the 2021/22 FY, of the 129 cases finalised in court, 126 cases (96.76%) resulted in convictions. This was again above the annual target of 90%. 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.

For the YTD September 2022, 132 cases were handed to the NPA for criminal prosecution. The conviction rate stands at 98.2%, which is a continuation of SARS' performance above the target of 90% for the Mid-Term period.

SARS will continue to build this important relationship with the NPA to achieve the 95% successful prosecutions target set for 2024/25.

Strategic Objective 4: Develop a HIGH performing, DIVERSE, AGILE, ENGAGED and EVOLVED workforce

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".

SARS 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. Making 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 and process design, engineering, data and technology expertise provide the products and platforms that enable 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 is available within workplace arrangements, and ethos conducive to the higher purpose orientation and desired culture. A leadership system with integrity and capable leaders across all levels in the organisation are essential in the conceptualisation, design and delivery of appropriate people policies and practices.

Since the start of the COVID-19 pandemic, a "new normal" is emerging, which is not yet fully understood. In order to ensure the delivery of the SARS 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 e nabling up to 90% of employees to work remotely, continued taxpayer service was ensured, allowing them to fulfil their tax obligations. The impact on employees, however, should not be underestimated. Individuals re-organised their homes, recalibrated their daily routines, and disrupted their usual family and social arrangements. Through various phases of lockdown, and in response to operational requirements, work arrangements were adjusted 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, people 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, SARS 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.

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. SARS continued to socialise the Leadership Model beyond the Top 70 to the broader leadership. The Leadership Model informs how SARS recruits new managers, as well as the deployment, development, and performance management of current managers.

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

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.

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, and similarly, young professionals vote for their ideal employers, in which SARS has been listed as Top of Industry within Accountancy by the Business/Commerce professionals.

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

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

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.

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.

The Women In Leadership (WIL) committee was 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 establishment of the SARS Junior Board in 2022, under the leadership of the Commissioner, is an intentional thrust towards SARS' strategic direction and in support of developing a high performing, diverse, agile, engaged, and evolved workforce. The establishment of the Junior Board has provided a fertile ground to invest in talent and engage talent aligned within the framework of the SARS leadership model.

It is with sadness that we report the loss of 48 of our colleagues during the 2021/22 year 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.

Improve the engagement of employees - Employee Engagement Index score achieved based on survey of employees

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 intention of conducting the 2021 survey was to establish a new baseline for Employee Engagement. Given the extent of change in the organisation over the previous three years, the 2017 data was outdated and of limited value. Furthermore, the aim was to understand if SARS was making progress towards achieving the nine strategic objectives, whether employees understand Vision 2024, and if staff identify with the new values to engrain the above. Part of the transformation at SARS has been to launch the Employee Rights Charter and Steward Leadership, and it was also necessary to measure the employees' perceptions of these.

The participation level for the survey was 76%, which by world standards, is excellent. The level of participation itself is an indication that employees are engaged and want their voices to be heard. The results of the SARS Connexion Survey 2021 was a 61.6 Employee Engagement Index (EEI) score. Further details of the report indicated that 6 out of 10 SARS employees are positively engaged, meaning they are fully motivated to go above the call of duty, and are valuable employees to the business, which explains some positive impact on morale and performance.

The Employee Engagement (EE) survey was not conducted during the 2021/22 FY to allow the outcomes of the 2021 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 t2022, 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 during 2022/23, as well as develop and implement its Employee Value Proposition (EVP).

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 launching a revised Reward and Recognition Programme in the second half of the 2022/23 FY.

For the 2022/23 FY, discussions with the service provider are ongoing to ensure that the revised methodology approach is discussed, and to meet with key stakeholders to plan the next Employee Engagement survey. The annual awards event is planned for the end of the 2022/23 year. The revised Culture of Recognition Framework has been proposed with various new proposals, which will have a re-imagined SARS recognition process, including a digitised nomination system. To support our Strategic Objective 4 and to achieve this indicator, SARS is planning and facilitate and conducti the next employee engagement survey by Q4 of 2023.

Diversity and Employment Equity: Racial Equity; Gender Equity and Disability

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.

Limited recruitment opportunities resultant from a 3-year freeze on vacancies, made the achievement of SARS' equity ratio against the set targets challenging.

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 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. However, the insourcing of 723 cleaning services employees during the 2020/21 FY contributed to the overall improved representation experienced in the black, and in particular, African designated group.

- Black representation improved from 76.31% in 2019/20 to 80.39% by 30 September 2022.
- Gender representation at management levels improved from 49.14% in 2019/20 to 50.20% by 30 September 2022.
- Disability representation declined from 2.16% in 2019/20 to 2.00% by 30 September 2022.

Concerted efforts are being embarked on during the recruitment and selection processes to prioritise adherence to EE requirements in pursuit of targets.

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, SARS creates the capability to understand the compliance behaviour of taxpayers and traders, to provide clarity and certainty where it is needed, an easy and seamless service that fosters voluntary compliance, and timely/early detection of risks, trends and instances of non-compliance that enable us to enforce responsibly. SARS has incorporated data into a comprehensive system of knowledge management. The composite effect of the expanded and increased use of data must substantively support our strategic intent of voluntary compliance.

During the 2020/21 FY, SARS reviewed its methodology to detect risk and select cases for instances where non-compliance was detected. Secondly, SARS implemented several machine learning models that leverage multiple asset and income stream data sources to detect non-, as well as under-declaration of tax liability. Thirdly, thematic input is also considered to adequately reflect the impact of policy changes and relevant emerging dynamics in its risk detection process. Examples of this included the abuse of donations in the context of COVID relief measures, fraud resulting from PPE tender contract awards, as well as the flow of digital money. Finally, a more rigorous feedback loop was introduced to ensure false positives are minimised and assurance work are focused to where the most prominent risks are.

For the six months up to 30 September 2022, 100% of all standard cases were created with the automated risk detection process, and 68.05% of the complex cases being created with the assistance of automated data-related processes.

Theses achievement 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.

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.

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 September 2021, guides SARS employees on how to perform their duties whilst being mindful of the data and information at their disposal. To ensure that enterprise-wide policy, governance processes, roles, and responsibilities are clearly defined and understood, the framework was socialised at a management level in the different divisions and regions.

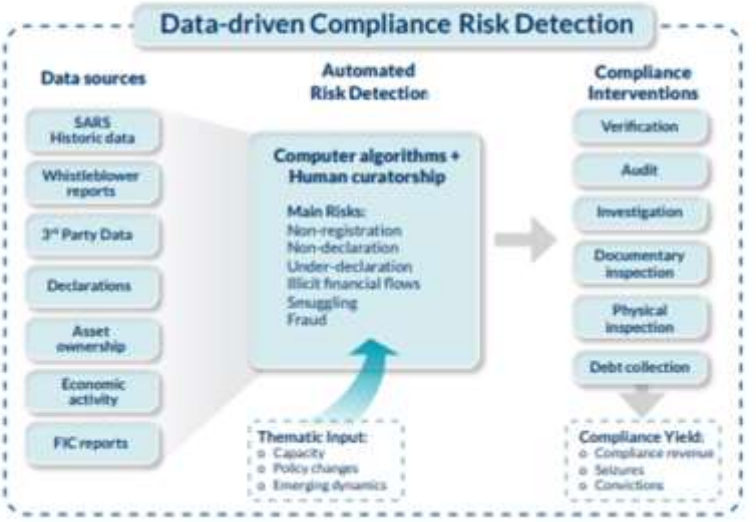
The data driven journey has gained momentum through innovative and effective application of data capabilities. The self service brings together all the Enterprise Data Management (EDM) capabilities to allow for "one-stop" viewing and easy navigation. It provides data, information, insight and predictive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

During the 2021/22 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 uses the SARS Automated Enterprise Capacity Management products to inform the Enterprise Production Schedule that is used to schedule operational activities. Other information sources that enable the Bridge to derive insights and prioritise work include actual production throughput, specific escalations, complaints, as well as sentiment analysis reports.

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

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).

During the 2020/21 FY, SARS reviewed its methodology to detect risk and select cases in instances where non-compliance was detected. The essence of the new methodology is reflected in the diagram and is as follows: Firstly, it was premised on the increased and expanded use of data and technology to improve SARS' capability to detect and identify non-compliance and abuse of the tax system. SARS has significantly expanded the scope of detection, beyond data obtained through declarations, as well as the traditional third-party data received, which enabled the pre-filling of PIT returns and auto assessments. Examples of such data sources include historic data on compliance behaviour, as well as data regarding financial flows and assets held both locally and abroad.



Secondly, SARS implemented several machine learning models that leverage multiple asset and income stream data sources to detect non-, as well as under-declaration of tax liability.

Thirdly, thematic input is also considered to adequately reflect the impact of policy changes and relevant emerging dynamics in its risk detection process. Examples of this included abuse of donations in the context of COVID relief measures, fraud resulting from PPE tender contract awards, as well as the flow of digital money. Finally, a more rigorous feedback loop was introduced to ensure false positives are minimised, and assurance work is focused to where the most prominent risks are.

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

The established data-driven compliance risk detection framework 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. 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%. These achievements were both above the annual target of 80% for standard cases and 60% for complex cases.

For the six months up to 30 September 2022, 100% (1.18 million) of all standard cases were created with the automated risk detection process, and 68.05% (1 655) of the complex cases were created with the assistance of automated data-related processes. This is again above the annual set targets of 85% for standard cases and 65% for complex cases.

These achievements 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.

Going forward, SARS endeavours to improve these processes in the selection of Customs cases, and commits to achieving the five year target of 100% of standard cases selected automatically, and 75% of complex cases by 2024/25.

Accurate and complete register of taxpayers

SARS' Strategic Plan outlines our five-year journey and aspiration to attain completeness of data. This journey is incremental, and every year SARS will add new data sources to enable its work, as well as to improve the integrity of its data. SARS already leverages a vast amount of data to enable its work in the context of its nine strategic objectives, and examples thereof are:

- The prefilling of tax returns as well as the auto assessment of more than 2.8 million taxpayers, based on third party data.
- Data enabled SARS to detect risk and instances of non-compliance, e.g. 26 000 citizens with economic activity exceeding R1 million who were not registered for tax, as well as 200 taxpayers who were flagged for unexplained wealth, where information regarding offshore investments did not correlate to their tax liability declared.
- The combined yield emanating from automated risk detection exceeded R56 billion.

During the 2020/21 FY, SARS engaged in targeted campaigns with taxpayers who had to update contact information to ensure contractability. The tax register was enriched with the latest contact details sourced from Credit Bureaus contracted to SARS, through processing 45 files consisting of more than 82 million records. Contact details for 14 million individuals and companies without contact details on SARS systems, and with R27 billion debt and 8 million outstanding returns were sourced and updated.

An improvement on the completeness of the active register, following the automated update of contact details, is depicted in the table as follows:

Product	% with no Contact Details Before	% with no Contact Details After	% Improvement
CIT	31%	12%	19%
PIT	57%	13%	43%

Substantial progress has been made in SARS' journey to achieve an accurate and complete tax register. The following key deliverables were achieved during this reporting period:

- An updated online reporting solution that segments the register into the new operational units was developed and deployed to all the regional directors and segment leaders.
- The CIT register was verified and aligned with the CIPC register to identify companies that have deregistered with the CIPC. SARS enhanced its rules to facilitate automated register clean-up activities, and expanded the scope of these rules from 22 to 35.

This resulted in 1 759 667 records being identified for deregistration, an improvement of 26.65%. A systemic approach will be followed in future to run this automated clean-up process on a quarterly basis, and duly consider the integrity and alignment of the various physical technology platforms that collectively represent the "taxpayer register". SARS continued to work with stakeholders and data sharing partners, which includes local and international organisations in both private - and public sectors, to improve and expand the sharing of data.

Strategic Objective 6: Modernise our systems to provide DIGITAL and STREAMLINED online services

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

Engagements to identify all service offerings segmented between online and manual services were completed with product and segment owners in the 2020/21 FY. By 31 March 2022, 247 out of the 320 services identified, equating to 77.19%, were offered online by SARS.

SARS reported 99.76% of planned capacity to be available for mission critical systems in 2020/21 and 99.83% for 2021/22. Mission critical systems encompass those digital platforms used by taxpayers and traders to fulfil their tax and customs obligations, which include, inter alia, filing of declarations, making payments and submitting supporting documents. SARS also recorded zero security breaches from known risks for both the 2021 and 2022 financial years.

A number of enhancements and new features were implemented to improve SARS' digital offerings, to align with COVID-19 social distancing protocols, to reduce foot traffic in SARS branches in 2020/21, and to continue to successfully deliver improved SARS digital offerings, by modernising its systems, addressing risks, and improving its service to taxpayers, traders and travellers.

All SARS service offerings are made available digitally – % of SARS taxpayer and trader service offerings made available online

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.

In the 2020/21 FY, engagements to identify all service offerings segmented between online and manual services were completed with product and segment owners. 320 service offerings, which were identified (244 online and 76 manual) and recommended for migration of services, have been migrated. This equates to a baseline percentage of 76.25%. Engagements with product and segment owners to plan 68 manual services for migration over the next four years have been completed. The following digitised functionalities were made available to taxpayers through the SARS website, without the requirements to be a registered e-filer:

- Supporting documentation: the ability to submit solicited supporting documents via the SARS website. The functionality provides taxpayers with the ability to upload up to 10 documents, with each of these documents limited to 5MB in size.
- Submit a payment allocation: the ability to submit a payment allocation with the relevant supporting documentation.
- Retrieve tax number: the ability to retrieve a tax reference number, based on the matching of input taxpayer information to that which is stored at SARS.
- Further functional enhancements have been made to this online channel to enhance the data matching for the online retrieval of tax numbers. A new functionality has also been introduced to allow taxpayers to report new estate cases, and submit the required supporting documentation. This automatically creates a case for SARS employees to finalise in the Tax Estates Segment.
- Additional features have been made available, via the SARS website, to enable the assignment of a registered representative status. Individuals wishing to be set as the registered representative of an individual, company, trust, or other organisation, can capture a request and submit the related supporting documents, including a selfie, for SARS to review.

Tax Directive Enhancements: Enhancements were made to the directives system to allow tax practitioners to request directives on behalf of their clients via eFiling and the MobiApp.

Customs Enhancements: To prevent delays that negatively impact trade facilitation, the number of SARS officials involved in the resolution of cases has been reduced. When supporting documents are received for a pended case, this case is routed back to the initiating SARS Customs inspector for finalisation, ensuring continuity and faster turnaround times. Phase 1 of the automated acquittal process was implemented, inclusive of enhancements to the risk engine and the decentralisation of the acquittal process to the border posts. Changes were implemented to enable seizure information to be captured and approved, with the associated printing of seizure notifications.

Social Media Complaint Handling Process: With the increased popularity of social media, improved complaint handling processes were introduced to streamline escalations, and ensure prompt resolution of query items.

In the 2021/22 FY, three additional 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 Trust tax 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.

SARS will continue to digitise manual processes to make it easy for taxpayers to comply and to reach the 95% target in 2024/25.

Strategic Objective 7: Demonstrate EFFECTIVE STEWARDSHIP of our resources to ensure EFFICIENCY and EFFECTIVENESS in the delivery of quality outcomes and performance excellence

The Estimates of National Expenditure (ENE) is a culmination of engagements, during the course of the year, intended to formalise the request for medium term funding requirements. As part of the Medium Term Expenditure Framework (MTEF) submission, SARS positioned an additional requirement of R9 billion over the medium term against the allocation provided at the time. With the ENE submission, the funding requirements increase to R13 billion as a result of the preliminary ENE allocation, as well as the additional R3.5 billion over a period of 3 years required for the Beitbridge improvements and conversion to a SMART border. The three-year receipt of R3 billion as part of the 2021 MTEF allocation, is a static R1 billion a year, and does not take inflation into consideration on current expenditure or any additional requirements to rebuilt SARS and achieve Vision 2024 and beyond. Of the additional R1 billion allocated for the 2021/22 financial year, a portion was ring fenced for acquiring critical skills, Information and Communications Technology (ICT) capital refresh and capital projects, in order to accelerate the modernisation programme and enable the Vision 2024 journey.

The Tax Administration 2021 comparative information on OECD and other advanced and emerging economies state s that the largest reported component of tax administration operating budgets is staff costs, with salary alone accounting, on average, for 73% of operating budgets annually. This is followed by ICT operating costs at between 10% and 25%. SARS' benchmark r eflect that we are in line with Tax Administrations cost allocation globally, where approximately 92% of SARS costs are contractual as fo llows: salary cost is +/- 70%; ICT operating cost is +/-12% and physical facilities and related costs are +/-10%. This global trend points to an average growth in SARS expenditure from 2021/22 to 2022/23 of approximately 5.76%, whilst the current preliminary allocation is growing at 2.05% for the same period.

The allocation towards critical resources was the first requirement to address the exodus of skills and capacity over the last number of years, and by far, is not addressing the full requirement. Furthermore, the ICT refresh is an attempt to catch up on replacing outdated and unsupported infrastructure and equipment, however, this refresh is not yet moving towards enabling a smart, modern SARS. The SARS rebuilding programme is a multiyear process framed by a clear Strategic Intent. The SARS Vision articulates the kind of institution SARS has to be if it is to fulfil its mandate effectively and efficiently, as required by the SARS Act of 1997. SARS remains underfunded to give full effect to its mandate, given the growing demand for additional revenues by Government, and this places further strain on the country's fiscal integrity.

Reconfigure cost structure -– ICT investment as percentage of total grant

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

In the 2021/22 FY, SARS initially provided 16.7% of total budget for ICT, and through cost reconfiguration, increased it during the 2021/22 FY 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%.

In the 2021/22 FY, SARS 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.

2022/23 half year indicated a YTD allocation of 11.48% for ICT of allocated funds.

This increased investment enabled, amongst others, the various ICT enhancements deployed to enable the continued service to taxpayers during the COVID-19 lockdown, and forms part of the enhancements to a smart and modern SARS. SARS is on track to achieve the 2024/25 target of 15%.

Strategic Objective 8: Work with and through STAKEHOLDERS to improve the TAX ECOSYSTEM

SARS aims to have effective and beneficial partnerships with all Stakeholders in the tax ecosystem, that deliver maximum benefits for the taxpayers, Government and the public. SARS strives to have interactions and exchanges that are formal, professional, and transparent.

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 with hold 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 were developed and implemented to build, leverage, and enhance effective and beneficial relationships, as well as promote fiscal citizenship. SARS has hosted r egular strategic and operational engagements (at national and regional level), that seek to improve tax and customs compliance, enhance service delivery, and promote tax morality. SARS has utilised the official inter-governmental relations framework to prepare a "whole of government" collaborative response and initiatives, especially those related to enforcement activities, and to ensure the optimal use of government resources. Participation in these forums ensures a collaborative approach with critical government stakeholders.

The majority of intermediaries are satisfied with SARS' cooperation and collaboration - % of intermediaries that are satisfied with SARS' cooperation and collaboration

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.

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

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

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. SARS achieved its target of 60% in this financial year.

For the 2021/22 FY, SARS changed its approach and is running a survey every quarter. Here are some of the conclusions from the 2nd quarter review:

Positive

- The effectiveness of the unit has grown across all three measures of effectiveness with a range of 83.78% to 7.30%.
- The respondents find the SRU's query management and feedback process generally easy. None of the respondents found the process to be difficult, and 82.6% of the respondents were very generally satisfied with the promptness of the unit in acknowledging receipt of queries.
- Significantly less respondents are satisfied with the SRU's collaboration and cooperation compared to the previous quarter.

Negative

- The survey response rate has significantly declined by 15% despite being send to more intermediaries.
- The professionalism of the team has decreased by 9.2%.
- Although the respondents are satisfied with the relevance and appropriateness of the agenda, satisfaction with the meeting proceedings and outcome of the meetings has gone down by 16.2% from the previous quarter.

- The engagements are still meeting expectations, however, the ease of the communication with the unit has declined by 7.5%.
- The proportion of respondents who always get feedback on unfinalised cases has declined by 11.9%, and satisfaction on follow-ups has also declined by 2%.

SARS' achievement of 82.86% for the 2nd Quarter survey was also above the annual target of 65%.

Recommendations to further improve the satisfaction rate of SARS' intermediaries and achieve the 2024/25 target of 70% include that SARS should establish service level agreements with various departments within SARS to avoid unnecessary delays in the resolution of cases, and to ensure that regular timeous feedback is provided to the stakeholders. Most respondents (82.61%) indicated that they are satisfied with the promptness of the unit, however, in some cases, the respondents indicated that no feedback or acknowledgement was given, escalations were sometimes not answered promptly, and there is a lack of internal follow up by SRU within SARS to ensure finalisation of the queries. In addition to this, SARS should ensure that all public notices are error free as this can contribute to tax non-compliance, and efiling improvements such as extending efiling to insolvency practitioners was suggested by some of the respondents. To build trust and confidence in the tax administration system, SARS should ensure that all assessments are as error free as possible, and detailed explanations on the outcome of the assessments are given to taxpayers.

Multilateral bodies peer review assessment of our administration and engagements – peer review score based on current multilateral agreements (example TADAT, WCO, Global Forum on Tax Transparency and EOI, ATAF)

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

Global Forum Exchange of Information on Request Second Round Phase 1 Peer Review – completed: This report was approved at the Peer Review Group of the Global Forum in May 2021, and was adopted by the Global Forum in June 2021. This review assesses only the legal and regulatory framework of South Africa for transparency and exchange of information. South Africa has achieved a determination of "in place" for six elements (B.1, B.2, C.1, C.2, C.3 and C.4) and "in place but needs improvement" for three elements (A.1, A.2 and A.3). Overall, South Africa has a legal and regulatory framework "in place but needs improvement" since it generally ensures the availability, access and exchange of all relevant information for tax purposes, in accordance with the international standard, but improvements are needed on the availability of beneficial ownership information. The rating for each element and the Overall Rating will be issued once the Phase 2 review is completed. (See below).

Global Forum Exchange of Information on Request (EOIR)Second Round Phase 2 Peer Review – in progress.

Global Forum Peer Review of the Automatic Exchange of Financial Account Information (AEOI) 2021: SA's legal framework implementing the AEOI Standard is in place, and is consistent with the requirements of the AEOI Terms of Reference. This includes South Africa's domestic legislative framework requiring reporting financial institutions to conduct the due diligence and reporting procedures (CR1), and its international legal framework to exchange the information with all of South Africa's Interested Appropriate Partners (CR2).

Annual OECD 2023 peer review of Action 13 – CbC Reporting: Reviews in 2020 and 2021 found that South Africa has fully implemented the BEPS Action 13 (CbC reporting) minimum standard and meets all the terms of references

Annual OECD peer review of Action 5 Transparency Framework – completed: All reviews were completed for 2020 – 2022, with no recommendation made.

OECD peer review of Action 14 FTA MAP Peer Review, South Africa (Stage 2) – completed in 2021: Stage 2 reviewed and recommendations made in 2021.

World Customs Organisation (WCO) Customs Integrity Perception Survey (CIPS) – completed in 2021: SARS conducted its first Customs Integrity survey and diagnostics, which benchmarked SARS against international best practice based on the Arusha Declaration focussing on Integrity in Customs.

Strategic Objective 9: Build PUBLIC TRUST and CONFIDENCE in the tax administration system

The public should be confident that SARS' stewardship of the country's tax system is professional, unbiased and fair; that it maintains the highest standards of integrity and ethics; it has transparent governance systems and processes, and has capable and trustworthy leaders. SARS accepts that ultimately, it is accountable to taxpayers, traders, and their representatives, the general public, as well as elected public office bearers, whose trust should be earned.

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. 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.

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.

Public opinion survey results reflect high trust and confidence in SARS

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.

As part of meeting one of the Strategic Objective of building public trust and confidence in the tax administration system, SARS undertook the Public Opinion Survey to determine public opinion on tax compliance. The Public Opinion Survey is the voice of the taxpayers and traders. SARS gauged public opinion on the following drivers of tax compliance: Tax morality, operational efficiency, accessibility, trustworthiness, tax diligence, fiscal citizenship, fiscal responsibility, followership, stewardship, socio economic factors and affinity. SARS also used the data collected to develop the Attitude to Tax Compliance Index (or Public Opinion Score).

For the 2020/21 financial year, SARS achieved the Attitude to Tax compliance index of 74.5% vs. 70.00% target. Tax morality came as the top driver of tax compliance from the 11 drivers of tax compliance identified and assessed. The highlight of the study is that tax morality ranks higher on the drivers of tax compliance. Tax morality in South Africa is high, however, it is not translating into higher tax compliance. South Africans believe it is their responsibility to pay tax – directly or indirectly, knowingly or unknowingly. The highlights directly linked to SARS are the operational efficiency, accessibility and trustworthiness, which are in the top five drivers of tax compliance from the study.

In the 2021/22 FY, 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 factors 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.

SARS will be running a survey again in the second half of the 2022/23 FY, and hopes to see an improvement towards the 2024/25 target of 76.5%.

Sentiment analysis continuously reflects high trust and confidence in SARS

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, it 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 is said, against what is ultimately done. It is important to continue to share SARS' work done in the form of campaigns, public relations, digital marketing, including positive feedback from taxpayers, and to be transparent when planned goals are not achieved. These mentions are likely to have emotional appeal about the brand, increase the number of people who are aware of and talking about the SARS brand, and enables SARS 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 as mentioned above.

For the 2021/22 FY, SARS achieved its target, whereby 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.

Official sign-off by the Executives:

Commissioner for SARS

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Edward Chr Kieswetter
SARS COMMISSIONER

Approved by Minister of Finance

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Mr Enoch Godongwana
MINISTER OF FINANCE