

## **REVENUE ANNOUNCEMENT – 3 APRIL 2018**

### **Statement by Acting Commissioner of SARS**

Honourable Minister of Finance  
Honourable Deputy Minister of Finance  
Director-General of the National Treasury  
Governor of the South African Reserve Bank  
Auditor-General of South Africa  
Director of the Financial Intelligence Centre  
Members of the SARS Audit Committee

Colleagues from the National Treasury  
Members of the SARS Executive Committee  
Members of SARS management  
SARS colleagues across the country  
And fellow citizens of South Africa

It is a privilege to greet and welcome you to today's Preliminary Revenue Collection results in my capacity as Acting Commissioner of the South African Revenue Service, a role that I am very humbled to have been entrusted with, and a role that I have accepted with the view to continue being in service to our country, making my contribution where required.

The South African Revenue Service (SARS) which has gone through some pain in the recent past remains a solid organisation. Its foundations are strong and its systems robust. The people of SARS are resilient.

Amidst negative publicity in the last while, including leadership changes, refund delays, the Tax Ombud's report, amongst others, we as employees of SARS have continued working, and will remain with our shoulder to the wheel, focused on our role and mandate.

The mandate of SARS is clear– to collect revenue towards our government's developmental agenda, towards a flourishing South Africa. If SARS does not work, the country stops working. Our role is critical and I can assure you that all 14000 men and women of SARS knows this.

Our focus going forward is to restore credibility and in particular, our relationship with the taxpayer – be it the:

- gogo owning a spaza shop who consumes and trades with VAT-rated products,
- to a medium-sized business owner who aims to make their first million in annual turn-over, and has employee Pay-As-You-Earn tax obligations,
- to large business who has their own specific corporate tax and PAYE requirements,

- to traders who require a seamless, simple and burdenless customs and excise system that does not hinder their flow of trade,
- to the ordinary South African who has to register for tax for the first time,
- to people with disability who need to file a tax return within difficult circumstances,
- to high networth individuals with offshore assets –
- to all these categories of taxpayers – we at SARS want to make meeting your tax obligations as simple and burdenless as possible.

We want to provide you with an excellent, fair and professional service whenever you contact us at the contact centre, visit us at our branches or service points our points of entry, or interact with our systems such as eFiling and mobile filing services. We know that if we do this, people will have a different view of paying tax – a patriotic one, where it is about doing the right thing, and knowing that the country’s revenue authority or tax collecting agent, will make it simple through its professionalism, fair and equitable treatment of the taxpayer without fear or favour.

We want to get back to basics and simply do what is right.

*These basics include:*

- *Skills loss* – SARS is in competition with the private sector for tax skills and expertise – particularly in transfer pricing, base-erosion and profit shifting, areas linked to illicit financial flows – and so we will always find an exit of skill and institutional knowledge, while also acquiring new skill. This cycle has occurred over the last decade and more. SARS has a solid core of skill and expertise, and quality people. As SARS we however need to respond to the reality of skills turnover and a competitive market through succession planning and a transfer of skill to the next generation of tax professionals, leaving a continued legacy that keeps SARS a world-class institution at the service of South Africa and our government.
- The Davis Tax Committee has made key recommendations on beefing up our tax administration and this includes market skills, particularly in the area of high networth individuals and illicit financial flows. We will review and act on these recommendations to ensure a Revenue Authority that is agile in its response to constantly changing developments in our domestic and global environment in as far as preserving our country's revenue inflow and outflow.

We will turn our focus on the following key areas:

### *Small Business*

- Small, Micro & Medium Enterprises, ensuring that this sector receives the support it requires to meet its tax obligations but not at the expense of its operational obligations.

We receive too many complaints from small business that SARS systems do not support the cyclical nature of operations and business, that is also informed by developments in the economy and political environment. We are committed to ensuring you receive the support you require.

### *Large Business*

- Large business providing dedicated attention to this sector's requirements as well and focusing on fostering stakeholder relations towards tax compliance

### *Estates*

- I am aware that the administration of estates is not optimal. SARS will introduce a one-stop, end-to-end service to allay frustration in this area

### *High Net worth Individuals*

- SARS has allocated dedicated resources to pay attention to this sector to ensure open channels of communication towards compliance. We are factoring in recommendations by the Davis Tax Committee on this sector.

### *Tax fraternity – Recognised Controlling Bodies and Tax Practitioners*

- One of our focus areas is to strengthen our partnership with the tax fraternity – tax practitioners and recognised controlling bodies, entering into a relationship of trust, mutual accountability and the highest ethical standards.

### *Refunds, Tax Ombud recommendations –*

- Obstacles regarding diesel refunds delays:  
Significant risks were identified in this industry, which resulted in SARS having to perform more audits to mitigate these risks.

### *Illicit Financial Flows*

- There is improved coordination of tax and customs risk assessments to curb illicit financial flows. SARS is engaging financial Institutions to triangulate data between SARS, the South African Reserve Bank and commercial banks. While this is underway, SARS is implementing Country-by-Country (CbC) Reporting requirements, the first phase of which commenced in December last year.

- SARS will also increase expertise in this area.

## **Implementation of VAT increase to 15% and the Sugary Beverages Levy**

### *VAT hike*

SARS went live with the VAT-rate increase from 14% to 15%, on 01 April as stipulated in legislation. Information has been made available on the SARS website to support vendors and consumers on how to roll-out the VAT hike.

### *Sugary Beverages Levy*

Licensing and registration of manufacturers of sugary beverages took place in February this year. Only commercial manufacturers that produce sugary beverages with a total annual sugar content in excess of 500 kg per year need to be licensed and pay the SBL. Non-commercial producers below this threshold will be expected to register but will not be subject to the SBL. SBL returns and payments can be submitted electronically through SARS eFiling and are also accepted at Customs and Excise branches.

### ***Taxpayer morality***

We cannot do all of the above without taxpayer morality. Without taxpayer morality – i.e. paying tax because it is

the right thing to do towards building our country – we do not have tax compliance.

While the economy and the efficiency of SARS are key drivers in collecting revenue, you form the last dimension of a working revenue process. You are a key determinant in the social compact to build and grow our country, ensuring improved living standards and equitable distribution of resources. Without you doing the right thing, we cannot do the right thing which is spending on basic and essential services. This is the deal we make as government and citizens.

### ***Thank you***

We thank all taxpayers for their patience during the last while and their continued faith and trust in SARS to safeguard their personal information and funds. We remain humbled by this and at your service.

I want to thank the Minister of Finance, the Deputy Minister of Finance, and the staff at National Treasury for their support and the absolute faith they continue to place in SARS. A new dawn truly awaits us.

### **I thank you**

### ***Tribute to Professor Matthew Lester***



- I would also like to take this opportunity to pay a short tribute to one of the tax fraternity's most forward-thinking tax professionals, Professor Matthew Lester, who passed away four weeks ago. Matthew was a friend of SARS and the National Treasury, and contributed significantly to intellectual material on tax administration, tax proposals, simplifying tax, tax systems and policies, with the taxpayer in mind. His work was and continues to be extensively quoted and referenced. He will be sorely missed as a colleague and a friend. We pay our final respect to him and wish his family strength and comfort.

