



SOUTH AFRICAN REVENUE SERVICE  
**STRATEGIC PLAN**

2009/10 – 2011/12

REVISED ACTIVITIES AND DELIVERABLES PER  
CORPORATE STRATEGIC PRIORITY JUNE 2009

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# ADDENDUM



**REVISED ACTIVITIES AND DELIVERABLES PER  
CORPORATE STRATEGIC PRIORITY JUNE 2009**

# REVISED ACTIVITIES AND DELIVERABLES PER CORPORATE STRATEGIC PRIORITY JUNE 2009

## INTRODUCTION

This chapter details the eleven corporate strategic priorities, also describing the supporting activities linked to these priorities, the associated deliverables, measures and targets for 2009/10. In some cases, activities may be linked to more than one priority area, but in these cases the deliverables are associated with one of the priorities. The activities, deliverables, measures and targets described here constitute refinements to those detailed in the update of the Strategic Plan completed and submitted for Ministerial approval in February 2009.

## RATIONALE FOR AMENDMENTS TO THE UPDATE OF THE STRATEGIC PLAN FOR 2009/10

The amendments to the Strategic Plan relate to developments that have occurred since February 2009.

### *A New Administration*

A new administration assumed duty after the April 2009 National and Provincial elections. The President's State of the Nation address on 3 June 2009, highlighted the priorities of the new government as encapsulated in the ten priorities of the Medium Term Strategic Framework. Aside from general implications relating to the need for revenue to enable the government's interventions to address the economic and social challenges facing South Africa, this framework specifies initiatives which have implications for SARS's planning for 2009/10, as well as in later years. Two such initiatives, predicated on the co-operation of several government stakeholders, are

- the establishment of a Border Management Agency and
- the government's commitment to move towards a single integrated business registration system.

### *Deteriorating Economic Climate*

Since February 2009, the economic climate has also deteriorated significantly more than initially anticipated. For example:

- South Africa's deficit on the current account increased from 5.8% of GDP in the previous quarter, to 7% of GDP in the first quarter of 2009, above the forecast of 6%.
- Exports dropped by 55%, and imports continue to decline with motor vehicles alone declining by 54% during June 2009. The effect of lower imports resulted in a significant decline in the collection of customs duties and VAT on imports.
- Consumer spending shrank by 4.9% on a quarterly basis, the sharpest fall in 13 years, as household disposable income continued to shrink, despite interest rate cuts. This decline in spending accounts for most of the observed downward trends in the collection of domestic VAT.
- The decline in manufacturing and mining outputs, as reflected in an annualised shrinking of quarterly GDP by 6.4%, sets the scene for a similar decline in company income tax collections. Liquidations have increased by 45% year-on-year, reflecting a contraction in production and hence lower gross operating surplus as well as job losses, placing further strain on the collection of both corporate and personal income tax.
- The number of property transfers has declined due to the economic climate together with more stringent credit regulations, translating into a 41% decline year-on-year in transfer duties collected.
- Despite a sharp increase in the fuel levy, fuel levy collections have shrunk by 0.3%.

### *Deteriorating Compliance Climate*

- The OECD suggests that in times of economic hardships the incidence of non-compliance and aggressive tax planning will increase amongst taxpayers. Many wealthy individuals have reported huge losses as a result of the significant drop in asset prices and investment returns, creating further incentives to engage in aggressive cash flow management, negatively influencing the way many will likely manage their tax affairs.
- We have seen how some of the non-compliant behaviour, as elsewhere in the world, has begun to manifest itself in the South Africa. The compliance climate has deteriorated. For example, final demands for outstanding VAT returns increased from 20.6% in 2007 to 26% in the current year. The experience of economic hardship is also reflected in the increase in deferred payment arrangements negotiated by individuals and small companies with respect to outstanding taxes. There has also been an increase in the number of VAT and PAYE returns being submitted without payment.

### *Impact on revenue*

- Our year to date revenue performance reflects the rapidly declining trend. As at 18 June we have fallen almost R10 billion below revenue and revenue is about R8 billion lower in terms of year-on-year performance. This trend is likely to continue.
- In response, SARS has embarked on several initiatives aimed at securing the revenue to be collected and mitigate revenue risk. This has required that greater emphasis be placed on revenue yielding activities in order to direct resources to securing the revenue.

## **THE MAIN CHANGES TO THE TEXT OF CHAPTER 6 ARE HENCE AS FOLLOWS:**

- Major initiatives aimed at securing revenue and mitigating risks to achieving the revenue target (enhancing SARS's capability with respect to tracking, analysing and forecasting revenue; reinforcing and redirecting the Large Business Centre unit to assure compliance as well as provide service to the large business segment; refining the engagement with High Net Worth Individuals) have sharpened the focus of the strategic priorities to ***Secure the Revenue, Strengthen Compliance*** and ***Pursue Segmentation Strategy***.
- SARS's commitment to support the government's establishment of a Border Management Agency is associated with our priority to ***Improve Border Protection and Management***.
- SARS's commitment to support the government's development of a single integrated business registration system is reflected under our priority to ***Ensure Improved Service*** in line with the rationale provided for this initiative in the State of the Nation address.
- There has been a tighter formulation of the intended sets of actions to be undertaken to ***Develop Human Capability*** and to ***Proceed with Modernisation***.

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## **DELIVERY PRIORITIES:**

### **1. SECURE THE REVENUE**

In view of the challenges faced by SARS with respect to achieving challenging revenue targets within a tougher economic environment, a strengthened focus is required on estimating and collecting revenue. There is a need for deeper analysis of the revenue potential of the economy, by tax type and sector. This requires that revenue analysis and forecasting capability be improved. Internally, more accurate revenue accounting, improved payment processing and earlier detection of – and hence response to non-compliance – all become critical in the achievement of the revenue targets. Expanding the tax base and realising new revenue opportunities is also key to securing the revenue to be collected by SARS.

*Activities supporting Priority 1 in 2009/10:*

In 2009/10 SARS will:

- Define a specific Revenue Management Programme that entails more disaggregated revenue performance tracking, trend analysis and revenue forecasting through collation, integration and analysis of tax data trends, with an emphasis on high revenue yield areas
- Enhance SARS's understanding of the compliance gap and hence ensure that revenue currently outside the tax 'net' is identified and collected (*see also Priorities 2 and 5*)
- Focus on the provisional payments of medium businesses, to detect payment defaults earlier, as this may indicate financial distress in addition to habitual non-compliance, and negatively impact on revenue collection
- Implement turnover (presumptive) tax for micro businesses, to further reduce their compliance costs and expand the tax base
- Develop legislation to enhance SARS's administrative capabilities and collection mechanisms
- Scale up the use of electronic payment systems, through the promotion of electronic channels to taxpayers and traders, and simplifying the ease of use of these channels. This will enable, through payment processing improvements, near real-time tracking of revenue payments and support SARS securing the revenue (*see priority 4*), together with improved debt management (*see priority 2*)
- Continue to ensure that SARS's reputation as a credible tax and customs administration is enhanced, since its credibility correlates positively with the willingness of taxpayers and traders to pay revenues due (*see priority 5*)

*Deliverables:*

The primary output associated with securing the revenue is the sustained collection of revenue, which equals the target determined through the government's revenue requirements, each year.

Deliverable	Measure	Target by 31 March 2010
An established Revenue Management Programme to track, analyse and forecast revenue trends in order to mitigate revenue risks earlier	Achieve revenue target	R 659.304 billion revenue collected
Closure of the compliance gap enabled by improved revenue analysis	Revenue collected	R 12.5 billion
Legislation to enhance SARS' administrative capabilities and collection mechanisms	Draft legislation	September 2009
Focus on medium sized businesses	Improvement in filing and payment behaviour of medium sized businesses	Baseline compliance behaviour
Accelerated collection of newly assessed debt	Implementation of new debt management processes	Implementation for high volume and low value debt book

## 2. STRENGTHEN COMPLIANCE

Compliance management efforts need to be strengthened, systematised and become more effective. SARS's approach to promoting compliance entails the use of education and outreach, service and responsible enforcement. *(Note: improving the quality of SARS's service is regarded as a separate priority in its own right – see priority 5.)* SARS's compliance programme requires further refinement from a segmented perspective, and, in the light of the economic climate, ensuring that audit activities have both a positive compliance impact and a strong revenue focus.

As part of the compliance programme, an outreach and education programme is required, to increase the levels of awareness and understanding amongst various segments of taxpayers. Effective engagement with taxpayers, traders and intermediaries is the foundation to a positive interaction that encourages compliance. At a time when existing taxpayers may also be stressed by the economic climate, it is important to put extra effort into drawing new taxpayers into the tax base. Effective engagement depends on understanding customers, and thus communicating with them in ways that achieve the desired response.

*Activities supporting Priority 2:*

In 2009/10 SARS will:

- Develop a compliance programme that takes account of the segmentation work undertaken, to address education, outreach, service and enforcement activities, ensuring a stronger emphasis on payment behaviour of taxpayers, as well as aggressive schemes that minimise or defer tax obligations
- Continue the work on compliance risk rules and engines using third party data to support more accurate identification of risk and differentiated, targeted treatments depending on the nature of the non-compliance *(see also priority 9)*
- Improve the completeness, currency and integrity of the tax and trader register by advancing the foundation on the universal and unique taxpayer, trader and traveller data base *(see also priority 6)*

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- Advance the work towards simplifying registration and facilitating single registration that will provide SARS with a single, integrated view of each taxpayer, trader or intermediary, while also further reducing the compliance burden experienced by registrants (*see also Priority 5*, which discusses a co-operative governance project towards establishing integrated business registration)
- Place a special focus on repositioning and equipping the Large Business Centre, to address both service to and the compliance of large businesses and High Net Worth Individuals (HNWI)
- Tighten VAT registration, and enabling more rapid detection of outstanding returns or anomalous patterns in VAT returns or refund requests
- Encourage compliance through implementing new systems for administrative penalties in all instances of non-compliance
- Focus on the management of debt and the reduction of outstanding returns
- Develop and implement integrated enforcement case management and tracking (*see Priority 4*)
- Improve detection of and enhance response to commercial fraud (*see also Priority 3*)

### *Deliverables:*

Positively influencing the compliance behaviour of taxpayers and traders will translate into more complete registration of taxpayers and traders, the timely filing of tax returns and declarations, the provision of accurate and complete tax and customs declarations and full payment of revenues due at the time they are due.

Deliverable	Measure	Target by 31 March 2010
Broadened tax base	New tax registrants arising from engagement with the public	2% new registrants
A comprehensive compliance programme	Agreed compliance programme	Compliance framework implemented
Enforcement Programme to encourage compliance	Enforcement Programme implemented	September 2009
Better capacitated Large Business Centre	Revenue collected	R 7 billion revenue growth
Implement a new system of administrative penalties	Improvement in filing and payment compliance levels (Income Tax)	5% reduction in outstanding returns
Implement next phase of improvement in debt management	Reduction of debt older than 12 months, including estates	50% reduction of collectable debt
Improved detection of commercial fraud and the administration of preferential trade schemes	Stop success rate Audit success rate Customs risk management strategy developed	Stop success rate: 30% Audit success rate: 50% Strategy by end trimester 1, 2009

### 3. IMPROVE BORDER PROTECTION AND MANAGEMENT

Facilitating trade and protecting South Africa's ports of entry with respect to the transit of goods remains a SARS priority. The requirements associated with the hosting of large international events in 2009 and 2010 add to the volumes and complexities of work. The bar for managing risk will be raised through the prevailing economic climate. Centralised processing and assessment of declarations will provide an integrated picture of trading activity and a single picture of all

traders, and thereby yield information that can be used to manage risk more effectively and respond to risk more rapidly. In co-operation with other government role players, SARS will review and contribute towards Government's strategy to establish a border management agency based on its Border Control Co-ordinating Committee (BCOCC) and Customs Border Control Unit (CBCU) experience.

*Activities supporting Priority 3:*

In 2009/10 SARS will:

- Contribute towards government's strategy for a border management agency building on SARS's lead role in the BCOCC
- Prepare and implement measures for the Confederation Cup in 2009
- Prepare for the World Cup in 2010
- Commence the modernisation of customs' business processes and technology systems (*see also Priority 9*)
- Introduce a new customs operating model, where risk management lies at the heart of the customs operation
- Enhance human capacity in critical areas and develop customs core technical skills
- Streamline customs operations, through setting up a centralised processing hub and refocusing other units on clearance at first port, MIDP service and post clearance audits
- Address accreditation and trader registration (*see also Priority 4*)

*Deliverables:*

Improved border management and protection will provide for better quality service at borders, the reduction in import and export of illicit goods and the full collection of revenue due.

<b>Deliverable</b>	<b>Measure</b>	<b>Target by 31 March 2010</b>
Enhanced customs' core technical skills to ensure the delivery of operational objectives	Training programme developed Number of staff trained	Training programme developed by September 2009 400 staff trained
Preparedness for Confederation Cup in 2009	Confederation Cup plan Appropriate service levels experienced by travellers and traders	Confederation Cup plan completed by end April 2009
Preparedness for FIFA World Cup 2010	World Cup 2010 plan	World Cup 2010 plan developed by June 2009
Modernisation of Customs	Customs Modernization Programme	Programme milestones met Introduction of new risk engines
Streamlined customs operations	Gauteng pilot Centralised customs registration, licensing and accreditation	Pilot completed by June 2009 Centralisation complete
Streamlined trader registration and accreditation	Complete second phase of AEO programme Pilot undertaken within IBSA trilateral	Alignment to WCO SAFE framework Pilot completed

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### 4. IMPROVE OPERATIONS MANAGEMENT AND PRODUCTIVITY

Given that SARS is entering a period in which resources available to the organisation to fulfil its mandate will be more constrained, it is important for SARS to optimise the use of resources that are available to it. This requires better management of operations, as well as improving productivity through working smarter and in streamlining processes. SARS's current approach towards aspects of its operating system such as capacity planning (*see also priority 8*), the budgeting process, the generation of and access to management information, performance analysis and reporting will be revisited.

*Activities supporting Priority 4:*

In 2009/10 SARS will:

- Develop a standard measurement and monitoring backbone, supporting enhanced performance management and reporting at all levels, for furthering productivity
- Promote the use of electronic channels for all interactions with taxpayers, to support more rapid processing and reduce capturing errors in processing
- Develop tools enabling efficiency gains, such as audit tools and enhanced case management

*Deliverables:*

The outcome of better operations management and focusing on improving productivity will be greater organisational effectiveness and efficiency.

Deliverable	Measure	Target by 31 March 2010
Standardised revenue and organisational performance monitoring and reporting	Revenue reporting system developed Standardised performance reports	System in place by year end 50% implemented
Expanded use of case management tools to prioritise cases	Increased operational capacity due to optimisation of priority cases	Case tools implemented
Expand electronic payment system	Automated system for input and output payments	System implemented

### 5. ENSURE IMPROVED SERVICE

Weaknesses that currently impact negatively on service provision need to be addressed, in line with SARS's values, and particularly given the current climate. A holistic service strategy is required, based on an understanding of the requirements of all the taxpayer and trader segments.

*Activities supporting Priority 5:*

In 2009/10 SARS will:

- Work together with other government role players towards a single integrated business registration system, to reduce the cost of doing business in South Africa
- Revise SARS's service and channel strategy, following enhancements to service offerings, particularly those relating to PIT

- Continue focus on service delivery through improved contact centre facilities, processes and resolution of client queries
- Update SARS service standards and expand the standards to cover new service offerings
- Use the segmented approach to develop differentiated service offerings to identified customer segments
- Create capacity and capability to speed up the resolution of service queries and complaints
- Enhance the skill level of staff working in the front offices and service areas of tax and customs (*see priorities 3 and 8*)

*Deliverables:*

Improving the quality of SARS's service will promote timely revenue collection, through positively influencing taxpayer and trader behaviour.

<b>Deliverable</b>	<b>Measure</b>	<b>Target by 31 March 2010</b>
Revised service charter and service standards	Service charter and standards	By March 2010
Multi-year interdepartmental programme to establish integrated business registration	SARS position and input towards the scoping of the plan submitted to the affected government departments	Plan by September 2009
Increased use of electronic channels for filing, assessment, payments and other communication	Growth in use of electronic channels	10% growth
Improved capacity for resolution of service queries and complaints	Percentage first time resolved queries	20% improvement in first time resolution of queries
Additional physical service points	New service points	5 new branch offices and 8 mobile tax units
Implementation of turnover tax	Systems development	System adopted by 10% of those eligible to register
Additional customer segment units	Units established and resourced for: <ul style="list-style-type: none"> <li>• Practitioners</li> <li>• Small businesses</li> </ul>	All segment units operational by March 2010

## 6. FIX THE BASIC LEGACY SYSTEMS

Although modernised systems are progressively being phased in to supplement the legacy systems used for capturing and maintaining information on taxpayers and traders, the quality of data constrains SARS's ability to provide world class service and manage compliance risk effectively. Concerted effort is therefore required to improve data quality, as this in turn impacts on the collection of revenue due. The improvement in data quality will be approached through the simultaneous cleaning of legacy data, as well as the progressive modernisation over time of the systems used for managing the data, to include built-in quality measures.

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*Activities supporting Priority 6:*

In 2009/10 SARS will:

- Initiate a project to accelerate the cleaning of existing records in tax and trader registers
- Develop new processes and systems for registration, with built in quality checks (consistency and completeness) for capturing and updating records
- Initiate a project to clean taxpayer account information
- Develop an account management system that promotes the integrity of account information (*see priority 9*)

*Deliverables:*

The stabilising of SARS's operating systems will yield better service to taxpayers: greater efficiency in responding to queries, resolving queries first time and shortened turnaround time for the processing of all transactions, including assessments.

Deliverable	Measure	Target by 31 March 2010
New policy on business registration for taxation	Policy developed	December 2009
New system for tax and trader registration	Multi-year plan developed	Approved plan
Streamline and segment the registration process	Simplified, single registration process implemented	80% compliance to the new registration process
	Compliance to new VAT registration process	100% compliance
Cleaner taxpayer and trader registration and accounts data	Reduction in errors in communication with taxpayers and traders	60% reduction with respect to IT 10% reduction with respect to VAT
Reviewed trade statistics system	Review report	First trimester of 2009/10

### **ENABLING AND ADVISORY PRIORITIES:**

#### **7. IMPROVE GOVERNANCE**

There is a need to continually review and strengthen SARS's governance framework, its leadership and management processes. An internal value system needs to be entrenched, in order to enhance good governance.

In addition to corporate governance within SARS, SARS's role in improving governance also includes the building of co-operative governance with other public and private stakeholders. An example of this is SARS's co-operation with other government role players, to streamline business registration obligations (*see also priority 5*), to provide an environment enabling investment.

*Activities supporting Priority 7:*

In 2009/10 SARS will:

- Implement an early warning system for governance, risk and compliance (GRC)
- Extend implementation of Enterprise Risk Management in critical business areas
- Enhance regulatory and business compliance
- Improve information security through the stricter management of user profiles and passwords on core systems and the introduction of additional segregation of duties where appropriate
- Improve physical security of SARS's offices
- Prepare for the implementation of Generally Recognised Accounting Principles (GRAP)
- Develop an integrity promotion framework and plan for SARS

*Deliverables:*

Improving governance contributes to greater efficiency within SARS, with external benefits for SARS's reputation, through demonstrating that SARS delivers transparently on its mandate.

<b>Deliverable</b>	<b>Measure</b>	<b>Target by 31 March 2010</b>
GRC early warning system:		
<b>Strengthened governance framework</b>	Completed framework Revised delegations register Enterprise policies in place GRC forum launched	Completed by April 2009 Compiled by April 2009 April 2009 April 2009
<b>Enterprise Risk Management:</b>		
<b>Implemented Enterprise Risk Model</b>	Pilot project implemented with two delivery divisions and one support division	July 2009
<b>Enterprise Risk Management aligned to annual strategic planning, corporate planning and internal Audit Risk Assessment</b>	Risk integrated in planning and Internal Audit work cycles	September 2009
<b>Enhanced regulatory and business compliance:</b>		
<b>Statutory and business compliance levels assessed</b>	Compliance assessment reports	Monthly reports
<b>Planning aligned with new operating model</b>	New human capacity model and plan	Completed by September 2009
<b>A culture of integrity</b>	Integrity promotion framework and plan	September 2009

## **8. DEVELOP HUMAN CAPABILITY**

SARS's mandate and its commitment to excellence in serving the taxpayer led to changes in its operating and leadership models, as well as a modernisation programme. To enhance the value of these changes, a focus on human capability development and individual lifelong learning strategies are needed. It is also imperative that alignment of human capability to the organisation's strategic delivery priorities i.e. revenue security, strengthening compliance, border protection and management and improved service, is realised. This requires a robust and integrated Human Capital Management strategy that informs, amongst others, workforce planning, talent management and people development. Furthermore, without a driving Employee Value Proposition that seeks to attract, engage and retain valuable talent, SARS will not be in a position to deliver on its priorities.

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### Activities supporting Priority 8:

In 2009/10 SARS will:

- Implement a Human Capital Planning system and process to identify current and future skills requirements, to meet changing business requirements and to inform Talent Management
- Implement a Learning and Development strategy, to develop human capital that delivers on SARS's priorities (securing revenue, strengthening compliance, improving border protection and management and ensuring improved service)
- Implement a focused leadership development process, to ensure organisational sustainability through capable management
- Implement an inclusive Employer Value Proposition
- Transform culture by embedding SARS values, to support business enhancing behaviour, through a focused Employee Engagement programme
- Enhanced Human Resource information systems, to ensure the integrity of data integrity to support decision making and consolidate new operating model

### Deliverables:

Developing human capability fosters engaged employees, and hence better organisational service towards taxpayers, traders and their intermediaries, as well as leading to gains in organisational efficiency and innovation.

Deliverable	Measure	Target by 31 March 2010
Human Capital Plan	% Human Capital plan/s delivered to inform B-Strategies per Division in SARS <b>B-Strategies:</b> <b>Buy</b> - Recruitment of required Skills, <b>Build</b> - Development of Skills, <b>Bound</b> - Retention of Skill, <b>Bounce</b> - Redeployment <b>Borrow</b> - Utilise required skills on Projects,	75% of Human Capital Plan reports delivered by 30 September 2009
Talent and Career Management	Critical vacancies filled and employees inducted	80% of all vacancies to be filled within 30 working days from the day the advertisement was placed
	Succession Management implemented for identified Leadership Roles, Critical and Core Skills and development plans in place	31 March 2010
	Employees (grade 1 - 7) positioned in Roles on the Career Model with remuneration effected where applicable and planned career development tracks	95% of all employee positioned on the Career Model with remuneration adjustments and Career Development Plans contracted
	Implement phase 2 of Graduate Training Programme to ensure effective pipeline in Tax and Customs Administration	200 Graduates Trainees recruited by 31 Jan 2010

Deliverable	Measure	Target by 31 March 2010
Leadership Development Programmes focusing on Organisational, Team and Individual Effectiveness as per new Operating and Leadership Models	Leadership developed as per model, plan and programmes  % Female Development aimed at closing gender representation on grade 7-9	31 Jan 2010  95% of identified female employees
Competency enhancement through Learning and Development strategy	Learning and Development interventions for Tax, Customs and Border Management and Modernisation	Skills Development Plan developed by July 2009  Employees trained according to identified needs
Enhance Human Resources Information Systems to enable Human Capital related decisions	Develop, implement and enhance integrated compliance process to facilitate accurate and reliable HR information	95% Compliance Index rating (% payroll, structure, leave and employee data compliance)
Develop and implement an Employment Value Proposition to attract, retain and develop talent in strategically critical business areas.	Employee Value Proposition	Developed and implemented by January 2010
Improve Human Resource Services	Human Resource Business Appraisal Survey	3% Improvement

## 9. PROCEED WITH MODERNISATION

SARS confronts significant challenges in its ability to sustain its performance. These challenges include the substantial increase in volumes of transactions, the pressure on manual processes, the imperative to sustain revenue collections, managing risk and non compliance and the need to deploy people and resources more efficiently. Fundamental to SARS's strategy is the modernisation of its tax, customs and risk business processes and associated technology. The modernisation efforts underway are already contributing and will further position SARS to operate at levels comparable to the best revenue and customs agencies in the world. The benefits of this modernisation process are many-fold and impact positively both SARS as an organisation and the taxpayers and traders that SARS interacts with. By automating previously manual processes, SARS is able to free up resources which can be redirected to more value added activities such as compliance, enforcement, taxpayer and trader service and outreach programmes.

### *Activities supporting Priority 9:*

In 2009/10 SARS will:

- Further improve both the PAYE and PIT systems: given the scale of improvements introduced over the past 24 months, the improvements this year will be more moderate in magnitude, but build on feedback received from both internal and external stakeholders.

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- Continue to focus on service delivery through improved contact centre facilities by completing the rollout of the Contact and Assessment Centres nationally (Western Cape and KZN). Included in the rollout, will be a major upgrade of the underlying telephony and transactional capability brought about by the technology upgrade.
- Commence the multi-year customs modernisation programme which is not only intended to re-engineer the manual business processes, but replace the old fragmented technology platform with a new integrated solution. The modernisation programme will have a strong emphasis on operationalising risk management within the end-to-end Customs processes.
- Build on the successes achieved over the last two years in the Risk Programme. It will continue to refine the existing risk engines and roll out additional analytical based risk engines to other tax types, including ,as indicated above, customs.
- Increase the use of third party data, with multiple benefits including augmenting the degree of pre-population of returns, reducing manual errors and improving customer service and compliance.
- Develop systems for more effective management of taxpayer/trader accounts and related payments. These solutions will also focus on automatically verifying taxpayers' banking details and improving the income tax refund process.
- Commence work on modernising other business tax systems (e.g. Corporate Income Tax and VAT Risk Management).

### *Deliverables:*

The modernisation of core tax and customs systems, along with supporting systems such as account management and electronic payment systems, will lead to more efficient and effective processing of taxpayer and trader transactions. Beyond improving taxpayer and trader service, these improvements will also increase compliance levels by reducing manual errors and increasing the use of third party data.

Area	Deliverable	Measure	Target By 31 March 2010
Modernisation of Operations and Assessment	Additional amendments to the PAYE system including the introduction of the EMP701 form allowing prior year reconciliations	EMP701 form and supporting systems to be ready for implementation	Fully implemented
	Enhancement to the E@syfile application to handle bulk PAYE processing for large employers	Enhancements to E@syfile application completed and launched to public	Changes completed and implemented
Modernisation of Operations and Assessment	Matching of PAYE payments received from employers to the employers reconciliation declaration (EP501)	Changes to the system completed	Changes completed and implemented
	Changes and amendments to the PIT system to increase functionality and ease of use	Simplification of the income tax return request process	New process successfully implemented
		Enhancements to the ITR12	Enhancements completed

Area	Deliverable	Measure	Target By 31 March 2010
Modernisation of Service	Technology and infrastructure enhancements to the contact centres including additional scripts, enhancements to the IVR and additional query capabilities	Service manager and contact centre functionality enhancements implemented	Implemented
	Cape Town and Durban contact / assessment centre implementation	Contact / assessment centres operational	Centres fully operational
Modernisation of Risk	Improved risk management in customs through the development of a customs risk engine	Development of fact base	Development completed
		Development of risk rules	Development completed
	Risk management in support of the VAT refund process	Detailed analysis of the current VAT refund process	Analysis completed
		Development of a new risk identification and risk scoring model	Development of model completed
	Additional 3rd party data sources to be integrated and used to pre-populate PIT returns	Integration of 3rd party data sources	Integration completed
Introduction of credit scoring system to improve debt collection efforts	System implemented	Successful implementation	
Modernisation of Customs	Phased replacement of Customs' legacy systems by TATIScms which will, inter alia, expand the ability to handle electronic submissions, segment traders, enhance risk management and reduce manual workflow and paper based controls	Initial components of new integrated customs software and re-engineered processes to be ready for pilot at one modality	Phase 1 of new system ready to be piloted.
	Cargo and container scanners at border posts	Completion of the study evaluating the effectiveness of the current scanner and identification of areas of improvement	Study completed

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Area	Deliverable	Measure	Target By 31 March 2010
Modernisation of Support Systems and Processes	Improve the use of enterprise wide resource capability to better manage human resources and fixed assets	Implementation of a re-engineered solution to improve management of segregation of duty	Implementation completed
		Implementation of a new system to control the management of physical assets and the maintenance of the asset register	Implementation completed
	Improved management of internal and external accounts	Customs pilot commenced	Pilot commenced
		PAYE pilot commenced	Pilot commenced
Statement of accounts (IT34s)	Implementation of new system	System implemented	

### 10. PURSUE SEGMENTATION STRATEGY

Developing a deeper understanding of taxpayer, trader and intermediary segments, their behaviours and needs, will inform engagement with taxpayers, traders and intermediaries, service delivery and compliance management. Access and service channels will need to be reviewed, adjusted and expanded on the basis of research into the behaviour and needs of each segment, and this segmentation research will serve also to inform SARS's operating model. The review will draw on the experience of establishing and operating the Large Business Centre.

*Activities supporting Priority 10:*

In 2009/10 SARS will:

- Continue the segmentation research with a view to develop differentiated responses for each of the customer segments
- Using the segmentation research, develop more focused enforcement interventions to address compliance risk appropriately (*see Priority 2*)
- Commence the establishment of customer segment units for small businesses and tax practitioners (*see Priority 5*)
- Reorganisation of the Large Business Centre, based on better understanding of needs and behaviours of large companies
- Develop and launch dedicated compliance programme for High Net Worth Individuals

*Deliverables:*

The provision of customised services for taxpayer and trader segments will yield the ability to tailor more appropriate service offerings, as well as increase SARS's efficiency.

Deliverable	Measure	Target by 31 March 2010
Segmentation research	Research report on segmentation	Completed report
Enhanced Large Business Centre business model	Clearer business unit accountabilities Clearer segment definitions	Accountabilities and thresholds defined by October 2009
Enhanced HNWI business model	Clearer business unit accountabilities Clearer segment definitions HNWI compliance programme	Accountabilities and thresholds defined by October 2009

## 11. CONSOLIDATE THE NEW OPERATING MODEL

In consolidating SARS's new operating model, there is a need to refine and ratify the model in the light of the current context, in order to address overlaps and duplication of functions. The alignment and entrenchment of functions and managers at an enterprise level is required. Segmentation needs to be more explicitly integrated into the operating model, including the establishment of customer segment units. This process is dependent, in part, on the research outputs from priority 10. Once new capacity plans have been developed, optimal deployment and utilization of capacity can become an ongoing improvement. Necessary adjustments commensurate with the acceleration of the shift towards electronic channels will be required.

*Activities supporting Priority 11:*

In 2009/10 SARS will:

- Develop a standard measurement and monitoring backbone, supporting enhanced revenue and performance management and reporting at all levels, based on the enterprise accountability matrix (*see priority 4*)
- Continue the work to institutionalise the new operating model through refining and aligning functions, accountabilities and capacity (*see also priority 10 with respect to the Large Business Centre*)
- Complete people placement against the leadership model in alignment with the new operating model (*see priority 8*)

*Deliverables:*

The consolidation of SARS's new operating model will see gains in efficiency and effectiveness.

Deliverable	Measure	Target by 31 March 2010
Functions and accountabilities aligned with new operating model	Accountability matrix Realignment of resources in terms of functions and accountabilities	Matrix completed by April 2009 100% realignment
Monitored capacity management system	Develop and implement SARS capacity management system and benefit tracking	Developed and implemented





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