

SOUTH AFRICAN REVENUE SERVICE  
**STRATEGIC PLAN**

2009 - 2012  
UPDATE FOR 2009 - 2010



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**STRATEGIC PLAN**

2009/10 – 2011/12



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## ABBREVIATIONS

AEO	Accredited economic operator
BFE	Branch front end
BOE	Bill of entry
CBCU	Customs border control unit
CIT	Corporate income tax
eFiling	Electronic filing of returns via the Web
GRAP	Generally recognised accounting principles
GRC	Governance, risk and compliance
HNWI	High net worth individual
IBSA	Indian, Brazil, South Africa
ICT	Information and communication technology
IVR	Integrated voice response
MTEF	Medium Term Expenditure Framework
PAYE	Pay as you earn
PIT	Personal income tax
NGO	Non-governmental organisation
PBO	Public benefit organisation
LBC	Large Business Centre
OECD	Organisation for Economic Cooperation and Development
SACU	Southern African Customs Union
SAFE	Framework of Standards to Secure and Facilitate the International Supply Chain
SARS	South African Revenue Service
STC	Secondary tax on companies
UTTM	Universal taxpayer, trader and traveller master
VAT	Value added tax
WCO	World Customs Organisation



## **1. FOREWORD BY THE MINISTER OF FINANCE**

Trevor A Manuel, MP

## 1. FOREWORD BY THE MINISTER OF FINANCE

We need to face up to and respond appropriately to changes in the current global economic climate which have – inevitably – impacted on our country. The consequences of this turbulence can be seen in the patterns of consumption, company profits, liquidations, job losses and households experiencing difficulty in managing their debt. All of these present challenges to the collection of revenue; at the same time, however, there is a greater need for raising revenue for public spending – in part to cushion the immediate financial difficulties experienced by South Africans, as private citizens, workers and entrepreneurs, as well as to ensure that we can sustain the growth of our country's economy.



The spending by the government of South Africa is guided by balancing the need to provide quality public services, create jobs and provide communities with security with the need to ensure that our actions today do not constrain our development tomorrow. Thus while we continue to expand the provision of social grants and target sustained employment growth and expanding skills development, we must still maintain a sustainable debt level. We therefore expect the South African Revenue Service (SARS) to meet a record revenue target of R659.304 billion in 2009/10, with a reduced allocation with respect to the previous MTEF forecast.

Over the past decade, SARS has demonstrated its awareness of the environment in which it operates, an understanding of the changes in its environment and its responsiveness to these changes. Were this not the case, it would not have been possible to grow the revenue collected at a rate far faster than our economy has been growing over the past decade, during which we have experienced considerable economic, social and technological change. The update of SARS's strategic plan for 2009/10 demonstrates that the organisation has taken account of the environment in which it operates and the constraints to the total potential revenue, has balanced this against the limitation of resources allocated to it and is determined to meet the set revenue targets.

In its efforts to meet its revenue target, SARS will not be insensitive to the difficulties that taxpayers are facing as a result of the tough economic conditions that we are in at present. However, even in times like this, it is important to ensure that the culture of tax compliance is maintained as the need for government to respond to tough economic conditions requires that the fiscus be in a healthy state. In 2009/10 SARS is focusing on increasing its efficiency and effectiveness, through a combination of getting the basics right and clearly defined innovations.

I know that SARS and its entire staff, under the leadership of Commissioner Pravin Gordhan, are very committed to collecting the revenue needed to reduce poverty, accelerate employment growth and build our capacity to grow through investing in infrastructure. I am confident that SARS will continue to support the government and country during these turbulent times, in fulfilling its mandate to serve as an independent tax and customs administrator.

A handwritten signature in black ink, which appears to read 'Trevor A. Manuel'. The signature is written in a cursive, flowing style.

Trevor A Manuel, MP  
Minister of Finance



## **2. MESSAGE FROM THE COMMISSIONER FOR THE SOUTH AFRICAN REVENUE SERVICE**

Pravin Gordhan

## 2. MESSAGE FROM THE COMMISSIONER FOR THE SOUTH AFRICAN REVENUE SERVICE

The purpose of this update of SARS's strategic plan for 2009/10 is to articulate our path and priorities for the next fiscal year, in response to the challenges and opportunities afforded us by the global and national environment, and is an assessment of our past performance and achievements. The 2009/10 fiscal year, and perhaps the two years thereafter, will pose unique challenges to SARS, the South African government, and all who live in South Africa.



Our plan for 2009/10 is an update of the path we have been following for the past three years. Our path is directed by recognising that we need to apply the resources at our disposal in the most effective way, and need to be able to direct resources to areas where they are needed, in order to continuously improve our performance.

Over the past six years, we have seen the revenue collected by SARS growing faster than the economy – over the six years from 2002/3 to 2007/8 we increased collection from 23.6 per cent to 27.7 per cent of GDP, while tax rates were reduced. This must be attributed to greater co-operation from those who are economically active in South Africa in declaring and paying revenues legally due, together with harder and smarter work on the part of SARS staff in processing the increasing volumes of tax returns and customs declarations. The increase in revenue collected was accomplished with a growth of around only 7 per cent in our staff numbers and with a drop of almost 20 per cent in the cost-to-collection ratio between 2005/6 and 2007/8, which means that we have leveraged our resources in order to make such gains.

In 2007 we assessed what we would need to do to meet increasingly challenging conditions and to work more efficiently. It became clear that we should devote more resources to bringing new taxpayers into the tax net, as well as providing better support and service to high revenue yielding entities and individuals. In order to apply more resources to these areas, we would have to reduce the resources required to process large and growing volumes of tax and customs transactions. The role of automation in this arena was carefully considered, and various projects were embarked on to enable us to leverage our resources more effectively.

An example of this approach was in the implementation of eFiling, followed by the use of PAYE information to pre-populate forms. Commensurate with the collation of information on behalf of the taxpayer was the fact that we no longer demanded supporting documentation.

This represents a win for SARS and a double, if not a triple, win for taxpayers. Taxpayers benefit through a reduced compliance burden, as well as more rapid assessments and hence refunds where applicable. Given that taxes provide SARS with resources, SARS's greater efficiency can also be seen as a win for taxpayers. SARS's paper saving alone, through the use of eFiling, amounts to a saving of 546 tons of paper between 2006 and 2008, a 44 per cent reduction in paper usage over the period.

This translates into the saving of around 560 tons of carbon dioxide that would have been associated with the manufacturing of the paper, and spared the equivalent of nearly 11,000 trees. These trees in turn would have absorbed another 1,190 tons of carbon dioxide – so, ultimately, eFiling in 2008 contributed to 1,750 less tons of carbon dioxide in the atmosphere. In monetary terms, SARS saved around R80 million through reduced paper, printing and postage costs.

Achievements such as these make us confident that we can deal with the challenges that lie ahead, although we do not in any way underestimate the scale of what we will have to achieve. For this reason, we have formulated strategic priorities for 2009/10, having considered carefully the impact of economic conditions on SARS's business.

In 2009/10 we will focus on delivering the following:

- Securing the revenue
- Strengthening compliance
- Improving border management and protection
- Improving operations management and productivity
- Ensuring improved service provision
- Fixing the basic legacy systems.

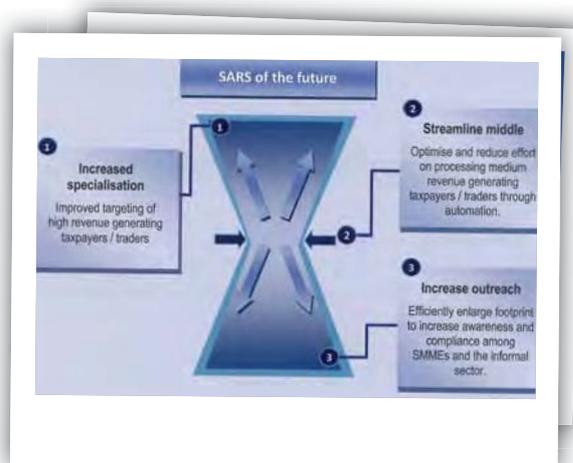
Priority areas that will enable us to deliver on the above are:

- Improving governance
- Developing human capability
- Proceeding with modernisation
- Pursuing our segmentation strategy that underpins a differentiated operating model
- Consolidating our new operating model.

SARS and its staff are committed to achieving what is required of us. We are motivated by the understanding that in these tough times, the role that SARS plays in collecting revenue for the fiscus and in sustaining compliance with tax and customs laws is more critical than ever. Our success in meeting our revenue target determines how much the government can invest in education, health, crime-fighting, and rural development, and what it can invest in much needed infrastructure and the creation of more jobs through the expansion of labour-intensive employment programmes.



Pravin Gordhan  
Commissioner



### 3. STRATEGIC FOUNDATION AND TRANSFORMATION

*“ Our response to the present crisis is to face the challenges before us boldly, and as a nation united. Our duty is to construct a South African approach, founded on our own vision for a shared future. This approach can only be built on an engagement between social partners, not just at the level of a national dialogue, both on factory floors and in community halls. Our resolve will be tested to its limits. We have to put self-interest aside; we have to face each other honestly and openly. Our task is to see through the challenges of economic vulnerability today to the construction of the new South Africa that is our passion and our pride. We can do this all the better as a united people. ”*

Minister of Finance **Trevor Manuel**  
Budget Speech 2009

## 3. STRATEGIC FOUNDATION AND TRANSFORMATION

### 3.1 MANDATE FROM AND ITS COMMITMENT TO GOVERNMENT

In terms of the South African Revenue Service (SARS) Act (no. 34 of 1997), SARS is mandated to:

- Collect all revenues due
- Ensure maximum compliance with tax and customs legislation
- Provide a customs service that will maximise revenue collection, protect our borders and facilitate trade.

SARS's contribution is in support of the South African government's mandate to protect the constitutional rights of all living in South Africa, including the delivery of services implicit in these rights. The revenue raised by SARS is used by government to supply health and education services; provide housing, electricity, water and sanitation; and to intervene to alleviate poverty and stimulate decent work opportunities. SARS's efforts in trade facilitation and protection of our ports of entry protect the economy. In working to promote compliance with tax and customs legislation, SARS is aligned with the government's drive to create a socially just society.

### 3.2 STRATEGIC OBJECTIVES

As formulated in SARS's strategy for 2007/8 – 2009/10, SARS is focused on giving effect to the following seven strategic objectives, reflecting its commitment to its mandate:

1. **Optimising revenue and compliance** - optimising revenue collection by improving compliance and managing risk by entrenching a culture of compliance.
2. **Better taxpayer and trader experience** - ensuring a better taxpayer and trader experience through promoting awareness and understanding of tax obligations among taxpayers and traders and making it easier for them to comply by simplifying procedures and processes and improving our service.
3. **Compliance and reducing risk** - improving enforcement by penalising non-compliance and reducing the opportunities for tax evasion: the goal is to ensure that every taxpayer and trader fully meets their legal obligations.
4. **Human capacity** - continuing staff development and promoting a culture of integrity and professionalism throughout the organisation.
5. **Trade facilitation and border security** - enhancing trade facilitation and border control through improved trade supply chain management.
6. **Operational efficiency** - ensuring greater efficiency by using staff effectively, upgrading and automating our core tax systems and improving our processes.
7. **Good governance** - ensuring good governance and administration in compliance with the regulatory framework.

SARS encapsulates its commitment to achieving its objectives, and engages its staff, through its vision and mission statement, and by specifying the values the organisation espouses in dealing with taxpayers, traders, tax and trade intermediaries and the rest of government.

#### SARS's strategic objectives:

Optimising revenue and compliance

Better taxpayer and trader experience

Compliance and reducing risk

Human capacity

Trade facilitation and border security

Operational efficiency

Good governance

### 3. STRATEGIC FOUNDATION AND TRANSFORMATION

#### SARS'S MISSION, VISION AND VALUES

**SARS's mission is to:**

Optimise revenue yield, to facilitate trade and to enlist new tax contributors by promoting awareness of the obligation to comply with tax and customs laws, and to provide a quality, responsive service to the public.

**SARS's vision is expressed as:**

SARS is an innovative revenue and customs agency that enhances economic growth and social development, and that supports the country's integration into the global economy in a way that benefits all South Africans.

**SARS's values are as follows:**

SARS has zero tolerance for corruption. We optimise our human and material resources and leverage diversity to deliver quality service to all those engaged in legitimate economic activity in and with South Africa. Our organisational relationships, business processes and conduct are based on the following values:

- Mutual respect and trust
- Equity and fairness
- Integrity and honesty
- Transparency and openness
- Courtesy and commitment.



#### 3.3 STRATEGIC TRANSFORMATION FRAMEWORK FOR INCREASING EFFECTIVENESS IN FULFILLING MANDATE

The purpose of SARS's strategic framework is to enable the organisation to deliver optimally against its mandate. In line with this mandate, the envisioned end state and values, SARS embarked on a modernisation agenda in 2007/8 aimed at making more effective use of its internal resources, while also tailoring engagement with taxpayers and trader segments to better meet their needs. The approach recognises that SARS's ability to collect revenues due, facilitate compliance and protect South Africa's ports of entry depends both on the organisation's effective application of its resources and capabilities, and on the quality of its interactions with taxpayers and traders.

More effective use of technology is explicit in the modernisation agenda. Examples of this are the introduction of eFiling and automated reconciliation of PAYE records and PIT returns. This serves both to speed up the execution of standard processes as well as to relieve people of routine tasks, and enables the deployment of staff to areas where their skills and knowledge can add more value through application to tasks requiring individual consideration. Engagements with individual taxpayers and traders are an example of the latter, as is the assessment of complex tax returns.

Implicit in the above is the recognition that modernisation is not simply about the introduction of technology. Interventions are also needed to deepen the understanding of taxpayer behaviour and how compliance can best be facilitated, to augment the ability to detect and respond to both wilful and unintentional non-compliance, to improve management processes and to enhance human capability commensurate with technological development. Thus the

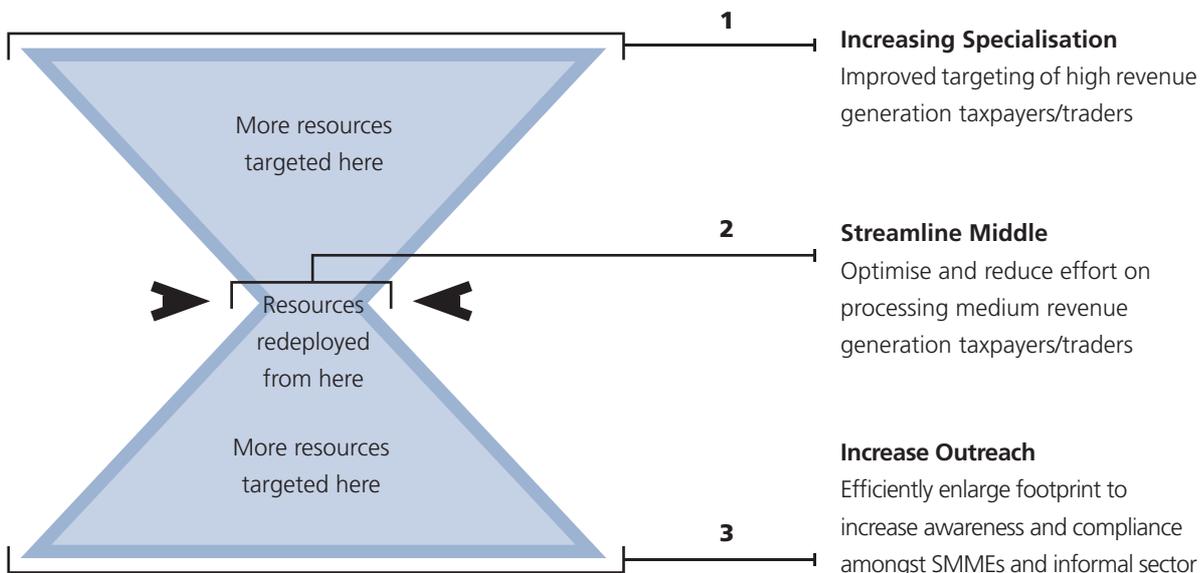
modernisation agenda adopted comprises ten interwoven programmes:

- *Creating a differentiated operating model*
- *Developing an integrated risk management and enforcement system*
- *Improving customer service, outreach and education*
- *Enhancing core operations and building core capabilities*
- *Implementing a national social security tax and wage subsidy by 2010*
- *Strengthening border control*
- *Further professionalising management processes and governance*
- *Transforming SARS's culture and further enhancing people capabilities*
- *Improving ICT infrastructure and facilities*
- *Establishing more effective communication and change management.*

From this comprehensive set of multi-year programmes, the following five areas were prioritised for short term impact:

- Service – improving customer service, outreach and education
- Risk – developing an integrated risk management and enforcement system
- Operations – enhancing core operations and building capabilities
- Customs – strengthening border control at ports of entry
- Other support initiatives that reinforce core support systems.

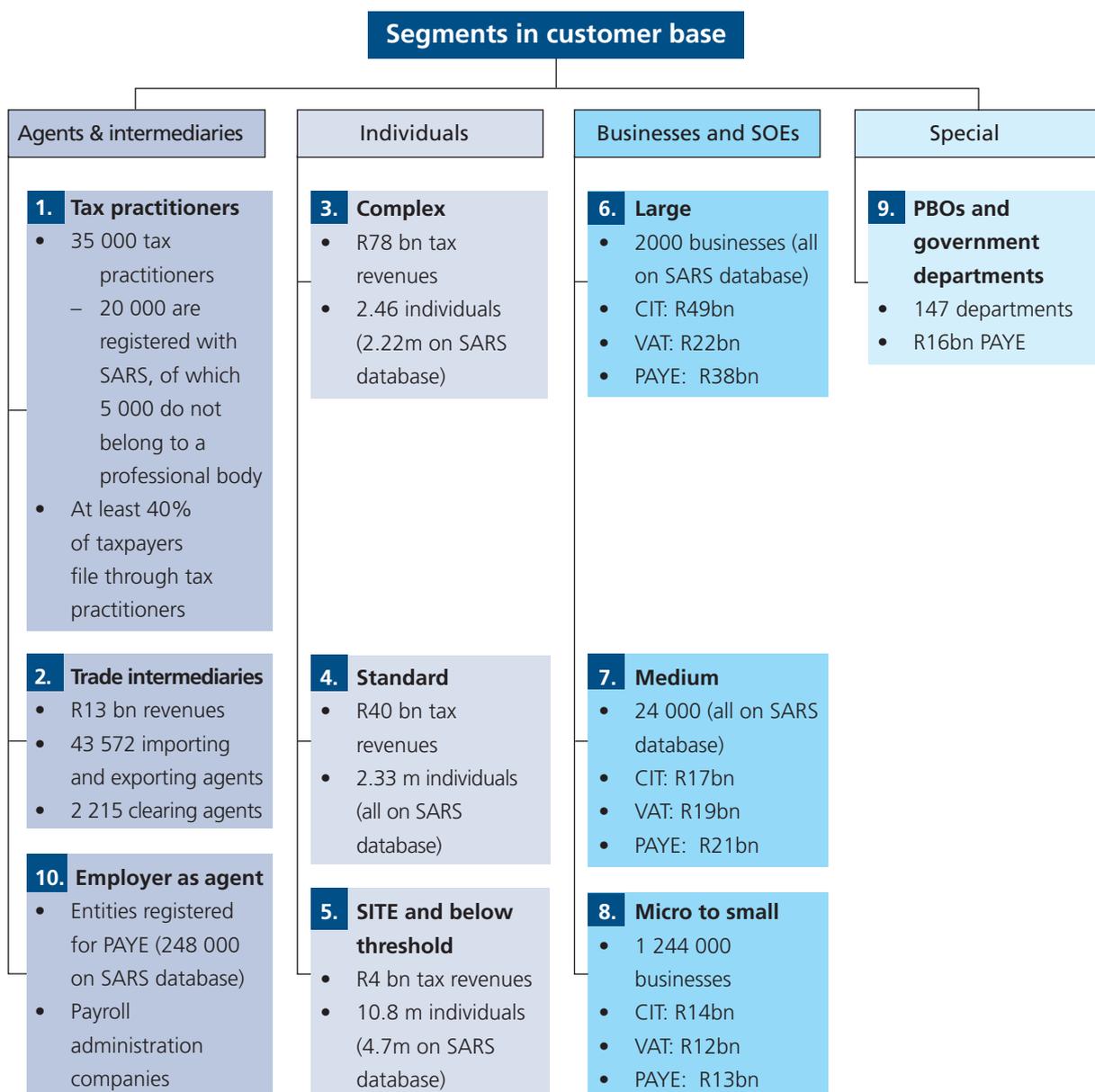
The modernising approach is summarised in the figure below.



The model further recognises that as different taxpayer, or potential taxpayer, groupings have different requirements, SARS should tailor its interactions with these groupings in line with their particular requirements. Analysis was undertaken to segment the taxpayer and trader base according to the nature of the dominant interaction required to facilitate the segment's co-operation and compliance with tax and customs requirements. Based on this study, SARS recognises nine distinct groupings or segments: tax practitioners and trader intermediaries (both offer the potential of partnerships with

### 3. SARS'S STRATEGIC FOUNDATION AND TRANSFORMATION

SARS); complex, standard and 'below threshold' individuals; large, medium and small businesses; and a grouping of non-governmental organisations (NGOs), public benefit organisations (PBOs) and government departments – see figure below.



Those currently outside the tax net will require a different approach (predominantly the raising of awareness around their tax obligations, and assistance with complying with these obligations) from that used for high net worth individuals or large businesses (customised service). The service channels and educational campaigns directed to the various taxpayer segments should also be differentiated, matching the needs and preferences of these respective groupings as far as possible. The establishment of the Large Business Centre (LBC) is a demonstration of the implementation of the specialisation of service offerings towards a particular segment of taxpayers, in this instance focusing on large businesses and high net worth individuals.

### 3.4 PEOPLE AND LEADERSHIP MODEL

SARS understands that its recognition nationally and internationally as a public service organisation that is flexible, innovative, fair and forward looking, and as a tax and customs agency that has over a decade increased the proportion of revenue collected from below 25 per cent of GDP to more than 27 per cent of GDP, rests on the quality of its people and leadership. SARS seeks to maximise the value its human resources add, and to leverage diversity to deliver quality service to all those engaged in legitimate economic activity in and with South Africa.

#### **Leadership competencies**

In order to optimise the value added by its people, SARS set out to define the leadership qualities and competencies it has, those it needs to sustain, and those that need to be grown, with respect to the full spectrum of roles and levels of leadership needed within the organisation. SARS has also defined how these can be measured and hence monitored, as well as how best to utilise the current leadership capacity, and what development is indicated to further improve on the organisation's ability to deliver what the country requires of it. The components of SARS's leadership competency model are set out in the figure below.

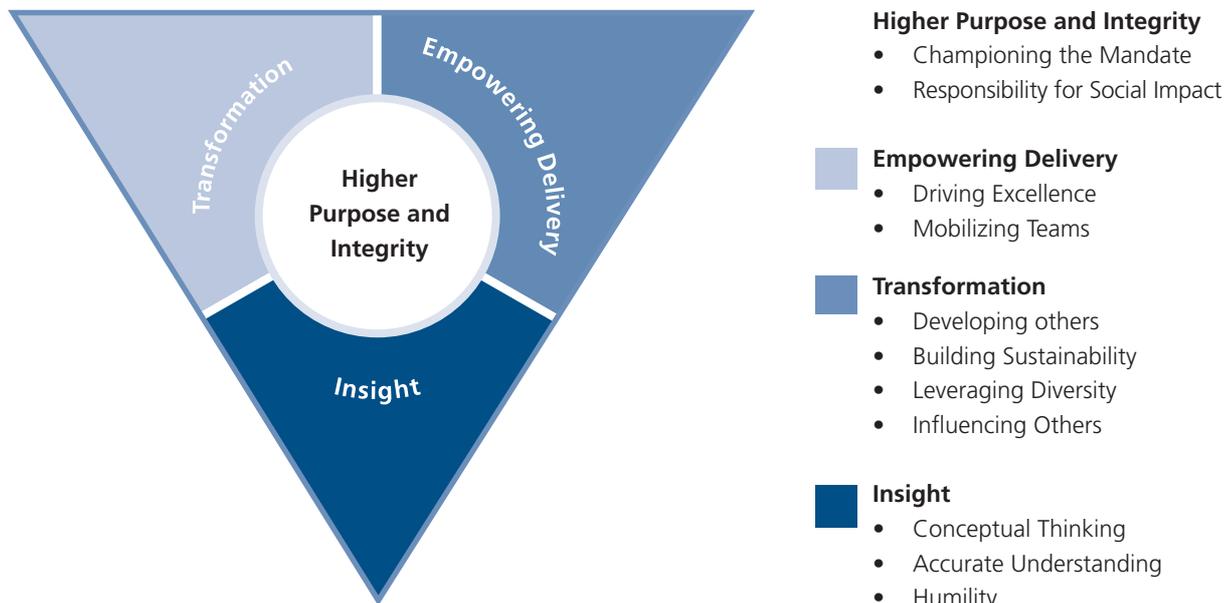


Figure: SARS leadership competency model and how the competencies are defined

### 3. STRATEGIC FOUNDATION AND TRANSFORMATION

<b>Higher purpose and integrity</b>	
<i>Championing the mandate</i>	Being personally committed to and taking initiative to do more than asked to promote and enhance the mission and mandate of SARS.
<i>Responsibility for societal impact</i>	Effectively managing the relationships and boundaries between SARS and the larger society of South Africa.
<b>Empowering delivery</b>	
<i>Driving for excellence</i>	Providing transparency and openness about performance, goals, standards and measures. Giving ongoing objective feedback against clear standards. Letting people know where they stand.
<i>Mobilising teams</i>	Creating a culture of good leadership and a positive environment for the team to enable high performance.
<b>Transformation</b>	
<i>Developing others</i>	Developing the technical skills and leadership abilities of all SARS personnel, not just direct reports, to create sustainable delivery capability.
<i>Building sustainability</i>	Building the systems, structure, and capability of the institution to ensure sustainable delivery of predictable results.
<i>Leveraging diversity</i>	Recognising and leveraging relevant aspects of difference (race, gender, other sensitivities as relating to organisational performance) that enhance the effectiveness of the organisation.
<i>Influencing others</i>	Influencing others (peers, boss, public, or large sections of the organisation) to change their opinions or accept a desired course of action.
<b>Insight</b>	
<i>Conceptual thinking</i>	Assimilating and applying new information, principles, best practices or past experiences in a useful way to support the objectives of SARS. Making the complex understandable and actionable to others.
<i>Accurate understanding</i>	Accurately understanding the concerns and perspectives of others. Treating people with respect, as individuals, with understanding for their individual qualities.
<i>Humility</i>	Being realistic about yourself. Having the emotional composure to recognise and seek to remedy one's own limitations and to be a source of strength and calmness during difficulties.

SARS's top leadership has been afforded the opportunity to develop an understanding of their current leadership qualities and competencies, as well as areas presenting a development opportunity, through intensive assessment and self-reflection processes. Self-understanding is seen as an important enabler in furthering leadership development, diffusing the desired leadership qualities to other tiers of leadership and embedding the leadership competency model within the organisation.

### **SARS leadership competencies in relation to its values**

The leadership competencies are aligned with SARS's values. The organisation's values provide a broad framework wherein behaviours, including leadership behaviours, are exercised and are nurtured. The SARS leadership competencies were developed to support and reinforce the SARS values in the following ways:

- Mutual respect and trust

Leadership competencies within the *Insight* and *Empowering delivery* clusters support the values of mutual respect and trust, in that they reinforce humility and empower delivery on commitments made.

- Equity and fairness

Within the *Transformation* cluster, elements of leveraging diversity reinforce the values of equity and fairness.

- Integrity and honesty

Although the leadership competency cluster of *Higher purpose and integrity* in general supports the SARS values, it is very specific to the values of integrity and honesty.

- Transparency and openness

The values of transparency and openness are generally supported by a combination of leadership competencies across the four clusters but have similarities with elements of the *Transformation* cluster in particular, especially with regard to the elements of building sustainability and developing and influencing others.

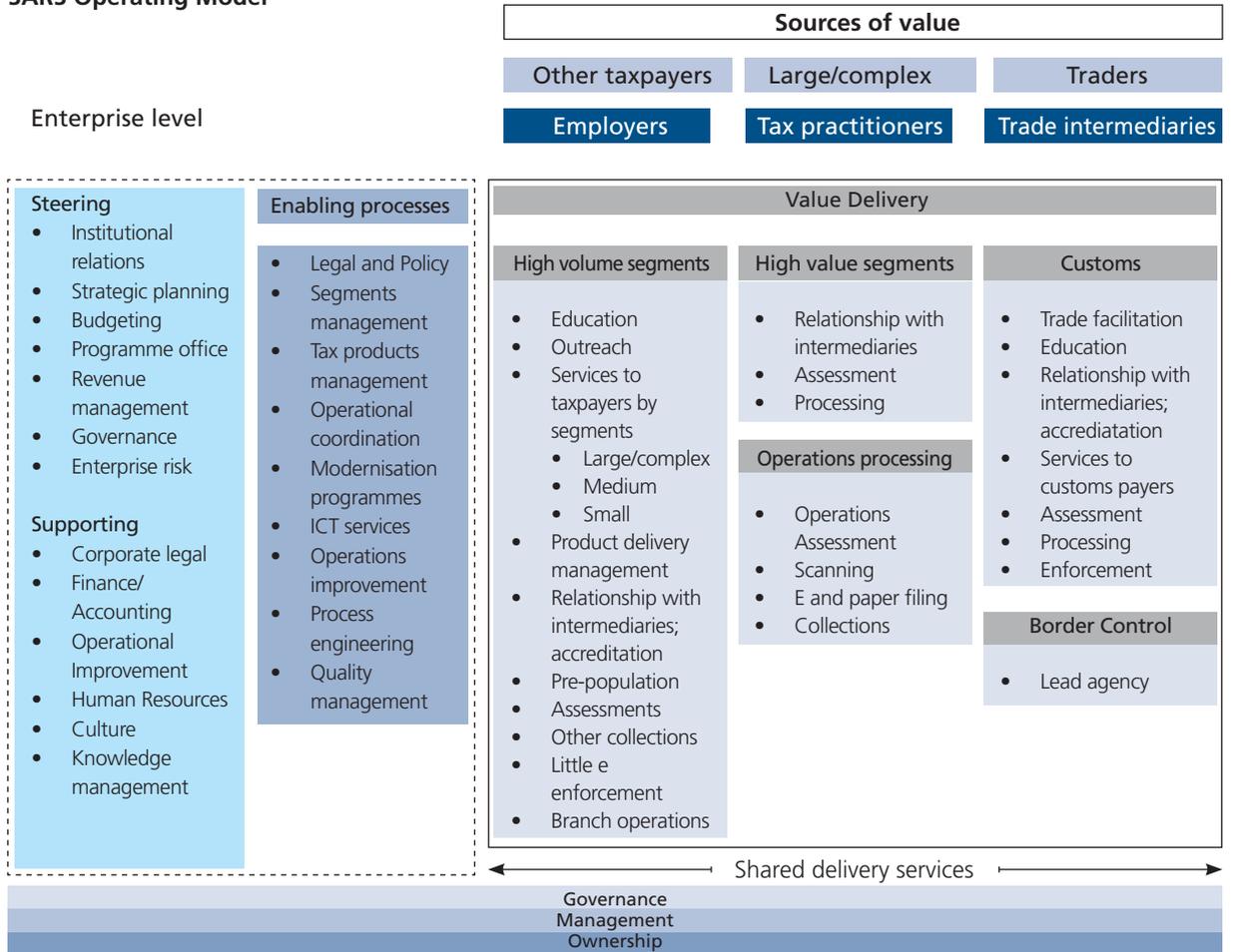
### **3.5 OPERATING MODEL**

Along with the recognition that SARS requires a combination of leadership competencies is the recognition that the separation of functions associated with distinct sets of competencies can more effectively leverage available skills and enable the matching of personal preferences with organisational needs. Thus SARS distinguishes between functions that are predominantly advisory in nature, delivery oriented, or enablers of delivery, as a basis on which to organise its staff and activities in order to deliver on its mandate. This new model reflects and embraces the changes introduced in the modernisation agenda, with the three functional areas broadly encompassing the following:

- Functions which are of an **advisory, strategic** nature include strategic planning, budgeting, revenue management, governance and enterprise risk management. These are captured under the heading 'Steering' in the enterprise level section of the model below.
- Functions which are essentially **enabling** and those functions which **support** delivery are listed under the headings 'Supporting processes' and 'Enabling processes' in the model below. Supporting functions include corporate legal, finance and accounting, process engineering, operational improvements, human resources, knowledge management, and culture. Enabling functions include legal and policy, taxpayer segment research, tax products management, modernisation, quality management and ICT services. Specific functions such as process engineering and operational improvements include both an advisory/strategic and an enabling/support component.
- Functions that are involved in **service delivery** include customs and border control, small/medium/large taxpayer-oriented units (employers, tax practitioners, trade intermediaries, and other segments), branch office operations, operations assessment, scanning, eFiling, paper filing, collections, education, outreach and enforcement.

### 3. STRATEGIC FOUNDATION AND TRANSFORMATION

#### SARS Operating Model



These functions contribute to each of the delineated steps in SARS's value chain or operating system, namely:

- Engagement with taxpayers and traders, as well as tax practitioners and trade intermediaries
- Registration of individual and corporate taxpayers, traders, practitioners and intermediaries
- Issuing of returns or declarations
- Filing of returns and declarations
- Capturing and processing of returns and declarations
- Assessment of returns and declarations
- Processing payments
- Deregistration of taxpayers and traders.

The detail of each of these steps depends on the tax type and taxpayer, trader or intermediary segment involved. The operating model is thus differentiated with respect to both how SARS organises its inputs as well as to how it directs its engagement with taxpayers.

The delineation of these steps and the contributions of an advisory, enabling or delivery oriented nature to each of them, provides a framework for analysing where inefficiencies may be present that hamper the overall effectiveness of SARS in delivering against its mandate. This delineation also serves to indicate precisely where corrective action needs to be taken. In the forthcoming year SARS will be building on the reorganisation undertaken to stimulate further efficiency gains from the adoption of the new operating model, adjusting human resource allocation in accordance with further refinements of functions and their interrelationships.



#### **4. THE STRATEGY IN CONTEXT: 2009/10**



## 4. THE STRATEGY IN CONTEXT: 2009/10

### 4.1 INTRODUCTION

Commitment to SARS's vision and mission implies the need for constant review of and reflection on the environment in which SARS operates as well as on its recent performance. This is needed in order to adapt strategies, plans and approaches to improve its performance against its mandate on an ongoing basis, and to achieve its strategic objectives.

In 2007 SARS tabled a strategic plan for 2007/8 to 2009/10, including a modernisation agenda. Since the updating of the strategic plan for the 2008/9 financial year, significant changes to the environment, some of which were not anticipated at all at the beginning of the 2008/9 financial year, have already impacted on the organisation. The mark of the economic downturn became evident in revenue collection during the 2008/9 tax year. Economic uncertainty and turbulence seem set to persist over the medium term. Reflection on the likely impact of changes has acquired even more importance than in the past few years.

In updating SARS's strategy for 2009/10, consideration was given to the following:

- Changes in the global economic context
- The South African context and the direction from the South African government
- The attitudes and behaviours of taxpayers and potential taxpayers, and the compliance climate in South Africa
- An assessment of SARS's past performance, and its delivery strengths and weaknesses
- SARS's strategy and modernisation agenda as tabled in 2008/9
- SARS's mandate, to collect all revenues due, ensure compliance, facilitate trade and protect South Africa's borders.

Key aspects of the environment in which SARS must fulfil its mandate are highlighted below, and the strategic response required by SARS then follows.

### 4.2 THE ECONOMIC CONTEXT

The global and South African economy impacts on SARS's business in several ways. First, the tax revenue due depends directly on company profits (CIT), the salary levels of individuals together with employment levels (PIT) and consumption (VAT). Trade volumes also change with changes in the economy. Less directly, the economic climate also impacts on the compliance climate: for example, taxpayers and traders might attempt to delay payments due as long as possible (or longer), due to financial difficulties and their cash flow situation. Compliance levels are likely to fall when economic conditions deteriorate.

The Organisation for Economic Cooperation and Development (OECD) suggests that in times of economic downturn, such as currently experienced, specific risk areas are likely to include increased aggressive tax avoidance, structured finance transactions and transfer pricing. In addition, high net worth individuals who may have lost considerable wealth due to the significant falls in financial markets are also likely to engage in increased tax avoidance activity.

SARS utilises the macroeconomic projections of the National Treasury, presented in the tables below for both the calendar and fiscal years, in framing its planning.

**Table 1****Macroeconomic projections, 2005 – 2011**

Calendar Year	2005	2006	2007	2008	2009	2010	2011
Percentage change unless otherwise indicated	Actual			Estimate	Forecast		
Final household consumption	6.9	8.3	6.6	2.5	-0.2	1.9	3.2
Final government consumption	4.8	5.1	4.8	4.5	4	4	4
Gross fixed capital formation	10.2	13.2	16.3	11.5	3.7	5.7	9
Gross domestic expenditure	5.7	9.1	6	3.4	0.2	4	5
Exports	8	6	7.5	2.1	-1.4	3.3	4.9
Imports	10.3	18.9	10	3.2	-3.7	6.7	7.7
<b>Real GDP Growth</b>	<b>5</b>	<b>5.3</b>	<b>5.1</b>	<b>3.1</b>	<b>1.2</b>	<b>3</b>	<b>4</b>
GDP inflation	5.4	7.3	9	10.5	5.3	5	5.7
<b>GDP at current prices (R billion)</b>	<b>1543.9</b>	<b>1745.2</b>	<b>1999.1</b>	<b>2277</b>	<b>2426.4</b>	<b>2622.7</b>	<b>2884.6</b>
CPI inflation (Primary & Secondary areas)	3.3	4.6	7.2	11.6	5.8	5.3	4.7
Current account balance (% of GDP)	-4	-6.3	-7.3	-8.1	-6.3	-6.9	-6.9

**Table 2****Macroeconomic projections, 2007/08 – 2011/12**

Fiscal year	2007 / 2008	2008 / 2009	2009 / 2010	2010 / 2011	2011 / 2012
	Actual	Estimate	Forecast		
GDP at current prices (R billion)	2067.9	2304.1	2474.2	2686.3	2953
Real GDP growth	4.6	2.6	1.4	3.4	4.1
GDP inflation	9.2	8.6	5.9	5	5.6
CPI inflation (metropolitan and urban)	8.1	10.8	5.4	5.1	4.6

**Source: Budget Review 2009, National Treasury**

Lower economic growth in 2008 than that projected a year ago, and even lower anticipated GDP growth in 2009, will impact significantly on the potential revenue available, as well as lead to a decline in trade volumes, with respect to both exports and imports. A decline in GDP growth is generally correlated with a fall in compliance levels, which further impacts on revenue collection. In planning, SARS needs to take into account likely lower economic growth over the entire MTEF period.

### 4.3 THE GOVERNMENT'S BUDGET AND REVENUE REQUIREMENTS

The revenue to be collected by SARS provides for the needs of government as reflected in its budget. The table on page 18 reflects the budget forecasts for the medium term and hence the expectations of SARS with respect to revenue to be collected.

## 4. THE STRATEGY IN CONTEXT: 2009/10

Table: Consolidated government budget forecasts, 2009/10 - 2011/12

R million	2009/10	2010/11	2011/12
Gross tax receipts	692,568	757,131	832,473
Percentage of GDP	28.0%	28.2%	28.2%
plus: Non-tax receipts <sup>1</sup>	75,713	83,230	91,037
less: SACU transfers	-27,915	-26,237	-27,867
<b>Total receipts</b>	<b>740,365</b>	<b>814,125</b>	<b>895,643</b>
Percentage of GDP	29.9%	30.3%	30.3%
Current payments	472,376	516,941	558,054
Compensation of employees	258,124	280,332	299,588
Percentage of GDP	10.4%	10.4%	10.1%
Goods and services	152,812	168,631	183,082
Interest	59,995	66,486	73,779
Percentage of GDP	2.4%	2.5%	2.5%
Other current payments	1,446	1,491	1,605
Transfers and subsidies	294,611	304,642	304,398
Percentage of GDP	11.9%	11.3%	10.3%
Payments for capital assets	61,349	66,161	70,617
Percentage of GDP	2.5%	2.5%	2.4%
Contingency reserve	6,000	12,000	20,000
<b>Total payments</b>	<b>834,336</b>	<b>899,744</b>	<b>953,069</b>
Percentage of GDP	33.7%	33.5%	32.3%
<b>Budget balance</b>	<b>-93,970</b>	<b>-85,619</b>	<b>-57,426</b>
Percentage of GDP	-3.8%	-3.2%	-1.9%

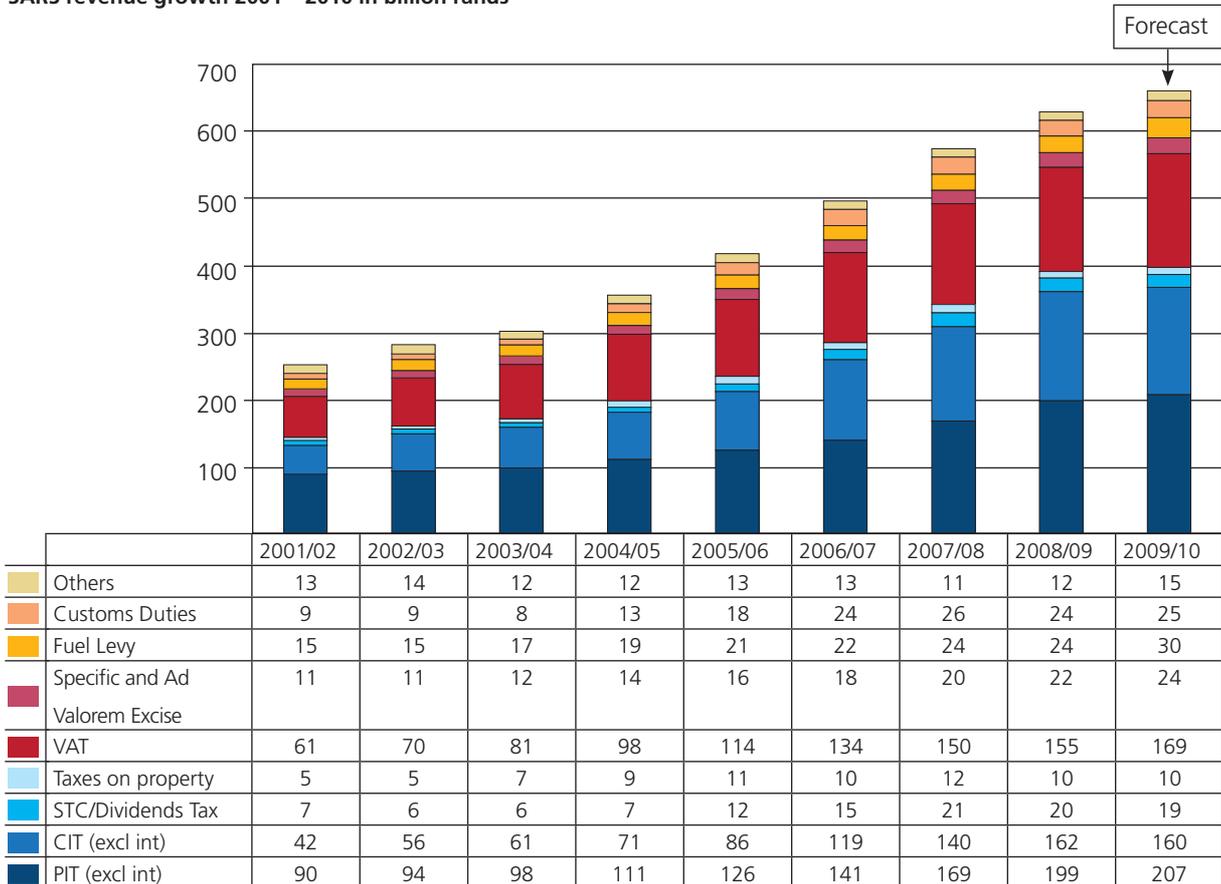
1. Includes sales of capital assets and transfers received

### 4.4 AN OVERVIEW OF SARS'S ACHIEVEMENTS AND IMPEDIMENTS TO DELIVERY

The volume of work dealt with by SARS, as well as the revenue raised, has grown continuously over the past decade. The following table provides some indication of how the organisation has managed to raise its performance to new heights.

**Graph 1**

**SARS revenue growth 2001 – 2010 in billion rands**



**Table: Actual collections 2001/02 to 2008/09 and forecast for 2009/10**

<b>SOURCE OF REVENUE (R million)</b>									
	Actual	Estimate							
	2001/02	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09*	2009/10
Net Revenue Collected	252,298	282,181	302,508	354,980	417,334	495,515	572,871	625,809	659,304
PIT (incl interest)	90,976	94,924	99,220	111,697	126,416	141,397	169,539	196,068	208,380
CIT (incl interest)	42,979	56,327	61,712	71,629	87,326	120,111	141,635	167,202	161,630
STC/Dividend Tax	7,163	6,326	6,133	7,487	12,278	15,291	20,585	20,018	19,000
VAT	61,057	70,150	80,682	98,158	114,352	134,463	150,443	154,343	168,807
Specific and Ad Valorem Excise	10,573	11,473	12,381	14,082	15,704	17,652	19,699	21,354	23,950
Fuel Levy	14,923	15,334	16,652	19,190	20,507	21,845	23,741	24,884	30,090
Customs Duties	8,632	9,331	8,479	12,888	18,303	23,697	26,470	22,751	24,635
Other taxes	15,995	18,317	17,248	19,849	22,448	21,059	20,758	19,189	22,812

\* 2008/09 data is not audited

At a more detailed level, a comparison between the filing seasons for PIT in 2007 and 2008 demonstrates positive developments regarding compliance as well as SARS's processing efficiency. The table also shows a strong trend towards electronic filing of returns, with the number of manual returns actually showing a decline. This trend is what has enabled SARS to process two thirds of the returns within a day of receipt.

## 4. THE STRATEGY IN CONTEXT: 2009/10

Filing season comparison (as at 2009-02-23)			
	First 24 Weeks of Filing Season 2007	First 24 Weeks of Filing Season 2008	% Change
Income Tax Returns Assessed	1,891,500	2,933,430	55.08%
Income Tax Returns Received	3,053,254	3,454,535	13.14%
Income Tax Returns Received Manually	1,969,666	512,878	-73.96%
Income Tax Returns Electronically Captured at the Branch	675,783	1,013,986	50.05%
Income Tax Returns Received via eFiling	336,533	1,713,608	409.19%
Turaround Time: 1 Day	10.91%	66.16%	506.42%

An internal assessment of SARS's performance highlighted the point that while there has been national and international recognition of the strides made in administrative reform, the increasing volumes of work together with the streamlining of processes that previously represented bottlenecks, such as assessment, have revealed other weaknesses in elements of the operating model, such as the processing of payments – which is now being addressed. While media coverage regarding SARS's innovations has largely been positive, there has also been negative sentiment expressed regarding the number of changes that SARS has made within a short period which taxpayers and traders have had to keep up with.

SARS is also aware that notwithstanding huge improvements in service levels and offerings to taxpayers over the past few years, reflected in substantial positive feedback, its reputation remains vulnerable to a single instance of service failure. The inability to resolve complaints and queries first time remains an issue, as one such failure, no matter how many successes, is simply one too many. One dissatisfied taxpayer may negatively impact on the attitudes, and hence behaviour, of many other taxpayers. SARS's reputation has a direct bearing on compliance and hence revenue collection. International studies have shown that taxpayer compliance is correlated with the credibility of the relevant tax authority. Where taxpayers believe that the authority is credible and that there is a real risk of detection of non-compliance, they are more likely to comply and fulfil their obligations.

In the changed economic climate, pressure, which will intensify next year, is already being felt in the areas of the organisation directly involved in revenue collection and managing compliance risk. Even 'business-as-usual' is unlikely to be that which SARS has become accustomed to over the past years, during a period of sustained economic growth.

This change is reflected in pressures felt by SARS relating to the simultaneous imperatives to improve our service levels to taxpayers and traders, to engage with taxpayers and traders more widely and to be able to enforce compliance more effectively. Gains made in service efficiency through automation of assessments have been felt, but many service challenges remain – both those which can be facilitated by technology modernisation and those that require greater accessibility to SARS's service channels and imply higher performance levels for staff.

The emphasis on improving service levels returns the focus to those whom the organisation is serving, i.e. better understanding of the needs, behaviour and likely responses of the various taxpayer and trader segments. SARS will need to focus on a balanced allocation of resources and management attention between the technological modernisations of its tax and customs back office capabilities, and the enhancement of the front office service lines. This requires revisiting the segmentation philosophy underpinning a differentiated operating model.

The external pressures on SARS, coupled with resource shortages, demand careful multi-dimensional planning and prioritising, with a multi-year horizon in view. The planning decisions and recommendations, based on delivery's inputs compared to technology modernisation's plans and that which was promised in the previous corporate plan, emphasise the need to inform our planning through developing a thorough understanding of the requirements for providing better service.



## **5. RESPONSE TO THE STRATEGIC CONTEXT: 2009/10**



## 5. RESPONSE TO THE STRATEGIC CONTEXT: 2009/10

### 5.1 BROAD DIRECTION FOR 2009/10

SARS's commitment to its published objectives, mission, vision and values remains unchanged. The strategy of redirecting resources which can be liberated through automation of rote and repetitive tasks to those areas of work requiring a 'human face' and differentiated actions, such as outreach and service, is even more relevant in a time of scarce resources. Thus SARS will continue with this approach. The modernisation agenda will continue to frame SARS's work, with an emphasis on addressing weakness in operations that impact on the organisation's overall efficiency and effectiveness, i.e. initiatives aimed at 'fixing the basics' will be prioritised. Collection of the revenue needed to fund the government's social programme and investment in infrastructure remains central to SARS's planning.

SARS needs to exercise greater discipline in terms of its application of limited resources, to collect and to ensure sustainability in the collection of revenue for public spending. A disciplined, focused approach to the application of resources needs to be accompanied by the fostering of a culture of integrity and public service among employees, within a framework of good governance.

### 5.2 SPECIFIC CRITERIA FOR PRIORITISATION IN UPDATING STRATEGY FOR 2009/10

The following assumptions about the environment, based on an assessment of contextual factors and the organisation's achievements and current challenges, underpin SARS's updating of its strategic plan for 2009/10:

- **Revenue targets will present a significant challenge** to SARS due to the deteriorating economic climate. Current economic conditions will also require a renewed drive both for compliance to be promoted and non-compliant behaviour to be deterred. This implies that resources should be directed towards areas of work that will yield higher revenue and more significant improvements to the compliance climate.
- **SARS needs to safeguard its hard-earned reputation**, particularly in the tough economic climate, balancing the need to encourage compliant behaviour with an understanding of the difficulties that taxpayers and traders may be experiencing. This also has implications for sensitivity towards the taxpayer base with regard to the pace of modernisation, as continuous changes to the way in which taxpayers have to fulfil their obligations – or changes to the obligations themselves – may be experienced as an additional stress.
- **Automation of SARS's processes should continue**, to free up human resources for work areas requiring specialist attention. This will also enable SARS to respond more rapidly to changes in taxpayer behaviour and to the service needs of taxpayers and traders.
- **SARS needs to continue to expand and improve the quality of its information on taxpayers**, in order to serve them better. This includes their current contact and banking details. This information must be maintained through the registration system, and taxpayer account management.
- **Service offerings and channels to taxpayers need to be expanded to improve the quality of service and access experienced**. In line with the previous point, SARS will strongly encourage interactions through electronic channels, but is mindful that it must continue to accommodate taxpayers who through personal preference or limited technology access may still opt for physical channels. Customer segment units are required, to support a differentiated and customised response to the various taxpayer and trader segments.
- The **compliance burden for taxpayers must be reduced continuously**, lowering the cost, time needed and complexity of the task required of taxpayers to fulfil their obligations.

- **Partnerships** with government as well as with tax and trade intermediaries should be fostered, deepened and leveraged, in order to make the most effective use of available resources.
- The **modernisation of customs** is a high priority, as the risks associated with imports and exports need to be better managed, while at the same time providing adequate service levels to facilitate trade and border administration. Current economic conditions provide an increased incentive to smuggle and under-value goods imported, while regional integration will place a greater burden on border management and control.
- **SARS's people and leadership**, together with the workplace culture, need continuous development, to enable increasing pressures on the organisation to be managed with respect to work volumes, along with concomitant changes in the workplace due to automation and modernisation imperatives.
- **SARS's governance** needs continuous improvement, to ensure consistent delivery of value within the framework of the constitution, laws and regulations.

The above factors shape the choice of strategic priority areas for SARS in 2009/10. These priorities define and focus particular interventions requiring resource allocation.

### 5.3 CORPORATE STRATEGIC PRIORITIES FOR 2009/10

The corporate strategic priorities for 2009/10 outlined below advance the strategic framework and modernisation agenda adopted by SARS two years ago, framed by consideration of significant changes in the environment faced by SARS over the MTEF, as outlined in the previous chapter. The priorities for 2009/10 are intended to guide the organisation as to the activities on which it must focus, and indicate where resources should be directed, in order to achieve its strategic objectives.

The new SARS operating model requires that SARS organise itself in terms of delivery, advisory and enabling areas of activities. In line with this, six of these corporate priorities may be denoted as delivery priorities, while the remainder are enabling and advisory priority areas. The priorities are aligned with the direction indicated through the programmes of the modernisation agenda.

The six **delivery priorities** for 2009/10, the first three of which correspond directly to the three main components of SARS's mandate, are to:

- Secure the revenue
- Strengthen compliance
- Improve border protection and management
- Improve operations management and productivity
- Ensure improved service
- Fix the basic legacy systems.

The **enabling and advisory** priorities are to:

- Improve governance
- Develop human capability
- Proceed with modernisation
- Pursue the segmentation strategy
- Consolidate the new operating model.

## 5. RESPONSE TO THE STRATEGIC CONTEXT: 2009/10

### 5.4 THE LINKAGE BETWEEN STRATEGIC PRIORITIES FOR 2009/10 AND STRATEGIC PLAN FOR 2007/8 TO 2009/10

The corporate strategic priorities listed above will contribute to the achievement of SARS's strategic objectives, within the current environment. Specific linkages can be made:

- The priorities *secure the revenue, strengthen compliance, ensure improved service and fix the basic legacy systems* will contribute to the strategic objective of **Optimising Revenue and Compliance**.
- Through acting to *ensure improved service, fix the basic legacy systems, improve governance, develop human capability, pursue segmentation and consolidate the new operating model, Better Taxpayer and Trader Experience* will result.
- The priority foci to *strengthen compliance and proceed with modernisation* will translate into **Compliance and Reducing Risk**.
- The priority to *develop human capability* is associated with the objective of **Human Capacity**.
- The priority to *improve border management and protection* corresponds with the objective of **Trade Facilitation and Border Security**.
- Seeking to *improve operations management and productivity, improve governance, develop human capability, proceed with modernisation and consolidate the new operating model* will promote **Operational Efficiency**.
- The priority to *improve governance* emphasises continued commitment to the objective of **Good Governance**.

These relationships are reflected in the table below.

Link between SARS's Strategic Priorities for 2009/10 and SARS' s Strategic Plan for 2007/8 to 2009/10											
OBJECTIVES	Delivery Priorities						Enabling and Advisory Priorities				
	Secure the revenue	Strengthen compliance	Improve border protection and management	Improve operations management and productivity	Ensure improved service	Fix the basic legacy systems	Improve Governance	Develop Human Capability	Proceed with Modernisation	Pursue Segmentation Strategy	Consolidate the new Operating Model
Optimising revenue and compliance	✓	✓			✓						
Better taxpayer and trader experience					✓	✓	✓	✓		✓	✓
Compliance and reducing risk		✓							✓		
Human capacity							✓				
Trade facilitation and border security			✓								
Operational efficiency				✓			✓	✓	✓		✓
Good governance							✓				



## **6. CORPORATE STRATEGIC PRIORITIES FOR 2009/10, SUPPORTING ACTIVITIES AND DELIVERABLES**

## 6. CORPORATE STRATEGIC PRIORITIES FOR 2009/10, SUPPORTING ACTIVITIES AND DELIVERABLES

This chapter details the 11 corporate strategic priorities, also describing the supporting activities linked to these priorities and 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 only one of the priorities.

### **DELIVERY PRIORITIES:**

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

In view of the challenges faced by SARS with respect to achieving ambitious revenue targets within a tougher economic environment, a specific focus is required to estimate and collect revenue. There is a need for deeper analysis of the revenue potential of the economy, in a disaggregated sense. This requires that revenue forecasting capability be improved. Internally, more accurate revenue accounting and payment tracking and earlier detection of – and hence response to – non-compliance all become critical in the achievement of the revenue targets. Expansion of the tax base and the realisation of new revenue opportunities are also key to securing the revenue to be collected by SARS.

#### *Activities supporting Priority 1:*

In 2009/10 SARS will:

- Define a **specific revenue management programme** that entails more detailed tracking and analysis of revenue performance and trends, refunding management and payment compliance, with an emphasis on high revenue yield areas.
- Undertake measures to **expand the tax base** and 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 ensure that the revenue due is collected.
- 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 **electronic payment systems**, through the promotion of the channel to taxpayers and traders, and simplify the ease of use of the channel. This will enable near real-time tracking of revenue payments, and will also support SARS in securing the revenue (*see Priority 4*), together with improved debt management (*see Priority 2*).
- Continue to **ensure that SARS's credibility as a tax and customs administration is enhanced**, since its credibility correlates positively with the willingness of taxpayers and traders to pay due revenues (*see Priority 5*).

#### *Deliverables:*

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

<b>Deliverable</b>	<b>Measure</b>	<b>Target by 31 March 2010</b>
Establish a focused revenue management programme to track and analyse revenue trends	Achieve revenue target	R659.304 billion revenue collected
Develop legislation to enhance SARS' administrative capabilities and collection mechanisms	Draft legislation	September 2009

Deliverable	Measure	Target by 31 March 2010
Focus on medium sized businesses	Increase in collection of due revenue	2% increase
Optimise collection of newly assessed debt	Implementation of new debt management process	80% implementation

## 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 must ensure 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 among various segments of taxpayers. Effective engagement with taxpayers, traders and intermediaries is the foundation of 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.
- 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 of the universal taxpayer, trader and traveller master (UTTM) (**see also Priority 6**).
- Advance the work towards **simplifying registration and 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 tax registrants.
- Place a special focus, within the LBC, on the areas of **tax avoidance, transfer pricing and reportable arrangements** since these areas will present heightened revenue and compliance risks in the present economic climate.
- Re-focus and appropriately resource the **High Net Worth Individual (HWNI)** unit to improve the revenue yield, given the current economic climate, and better manage compliance risks related to this important segment.
- **Tighten VAT registration**, and enable 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**).

## 6. CORPORATE STRATEGIC PRIORITIES FOR 2009/10, SUPPORTING ACTIVITIES AND DELIVERABLES

### 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
Broaden the tax base	New tax registrants arising from engagement with the public	2% growth on current register
Develop a compliance programme that addresses: <ul style="list-style-type: none"> <li>• Education and outreach</li> <li>• Service</li> <li>• Enforcement</li> </ul> aligned with the segmentation strategy	Agreed compliance programme	Plan complete by April 2009
Publish and implement an enforcement programme to encourage compliance	Enforcement programme published and implemented	100% adherence to enforcement programme
Focus on tax avoidance, reportable arrangements and transfer pricing in the large business segment	Dedicated resources against defined project scope	15 staff
Refocus and increase the resources for the HNWI segment	Dedicated resources to segment Risk profiles created and audited	Five staff Top 10 risks profiled and audited
Implement a new system of administrative penalties	Improvement in compliance levels	15% improvement in compliance levels (income tax)
Implement next phase of improvement in debt management	Reduction of debt older than 12 months, including estates	50% reduction
Implement the next phase of the programme to decrease outstanding returns	Reduction in number of outstanding returns	5% reduction
Improve SARS's detection of commercial fraud and the administration of preferential trade schemes by enhancing front line enforcement activities and post clearance audits	Stop success rate Audit success rate	Stop success rate <sup>1</sup> : 30% Audit success rate: 50%
Develop and implement the customs risk management strategy, systems and processes to improve the detection of commercial fraud	Strategy developed	Strategy by June 2009

<sup>1</sup> A success is defined as any anomaly in declaration that is detected as a result of an intervention by Customs, i.e. includes tariff classification, valuation, quantity, etc.

### 3. IMPROVE BORDER PROTECTION AND MANAGEMENT

Facilitating trade and protecting South Africa's ports of entry with respect to the transit of goods remain SARS priorities. 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.

*Activities supporting Priority 3:*

In 2009/10 SARS will:

- Prepare and implement measures for the **Confederation Cup** in 2009.
- Prepare for the **World Cup** in 2010.
- Commence the **modernisation of customs systems** (see also Priority 9).
- **Enhance human capacity** in critical areas and develop customs core technical skills.
- 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.

Deliverable	Measure	Target by 31 March 2010
Drive the development of 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
Implement measures for Confederation Cup in 2009	Confederation Cup plan Appropriate service levels experienced by travellers and traders	Confederation Cup plan completed by end April 2009
Prepare for FIFA World Cup 2010	World Cup 2010 plan	World Cup 2010 plan developed by June 2009
Commence customs modernisation	Customs modernisation programme	Programme milestones met
Strengthen front line visibility across all modalities	Number of CBCU officers trained	95 officers
Set up a centralised processing hub in Gauteng and refocus other Gauteng units on clearance at first port, MIDP service and post clearance audit	Gauteng pilot Centralised customs registration, licensing and accreditation	Pilot completed by June 2009 Centralisation complete
Introduce the second phase of the AEO aligned to the WCO SAFE framework	AEO programme in place Pilot undertaken within IBSA trilateral	Pilot completed

## 6. CORPORATE STRATEGIC PRIORITIES FOR 2009/10, SUPPORTING ACTIVITIES AND DELIVERABLES

### 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
Improve and standardise organisational performance monitoring and reporting	Automated dashboard	60% automated dashboard
	Standardise performance reports	50% implemented
	User satisfaction survey	80% satisfaction
Expand electronic payment system	Automated system for input and output payments	System implemented
Enhance enforcement and risk technology systems and tools	Performance against project plans	100% achievement of milestones

### 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 economic 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:

- **Revise SARS's service and channel strategy**, following enhancements to service offerings, particularly those relating to PIT.
- **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**.
- **Manage service requests** across all channels as part of the SARS channel strategy.
- Address the process for providing **Tax Clearance Certificates** to improve the service offered and better manage risk.
- **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>
Review and redraft service charter and service standards	Revised service charter and standards for internal baselines	By March 2010
Promote the use of electronic channels for filing, assessment, payments and other communication	Growth in use of electronic channels	10%
Create capacity to speed up resolution of service queries and complaints	Percentage first time resolved queries	95% first time query resolution or 20% improvement in first time resolution of queries
Manage service expectations across all channels	Feedback from taxpayers	5% improvement in taxpayer satisfaction
Provide additional service points	New service points	Five new branch offices and eight mobile tax units
Develop new policy on Tax Clearance Certificate (TCC) issuing	Revised TCC policy	Policy complete by September 2009
Implementation of Turnover Tax	Systems development	System in use by 20% of those eligible to register
Establish additional customer segment units	Units established and resourced for: Government entities Employers Practitioners Small businesses	All segment units operational by March 2010

## 6. CORPORATE STRATEGIC PRIORITIES FOR 2009/10, SUPPORTING ACTIVITIES AND DELIVERABLES

### 6. FIX THE BASIC LEGACY SYSTEMS

Legacy systems are used for capturing and maintaining information on taxpayers and traders. The quality of data constrains SARS's ability to provide service and to manage compliance risk and thus concerted effort is required to improve the quality of the data. The improvement in data quality will be approached through the simultaneous cleaning of legacy data and the progressive modernisation over time of the systems used for managing the data, to include built-in quality measures.

*Activities supporting Priority 6:*

In 2009/10 SARS will:

- Initiate a project to accelerate **the cleaning of existing records in taxpayer 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, resolution of 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	Policy developed	December 2009
New system for registration	Multi-year plan developed	Approved plan
Simplify the registration process	Simplified, single registration process implemented	80% compliance to the new registrations process
	Compliance to new VAT registration process	100% compliance
Validation of Customs entity data	Reduction in errors in communication with taxpayers and traders	50% of customs entity data validated by March 2010
Clean legacy data on traders in registers	Validation of Customs entity data	50% of Customs entity data validated by March 2010
Clean legacy taxpayer account information	Reduction in errors in communication with taxpayers and traders	60% reduction in IT data and 10% in VAT
Review the trade statistics reporting system	Review completed	Review completed by June 2009

**ENABLING AND ADVISORY PRIORITIES:**

**7. IMPROVE GOVERNANCE**

There is a need continually to 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.

*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 management of user profiles and passwords on core systems.
- Improve the **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 as well, through the demonstration that SARS delivers transparently on its mandate.

<b>Deliverable</b>	<b>Measure</b>	<b>Target by 31 March 2010</b>
<b>Implement GRC early warning system:</b>		
<b>Strengthen governance framework</b>	Completed framework Revised delegations register	Completed by April 2009 Compiled by April 2009
<b>Supplement policy framework with critical enterprise policies</b>	Base policies in place	April 2009
<b>Promote integrated GRC</b>	GRC forum launched GRC work programme implemented	April 2009 May 2009
<b>Enterprise risk management:</b>		
<b>Implement enterprise risk model</b>	Pilot project implemented with two delivery divisions and one support division	July 2009
<b>Align enterprise risk management to annual strategic planning, corporate planning and internal audit risk assessment</b>	Risk integrated in planning and internal audit work cycles	September 2009



## 6. CORPORATE STRATEGIC PRIORITIES FOR 2009/10, SUPPORTING ACTIVITIES AND DELIVERABLES

Deliverable	Measure	Target by 31 March 2010
Enhanced regulatory and business compliance:		
Assess statutory and business compliance levels	Compliance assessment reports	Monthly reports
Improved physical and information security:		
Improve the management of user profiles and passwords on core systems	Reduction in security breaches due to poor profile management	90% reduction
Improve security of SARS offices	Performance against project plans	100% achievement of milestones
Prepare for GRAP implementation	Readiness to implement GRAP	Preparations complete by December 2009
Planning aligned with new operating model	New human capacity model and plan	Completed by September 2009
Promote a culture of integrity	Integrity promotion framework Integrity promotion plan	June 2009 September 2009

## 8. DEVELOP HUMAN CAPABILITY

Changes in the operating and leadership models, and the impact of system modernisation, reinforce the need to focus on the development of SARS's people and their capabilities. Capacity is needed to sustain what has been developed within SARS, in order to ensure that we benefit from re-engineering of processes and new, more efficient systems. A commitment to excellence and public service needs to be nurtured, to unlock talent and enthusiasm. Through developing a better understanding of how each process contributes critically to SARS's attainment of its corporate goals, people will be encouraged to take accountability for and care over each detail of the work that is their responsibility.

The need to improve on the quality of service provided to traders and taxpayers is a vital input into this analysis, as are the changing needs of SARS, with continued automation reducing the volume of rote tasks. SARS will continue to prioritise developing human capability, through skills development in conjunction with appropriate capacity allocation.

*Activities supporting Priority 8:*

In 2009/10 SARS will:

- Develop a new **human capacity model** in line with modernisation.
- Cascade the **new leadership model** to middle management across SARS.
- Identify and **fill critical vacancies** in line with agreed people placement protocol.
- Develop a **recruitment, retention and training programme**, based on an analysis and description of the specific skills required in SARS, and the specification of acute skills shortages, especially in critical areas such as the enforcement and customs arenas, and in analytical and strategic areas of work.
- **Improve performance management** further.
- Act to **counter possible employee behaviour that may compromise integrity, accountability and trust**, given the economic climate.

*Deliverables:*

Developing human capability will provide for a more fulfilled workforce, which in turn supports better service towards taxpayers, traders and their intermediaries, as well as leads to gains in organisational efficiency and innovation.

Deliverable	Measure	Target by 31 March 2010
Develop a new human capacity model aligned to the new operating model	New human capacity model	Model implemented
Cascade new leadership model to middle management across SARS	Leadership model implemented across SARS	June 2009
Develop a recruitment, retention and skills development programme based on critical areas in enforcement, customs and analytical and strategic areas of work	Programme developed	Programme developed by July 2009
	Progress against capacity management plan to address areas identified	100% achievement of programme milestones
Implement second phase of the graduate training programme	Number of graduates retained	150 graduate trainees retained
	Number of graduates recruited	200 new graduate trainees recruited
Build capability with experienced accountants, investigators, security specialists and operations managers	Target staff appointed	Staff in place
Further improve performance management	Revised performance management process	Implemented by April 2009
An action plan to counter employee behaviour that may compromise integrity, accountability and trust	Decrease in cases of fraud Improved morale	Ongoing improvement

## 9. PROCEED WITH MODERNISATION

System and technology modernisation for improved efficiency and cost effectiveness continues to be vital to SARS's strategy. This is linked to harvesting the efficiency benefits derived from automation, enabling resources to be redirected to under-capacitated areas in the organisation and data quality improvement projects, e.g. information in registers and account details. The modernisation of systems will be shaped by consideration of the impact on taxpayers.

*Activities supporting Priority 9:*

In 2009/10 SARS will:

- Commence the multi-year end-to-end **re-engineering of the customs system**, in alignment with new operating model requirements.
- Continue development, automation and streamlining of the **PIT and PAYE systems**, resulting in reduced compliance costs for standard individual taxpayers and employers.
- Develop systems for **more effective account management** to enable more rapid resolution of queries.
- Commence work on **reforming business tax systems** (CIT and VAT).
- Continue the work on the **operating risk model**, with the incorporation of third party data serving both to ensure consistency of taxpayer information and to further reduce the requirements on taxpayers to provide information to SARS.

## 6. CORPORATE STRATEGIC PRIORITIES FOR 2009/10, SUPPORTING ACTIVITIES AND DELIVERABLES

### *Deliverables:*

The modernisation of core tax and customs systems, along with supporting systems such as account management and electronic payment systems, will lead to faster processing of taxpayer and trader transactions, increased accuracy in assessment and improved ability to detect non-compliance.

Deliverable	Measure	Target by 31 March 2010
Commence multi-year modernisation to re-engineer customs systems	Progress against plan	100% against plan
Continue the modernisation of the PIT and PAYE systems	Enhanced service and risk response	Compliance with service charter
Fix the taxpayer accounts management systems	Accurate taxpayer accounts, with reduction in account related queries	100% against plan
Commence work on CIT modernisation	Define the scope Revise form to reflect Minerals Royalty Bill requirements	Scope approved Revised form
Commence work on VAT modernisation	Refine the risk rules for refunds	Revised risk engine in operation
Continue to work on operating risk model, with incorporation of further third party data into risk engines and improved risk rules	Improved risk management of assessment process	Fully integrated and operational risk model

### 10. PURSUE SEGMENTATION STRATEGY

A deeper understanding of the behaviour and needs of taxpayer, trader and intermediary segments will inform engagement, service delivery and compliance management with these segments. Access and service channels will need to be reviewed, adjusted and expanded on the basis of research into the different segments' behaviour and needs, 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 LBC.

#### *Activities supporting Priority 10:*

In 2009/10 SARS will:

- Continue the **segmentation research** with a view to developing differentiated responses for each of the customer segments.
- Use the segmentation research to develop more **focused enforcement** interventions to address compliance risk appropriately (*see Priority 2*).
- Commence **the establishment of customer segment units** for employers and tax practitioners (*see Priority 5*).

*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
Continue the segmentation research	Research report on segmentation	Completed report

## 11. CONSOLIDATE THE NEW OPERATING MODEL

In consolidating SARS's new operating model, there is a need to further refine aspects of the model, in order to address overlaps and duplication of functions. The alignment and entrenchment of functions and managers is required. Segmentation needs to be more explicitly integrated into the operating model, including the establishment of customer segment units. Once new capacity plans have been developed, optimal deployment and utilisation 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 performance management and reporting at all levels (see Priority 4).
- Continue the work to institutionalise the new operating model through refining and aligning functions, accountabilities and capacity.
- Complete people placement against 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
Continue the work institutionalise the new operating model through aligned functions and accountabilities	Accountability matrix Realignment of resources in terms of functions and accountabilities	Matrix completed by April 2009 100% realignment
Measuring the gains from the new operating model	Developed and approved methodology of benefits and tracing analysis	Developed and implemented
Monitored capacity management system	Develop and implement SARS capacity management system and benefit tracking	Developed and implemented



## 7. MEASURING OUR DELIVERY



## 7. MEASURING OUR DELIVERY

This chapter indicates the targets we commit to achieving in our operations, as we collect revenue, ensure compliance and facilitate trade. We have largely organised the statistics according to the value chain of our operations. In the main we provide the statistics in terms of planned targets and actual achievements. Where there are discrepancies or unusual movements in statistics we provide notes to explain these. In general, the trend lines of our forecasts are in accordance with National Treasury economic projections. However, where our operational knowledge demanded otherwise, we have adjusted these projections.

*Note: The figures are based on estimates for 2008/09 and the planning assumptions based thereon. There are indications that the actuals may differ, and hence the projected targets and anticipated demand volumes may have to be adjusted.*

### 7.1 REVENUE TARGETS

The revenue targets per tax type are set out for the MTEF in the table below. These targets are based on the best estimates of the macro-economic indicators as published at the announcement of the February 2009 Budget.

REVENUE	Unit	Actual	Actual	Projected targets		
		FY2007/08	*FY2008/09	FY2009/10	FY2010/11	FY2011/12
<b>Net revenue collected</b>						
PIT	Rm	168,774	196,068	207,450	230,740	256,290
CIT	Rm	140,120	167,202	160,000	179,070	197,160
STC/dividends tax	Rm	20,585	20,018	19,000	11,670	12,850
VAT	Rm	150,443	154,343	168,807	187,940	208,940
Excise	Rm	18,218	21,354	22,600	23,390	24,350
Fuel levy	Rm	23,741	24,884	30,090	32,140	33,460
Customs	Rm	26,470	22,751	24,635	25,890	27,580
Other	Rm	24,519	19,189	26,722	30,095	33,037
<b>Total</b>	<b>Rm</b>	<b>572,871</b>	<b>625,809</b>	<b>659,304</b>	<b>720,935</b>	<b>793,667</b>

\* The data for 2008/09 is unaudited.

### 7.2 REGISTERS OF TAXPAYERS AND TRADERS

The registers of taxpayers and traders are maintained through engagement with the tax base and potential tax base. As described in the previous chapters, there will be special effort directed towards expanding the tax base in 2009/10.

The decline in economic growth is likely to mean lower growth in new jobs and in the establishment of new companies, and hence lower growth in new entries relating to individual and corporate taxes. Further, job losses and financial difficulties for companies may see an increase in deregistrations.

A further priority for SARS is the multi-year programme to improve the quality of information in the registers.

The above factors suggest that changes in the numbers of registered taxpayers and traders are unlikely to grow at rates similar to the past few years, if they grow at all.

*Note: The projected targets are based on the current estimate for the 2008/9 financial year, with estimated annual growth of 0 per cent, 0.5 per cent and 1.0 per cent respectively for each of the three MTEF years.*

## 7. MEASURING OUR DELIVERY

Register					
	Number	2008-2009	2009-2010	2010-2011	2011-2012
Companies IT	#	1,781,549	1,781,549	1,790,457	1,808,361
Individuals IT	#	5,595,563	5,595,563	5,623,541	5,679,776
Trust	#	410,948	410,948	413,003	417,133
VAT	#	810,612	810,612	814,665	822,812
PAYE	#	409,601	409,601	411,649	415,765
No. of importers	#	217,419	217,419	218,506	220,691
No. of exporters	#	197,035	197,035	198,020	200,000

### 7.3 THE PROCESSING OF RETURNS AND DECLARATIONS

Revenue collection is performed through the processing of tax returns and bills of entry (BOE). SARS has focused effort on streamlining and automating these high volume activities and is encouraging the use of electronic channels by taxpayers and traders. The processing projections represent anticipated service volumes and hence targets, as SARS must process all returns and declarations submitted.

Apart from efficiency gains, the automation of the processing of PIT and PAYE has shown that there are many individuals who pay PAYE but who do not file PIT returns. Follow-up by SARS on this discrepancy may lead to changes in the number of future PIT returns to be processed. The VAT register clean-up project is anticipated to result in the reduction of 50 000 cases per quarter in 2009/10, and a further 200 000 cases in 2010/11. This has been taken into account in the processing projections provided here. The raising of the income threshold for filing from R60 000 per annum in 2007/08 to R120 000 in 2008/09 has led to a drop in the number of PIT returns received and processed.

Forecast processing volumes					
	Number	2008-2009	2009-2010	2010-2011	2011-2012
PIT returns	#	*5 091 963	3,791,873	3,810,832	3,848,941
CIT returns	#	1,010,200	638,026	641,216	647,628
VAT returns **	#	3,971,856	3,821,856	3,840,965	3,879,375
PAYE returns	#	4,215,867	4,029,279	4,049,425	4,089,920
Imports BOE	#	2,975,114	2,180,336	2,245,746	2,355,541
Exports BOE	#	3,675,114	2,893,890	2,980,707	3,126,435
No. of containers	#	4,639,842	4,067,490	4,189,515	4,315,200

**Note:** Planned target setting is based on the current estimate for 2008/09. The 2008/09 target was set before the introduction of the R120 000 threshold.

Given that SARS is promoting the use of electronic channels, a forecast for electronic volumes is provided below. In the table we have also included the returns submitted electronically in SARS branch offices (also called BFE returns), where taxpayers sit with SARS staff who assist them in finalising their returns. (Note: These do not include the forms submitted in hard copy, which are later captured electronically.) This service is provided to taxpayers who may not have access to the necessary technology to file their returns electronically.

Electronic volumes					
	Number	2008-2009	2009-2010	2010-2011	2011-2012
<b>Electronic filing</b>		<b>4,047,640</b>	<b>6,949,936</b>	<b>6,995,524</b>	<b>7,087,158</b>
VAT	#	1,255,986	1,458,283	1,471,659	1,498,546
PAYE	#	1,554,492	1,722,479	1,736,581	1,764,927
Provisional tax	#	62,110	521,032	523,637	528,874
<b>PIT</b>	<b>#</b>	<b>1,092,281</b>	<b>2,922,227</b>	<b>2,935,499</b>	<b>2,962,174</b>
<b>CIT</b>	<b>#</b>	<b>82,771</b>	<b>325,915</b>	<b>328,148</b>	<b>332,637</b>
<b>eFiling payments</b>		<b>2,633,388</b>	<b>2,841,600</b>	<b>2,855,808</b>	<b>2,884,366</b>
VAT	#	529,878	1,039,996	1,045,196	1,055,648
PAYE	#	2,054,312	1,555,077	1,562,852	1,578,481
Provisional tax	#	49,198	246,527	247,760	250,237

## 7.4 SERVICE VOLUMES ANTICIPATED AND SERVICE STANDARDS

SARS has embarked on an extensive programme to improve the customer experience, as reflected in the priorities for 2009/10. This programme involves designing the organisation around the customer, modernising our technology and improving our contact centres. SARS measures its service against service level targets. These targets are informed by international standards, but are moderated by resource availability. Anticipated service volumes imply service volume targets, as SARS must respond to and process all enquiries, queries and refund requests.

Service volumes					
	Number	2008-2009	2009-2010	2010-2011	2011-2012
Passenger movement	#	15,425,328	26,034,235	31,241,082	28,637,658
Vehicle movement	#	3,001,604	3,124,323	3,749,188	3,436,756
Number of written enquiries (customs)	#	1,398,509	42,897	47,186	51,905
Number of face-to-face enquiries (customs)	#	1,603,095	192,884	212,172	233,390
Calls answered	#	6,538,094	6,479,041	7,126,945	7,839,639
Taxpayer visits (branch offices)	#	4,109,748	4,315,235	4,530,997	4,757,547
Queries handled	#	8,650,465	9,082,989	9,991,287	10,990,416
Correspondence handled	#	15,876,371	6,712,280	5,705,438	4,849,623
IT refunds processed	#	1,388,519	1,767,582	1,776,420	1,794,184
VAT refunds processed	#	709,361	651,876	655,135	661,687

## 7. MEASURING OUR DELIVERY

According to international standards, service level is 80 per cent of calls answered within 20 seconds. The current SARS performance of 48 per cent is not on a par with this standard. However, we foresee an improvement over the next three years as we modernise our technology and restructure our contact centres to ensure better service. Ignoring the benefits of the modernisation programme and still taking our contact centres to an 80 per cent service level in 2010/2011 could result in an increase in the human resource budget.

The world class standard for abandoned call rates is 10 per cent – 20 per cent. SARS is aiming for 12 per cent in the next financial year, working towards a 10 per cent standard. This will be further minimised as our technology is modernised and the integrated voice response (IVR) is implemented fully. The intention is, where possible, to enable the customer to interact with SARS electronically, which will reduce the number of calls offered to the contact centres and decrease the percentage of abandoned calls.

Standards (forecast)	Metrics	2007-2008	2008-2009	2009-2010	2010-2011	2011-2012
<b>Return throughput</b>						
% IT returns processed within 34 working days - non-peak	%	93	93	95	95	95
% IT returns processed within 90 working days - peak	%	96	97	97	97	97
% IT refunds processed within 30 days - FAU 001	%	90	73	75	75	75
% IT refunds processed within 30 days - FAU 004	%	N/A	21	70	70	70
% VAT refunds processed within 21 days	%	90	82.8	85	85	85
% Revised assessments	%	9.8	12	12	12	12
Inventory at year-end as a % of throughput	%	17	9	10	10	10
<b>Call centre</b>						
% calls answered in 20 seconds	%	49	48	60	65	70
Call abandonment rate	%	15	14	13	12	11
Turnaround time on customs refunds	days	30	30	15	10	10

### 7.5 COMPLIANCE ACTIONS AND THE EFFECTIVENESS OF COMPLIANCE ACTIONS

The following table summarises the volume targets for compliance actions over the MTEF. As described in the previous chapter, SARS is focusing on strengthening compliance given the current economic conditions. The service volumes should be determined by anticipated taxpayer and trader volumes as there are international standard coverage ratios that SARS would like to meet, but the target volumes also depend on resource availability.

<b>Compliance actions (forecast)</b>	<b>Metrics</b>	<b>2008-2009</b>	<b>2009-2010</b>	<b>2010-2011</b>	<b>2011-2012</b>
No. of audits	#	69,000	75,000	78,000	82,000
No. of criminal prosecutions	#	500	500	500	500
No. of non-filing cases attended to (referred for prosecution from outstanding returns)	#	70,000	75,000	75,000	75,000
No. of post clearance inspections audits	#	2,936	2,291	2,520	2,772
<b>No. of passengers stopped</b>					
Inbound passengers	#		332,505	365,755	402,331
Outbound passengers	#	239,279	244,065	248,946	253,925
No. of seizures	#	4,316	7,275	7,493	7,868
No. of tax entities profiled	#	7,535	10,000	10,000	10,000
<b>No. of cargo stops</b>					
Imports	#	48,719	53,591	58,950	64,845
Exports	#	37,839	39,731	41,717	43,803

Beyond coverage ratios, SARS also measures the effectiveness of its compliance actions. The effectiveness of compliance actions is underpinned by refining compliance risk rules within risk engines. The table below sets out SARS's compliance effectiveness targets for the MTEF.

<b>Effectiveness of compliance actions (forecast)</b>	<b>Percentage</b>	<b>2008-2009</b>	<b>2009-2010</b>	<b>2010-2011</b>	<b>2011-2012</b>
Audit coverage ratio	%	0.9	0.9	0.9	0.9
Success rate of investigative audits	%	70	70	70	70
Success rate of criminal cases/prosecutions	%	95	95	95	95
Debt reduction as percentage of revenue	%	10	10	10	10
Outstanding returns reduction	%	5	5	5	5
<b>Success rate of stops</b>					
Imports cargo (international)	%	25	25	30	30
Imports cargo (SACU)	%	15	20	25	25
Exports - cargo (international)	%	30	30	30	30
Exports - cargo (SACU)	%	8	15	20	20
Imports - passengers & vehicles	%	2	15	20	20
Exports - passengers & vehicles	%	5	15	15	15
PCI audit success ratio	%	50	30	38	45



## 8. THE RESOURCE PLAN

## 8. THE RESOURCE PLAN

Projected revenue and expenditure from 2009/10 to 2011/12 are outlined in the table below.

<b>SARS RESOURCE PLAN</b>				
	2009/10	2010/11	2011/12	3 year total
	R millions			
Tax revenue target	659,304	720,935	793,667	2,173,906
Funds allocated				
Business as usual funding allocated	6,445	6,768	7,153	20,366
BCOCC				-
Initiatives funding allocated	940	850	910	2,700
Total funds allocated	7,385	7,618	8,063	23,066
Key ratios	Percentages			
Business as usual increase on previous year	7.9	5.0	5.7	
Total increase on previous year	4.2	3.1	5.8	
Business as usual costs/revenue (%)	0.98	0.94	0.90	
Total costs/revenue (%)	1.1	1.1	1.0	

SARS's human resource figures and projected headcount over the following two years are shown in the table below, reflecting both permanent and temporary employees.

	2007-2008	2008-2009	2009-2010	2010-2011
Actual headcount as at	Mar 2008	Mar 2009	Mar 2010	Mar 2011
Total number of employees (incl. temps)	15,044	15,307	15,719	16,312
Permanent	14,548	14,751	15,414	16,107
Temporary staff	496	556	305	205
Attrition rate (%)		6.68	6.76	6.76
Movement in staff numbers		263	412	593
Permanent staff		203	663	693
Temporary staff		60	-251	-100



**9. SUMMARY AND CONCLUSION:  
DELIVERY 2009/10**

## 9. SUMMARY AND CONCLUSION: DELIVERY 2009/10

SARS remains committed to realising its aspirations to be an innovative revenue and customs agency, which collects the revenue due and encourages a voluntary culture of compliance, while enhancing economic growth and social development, in support of the country's integration into the global economy in a way that benefits all South Africans. While recognising the difficult time ahead for taxpayers and traders and the beneficiaries of public spending, due to the turbulent global context, slowing of economic growth and uncertainty in the economic parameters over the next few years, SARS is dedicating itself to maximise continually its efforts to raise all revenues due, to protect the country's borders and to facilitate trade.

The update for 2009/10 of SARS's strategic plan is based on an analysis of how the changing environment will impact on SARS, and how it needs to respond. SARS, through its modernisation agenda, will continue to pursue the liberation and redirection of resources from routine tasks to those in which the skills and knowledge of individuals are used optimally.

In order to achieve its mandate, SARS is focusing on improving the service experience of all traders and taxpayers. Effort is going into ensuring that the call centres are able to resolve queries more quickly, into providing better and faster service at walk-in centres and border posts, and into the steady improvement of the functionality of electronic channels for the filing of returns and communication with taxpayers in general. Efforts to improve account management will translate into more rapid feedback to taxpayers.

Customer segment units are to be developed to provide more tailored support for the various taxpayers who are seeking to comply with their tax obligations. Units specialising in addressing the needs of employers and practitioners will be the focus in 2009/10. In addition, SARS will be allocating additional resources to the large business and high net worth individual segments. These entities and individual taxpayers will be able to receive prompt attention to their tax queries and requests for assistance, while we increase the focus on their compliance behaviour.

For individual taxpayers, SARS will continue to streamline and align the processes of collecting PIT with PAYE. SARS will be utilising other information available to the organisation and incorporating this into its records, in order to reduce the taxpayer's burden of collecting, copying and submitting information in order to comply with filing requirements. SARS will continue to improve upon the average assessment and refund turnaround time.

Small businesses with a turnover of less than R1 million per year will have the option of cutting their compliance costs through the reduction of administrative record keeping required of them, by opting and registering for Turnover Tax, which is based simply on their turnover. This will also relieve them of the burdens of registering for VAT and of filing VAT returns.

Of particular relevance to medium and large businesses will be the focus on integrating and simplifying tax registration requirements. There will be a commensurate reduction in effort downstream, with respect to providing SARS with updates regarding changes to contact details, as SARS will be maintaining a single register. Work on re-engineering the processing of CIT and VAT will begin, where in due course businesses should see similar benefits to those gleaned by individual taxpayers in relation to a reduction in the compliance burden. Companies that are also employers will continue to benefit from further streamlining of the PAYE payment and reconciliation processes.

With the re-engineering of customs systems, traders will see an improvement in processing times and SARS will improve its risk management.

## 9. SUMMARY AND CONCLUSION: DELIVERY 2009/10

For intermediaries and tax practitioners, a dedicated customer unit is to be expanded, along with dedicated channels for resolving queries. SARS recognises intermediaries as valuable partners who enable taxpayers to comply with their tax obligations with as little pain as possible. The organisation anticipates greater engagement with tax practitioners in future, in order to obtain their advice on possible improvements to service channels and the development of tools to make compliance more effective.

South Africans and all who live in South Africa can expect SARS to do what is required in order to collect revenue of R659.304 billion as set by the Minister of Finance, towards the provision of infrastructure and the delivery of services by the South African government, albeit with an understanding of the financial stresses faced by those who owe revenue. Additional effort will be applied by SARS, commensurate with the anticipated increase in border traffic associated with South Africa's hosting of the 2009 Confederation Cup, to manage the transit of goods into and out of the country, protecting the country's economy against the importation of dangerous and illicit goods.

The ensuing planning period is going to be tough and characterised by great uncertainty. This document represents SARS's best endeavour, given the information the organisation has, to table a plan that on the one hand provides a firm guideline for our activities and resource allocation, while on the other it creates sufficient flexibility and agility to respond to the likely changes that lie ahead.



## **10. ANNEXURE: MATERIALITY AND SIGNIFICANCE FRAMEWORK**

## 10. ANNEXURE: MATERIALITY AND SIGNIFICANCE FRAMEWORK

PFMA Section	Qualitative	Quantitative
S55 (2) (b) (i-iii)		
<p>a) Any material losses through criminal conduct.</p> <p>b) Disciplinary steps taken and /or criminal charges laid as a result of material losses (refer materiality amounts) through criminal conduct.</p> <p>c) Any irregular, fruitless and wasteful expenditure (as defined).</p> <p>d) Disciplinary steps taken and/ or charges laid as a result of any irregular, fruitless and wasteful expenditure.</p> <p>e) Any losses written off or recovered.</p>	<p>All of the qualitative indicators to be subjected to the materiality levels as indicated in the Quantitative measures:</p> <p>a) Losses to be reported when all of the conditions below are satisfied:</p> <ul style="list-style-type: none"> <li>- The loss can quantified or can be reasonably estimated;</li> <li>- A case has been opened with the SAPS when of a criminal nature;</li> </ul> <p>b) Disciplinary steps taken and/ or criminal charges laid as a result of material losses through criminal conduct:</p> <p>c) Confirmed and reported irregular, fruitless and wasteful expenditure that meets the definition of such expenditure. This will include transactions and contractual agreements not necessarily incurred but entered into:</p> <p>d) Any losses written off or recovered that have not specifically been addressed as a result of criminal conduct, irregular expenditure. This will include events not falling within the ambit of the above e.g. natural disasters, vendor failure, disaster recovery expenditure.</p>	<p>a) For all losses attributable to criminal conduct, irregular, fruitless and wasteful expenditure as well as other losses the values will be:</p> <ul style="list-style-type: none"> <li>- the individual losses of R5 million and above.</li> </ul> <p>b) Disciplinary steps taken and/or criminal charges laid with regard to the above incidents.</p>

OWN ACCOUNTS		
Significance		
PFMA Section	Qualitative	Quantitative
S54 (2)		
<ul style="list-style-type: none"> <li>a) Any establishment or participation in the establishment of a company</li> <li>b) Any participation in a significant partnership, trust, unincorporated joint venture or similar arrangement.</li> <li>c) Acquisition or disposal of a significant shareholding in a company</li> <li>d) Acquisition and /or disposal of a significant asset</li> <li>e) The commencement or cessation of a significant business activity</li> <li>f) Any significant change in the nature or extent of its interest in a significant partnership, trust, unincorporated joint venture or similar arrangement</li> </ul>	<ul style="list-style-type: none"> <li>a) Any of the transactions or actions to be entered into Par (2) (a)-(c) will qualify to be included as these are not the normal business of SARS.</li> <li>b) Any acquisition or disposal contemplated in Par (2) (d) and approved by the Accounting Authority for the total Fixed Asset category.</li> <li>c) Any business activity Par (2) (e) (the commencement or cessation thereof) that would impact on the ability of the Accounting Authority to meet his mandate.</li> <li>d) Any significant change, the nature to be defined by the Accounting Authority to fall under Par (2) (f)</li> </ul>	<p>Unless exempted in terms of Sec 54 (4) the following will apply:</p> <ul style="list-style-type: none"> <li>a) Par (2) (a) - (c) - Any activities or transactions that meet the requirements of the said provisions</li> <li>b) Acquisitions and disposal of assets with a cost of R250 million and above.</li> <li>c) Par (2) (e) and Par (2) (f) as agreed between the Accounting Authority and the Executive Authority.</li> </ul>





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