

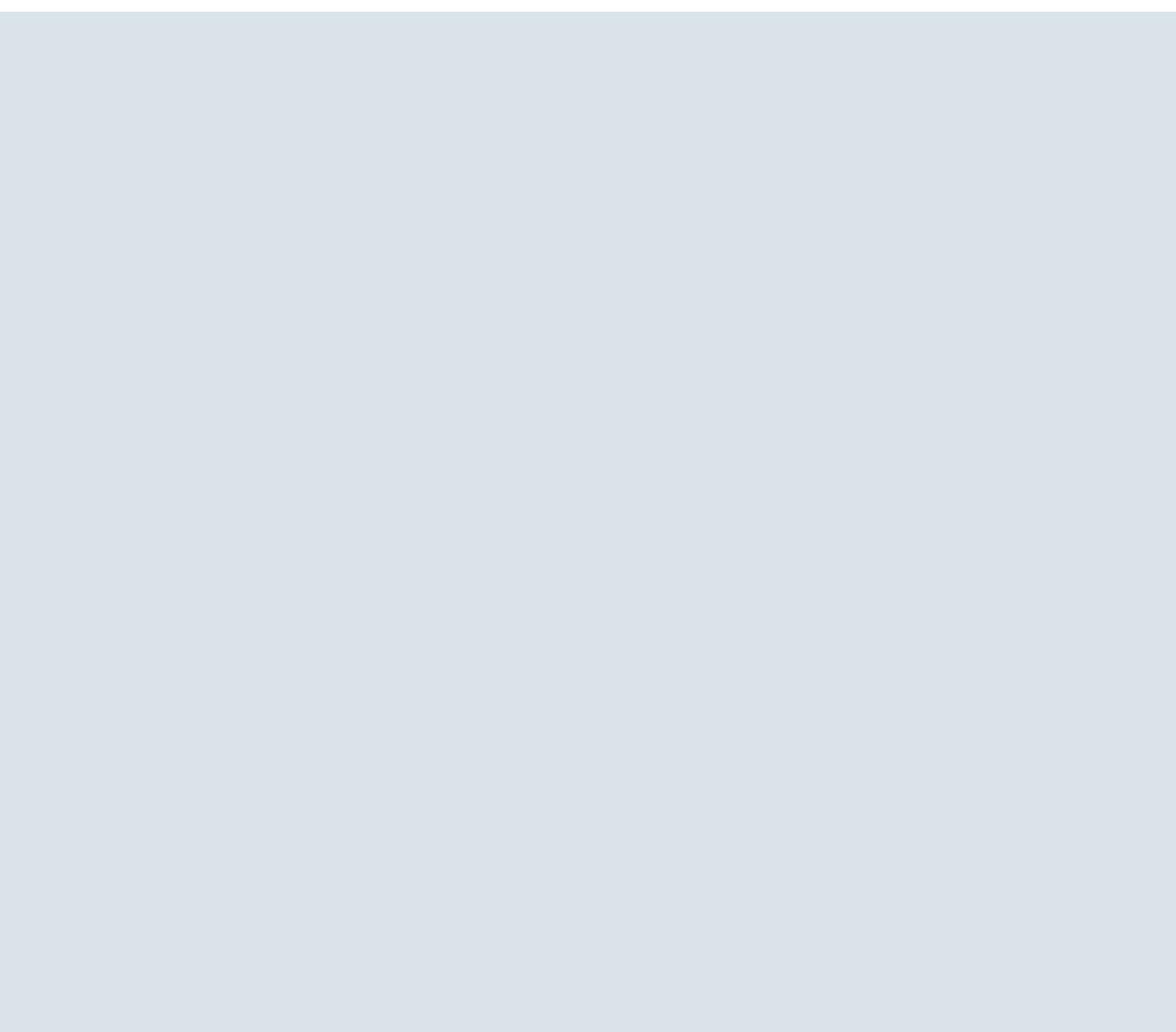
# STRATEGIC PLAN

2016/17 - 2020/21

SOUTH AFRICAN REVENUE SERVICE

ISBN: 978-0-621-44369-1

RP65/2016



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# Abbreviations

AEOI	Automatic Exchange of Information
AGOA	African Growth and Opportunity Act
ATAF	African Tax Administration Forum
BEPS	Base Erosion and Profit Shifting
BLNS	Botswana, Lesotho, Namibia, Swaziland
BMA	Border Management Agency
BRICS	Brazil, Russia, India, China, South Africa
CATA	Commonwealth Association of Tax Administrators
COMESA	Common Market for Eastern and Southern Africa
CIPC	Companies and Intellectual Property Commission
CIS	Customer Information System
CIT	Corporate Income Tax
CRS	Common Reporting Standard
DHA	Department of Home Affairs
EFTA	European Free Trade Association
ETI	Employment Tax Incentive
EU	European Union
FATCA	Foreign Account Tax Compliance Act
GDP	Gross Domestic Product
GRAP	Generally Recognised Accounting Practice
HNWIs	High Net-Worth Individuals
IBSA	India, Brazil and South Africa
IT	Information Technology
IMF	International Monetary Fund
IRS	Internal Revenue Service
MNEs	Multinational Enterprises
MOU	Memoranda of Understanding
MTEF	Medium Term Expenditure Framework
NCAP	New Customs Acts Programme
NDMP	National Drug Master Plan
NDP	National Development Plan
OECD	Organisation for Economic Co-operation and Development
PAYE	Pay As You Earn
PIT	Personal Income Tax
SACU	Southern African Customs Union
SADC	Southern African Development Community
SARS	South African Revenue Service
SMMEs	Small, Medium and Micro Enterprises
SSA	State Security Agency
SVDP	Special Voluntary Disclosure Programme
TCC	Tax Clearance Certificate
TCS	Tax Compliance Status
TFA	Trade Facilitation Agreement
the dti	Department of Trade and Industry

US	United States of America
VAT	Value-Added Tax
VDP	Voluntary Disclosure Programme
WCO	World Customs Organisation
WTO	World Trade Organisation



# 01

FOREWORD BY THE  
MINISTER OF FINANCE

## 01 | Foreword by the Minister of Finance

South Africa faces challenging times.

Global growth expectations have moderated, with the IMF now expecting 2016 global growth to match 2015 growth rates of 3.1 per cent. Trust in politicians is low, and protectionism is on the rise globally. Low growth, together with rising geopolitical tensions, terror attacks and domestic armed conflicts, may sow increased political divisions and stoke a backlash against globalisation and much needed structural reforms.

The domestic economic outlook is equally challenging. GDP growth moderated to a six-year low of 1.3 per cent in 2015 and expectations are that economic growth is likely to be less than 1 per cent this year, as low confidence, weak investment, rising inflation and high unemployment take their toll.

We must acknowledge that whilst the world faces the challenges of low growth and high unemployment, the scale of the problem domestically requires us to take urgent action. Without this, we will fail to eradicate poverty and inequality in our society.

There are currently 5.7 million South Africans who want to work and are not able to. A further 2.4 million are discouraged from joining the labour force. And forty per cent of the unemployed have been unemployed for more than three years.

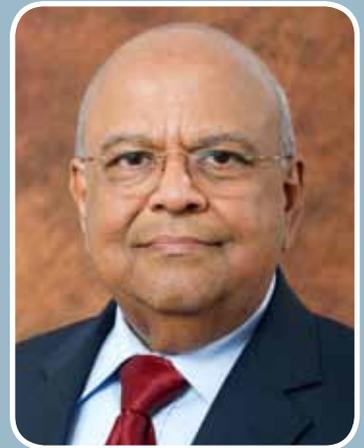
The South African Revenue Service (SARS) has a critical role to play in helping to overcome these challenges and in fostering South Africa's economic growth and social development.

South Africa's strong institutional framework, of which SARS is an integral part, is a much-lauded and world-renowned strength, and a critical underpinning of South Africa's claim to be an investment destination of choice. Treating all citizens equally, without fear or favour, reinforces the trust that South African citizens place in SARS and its officials. It further reinforces the intentions of the tax system, which is to promote equality and equity, and to provide funding for Government's efforts in supporting poverty alleviation and growth.

SARS' strong track record does not mean there is no room for improvement. I urge all SARS officials to continue to focus on ways to improve the efficiencies of their operations, not only to help to save much-needed revenue, but to continue to improve the ease of doing business and in so doing, raise the competitiveness of the South African economy. Equally important is the necessity for the highest level of integrity, ethical leadership and visible fairness in order to sustain public confidence in this institution.



**Pravin Gordhan**  
Minister of Finance





# O2

MESSAGE FROM  
THE COMMISSIONER

## 02 | Message from the Commissioner

Over the recent past, SARS demonstrated its resilience to sustain revenue collection growth well beyond GDP growth and in challenging economic conditions.

This is testament to the solid foundation and stability of our organisation, underpinned by the depth of our leadership and highly committed work force.

We continue to make solid progress toward the outcomes positioned in our multi-year Strategic Plan that enabled our achievements. This is indicative of the robust methodologies we follow to develop and review our plan – our intention is to build on this momentum.

Our ability to leverage our collaborative partnerships locally as well as in the international domain, with both government and business, positions us well to build inclusive fiscal citizenship. Through our active participation in the World Customs Organisation (WCO), Organisation for Economic Co-operation and Development (OECD) and African Tax Administration Forum (ATAF), we ensured that we kept abreast of the latest developments in a global and regional context. The enthusiasm with which we participate, often as an early adopter, continues to command respect and culminated in some of our members being elected to serve on international working groups.

Our reputation, informed by our solid track record of delivery and building strong capabilities continues to solicit requests for assistance beyond our current capacity, but we endeavour to assist where we can, in line with our mandate and in the spirit of Chapter 4 of our Constitution.

In our 2015/16 Strategic Plan, we positioned the review of our Operating Model to assist us in determining how best to serve the growing need of taxpayers and traders to effectively deliver on our mandate.

I am proud to report that we have made steady progress in this regard, and this plan, created by the newly appointed EXCO team, reflects how the new Operating Model will enable us to sustain revenue growth well beyond GDP growth and under very challenging economic conditions. Moreover, it reflects how we will “do more with less”, by significantly reducing our cost-to-tax revenue ratio over the next MTEF period in line with the direction set by our President in the State of the Nation address.

The review helped us to reflect on the progress made during the previous transformation journeys we undertook, commonly known as Siyakha and Modernisation and inspired us to strive for new levels of excellence. As such, we derived a new vision statement to reflect our new aspirations.

We will continue to engage our stakeholders to share our plans and create opportunities for co-creation, but more importantly, to solicit feedback on how well we serve them. In this regard, we thank those who participate in these engagements, especially the spirit in which they engage to help us become better at what we do.



SARS has a solid foundation underpinned by depth of **leadership** and a **highly committed workforce**

SARS is  
committed  
to make  
**South Africa a  
better country**  
to live in

Although the feedback is largely positive, we noted that we have certain areas and channels of our business that still need vast improvement. We also noted that our electronic channels such as eFiling received the highest credence from the absolute majority of its users, who urge us to extend more of our services onto this channel. I want to assure you that we are working very hard on this, as we understand that by making it easy and convenient for our customers to engage with us, will ultimately contribute to attract more contributors into the tax base.

In conclusion, I assure all South Africans of our firm commitment and best endeavours to make South Africa a better country to live in!



**Tom Moyane**  
SARS Commissioner



03

WHO WE ARE

## 03 | Who We Are

### Our Mandate

To collect all revenues due, ensure optimal compliance with Tax, Customs and Excise legislation and provide a customs and excise service that will facilitate legitimate trade as well as protect our economy and society

### Our Vision

To administer our Tax, Customs and Excise duties in a manner that encourages fiscal citizenship and increased revenue for the State

### Our Values

Fairness  
Accountability  
Integrity  
Respect  
Transparency  
Trust  
Honesty

### Our People

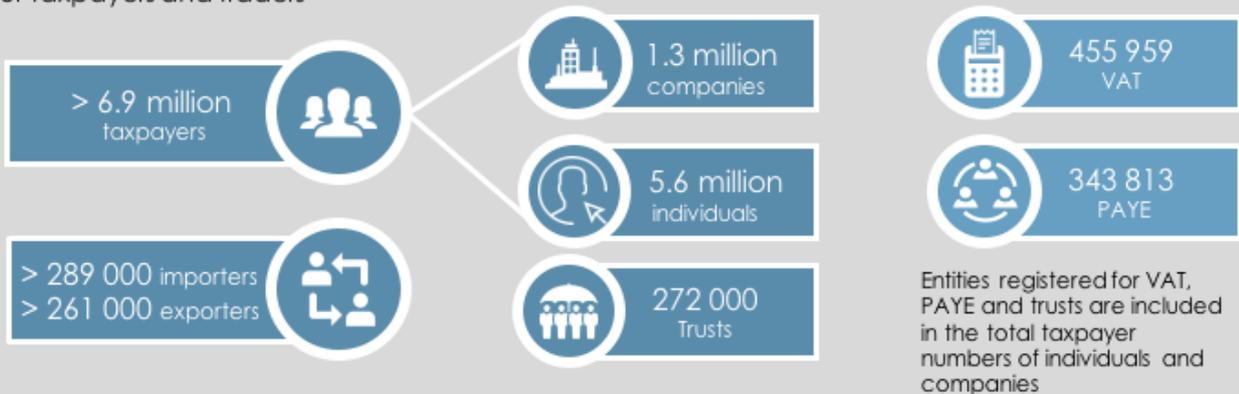
SARS recognises that its people are an indispensable driver of performance and hold the key to the organisation's ability to operate efficiently and effectively. Similarly, the SARS People Philosophy is characterised by care and concern, employee growth, recognition for excellence and engagement

### Our Mission

To optimise revenue yield, facilitate trade and enlist new tax contributors by promoting awareness of the obligation to comply with South African Tax and Customs Laws, and to provide quality and responsive service to the public

# SARS by numbers

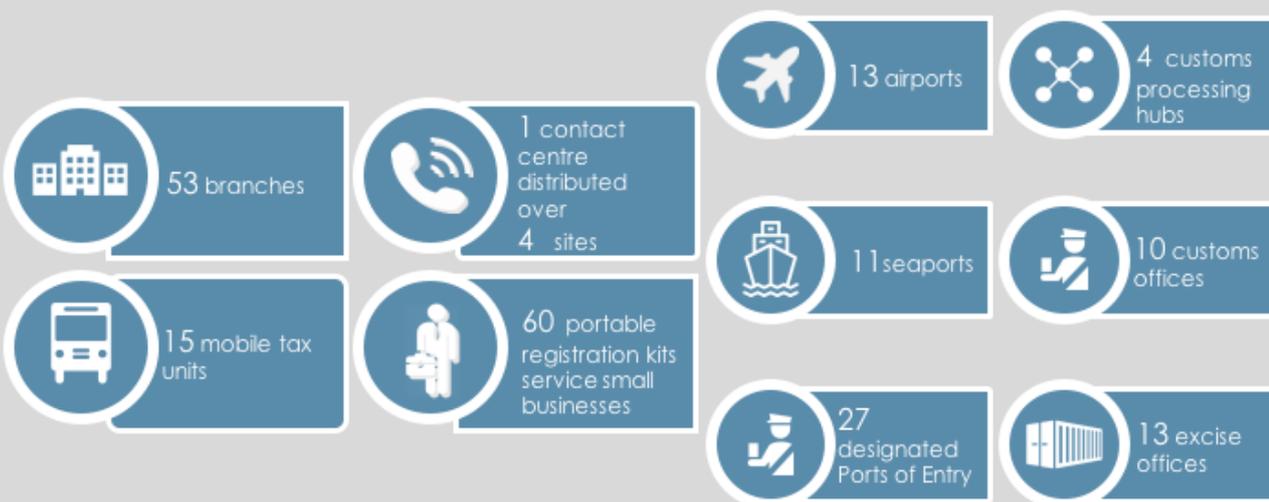
## Our taxpayers and traders



## The volumes we process annually



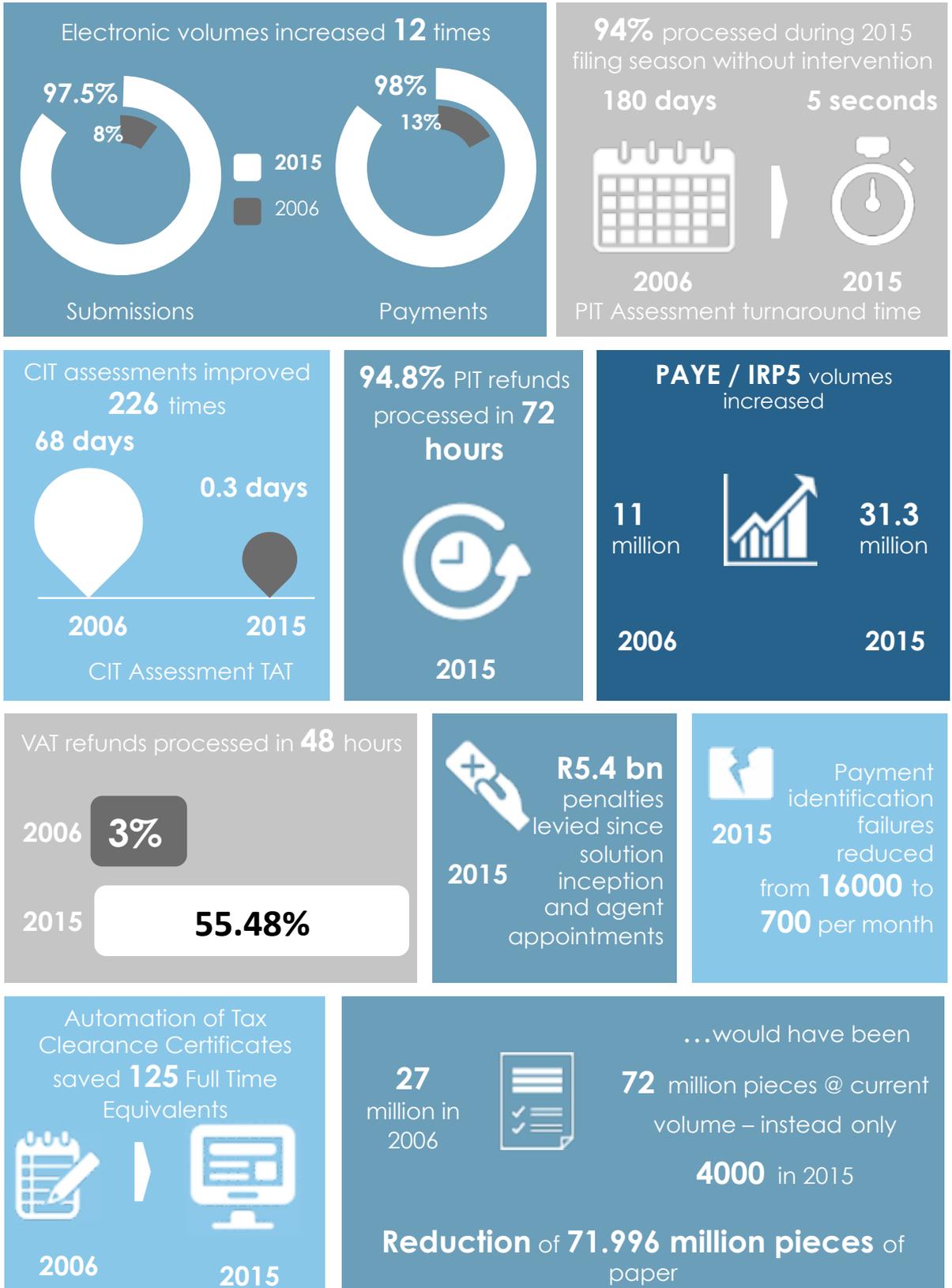
## Our footprint and presence



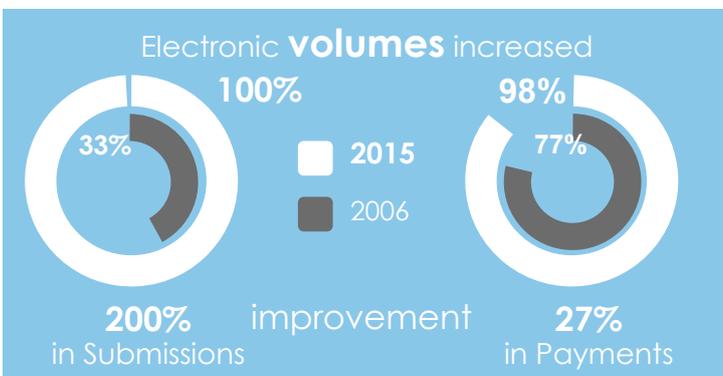
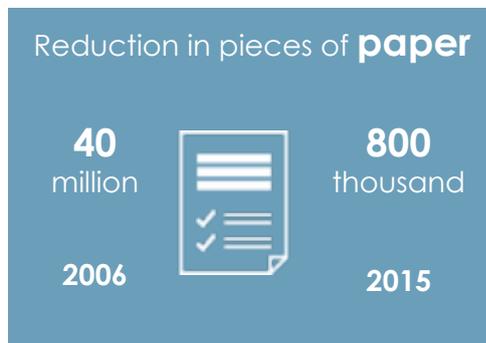
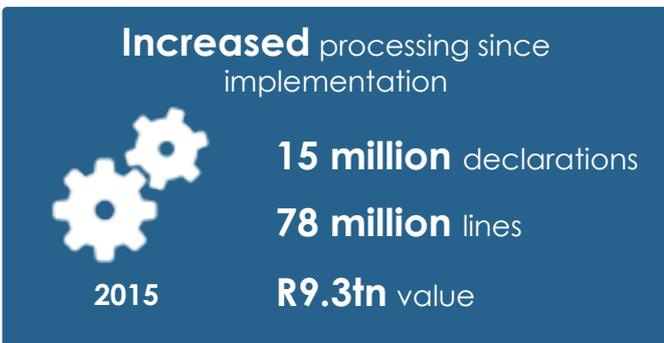
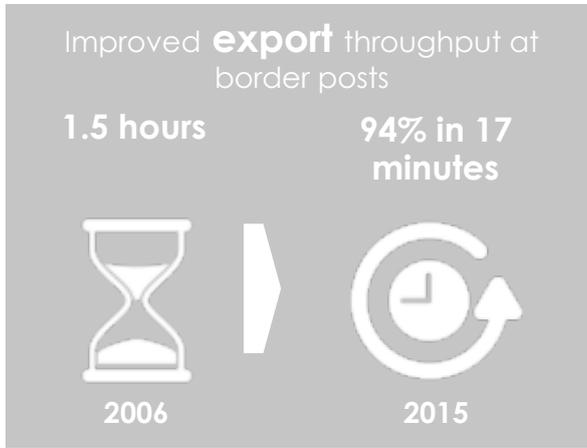
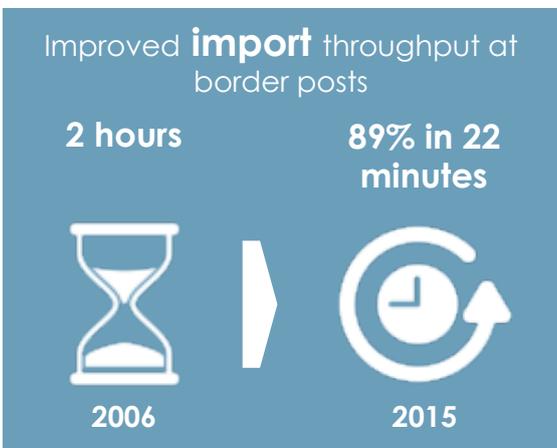
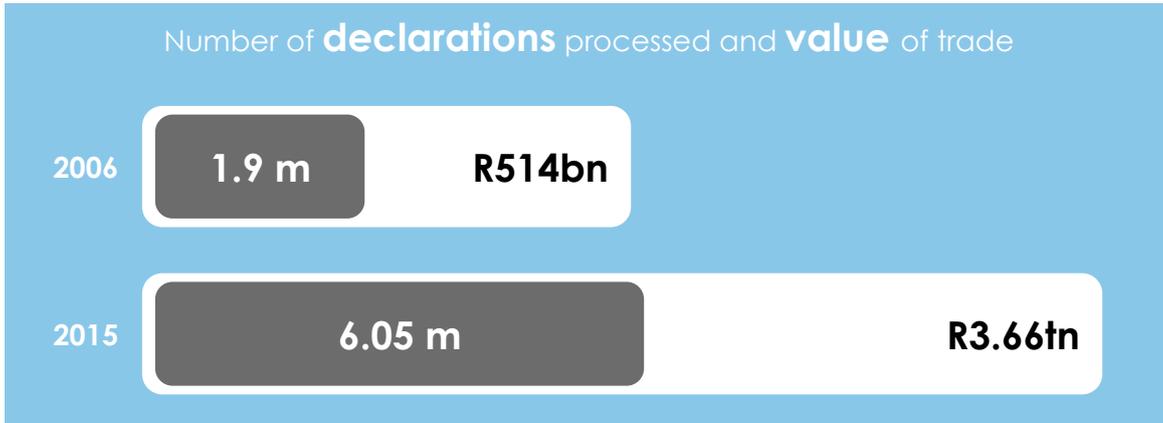
## Our resources



## Our journey – we did more with less



## We made SARS more efficient



## The intent of our plan is to leverage our strengths

### Strengths

- Institutional reputation
- ICT enablement across majority of business
  - High eChannel uptake
  - High prevalence of real time information
  - >99% ICT solution availability
  - World Class Integration capability (enabling data exchange)
- Strong relationships and collaborations with key stakeholders Government and Private sector
- Stable, professional workforce
- Solid legal frameworks
- Robust strategic direction that stood the test of time
- Established Risk Management capability (automated risk engines & non-intrusive inspections)
- Award-winning Contact Centre
- Solid track record of delivery & performance
- Taxpayers have a positive attitude to compliance
- Largely positive feedback on our service

### Weaknesses

- Aspects of our Governance structures
- Debt Management
  - Distinguishing between collectable & disputed debt
  - Appropriate action of old debt
  - Capacity & prioritisation
  - Insufficient automation
- Sub-optimal organisation structure
  - Not aligned to Organisational Design best practice
  - Sub-optimal alignment to execution of mandate
- Insufficient capacity for specialised skills, e.g. BEPS
- Data integrity of Register and Accounts
- Low physical footprint coverage
- Aspects of Case Selection
- Concern areas of general Operations Management
- Traction on HNWI, BEPS, SMMEs
- Leveraging the law to fully enforce compliance
  - Penalties not fully applied across products
- Aspects of Border Management
- Segments of Enforcement



S



W

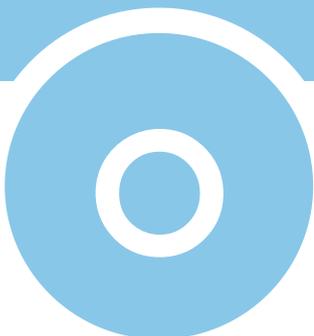
## We will respond to weaknesses, opportunities and threats

### Opportunities

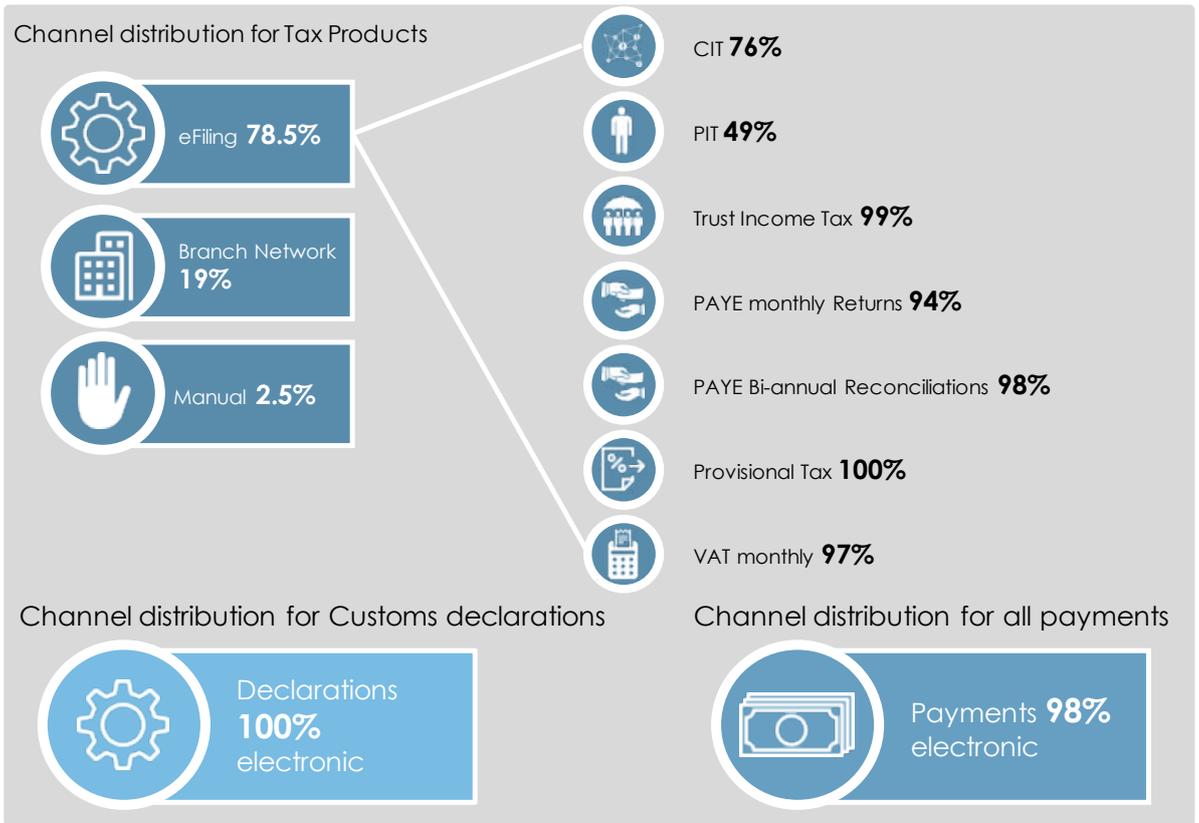
- A broader tax base to pursue & tax gap to close
  - HNWI, BEPS, SMMEs
  - Room to elevate enforcement to increase compliance across products
  - Focus on Debt Management to convert Collectable Debt into Cash
- New channels to augment SARS' physical footprint to reach (Mobile, Portable and Digital)
- Unlocking the full potential & development of our talented & enthusiastic staff
- Elevated focus on Capacity Management will enable optimised resource allocation and productivity
- Abundance of data to enable Data Analytics capability to introduce improved insight into business and focus on predictive analysis
- Leverage the benefits from introducing new 3<sup>rd</sup> party data sources
- New channels for innovative, targeted and improved taxpayer education
- Innovation, Automation & Digital channel uptake
- Continued participation in global initiatives, forums and events of organisations such as the WCO & OECD

### Threats

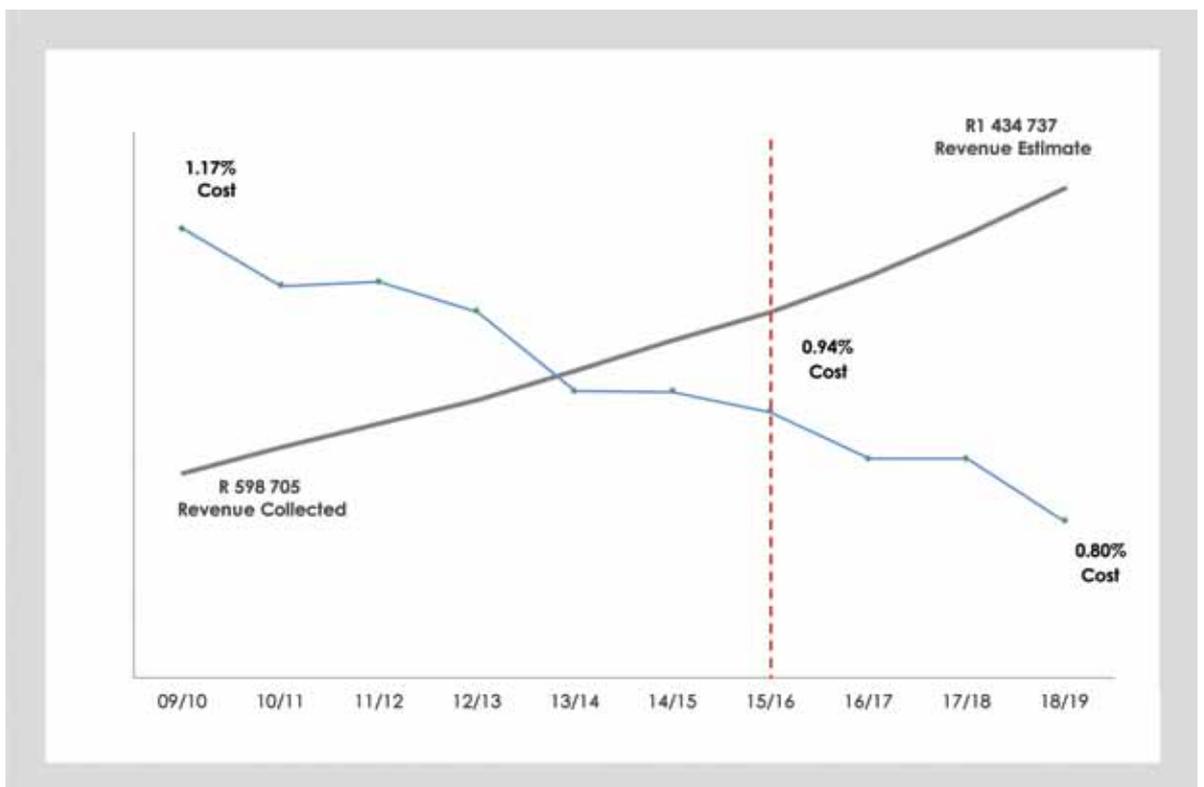
- Cyber-crime (& terrorism)
- Illicit economy
- Poor public perception of service delivery and corruption
- Tax evasion & avoidance
- Poorly performing global local economies
- Non-compliance in segments of HNWIs, Large Businesses, SMMEs
- Reduced Budget grant in context of the fiscal framework
- Unrealistic demands from organised labour



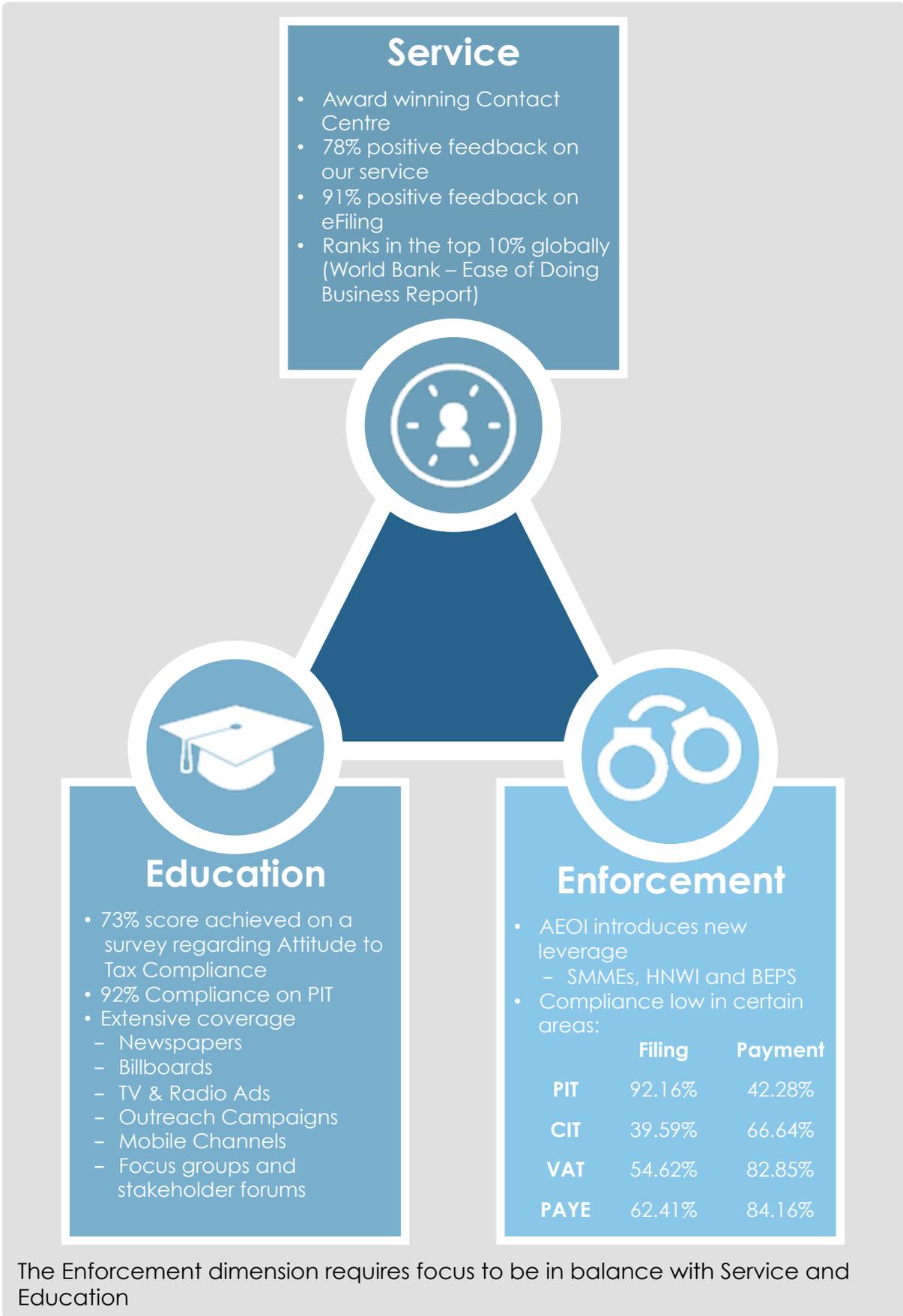
## We have become digital



## SARS continued to improve its cost to revenue ratio



# SARS has to balance the 3 levers to execute its mandate





# O4

SARS' OPERATING  
ENVIRONMENT

## 04 | SARS' Operating Environment

### National Policy Direction

The National Development Plan (NDP) 2030 remains the primary policy framework for government and all its related entities. The direction and outcomes pursued by the South African Government in the NDP 2030 affect how the South African Revenue Service (SARS) carries out its mandate. As one of the critical organs of state, we will continue to effectively and efficiently carry out our mandate to collect the revenue required to fund government programmes. We will diligently play our role to facilitate legitimate trade and travel through the country's borders to help grow the economy and protect it from illicit trade activities.

We will support government efforts to: increase employment opportunities, improve conditions for small businesses, and help improve government performance across the whole of government. Recently, we were tasked with the implementation of important pieces of legislation, such as the Employment Tax Incentive Scheme (ETI) and Tax Exempt Savings Account. The proposed National Health Insurance Scheme is gaining momentum with the recent publication of its white paper. These pieces of legislation will be administered through the tax system. It is certainly a testament to our capability that government entrusts us with the implementation of these important policy initiatives. However, we are mindful that these additional responsibilities may begin to strain our already limited leadership and technical capability and may affect delivery on our core tax and customs mandate.

We acknowledge in this plan that our efforts to carry out the SARS mandate, and to contribute to critical government programmes will not be successful if we work in isolation from our key government partners. The work of the following government departments and entities affect our mandate directly: Department of Home Affairs (DHA), Companies and Intellectual Property Commission (CIPC), Department of Trade and Industry (the dti), National Treasury (NT), Department of Justice and Constitutional Development (DOJCD), National Prosecuting Authority (NPA) and the Office of the Tax Ombud (OTO). These departments and entities are important to the overall effectiveness of SARS operations. Together with these departments and agencies, we will be able to ensure our records are accurate, implement government policies, and achieve effective prosecution of serious tax and customs offenders. SARS will continue to work with these and other government departments and agencies on many fronts, to improve the overall efficiency and effectiveness of government and promote a whole-of-government view of its value chain.

We also acknowledge that we all operate under increasing fiscal and resource constraints, and this could affect the progress of our collaborative efforts.

SARS' bilateral, regional and multilateral priorities are informed by South Africa's overall foreign policy objectives, as espoused by the Department of International Relations and Co-operation (DIRCO). SARS' international engagements in the area of Tax and Customs administration contribute to the achievement of the following national objectives:

- Participate in the Global System of Governance (World Customs Organisation - WCO, World Trade Organisation - WTO, United Nations - UN, G20).
- Enhanced African Agenda and Sustainable Development (African Union and African Tax Administration Forum - ATAF).



We support the **NDP** to:

- Increase **employment opportunities**
- Improve **conditions** for small business
- Improve **performance** across the whole government

- Strengthen Regional, Political and Economic Integration (WCO ESA, SACU, Southern African Development Community - SADC).
- Strengthen South-South Relations (IBSA, BRICS, CATA).
- Strengthen Relations with Strategic Formations of the North (OECD).

## Economic developments

Global growth remains weak and uneven across economies, with risks now firmly tilted towards emerging markets. According to the International Monetary Fund (IMF), the global economic recovery would remain modest and uneven as the world grapples with slowing Gross Domestic Product (GDP) output in China, suppressed oil prices, and a tightening monetary policy from the US Federal Reserve. Therefore, risks to the global outlook remain tilted to the downside.

China's rebalancing model is delivering slow but sustainable growth rates. The structural slow-down in growth and the managed deleveraging are expected to continue to weigh on global growth in the short to medium term. The IMF has estimated the global growth rate for 2015 to be 3.1% down from 3.4% in 2014. The IMF also revised down global growth forecasts to 3.4% (from 3.6%) for 2016, and 3.6% (from 3.8%) for 2017.

Forecasts for most emerging markets reveal a slower pick-up than previously predicted. The down-turns in emerging markets such as China, Brazil, Russia, and Sub-Saharan Africa will continue to drag growth in 2016. Emerging markets grew at their slowest pace in 2015 since the 2008/9 financial crisis. The new IMF growth projections are 4.3% (down from 4.5%) and 4.7% (down from 4.9%) in 2016 and 2017 respectively. Amongst other domestic structural and cyclical problems, the appreciation of the US dollar and heightened risk aversion cited by the IMF will place a strain on emerging markets in particular.

The headline readings mask differing trends across emerging markets. India and parts of emerging Asia will grow at a robust pace. Latin America and the Caribbean will again contract for the second successive year in 2016, due to the recession in Brazil and economic stress. The majority of Sub-Saharan African countries will see a progressive pick-up in growth but not higher than those registered in the last decade.

Domestically, economic growth prospects remain subdued. The growth conundrum features factors such as declining commodity prices, weakening business and consumer confidence, anticipated interest rate hikes, recurring bouts of rand volatility, infrastructure bottlenecks and the drought. However, some headwinds have turned into tailwinds to the benefit of the country and these include the lower oil prices, growing regional trade with other Sub-Saharan countries, improving labour relations, and stability in electricity supply. South Africa's GDP growth declined to 1.5% in 2014 from 2.2% in 2013. The IMF has estimated 2015 GDP at 1.3%, while 2016 and 2017 projections were set at 0.7% and 1.8% respectively.

## Fiscal framework

SARS' responsibilities to collect revenue to fund the government and administer the nation's tax laws include protecting the flow of revenue to the government. The prevailing negative domestic and global economic environment will heighten the

The **IMF** revised  
global growth  
forecast down  
to  
**3.4%**

risk to our compliance and revenue targets. As with the rest of government, we will continue to carry out our mandate under very tight fiscal conditions.

In his 2016 Budget Speech, the Minister of Finance stressed that government cannot spend money that it does not have. In particular, the Minister stressed that “until we ignite growth and generate more revenue we have to be tough on ourselves”. We are mindful of the challenge to raise additional revenue for the government in a challenging global and local economic context whilst maintaining a fair and inclusive tax system.

To ensure that we operate within current fiscal constraints, we will continue to practice prudent financial management to ensure that SARS uses resources efficiently. We will monitor our spending, continuously look for savings opportunities, eliminate fruitless and wasteful expenditure. Moreover, we will actively support Government’s cost containment measures and some of the initiatives we will embark upon in this plan include the consolidation of our corporate real estate portfolio to realise savings, implement a new procurement system aligned to National Treasury to improve procurement spend and reducing spend on travel, accommodation and non-essentials.

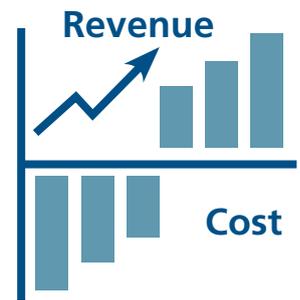
## Developments in the global tax and customs environment

### Tax developments

SARS is conscious of prevailing global tax concerns, many of which also affect South Africa’s tax environment. According to a recent Organisation for Economic Co-operation and Development (OECD) report, multi-national corporations continue to use sophisticated schemes (use of cross-border structures, intragroup transactions and hybrid mismatches) to exploit gaps and mismatches in local tax legislation and, Double Taxation Agreements (DTAs) to avoid or significantly minimise their tax obligations in countries where they operate and make profits.

As part of the OECD’s Global Forum on Transparency and Exchange of Information for Tax purposes South Africa and 55 other “early adopters group” of countries committed themselves to Automatic Exchange of Information (AEOI) by 2017. To facilitate this move, the OECD has designed Common Reporting Standards (CRS) as the global standard for purposes of AEOI between countries and tax authorities globally. In December 2015 the OECD finalised an assessment of South Africa’s confidentiality and data safeguards, to ensure our readiness for implementation of AEOI.

AEOI includes both the initiative stemming from South Africa signing an Inter-Government Agreement (IGA) with the US Internal Revenue Service (IRS) on their Foreign Account Tax Compliance Act (FATCA) as well as the OECD’s Common Reporting Standard (CRS). The dates outlined by the IGA were that both the RSA and US would exchange data on a reciprocal basis by 30 September 2015. The G20 has endorsed the CRS and the Global Forum on Transparency and Exchange of Information for Tax Purposes and has decided on AEOI as the new international standard. South Africa is one of the members of the early adopters group that will implement the CRS starting in 2016.



“until we ignite **growth** and generate more **revenue** we have to be tough on ourselves”.



South Africa is part of an “**early adopters group**” of countries committed to Automatic Exchange of Information (AEOI)

It is envisaged that the following benefits will be realised with the implementation of AEOI:

- Detection of tax evasion, aggressive tax avoidance and off-shore wealth: AEOI can alert SARS to non-compliance that was previously unknown, potentially raising substantial revenue.
- Deterrence of future non-compliance: AEOI should deter tax evasion and aggressive tax avoidance and encourage timely compliance by taxpayers, since taxpayers are aware that other tax administrations will report directly to SARS.
- Support domestic synergies: AEOI relies on financial institutions to report information to SARS, building on existing third party information reporting requirements. SARS will be able to use information received, both from domestic and international sources, in its tax compliance efforts.
- Enhance reputation: Participating in this tax information exchange endeavour demonstrates a continued commitment to transparency and to tackling tax evasion and the flow of illicit funds.

We will continue to support and participate in many other multi-country initiatives, including regional initiatives with our neighbouring countries, for the automatic exchange of information to counter the negative consequences of this threat to the South African fiscus. We will invest a significant portion of our resources to develop the skills and capability to identify and deal with tax avoidance and evasion schemes employed by multi-national enterprises (MNEs) and wealthy individuals.

In line with the new global exchange of information regime between tax authorities, the Minister of Finance announced a Special Voluntary Disclosure Programme (SVDP) as an opportunity for non-compliant taxpayers to voluntarily disclose offshore assets and income. This is an opportunity for affected individuals and companies to regularise both their tax and exchange control affairs for a limited period.

### Customs and Excise developments

Customs is an international activity and a strong international legal and co-operation framework for the import, export and transit of goods, is essential. We need to anticipate and be responsive to international and regional developments, and national needs and realities, including those of government and the business community.

**International trade.** The World Trade Organisation (WTO) has projected that growth in the volume of world merchandise trade will slightly increase rising from 3.3% in 2015 to 4.0% in 2016. The WTO has attributed the sluggishness of trade to various factors, such as geopolitical tensions, divergent monetary policies, exchange rate fluctuation, and slower growth in emerging economies. According to the WTO's 2015 World Trade Report, South Africa is ranked as the world's 23rd biggest importer and the 27th biggest exporter (excluding intra-EU trade). The National Treasury is expecting exports to grow by 3.3% in 2016 and 4.6% in 2017. Over the same period, imports are expected to increase by 4.6% and 5.3%, respectively. This will result in an increase of the workload of SARS in processing higher trade volumes.

**Multilateral legal instruments.** As of 11 January 2016, 66 WTO members have formally accepted the WTO Agreement on Trade Facilitation (TFA). Once two-thirds of WTO members have formally accepted the TFA, it will enter into force. OECD analysis contends that improvements in the area of formalities (e.g. simplification of trade documents, streamlining of border procedures, and automation of the border process) will significantly reduce trade costs. In the case of South Africa,

## WTO ranked South Africa



27th  
biggest  
exporter



23rd  
biggest  
importer

most of the provisions of the TFA will have to be implemented by SARS. SARS is also working towards the implementation of various instruments of the World Customs Organization (WCO) that South Africa has acceded to on the valuation and classification of goods, supply chain security and trade facilitation.

**Preferential Trade Agreements (PTAs).** More than 100 new preferential trade agreements were signed around the world in the five years from 2010 to 2014. South Africa is a member of a customs union (the Southern African Customs Union - SACU) and has free trade agreements in place with, amongst others, the Southern African Development Community (SADC), the European Union (EU) and the European Free Trade Association (EFTA). The SADC-EU Economic Partnership Agreement will replace the current agreement between South Africa and the EU and will enter into force in 2016/2017 and the SACU-Mercosur (Common Market of the Southern Cone) Agreement has also been finalised. The SADC, the East African Community (EAC) and the Common Market for East and Southern African states (COMESA) Tripartite Free Trade Agreement was signed in 2015 and the negotiations currently focus on rules of origin. Negotiations between SACU and India are underway, as is a review of the trade agreement with EFTA. SARS supports the negotiation and is tasked with the implementation of these trade agreements. In addition to these agreements, SARS also administers elements of the Generalised System of Preferences (GSP) and the African Growth and Opportunity Act (AGOA) of the United States. These agreements and arrangements contribute to the complexity of trade administration.

**Illicit trade.** Illicit trade is a major and growing problem worldwide. It involves money, goods or value gained from illegal and generally unethical activity. It encompasses a wide variety of illegal trading activities, including human trafficking, environmental crime, illegal trade in natural resources, various types of intellectual property infringements, trade in certain substances that cause health or safety risks, smuggling of excisable goods, and trade in illegal drugs, as well as a variety of illicit financial flows. These activities generate a wide range of economic, social, environmental or political harms. According to the World Economic Forum, estimates of the global retail value of illicit trade vary, but have recently been estimated at \$650 billion by Global Financial Integrity (GFI), and in the order of two trillion dollars if illicit financial flows are included. Governments are losing billions of dollars in tax revenues, legitimate businesses are being undermined and consumers are being exposed to poorly made and unregulated products. South Africa, with its well-developed financial infrastructure and its geographical position, presents a perfect springboard for smuggling syndicates. According to the United Nations Office on Drugs and Crime (UNODC) South Africa has become a major route for the transshipment of narcotics as well as for local use. In recent times the country has experienced an increase in attempts to smuggle narcotics and endangered species through its borders. Our Customs officers are working closely with other law enforcement agencies in South Africa and in other parts of the world. We also participate in the WCO's programmes such as the Customs Enforcement Networks (CEN) as well as Regional Intelligence Liaison Offices (RILOs) which share information on smuggling patterns and seizures. This has proven valuable in the continued fight against smuggling. Between 1 April 2015 and the end of January 2016, we have intercepted 637 cases of narcotics with a total street value of R241m, 84 cases of CITES with a street value of R12,5m, 274 cases of medicaments with a street value of R79m, 14 cases of currency smuggling with a value of R146,6m and 268 tobacco related cases with a value of R40m.



Illicit trade is a significant challenge



Estimated value of e-commerce:

**B2B** = \$15 trillion

**B2C** > \$1 trillion

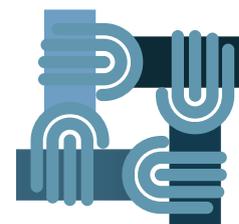
**International terrorism and security.** In December 2015, the WCO Policy Commission adopted the Punta Cana Resolution, which concerns the security role of Customs, particularly in light of the recent spate of terror attacks in various regions around the world. The Resolution emphasises the key role that Customs administrations have to play and the critical space they occupy at the border in the prevention of future terrorist attacks. Customs administrations around the world are the first line of defence against many criminal and violent extremist and terrorist organisations that exploit international boundaries, thereby highlighting the important role of Customs in border security through management of the movement of goods, money, people and means of transport across borders. The Resolution calls on Governments and their Customs administrations to use the full range of detection and investigative techniques at their disposal, including risk profiling, Advance Passenger Information (API) and Passenger Name Records (PNR) analysis, intelligence sharing, controlled deliveries, forensic techniques, detector dogs and non-intrusive equipment, and upgrading them to high standards.

**Cross-border e-commerce.** Cross-border e-commerce continues to increase worldwide due to a combination of factors such as continuously advancing internet technology, economic development in developing countries, and expansion of express delivery services and mobility of the labour force. According to estimates made by the United Nations Conference on Trade and Development (UNCTAD) in 2013, business-to-business e-commerce was valued at about US\$ 15 trillion and business-to-consumer e-commerce at more than US\$ 1 trillion, with the latter growing faster in the last few years. According to the WTO, an indicator partly resulting from e-commerce is the volume of small parcels passing through Customs. Trade volume in this area increased by 48 per cent between 2011 and 2014 according to the Universal Postal Union. A 2015 study commissioned by First National Bank and PayPal reveals that almost 80% of online shoppers in South Africa could be “cross-border shoppers in the coming years”. This prediction was extrapolated from results that showed that “up to 46% of South African online shoppers have actually said that they already shop outside the country”. The bulk of goods sourced by South African online shoppers come from North America and Europe, 51% and 39%, respectively, while 24% comes from Asia, three-quarters of which come from China. According to the WCO, cross-border e-commerce impacts Customs administrations in terms of revenue collection, supply chain security, and allocation of Customs resources.

**Climate change.** Scientists confirmed that 2015 was the hottest year on record. Due to human caused carbon pollution and deforestation, atmospheric carbon dioxide (CO<sup>2</sup>) concentrations, which were 280 parts per million (ppm) in the pre-industrial era, are now over 400 ppm and consequently the Earth has warmed an average of more than 0.75°C. To limit the increase in global average temperatures to the objective of 2.0°C, a substantial amount of fossil fuels must remain buried, which would dramatically impact the characteristics of international trade, including transport mechanisms as well as the trade in commodities. Natural disasters, including extreme weather events due to human-induced climate change, are increasing, necessitating more attention by Customs to the clearance and release of relief consignments. Several WCO members collect carbon taxes, which is a key mitigation tool against climate change. The National Treasury circulated the draft Carbon Tax Bill for comment and the tax is due for implementation in 2017. SARS has also been tasked to collect a tyre charge for environmental purposes.

**Regional integration.** In addition to supporting the implementation of various trade agreements aimed at promoting regional economic integration, SARS is actively engaged in a number of regional and bilateral initiatives aimed at streamlining the movement of legitimate trade across the country's borders. Of particular significance is the WCO-SACU Connect project that aims to introduce a regional mutual recognition system for preferred traders, the interconnectivity of Customs systems and enhanced co-operation in the areas of risk management and enforcement. It is expected that the SACU agreement that will support Customs-to-Customs connectivity and the exchange of information will shortly enter into force and negotiations are underway on a draft regional legal framework to support the preferred trader mutual recognition programme. SARS also supports the inter-departmental project led by the Department of Home Affairs to establish a one-stop border post between South Africa and Mozambique.

**Coordinated border management.** In an effort to support certainty and predictability for compliant traders, SARS is active in various efforts to work closely with other government agencies. This includes the single window concept that aims to link all border agencies through an automated regulatory control system, and the model port of entry concept that coordinates the activities of border agencies. SARS also continues to work with other South African border agencies on the proposed establishment of the Border Management Agency (BMA).



SARS is **working**  
**closely** with  
other agencies

## Risks facing SARS

Risks facing SARS originate from exposure to the local and global economic climate, the compliance behaviour of taxpayers in response to this climate, and risks from SARS' own operations. SARS introduced several measures to mitigate these risks and continues to monitor their impact on our performance.

STRATEGIC RISKS FACING SARS	
The risks we need to manage	How we will manage these risks
<p><b>Revenue collection pressure</b></p> <p>The prevailing global and local economic uncertainties place increasing pressure on SARS' ability to collect revenue. Ongoing electricity supply constraints, labour disputes, and service delivery protests domestically add to this already challenging economic environment.</p>	<ul style="list-style-type: none"> <li>• Continue to expand our footprint through mobile tax units and mobile registration kits.</li> <li>• Increase compliance activities through increased and targeted audit and enforcement activities, as well as enhanced debt management.</li> <li>• Continue to invest in improving our risk and compliance management capabilities.</li> <li>• Increase the use of administrative penalties.</li> <li>• Use of third party data to cross reference and validate information supplied to SARS.</li> <li>• Develop Centres of Excellence and specialist skills.</li> <li>• Manage the relationship with Organised Labour in a pro-active and professional manner as they are deemed to be a partner and not an adversary.</li> </ul>
<p><b>The threat of the illicit economy and illicit financial flows</b></p> <p>The illicit economy, especially illicit cigarette and tobacco trade, continues to be a serious threat to South Africa's economic growth, legitimate formal businesses, financial activity and the potential growth of the tax base from which SARS collects revenue.</p>	<ul style="list-style-type: none"> <li>• Continue to target the entire supply chain of illicit cigarette and tobacco trade through better control of our warehouses, enhancement of our excise systems to improve risk detection, and increase our collaborations with key stakeholders.</li> <li>• Engage with other state enforcement agencies such as State Security Agency and Police to agree on Memoranda of Understanding (MOU's) for establishment of dedicated resources for fighting illicit trade.</li> <li>• Enhance the inter-agency co-operation in fighting tax and other financial crimes.</li> <li>• Build internal capacity and capability by continuing to participate in the International Academy on criminal tax investigations.</li> <li>• Increase enforcement and compliance focus on high risk goods such as tobacco and its products as well as clothing and textile products and other high risk commodities that should form the cornerstone of control measures. This should include increased inspections and audits of bonded warehouses as well as improved monitoring and accounting of all export acquittals.</li> <li>• Increase control of our borders through introduction of Manifest Processing and matching, and increased focus on high-risk flows of goods, travellers, conveyances and craft.</li> </ul>
<p><b>Unfavourable public perception of poor state delivery and corruption</b></p> <p>Research and empirical evidence show that taxpayers' attitudes towards compliance and their willingness to comply is influenced by how they perceive their taxes to be utilised. Concerns about corruption in the public sector, poor service delivery and the quality of service delivery remain an issue. This has the potential to affect SARS' ability to achieve compliance due to loss of public confidence in government.</p>	<ul style="list-style-type: none"> <li>• Continue to collaborate with a broad range of key stakeholders and government partners to develop and implement platforms to improve efficiency and effectiveness of operations across the whole of government.</li> <li>• Continue with education and outreach programmes to build a culture of fiscal citizenship.</li> <li>• Improve the image of our staff to be that of a highly-skilled, professional and disciplined SARS workforce.</li> </ul>

## STRATEGIC RISKS FACING SARS

The risks we need to manage	How we will manage these risks
<p><b>Complex schemes used by large businesses to evade and avoid tax</b></p> <p>SARS has detected a trend among businesses, especially multinational enterprises, whereby domestic and international loopholes are used to take advantage of cross-border structuring and transfer pricing manipulations to evade or impermissibly avoid tax.</p>	<ul style="list-style-type: none"> <li>• Increase the capacity and capability of auditors dealing with large business taxpayers by ensuring that they are equipped to engage and deal with the complexities of this segment and facilitate quicker resolution of issues.</li> <li>• Work with other government agencies to identify cross-border risks.</li> <li>• Development of the skills pipeline for auditors in the transfer pricing unit to proactively deal with BEPS and Transfer pricing.</li> </ul>
<p><b>Low compliance of High Net-Worth Individuals (HNWIs)</b></p> <p>A significant number of HNWIs do not pay the correct amount of taxes timeously due to non-declaration of income sources, overstating expenses and splitting of income through trusts.</p>	<ul style="list-style-type: none"> <li>• Develop and acquire additional capacity and capability to tackle HNWIs effectively in dealing with trusts, and re-defining taxpayers in this segment. We will furthermore ensure the appropriate resource allocation to achieve the required focus and coverage.</li> </ul>
<p><b>Value-Added Tax (VAT) refund fraud</b></p> <p>The SARS VAT systems and processes continue to be placed under pressure as businesses respond to the slow economic recovery and the impact on their businesses. There is thus an increased chance of tax fraud, especially VAT fraud whereby businesses over-claim inputs and expenses or under-declare and/or non-declare outputs and income to protect their profits.</p> <p>There are also the payments of invalid refunds and the threat of identity fraud.</p>	<ul style="list-style-type: none"> <li>• Enhance our risk engines to ensure only legitimate refunds are processed and increase audit coverage for effective detection and deterrence.</li> <li>• Increase enforcement activities to address fraudulent claims.</li> <li>• Improve the VAT registration process to ensure accurate taxpayer accounts, including bank account details.</li> <li>• Cross-referencing of transactional data across an entity profile.</li> <li>• Develop and acquire additional capability and capacity to tackle VAT fraud effectively.</li> </ul>
<p><b>Significant debt book</b></p> <p>Growth of the debt book is mainly due to sub-optimal management of taxpayers' accounts in SARS, taxpayer errors and the impact of the slow economic recovery on taxpayers' ability and willingness to pay tax. While part of the growth is attributable to the slow economic recovery, manual paper-based processes pose challenges to the integrity of taxpayer accounts and thus the accuracy of the debt book.</p>	<ul style="list-style-type: none"> <li>• Elevate focus to clean up taxpayer accounts, as a parallel initiative to the clean-up of the register as well as outstanding returns.</li> <li>• Increase capacity and capability for dealing with the debt book and focus on responsive follow-up in line with the debt book age analysis.</li> <li>• Introduce differentiated reporting to split collectable debt from disputed debt and prioritise focus in each category.</li> <li>• Consider the most appropriate automation solution option.</li> </ul>
<p><b>Succession risk</b></p> <p>Delivery of the SARS strategy is heavily contingent on the continuity and stability of organisational leadership. Addressing the leadership challenge will therefore require a carefully planned transition through the identification of potential successors and ensuring an adequate grooming and hand-over process. SARS also faces a big challenge in addressing the gender equality imbalance in its leadership, which poses a threat in terms of government's employment equity objectives.</p>	<ul style="list-style-type: none"> <li>• Implement a representative skills pipeline for critical and leadership roles for development of employees.</li> <li>• Continue with the implementation of the SARS Talent Management Strategy.</li> <li>• Implement the SARS succession plan, which includes the identification of potential at an early stage as well as the targeted development of identified potential successors.</li> <li>• Employment Equity and representation is managed as a strategic priority on an ongoing basis with EXCO direction and oversight.</li> </ul>
<p><b>Commercial fraud on imports</b></p> <p>Incidents of import under-declarations not only create leakage of potential Customs duties and VAT, but also lead to risks of illicit capital flow and foreign exchange transgressions. We have noted an increase in the abuse of rules of origin, valuation regime and tariff classification.</p>	<ul style="list-style-type: none"> <li>• Invest in building a stronger and sophisticated transfer pricing, valuation and rules of origin capability in both our systems and people.</li> <li>• Participate in the trade and international Customs bodies and initiatives with other countries.</li> </ul>

## STRATEGIC RISKS FACING SARS

The risks we need to manage	How we will manage these risks
<p><b>Threat of global terrorism</b></p> <p>Terrorist organisations use global trade supply chains as their financing mechanism and South Africa may be seen as the weak link or the springboard of global terrorism through weakened Customs and Tax controls.</p>	<ul style="list-style-type: none"> <li>• SARS' participation in both domestic and global anti-terrorism bodies such as the Financial Action Task Force will assist SARS in the identification, mitigation and sharing of information regarding potential terrorist threats through the trade supply chain networks.</li> <li>• Deploy non-intrusive inspection technology at Ports of Entry such as container scanners, baggage scanners and body scanners.</li> <li>• Introduce Authorised Economic Operator Partnership Programme in alignment with WCO SAFE to support facilitation of secure trade.</li> <li>• Increase Customs Officer competencies and discipline to improve our detection and deterrence at Ports of Entry.</li> </ul>
<p><b>Implementation of the Customs Control Act and Customs Duty Act and New Excise Act</b></p> <p>SARS is required to make major systems, policy and procedural changes to implement the new Acts. The transition to new infrastructures and systems poses a risk to SARS operational continuity as well as to trade and border facilitation.</p>	<ul style="list-style-type: none"> <li>• Comprehensive design and planning of legislative implementation of NCAP in alignment with all SARS process and infrastructure requirements.</li> <li>• Ongoing involvement and co-creation with all stakeholders of the new Customs procedures and processes for NCAP.</li> <li>• Perform effective testing of all new systems required for implementation, both internally and with all stakeholders.</li> <li>• Perform effective training and pro-active development of Customs and Excise officers to be competent in the NCAP requirements.</li> </ul>
<p><b>Transitioning to the new operating model</b></p> <p>The SARS Operating Model Review Programme represents a major change programme that has the potential to significantly change employee and trade/taxpayer interactions with SARS, and could have far reaching consequences for the organisation's performance in the long-term. Given the scale of the review (in terms of impact and resources), SARS should ensure that progress against agreed key milestones and outcomes is actively monitored and reported. Failure to explicitly identify and manage risks associated with the operating model review program has the potential to significantly affect the organisation's transformation and achievement of its goals going forward. This could lead to a period of major uncertainty for employees and taxpayers, and cause serious disruption to service.</p>	<ul style="list-style-type: none"> <li>• SARS assigned Chief Officers to sponsor the various streams of the programme.</li> <li>• SARS implemented a dedicated project office to manage the programme.</li> <li>• A comprehensive and ongoing change management program forms part of implementing the programme.</li> <li>• Individual interventions from the project office and/or by top management take place as and when required.</li> <li>• Obtain buy-in and commitment from staff at all levels through involvement and participation during transition to the new operating model.</li> </ul>
<p><b>Excise duty risk</b></p> <p>Increased incidents of excise fraud and smuggling of excisable goods such as fuel and cigarettes undermine SARS' efforts to improve compliance and ensure a level playing-field for all taxpayers.</p>	<ul style="list-style-type: none"> <li>• Enhance specific excise risk rules in the SARS risk engines.</li> <li>• Create a specialised excise capacity within the Customs and Excise regime.</li> <li>• Increase targeted audits and inspections at the Excise manufacturing points and at ports of entry.</li> <li>• Introduce Excise markers and assurance mechanisms into the production cycle to help identify and track excisable goods.</li> </ul>
<p><b>IT Security threats including cybercrime</b></p> <p>The threat of security breaches (internal or external) remains an area of concern. Cybercrime is one of the top ten risks for most organisations around the world. Failure to focus on this area continuously to improve information security controls may compromise the integrity and security of SARS operations, resulting in loss/theft of confidential taxpayer information.</p>	<ul style="list-style-type: none"> <li>• SARS will roll out a three-year Information Security Roadmap focusing on governance and policies, confidentiality management, identity management, personnel and physical security, fraud management, and implementation of a Security Operations Centre.</li> <li>• SARS staff will form an integral part of the implementation of the information security roadmap.</li> </ul>

**Table 1: Strategic Risks Facing SARS**



05

SARS' STRATEGY  
FOR THE NEXT FIVE  
YEARS

## 05 | SARS' Strategy for the next Five Years

The South African government aims to build a faster and high growth economy that supports job creation and addresses income inequality in the country as set out in the National Development Plan. We contribute to five of these objectives namely:

- Raising employment through faster economic growth.
- Building the capability of the state to play a developmental, transformative role;
- Improving economic policy co-ordination and implementation.
- Building partnerships between the public sector, business and labour to facilitate and promote investment in labour intensive areas.
- Raising competitiveness and export earnings through improved trade facilitation, better infrastructure and public services, lowering the cost of doing business, improving skills and innovation, and targeting state support to specific sectors.

SARS supports these goals by providing more than 90 percent of the revenue required by government to meet its objectives, and by creating an enabling environment to stimulate growth and job creation. SARS' mandate is to ensure optimal compliance with all the laws that SARS administers, to ensure a sustainable revenue stream for government and a controlled and safe flow of goods across the country's borders. In addition, SARS must achieve compliance in the most efficient and cost-effective manner possible (develop high performing and efficient operations), and in a context of building institutional respectability for SARS. In executing this mandate, it is important that we do not impose a high administrative and compliance burden, on the fiscus and taxpayers respectively. We must provide fair, convenient and diligent service to aid taxpayer compliance.

Given this mandate and the wider government context in which SARS operates, SARS seeks to achieve five core strategic outcomes. These five core outcomes are: (1) Increased customs and excise compliance; (2) Increased tax compliance; (3) Increased ease and fairness of doing business with SARS; (4) Increased cost effectiveness and internal efficiencies; and (5) Increased public trust and credibility.

### OUTCOME 1: Increased Customs and Excise compliance

Customs and Excise supports the country's economic competitiveness in an ever-changing and fiercely competitive international trade and business environment, whilst ensuring compliance with the laws governing international trade. The mandate of Customs and Excise is to be the first line of control over the movement of goods across our country's borders. We also ensure that all excisable goods manufactured and administered within the country are correctly accounted for and compliant with the laws of the state.

For our compliant clients, we want to be a swift and seamless service. For those that do not comply, we want to crack down hard to ensure a fair and level playing field for importers, exporters and the domestic market. We need a balanced approach between measures that, on the one hand, cut red-tape and simplify trade and travel, and, on the other, maintain controls in order to ensure the safety and security of our economy and society. We achieve this by:

- Protecting the economy and society from unfair trade practices and dangerous, harmful as well as unsafe goods. We do this by applying tariffs, taxes and trade remedies; preventing dangerous and unsafe goods from entering or leaving South Africa; preventing smuggling; detecting commercial fraud; administering preferential trade schemes such as AGOA and trade agreements such as the



We want to **differentiate** our **engagement approach** based on level of **compliance**. Swift service for those that comply and a crackdown on those that don't

SADC Trade Protocol; enforcing South Africa's intellectual property rights (IPR) regime at the border; and ensuring compliance with government manufacturing and investment incentive schemes.

- Supporting economic competitiveness by delivering a service to the trading community that is transparent, consistent and predictable. We do this by using modern procedures and technology that minimizes delays at ports of entry. This includes the use of digital Customs processing systems, advanced risk management systems and non-intrusive inspection technology.
- Collecting revenue from a range of duties and taxes on imported and domestically produced goods. We also administer refunds for exported goods and ensure compliance with duty suspension regimes.
- Providing policy support and advice on a range of issues including multilateral trade negotiations, regional economic integration, the negotiation of free trade agreements and industrial incentive schemes.
- Providing trade statistics that support economic planning and the development of trade and industrial policies.

#### OUTCOME 2: Increased tax compliance

SARS seeks to increase voluntary compliance across a broader taxpayer base. In this regard, SARS wants taxpayers to calculate their tax liabilities correctly, file their returns on time, declare to SARS what their income is, and pay what is due to SARS. SARS will realise these compliance objectives through better understanding of taxpayer circumstances, needs, attitudes, abilities and behaviours. To this end, we will create a balance between our education, service and enforcement interventions. We will make it easier for taxpayers to meet their compliance obligations by educating taxpayers, simplifying tax administration requirements and making more efficient and cheaper service channels available to taxpayers. We will optimise our collection of tax revenues due through an agile approach to taxpayer segment and product compliance, by leveraging exchange of information and better utilisation of available data to optimise the selection of taxpayers whose affairs we want to scrutinise further.

For those taxpayers who choose not to comply we will invest in effective detection and deterrence mechanisms and tighten our enforcement capabilities. We will strengthen our enforcement capabilities through the use of our penalty regime to address those taxpayers and traders who persistently and deliberately do not comply. We will ensure that our employees have adequate capacity and capability, and have access to the expertise and resources required to effectively deal with deliberate non-compliance.



Customs and Excise facilitates **legitimate trade** by delivering a service to the trading community that is **transparent, consistent and predictable**

### OUTCOME 3: Increased ease and fairness of doing business with SARS

SARS seeks to make it as easy as possible for taxpayers and traders to register, file their returns, calculate their tax liability and pay the correct taxes and duties that are due. We want to reduce the cost of compliance for taxpayers and traders by simplifying our processes and requirements, improving the accuracy of taxpayer and trader information, and by being easily accessible to taxpayers and traders when they want to engage us through the channel of their choice.

Over the next five years, we will continue to integrate a customer centric approach into all of our operations by designing all of our services around taxpayer and trader needs and expectations. We will institute taxpayer and trader feedback-loops to monitor our service rigorously, from end-to-end, across all functions, and to feed learnings into our operations. We will resolve taxpayer and trader queries, complaints and disputes quickly when they arise.



We will continue to integrate a **service centric** approach into all our operations instituting **feedback loops** to monitor our service rigorously

We will continue our progress in offering tailored, cost effective and convenient service channels for taxpayers (and SARS), particularly with simplified online and mobile channels to ensure that SARS services and products are easily accessible to taxpayers and traders to file their returns and interact with SARS. We want to significantly reduce the need for taxpayers and traders to visit a SARS branch office, and migrate the majority of taxpayers and traders (who are able) to cheaper and convenient self-service digital channels. In this regard, taxpayers and traders will be able to meet their obligations at their convenience and leisure. We will, however, continue to provide support and education to those taxpayers and traders who need our assistance to meet their obligations, through our branch offices and call centres, and through proactive and face-to-face engagements via our mobile tax units and field tax officers. Through these engagements, we aim to show taxpayers how to use alternative channels so that in time they can become self-sufficient. As part of our efforts to be more accessible and to serve all areas of the country fairly and cost effectively, we will explore further collaborations with other government departments and private institutions to co-locate our offices on their premises or as part of a shared infrastructure.

We will continue to reach out to the young and newly employed people, and newly established businesses to form a relationship with them even before their obligations to register, file and pay tax commence. We will increase our education, outreach and engagements with key stakeholders (tax practitioner bodies, schools, universities, government departments and business forums) to promote tax compliance.

### OUTCOME 4: Increased Cost effectiveness and Internal Efficiencies

SARS seeks to maximise its performance through prudent and ethical management of all of its resources. We want to develop a high performance culture and efficient operations. In this regard we will identify, recruit and retain the right people (diverse, engaged and highly skilled) to maintain excellence in our operations and to enable implementation of future strategies. We want our employees to be highly skilled at addressing and resolving taxpayer and trader queries, and disciplined in maintaining organisational processes and governance. We will build and maintain a work environment that supports employee innovation, employee growth and development, by providing employees with the skills and tools they need to perform their jobs, and to be productive.

We also commit to practice prudent financial management to ensure that SARS divisions use resources efficiently and operate with fiscal responsibility and discipline. We will monitor our spending (look for savings and eliminate waste) to meet National Treasury budget conditions and requirements, and to increase overall cost efficiency.

We will continue to build an organisation that is performance and result driven, adheres to good governance and is guided by an explicit ethics, values and integrity framework throughout all its actions and interactions. We will continue to improve our internal systems of administered revenue accounting and the way we report our performance to comply with Generally Recognised Accounting Practice (GRAP).

Furthermore, we will continue to implement and streamline our governance processes to increase transparency, fairness and accountability in our key decision making processes and structures. We will continue to promote a collaborative approach in and out of SARS to achieve value chain efficiencies throughout our operations and throughout government.

Importantly, we will continue to adopt a zero tolerance approach to fraud and corruption within and outside SARS. We will continue to implement changes to our operating model to achieve our organisational transformation ambitions and core outcomes. We will redesign and refocus our operating model to eliminate duplications, and to achieve further efficiency improvements. We will continue to automate routine and high volume processes and functions to release resources for use in our compliance enhancing or taxpayer facing roles, and will continue to build a robust and secure Information Technology (IT) infrastructure to ensure that we successfully carry out the SARS mandate.

#### **OUTCOME 5: Increased public trust and credibility**

There is a world wide trend for organisations to increase their focus on staff and stakeholders as advocates in creating a culture of trust. In line with this trend, SARS has created a new outcome to focus on our engagement internally and externally to create an informed public thereby enhancing credibility.

For 16 years, the Edelman Trust barometer has measured trust in institutions, including business, media, NGO's and Government. Trust in all four institutions climbed to its highest level in 2016, ushered by a surge of trust among the informed public. SARS recognises the importance of this trend and will facilitate close alignment in stakeholder engagements and faster employee advocacy to increase trust in the institution and broader Government.

#### **How SARS will ensure accountability for the outcomes**

SARS ensures its accountability by measuring performance against targets set for each of these outcomes. We track progress through our annual strategic outcome measures presented in the SARS Annual Performance Plan. We report our progress on these measures and key achievements against our annual performance plan activities in the SARS Annual Report. We use this information to re-evaluate our planned strategies and future priorities.



SARS is an organisation that adheres to **good governance** and is guided by an explicit ethics, values and **integrity framework** throughout all its actions and interactions

## SARS philosophy on taxpayer and trader compliance

Compliance refers to the degree to which taxpayers and traders meet their obligations in terms of the legislation administered by SARS and this must manifest along the entire value chain, which includes on-time registration, on-time filing, full and honest disclosure, and on-time payment.

SARS understands that compliance ranges from conscious and determined non-compliance through 'grudging' compliance, to unwitting non-compliance (due to a lack of knowledge of legal requirements) and finally to willing and purposeful compliance. We also accept that a certain number of people will always do the right thing and comply, whether or not effective enforcement exists, others will always do the wrong thing and not comply, whether or not effective enforcement exists and some people fit between these two extremes, i.e. they will do the right thing if the circumstances are right for them.

Individual and societal values and norms affect compliance behaviour. Therefore, to ensure compliance, SARS must design, implement and manage a system that enhances perceptions of fairness, reduces administrative burden, and acts against infringements accurately and speedily. Historical factors, particularly the past political environment, fostered a legacy of widespread non-compliance, which SARS now seeks to address. The growing public perception of government inefficiency and corruption also affects our compliance efforts

We will utilise our understanding of the behaviour and reasons (root causes) that affect compliance, to instil a behavioural norm in which taxpayers and traders perceive compliance to legislation as a positive social value. We will focus our efforts to where we can have the biggest effect on non-compliance and tailor our services and interventions to the needs, abilities and behaviours of taxpayers and traders. This means that we will ensure that those taxpayers and traders who wilfully comply can look forward to speedy services, quick turnaround times, and quick payment of refunds legitimately due to them, and ease of trade for them and their trading partners. We will also ensure that all taxpayers and traders are aware of their legal obligations (education) and that it is reasonably easy to meet these obligations (service).

For those taxpayers and traders who choose not to comply we will always have a credible deterrent and ensure harsh consequences for their actions. We will focus more resources on identifying and tackling deliberate non-compliance, fraud, evasion and avoidance. In carrying out enforcement or deterrence measures we will apply a principle of proportionality, which matches the severity of the enforcement or deterrent action to the nature of the non-compliance. In other words, enforcement moves along a continuum from soft enforcement for unwitting non-compliance and for lesser degrees of non-compliance and first offences to hard enforcement for conscious, deliberate non-compliance, (e.g. multiple offenders, recalcitrant non-compliers and deliberate tax avoidance). SARS' coverage strategy therefore remains a combination of width (the need to ensure sufficient likelihood of detection of non-compliance), depth (sufficient thoroughness where it is necessary) and leverage (combined activities to have a broad impact on a segment).



Taxpayers and traders who **wilfully comply** can look forward to speedy service, quick turnaround times, quick payment of legitimate refunds and ease of trade

## Strategic shifts continue to align with the five core outcomes and inform our priorities

Since the establishment of SARS, we have focused our efforts on how we can transform the way SARS operates to fulfil its mandate in the most efficient and effective manner possible. When we adopted our Modernisation Programme in 2007, as the key driving force to the successful transformation of SARS, we also resolved to change the way we work and interact with taxpayers and traders to achieve the outcomes we seek. In this regard, we adopted eight cross-cutting fundamental strategic shifts in the manner in which SARS carries out its business. These strategies as outlined in the table below, focus on how we intend to work differently to achieve SARS' five core outcomes.

We have made great strides in making these shifts, but much work remains to focus on identified priorities for each outcome.

SARS STRATEGIC SHIFTS		
	FROM	TO
1	Targeting eligible taxpayers	Building fiscal citizenship among all South Africans to contribute to nation building and institutional sustainability.
2	Gate keeper	Risk management approach.
3	Entity and product approach	Integrated economic view (multi-product and transactional value chain).
4	Uniform service offering	Differentiated service offering (based on compliance behaviour and segment needs).
5	Manual	Automated/digital/self-service.
6	Isolated departmental view of SARS efficiency	Whole-of-government view with enhancement of value chain activities before and after it enters the SARS domain in order to build a chain of institutional respectability in the pursuit of service delivery excellence for SARS and its other government partners.
7	High administrative burden due to multiple registrations, multiple channels and manual forms	Reduced administrative burden through, for example, single registration, integrated channels and dynamic forms.
8	People performing below potential due to non-standardised internal processes, no value alignment and low skill/low value-add	People performing at their peak through, for example, values alignment and high skill/high value-add.

**Table 2: SARS Strategic Shifts**



# 06

SARS' FIVE-YEAR  
STRATEGIC PRIORITIES  
AND FOCUS

## 06 | SARS' Five-Year Strategic Priorities And Focus

For each outcome SARS has identified a specific focus to emphasise the nature of the work needed over the next few years to achieve the strategic outcomes desired.

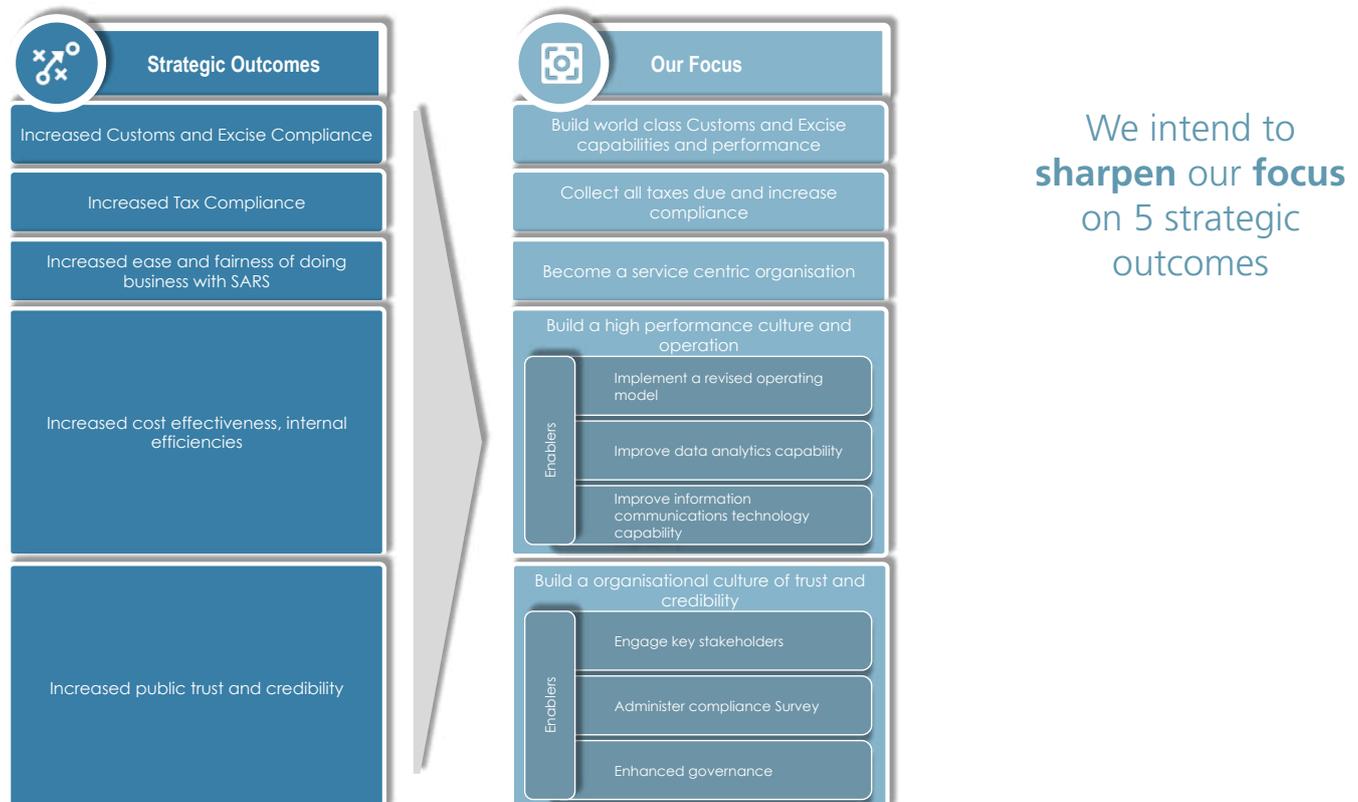


Figure 1: SARS' core outcomes and focus areas

### OUTCOME 1: Increased Customs and Excise compliance

***Our focus is on building world class Customs and Excise capabilities and performance.***

#### What SARS will do to achieve this priority

- Improve control over the flow of all goods and travellers entering and leaving the country.
- Identify, assess and respond to risks more effectively.
- Enhance the quality of inspections and audit to accurately verify identified risk.
- Modernise and align Excise processes and systems.
- Segment our customs and excise base to support compliance and improve service and trade administration.
- Enforce customs and excise compliance through harsh consequences for repeated non-compliance.
- Develop a professional and disciplined customs and excise workforce.
- Continue to adopt a whole-of-Government approach to improve border management.
- Improve service and trade administration based on an understanding of our clients and their needs.
- Implement the new customs and excise legal framework.

## Key initiatives

### **Improve control over the flow of all goods and travellers entering and leaving the country**

We will monitor and control the movements of all goods imported, exported and in transit via our ports of entry, and oversee appropriate interventions to mitigate risks and enable swift continuation of the movement of goods and travellers. We will significantly strengthen our Customs control capability and visibility to manage the risks associated with the increased flow of goods, craft and people.

SARS will:

- Develop the new manifest processing system to replace the manifest acquittal system in line with new international cargo reporting and cargo management standards
- Undertake focused physical verification interventions of goods and compliance checks by leveraging our presence and tools at key check-points at ports of entry.
- Enhance our automated traveller targeting capability at all our ports of entry, to allow for automated risk management of travellers. This also includes better data exchange between the different border agencies.

### **Identify, assess and respond to risk more effectively**

Customs and Excise follows a risk-based approach to fast-track legitimate trade and to target high-risk non-compliant traders, travellers, conveyances and goods. We will continue to improve our ability to identify which goods or travellers should be allowed entry and which should be stopped and checked for security or revenue reasons. SARS will focus on enriching its risk fields, risk rules, and analytical processes that enable the right risk-based triggers of enforcement activities, to minimise losses to the fiscus.

SARS will:

- Develop a segmentation model to profile all traders and clearing agents, thereby creating an entity-based risk model.
- Improve the accuracy of algorithm-identified risk by:
  - Improving the amount and quality of data fed into the system, including the use of third-party data from other Customs organisations and other government agencies.
  - Refine the risk rules used to detect risk.
  - Develop integrated feedback loops for all interventions, including post-clearance inspection and audit activities, to sustain a self-learning system.
- Increase the skills and knowledge of inspectors to better detect and deal with non-compliance.
- Acquire additional detector dogs, roll out Detector Dog Units (DDU) at other Customs centres, and facilitate DDU capacitation of BLNS countries, Zimbabwe and Mozambique.
- Deploy an additional 5 cargo scanners, 2 body scanners and 12 baggage scanners at our key ports of entry.



SARS will profile all traders and clearing agents to develop a **segmented** approach to **risk management**

### **Enhance the quality of inspections and audit to effectively address detected non-compliance**

Inspection and audit is required to verify risk detected. Highly skilled employees with a deep Customs and Excise knowledge are required to accurately identify contraventions against the Customs and Excise Act, and act in the correct manner to manage the risk. These employees will also need to be enabled by systems, processes and tools to effectively conduct their jobs.

SARS will:

- Develop a coordinated inspection, audit and enforcement model to manage the risk model defined during customer segmentation with streamlined processes.
- Enable employees through automated processes, access to live data and electronic central work flow management.
- Leverage technology (i.e. cargo scanners) to increase the coverage of physical inspections and reduce cost of inspections.

### **Modernise and align Excise processes and systems**

We will integrate excise activities into the new Customs and Excise operating model. This requires us to enhance the existing electronic platform to improve service standards and build an intelligence-driven risk and audit capability to provide a high standard of oversight to the different types of excise levies.

SARS will:

- Develop new automated excise processing and risk system.
- Review the Excise audit coverage model, audit standards and resource plan to meet Excise requirements.
- Introduce non-intrusive excise assurance systems that enable SARS to track-and-trace excise production and warehouse control.
- Upskill Customs officers on Excise.

### **Segment our Customs and Excise base to support compliance and improve service and trade administration**

We will work to segment our clients based on demonstrated compliance and provide differentiated interventions based on this compliance. We will reward and encourage legitimate trade through improved experience and fast processing time for compliant traders, based on a segmentation model. However, we will also review available measures so that consequences are harsh enough to deter non-compliance, which will be applied in a consistent manner nationally.

SARS will:

- Develop a compliance management model that segments clients and accords intervention based on compliance level and history.
- Review non-compliance consequences to make them harsher, including non-financial consequences (e.g. deregistration) and escalation of consequences.
- Provide officers and enable them with data and technology to consistently apply consequences correctly across all offices nationally.

### **Develop a professional and disciplined Customs and Excise workforce**

The ability of Customs and Excise to achieve its mandate directly depends upon its workforce. It is critical to recruit, train, and retain the exceptional personnel needed to achieve organisational objectives. SARS will enhance the professionalism and discipline of our workforce and instill a sense of confidence and pride in our officers



SARS will automate key Excise **processes** and provide automated **links** and **data matches** to Customs processes



The ability to achieve our Customs and Excise mandate depends on our **professional** and **disciplined** work force

in performing their individual and collective roles. Changes in global supply chains and international trade also mean that we must continuously re-skill and refresh our workforce. Of primary importance is the closing of capability and capacity gaps through focused skills development and mentoring programs.

SARS will:

- Continue to enhance the professionalism and discipline of our workforce and instill a sense confidence and pride in our officers in performing their individual and collective roles.
- Introduce a rotation policy for front-line officers in support of our anti-corruption efforts and to support career progression.
- Implement the Customs and Excise operating model, organisational structure and embed a culture of professionalism, discipline and service which includes improved resourcing.
- Establish the new Customs and Excise Centre of Excellence to improve the performance of our workforce, ensure consistency and compliance with our operational standards, policies and procedures, as well as hone the skills, knowledge and behaviours that we require.
- Implement national customs and excise training programmes to up-skill employees to the required level.

#### **Continue to adopt a whole-of-Government approach to improve border management**

SARS will:

- Initiate the single window concept with all relevant government agencies in line with WCO standards. This will enable clients access to a single electronic platform for all international trade regulatory requirements and enable government agencies to move towards a single intervention when it comes to the inspection of goods.
- Continue to support Government's creation of the Border Management Agency (BMA). Implementation of this initiative is yet to be finalised.
- Continue to support the establishment of One-Stop Border Posts between South Africa and Mozambique, and South Africa and Zimbabwe.
- Continue to implement the Swaziland and Mozambique pilot of the WCO SACU IT Connectivity initiative.
- SARS will continue to fight against the illicit trade and abuse of illegal substances by supporting the National Drug Master Plan (NDMP). SARS will develop and approve a Departmental Drug Plan by the end of September 2016.
- Support dti as co-chair of the national trade facilitation forum to prepare for the implementation of the World Trade Organisation Trade Facilitation Agreement and our new Customs and Excise legal framework.

#### **Implement the new Customs and Excise legal framework**

The Customs Control Act, and Customs Duty Act, 2014 collectively provide an effective legal framework that guarantees prompt, transparent and predictable Customs procedures that enable better control of vehicles, goods and people entering or leaving South Africa. It also makes it easier for our clients to comply. The development of processes and systems to support the implementation of the Customs Control Act and Customs Duty Act are underway. The subordinate legislation supporting the Acts will be finalised during 2016. Processes and systems

will be built and tested incrementally. With the co-operation from the business community, the Acts will be made effective once the system is found to be stable to ensure the minimum impact on the flow of trade and the economy. The phases envisaged for deployment are as follows:

- Phase 1: Registration, Licensing and Accreditation will be ready for implementation by the end of March 2017.
- Phase 2: Reporting of Conveyances and Goods, scheduled for the end of December 2018.
- Phase 3: Declaration Processing, will be ready for implementation by March 2018.

The rewrite of the current excise tax legislation will start in 2017/18. We have started with a discussion document on the background and context for the excise tax rewrite to elicit comment. The intention is to simplify the current excise tax legislation and to create cohesion with the new Customs legislation by applying a similar legal drafting style. It is expected that the rewrite would take at least two to three years to complete, due to industry-specific complexities that would require extensive consultations and buy-in and co-operation from clients.

SARS will:

- Develop the IT infrastructure to support the changes to processes as part of New Customs Acts Programme (NCAP).
- Train employees on new procedures, systems and policies to effectively implement NCAP.

## OUTCOME 2: Increased tax compliance

***Our focus is on collecting all revenues due and increasing compliance***

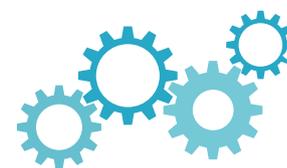
### What SARS will do to achieve this priority

- Implement end-to-end segment-based approach to taxpayer compliance management across priority segments (HNWI, Large Corporates, SMMEs).
- Strengthen enforcement capabilities.
- Improve capacity and capability to manage taxpayer debt.
- Improve case selection processes.
- Improve integrity of taxpayer registers.
- Continue to collaborate and work with other tax and customs jurisdictions on global compliance and enforcement issues, and to exchange information on individuals and companies for common revenue administration purposes. This initiative includes implementing the Special Voluntary Disclosure Programme, announced in the 2016 Budget speech.

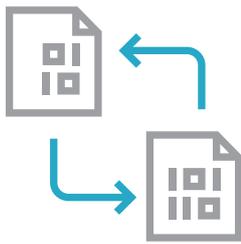
### Key initiatives:

#### **Conduct targeted compliance interventions in high risk areas**

Across priority segments there are significant levels of non-compliance. A segment-based approach will enable the development of effective segment-specific strategies



The development of processes and systems to support the implementation of the **Customs Control Act and Customs Duty Act** are underway



Increased use of 3rd party data to enhance taxpayer profiling

which will reduce non-compliance (e.g. BEPS in large corporates, tracking of HNWI assets, conducting interventions in high risk SMME industries), resulting in the broadening of the tax base. In addition, a segment-based approach will inform improved engagement practices which will result in a lower tax compliance burden for taxpayers.

**High Net-Worth Individuals (HNWIs) – SARS will:**

- Launch a comprehensive approach to understanding and managing compliance of HNWIs and their associated trusts.
- Conduct targeted interventions using risk profiling and auditing individuals and associated entities.
- Expand use of third-party data to identify individuals with a misalignment between their income and wealth, and the taxes they declare.
- Identify non-compliant tax practitioners, preparers and trade intermediaries and use legal and enforcement tools to ensure compliance with regulations.

**Large Corporates – SARS will:**

- Expand and strengthen BEPS team capacity and capabilities to improve compliance of Large Corporates.
- Identify non-compliant tax practitioners, preparers and trade intermediaries and use legal and enforcement tools to ensure compliance with regulations.

**SMMEs – SARS will:**

- Launch comprehensive approach (Including the use of 3rd party data targeted registration campaigns) to understanding and managing compliance of Small, Medium and Micro Enterprises (SMMEs).
- Deploy taskforces to conduct interventions in high-risk industries to increase compliant behaviour.
- Introduce improved turnover tax regime.
- Improve education and support for SMMEs through simplified and improved SARS processes and systems, and through tailored education and outreach programmes.

**High-risk industries – SARS will:**

- Continue to monitor and develop interventions for high-risk industries as identified in the compliance programme (e.g. illicit cigarettes, cash and carry, tobacco, construction, clothing and textiles).
- Update the compliance programme.

**Strengthen enforcement capabilities**

SARS will seek to improve the efficacy of its enforcement arm by ensuring it has the adequate skills to identify taxpayer non-compliance – especially in the area of individuals and corporates with complex affairs and who engage in aggressive tax planning. SARS will focus on skills and capacity development, and ensure its policies are optimal to enable the effectiveness of enforcement activities while being fair to taxpayers.

SARS will:

- Introduce physical and field inspection teams to execute compliance and enforcement campaigns to improve enforcement coverage and increase SARS visibility.
- Review and revise penalty regime to drive taxpayer compliance.

- Review legal policies to close legal loopholes and enable enforcement activities.
- Continue to conduct joint enforcement initiatives with other key government agencies and partners.

**Improve capacity and capability to manage taxpayer debt – SARS will:**

- Improve staff skills and revise KPIs to increase staff competency and productivity.
- Implement automated equalisation of debt across all tax types.
- Continue to use its powers to collect debt by recovering money from taxpayers' bank accounts as soon as debt becomes due and payable.

**Strengthen audit capabilities – SARS will:**

- Continue to develop specialised audit, legal and criminal investigation expertise to deal effectively with more complex cases of tax evasion, fraud and corruption.
- Increase capacity of audit teams to ensure adequate focus on priority segments.

**Improve case selection processes**

SARS will continue to refine and improve its risk detection capabilities to better identify and manage risks of non-compliance, and will revise risk engines to better identify risky behaviours by taxpayer segment.

SARS will:

- Introduce new risk engines for tax types (VAT – domestic and import, PAYE, Excise, Trusts) and taxpayer segments (HNWI, Large Corporates, SMMEs).
- Incorporate feedback of audit results into risk rule review and optimise processes to drive improved outcomes.
- Introduce dynamic risk scoring based on case selection and audit outcomes to improve risk engine effectiveness.
- Introduce case selection prioritisation to ensure optimal mix and coverage of audit cases annually.

**Improve integrity of taxpayer registers**

SARS seeks to ensure that it has an accurate and complete taxpayer register. SARS will continue to clean up the register and improve links to third-party data sources, in order to ensure up-to-date taxpayer information.

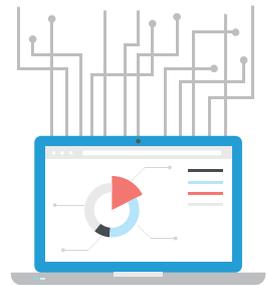
SARS will:

- Focus on cleaning up the taxpayer register through the use of 3rd party information and the completion of merging entities into the SARS Client Information System (CIS).
- Review and optimise the definitions of priority taxpayer segments.
- Identify trends regarding outstanding returns, as well as cross-product registration to inform targeted interventions to resolve anomalies.

**Continue to collaborate and work with other tax and customs jurisdictions on global compliance and enforcement issues, and to exchange information on individuals and companies for common revenue administration purposes**

SARS will:

- Continue to provide assistance to the South African government to increase effectiveness of treaties and agreements with other nations, tax jurisdictions and international organisations.
- Continue to develop and implement tools to securely share data and information under Automatic Exchange of Information agreements, such as the FATCA



SARS will extend its **risk engines** to include additional tax types and taxpayer-specific segments

agreement and the OECD's Common Reporting Standard.

- Collaborate with more regional tax jurisdictions to share data and information securely and easily.
- Review and revise international bilateral tax policy as needed to ensure enablement of improved compliance across all segments, in particular Large Corporates and HNWIs.
- Implement the Special Voluntary Disclosure in respect of off-shore assets and income. This initiative is in preparation and in line with the global standard for the automatic exchange of information between tax authorities, giving taxpayers and companies a priority window to disclose assets abroad and regularise both their tax and exchange control affairs.

### **OUTCOME 3: Increased ease and fairness of doing business with SARS**

#### ***Our focus is on becoming a more service centric organisation***

##### **What SARS will do to achieve this priority**

- Reduce volumes of manual activity for SARS and taxpayers through automation and digital migration.
- Deliver effective service by integrating a service centric approach into all operations.
- Improve efficiency of our service operations and our education activities.
- Create the service channel network of the future in order to deliver easy, convenient and accessible service to all areas of the country as fairly and cost effectively as possible.
- Implement a new Client Information System to have a single view of taxpayer interactions with SARS and to reduce the administrative burden for taxpayers.

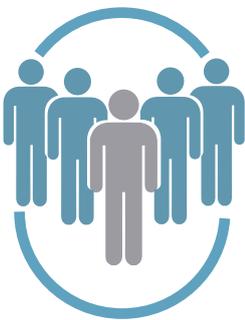
##### **Key initiatives**

#### **Reduce volumes of manual activity for SARS and taxpayers through automation and digital migration**

SARS aims to make it as straightforward as possible for taxpayers to comply and aims to provide its services in a responsibly cost-effective manner. For these reasons it is imperative that SARS makes it possible to conduct registration, declaration, compliance, inquiry and other activities through convenient low-cost non-branch channels.

SARS will:

- Enhance the functionality of the eFiling channel, make it more user-friendly (including mobile), and improve the support offered in order to make it suitable to more taxpayers.
- Introduce at-home options for account management, case queries and document printing to reduce the number of engagements that are forced to take place in branches.
- Automate case status notifications so taxpayers do not have to spend time calling the contact centre or visiting branches to establish simple case status information.
- Implement an automated Tax Compliance Status (TCS) system, which will replace



Our focus is on becoming a **more service centric** organisation

the manual TCC process, with a paperless solution to reduce administrative burden, and to enable electronic verification to reduce fraud and corruption.

- Improve collaboration with banks and other partner-institutions on registration, payments and other processes in order to increase ease and efficiency for SARS and taxpayers.
- Increase automation of remaining manual processes; particularly de-registration of taxpayers and assessment of estates which we aim to automate in collaboration with the DHA, CIPC and the Master of the High Court.

### **Deliver effective service by integrating a service centric approach into all operations**

SARS aims to continue to integrate a service centric approach into all our operations from service channels to back-office functions. The aim is to make it easy for taxpayers to comply, and for them to trust that SARS has and will continue to treat them fairly.

SARS will:

- Continue to simplify forms, internal processes and compliance procedures by removing bottlenecks and red tape to make compliance easy for taxpayers and traders.
- Enhance customer feedback-loops to monitor service delivery rigorously, and to tailor service interventions and programmes.
- Enhance the SARS Contact Centre by equipping agents with the information and capabilities to resolve more queries and improving authentication procedures.
- Improve knowledge management so both agents and taxpayers have better access to tax laws and procedures, and can resolve queries more accurately and promptly.
- Continue to enhance our services offered to SMMEs, building upon the already established dedicated service desks.
- Improve the SARS complaints management process to ensure prompt resolution of taxpayer complaints, and enhance the dispute resolution management process to improve efficiency of objections, appeals and other disputes.
- Continue to work closely with the Office of the Tax Ombud (OTO) to ensure efficient and effective resolution of taxpayer complaints.
- Develop and implement a single-service philosophy for all taxpayer channels to deliver a uniform taxpayer experience and support this with the roll-out of the taxpayer service charter.

### **Improve efficiency and consistency of our service resources**

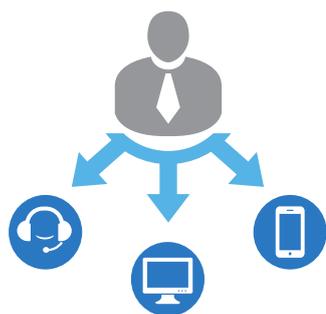
SARS is already a highly effective and highly cost-efficient tax administration body. We see it as our responsibility to continuously improve in these areas, and in order to do this we strive to monitor our operations performance, share best practices, use our resources in the best way possible, and look for cost saving opportunities.

SARS will:

- Improve our branch workforce management tools to improve the accuracy and visibility of our service activity so we can drive best practices in all our branches.
- Optimise the effectiveness of our revenue-generating outbound calls by reviewing how to best allocate this activity across different regions and branches, and what systems and internal procedures will aid us in getting the most out of this activity.
- Accelerate digitisation of old records to reduce storage costs and improve efficiencies.



SARS will implement an automated **Tax Compliance Status** system to reduce administrative burden, fraud and corruption



SARS will enhance its **channel offering** so taxpayers can conveniently fulfil most of their service and compliance needs

### **Deliver effective education and outreach programmes to build better understanding amongst all South Africans of their tax responsibilities and how to meet them**

In an effort to increase taxpayer compliance and fiscal citizenship, taxpayer education plays a pivotal role in highlighting the importance of paying taxes and complying with all fiscal obligations.

SARS will:

- Continue to make a case for tax education for inclusion into the Department of Education school curriculum to drive a culture of fiscal citizenship.
- Enhance our internal evaluation capability of education interventions to better understand which are the most effective and use this insight to inform a co-ordinated education plan that supports SARS strategy, and is in turn supported by communications.
- Improve access to education initiatives by better communicating when events are happening, making information easier to find and offering online tutorials.
- Increase engagement with provincial education departments, institutions of higher learning and other partners to increase reach and effectiveness of our education activities.
- Implement a new language policy to be more inclusive in terms of the eleven official languages of the country, and to reach out to the majority of South Africans.
- Continue to expand our communication with the South African public through effective media partners, so that they all understand the messages that SARS disseminates through our television and radio adverts.

### **Create the service channel network of the future in order to deliver easy, convenient and accessible service to all areas of the country as fairly and cost effectively as possible**

We want all taxpayers to be able to engage with SARS in a convenient manner when they need to, whether this is at home through self-service digital channels, via the contact centre, or in face-to-face interactions. There are three aspects to this ambition: enhancing our channel agnostic offering; ensuring taxpayers in rural areas have access to in-person contact and ensuring taxpayers with complex needs (e.g. exempt status charities) can have their needs met without having to travel to distant cities.

SARS will:

- Enhance our channel offering so taxpayers can conveniently fulfil most of their service and compliance needs without needing to visit a branch office.
- Continue to review our tax, excise, customs, and branch office footprint in light of economic and demographic changes to ensure that we have a suitable level of coverage.
- Explore co-location opportunities with other government departments and agencies in order to improve our coverage e.g. Thusong Centres.
- Deploy additional SARS branch offices and mobile tax units to expand our footprint to ensure service delivery and accessibility to all South Africans.
- Continue to refurbish our branch offices to ensure standardisation and to drive the same "Look and Feel" campaign.
- Deploy self-service facilities at strategic public points like shopping centres and malls to reduce the volumes of taxpayers physically visiting our branch offices, and to migrate them to cheaper self-service channels.
- Roll out "One-Stop-Shop" branch concept so that most services are within easy and accessible reach for traders and taxpayers, including Large Corporates.

## OUTCOME 4: Increased cost effectiveness and internal efficiencies

***Our focus is on building a high performance culture and operations***

### What SARS will do to achieve this strategic priority

- Implement a revised operating model to ensure we remain effective and efficient in executing our mandate.
- Increase our data analytics, both in the collection and usage of data to enable better decision-making.
- Improve our information communications technology capability.
- Identify, recruit and retain the right diverse, engaged and highly skilled people.
- Practice prudent financial management to ensure that SARS divisions use resources efficiently and operate with fiscal responsibility and discipline.

### Key initiatives

#### **Implement a revised operating model to ensure we remain effective and efficient in executing our mandate**

The operating model redesign is focused on creating greater functional and role clarity, reduce duplications and achieve further efficiency improvements.

SARS will:

- Complete recruitment of staff to fill vacant positions.
- Complete transitioning affected areas of the organisation into the new operating model.
- Implement a new tax, customs, and excise institute to increase SARS employee expertise in tax, customs and excise matters. The Tax, Customs and Excise Institute will develop and provide specialised training.

#### **Increase our data analytics, both in the collection and usage of data to enable better decision making**

In order to improve understanding of tax avoidance and evasion risks, SARS will continue to build on its data analytics infrastructure and capabilities.

SARS will:

- Build a dedicated enterprise-wide data analytics capability.
- Increase our capacity and capability to analyse and transform data into well-packaged information and data products to inform optimal decision-making and actionable insights.
- Enhance the hardware and software used in data capture, cleaning, extractions, and analysis, as well as the networking and infrastructure capabilities needed to transfer data and provide end-user access.
- Establish an information nerve centre to visualise the organisation's data assets and enable executive monitoring and decision-making.
- Leverage existing third party data sources and introduce additional sources.
- Roll-out PULSe – a data product that provides management with information at their fingertips across all devices.
- Create organisational structures, culture and value systems that support data-based analytic decisions.
- Elevate the organisation's data analysis capabilities to drive data fluency within the organisation.



Transform the  
**analytic process**  
to shape the  
organisation's data  
analysis capabilities

### **Improve our information communications technology capability**

SARS recognises that in order to continue to provide a high level of service to its customers and to increase operational and cost efficiencies, investments are required to maintain our information services and technology infrastructure.

SARS will:

- Implement our new IT strategy
  - Commence with the deployment of our next generation application portfolio and technology enablement.
  - Implement our envisaged “Always-on” infrastructure.
  - Ensure the pro-active capacitation of our staff to be self-sufficient in all critical technology stacks.
- Continue to enhance the security of IT platforms and digital channels used by taxpayers, traders and SARS’ staff.
- Implement a revised IT governance framework.
- Ensure optimal value for money from its IT contracts by introducing a new vendor management process.
- Focus on talent management of highly skilled IT specialists to ensure continued and smooth operation of the SARS IT infrastructure and service channels.
- Conclude the tender process for the refreshing of our network and related services.
- Continue to enhance our existing applications to cater for the introduction of new business requirements.
- Continue to upgrade the versions of our technology stacks to ensure we remain current and qualify for extended Original Equipment Manufacturer (OEM) support, as and when required.
- Continue to refresh our IT assets, in line with their economic useful life and integrated compatibility requirements.



SARS will focus on building a **high performance** culture and operations

### **Identify, recruit and retain the right, diverse, engaged and highly skilled people**

In order to maintain excellence in our operations and to enable implementation of future strategies, SARS requires a highly skilled and capacitated workforce. We want our employees to be highly skilled at addressing and resolving taxpayer and trader queries, and disciplined in maintaining organisational processes and governance. We will build and maintain a work environment that supports employee innovation, growth and development, by providing employees with the skills and tools they need to be productive.

SARS will:

- Provide comprehensive human capital management services in pursuance of SARS’ strategic objectives.
- Drive a values-based culture in pursuit of service excellence, cost efficiency and integrity.
- Facilitate skills development and retraining to better align our people to the demands of the new operating model.
- Strengthen the SARS employee value proposition to attract and retain top talent.
- Implement a new model for the SARS Tax, Customs & Excise Institute to provide quality specialised training to our employees and a high-end research capability.
- Develop and implement a new approach to workforce, capacity and vacancy planning to build adequate staff capacity and capability for the organisation.
- Integrate the recruitment process with planning, capacity and talent

management processes to ensure that we attract the right skills and people into the organisation, whilst sustaining increased effectiveness and productivity as envisaged in the new operating model.

- Provide employees with the right skills and tools needed to perform at their peak, and to increase productivity.
- Continue with the SARS graduate recruitment programme to create a talent pool and pipeline for the organisation.
- Implement an integrated Talent Management plan that identifies, recognises and rewards talent, accelerates high performers, and builds potential successors for key leadership and critical roles.
- Transition the current performance management system to more closely align with the Balanced Scorecard approach.

### **Practice prudent financial management and discipline to ensure that SARS operates within its budget allocation, and to increase cost efficiency**

Recognising the significant financial constraints which the Minister of Finance outlined in his 2016 Budget Speech, SARS re-commits itself to fiscal prudence. We will continue to drive efficiencies in our procurement systems and drive efficiencies in both our capital and operational expenditure. We will monitor our spending (look for savings and eliminate waste) to meet National Treasury budget conditions and requirements and to increase overall cost efficiency.

SARS will:

- Implement a new procurement and sourcing strategy to reduce procurement turn-around times and improve the efficiency and effectiveness of our procurement spend.
- Integrate our procurement processes with the National Treasury's Central Supplier Database (CSD).
- Implement an integrated reporting tool to minimise unauthorised and irregular spending, and to eliminate fruitless and wasteful expenditure.
- Implement processes to improve spending on SARS initiatives.
- Implement a new corporate real estate strategy to reduce the cost of managing our building portfolio.

## **OUTCOME 5: Increased public trust and credibility**

***Our focus is on building a culture of engaged staff and stakeholders through trust and credibility.***

### **What SARS will do to achieve this priority**

- Engage with key stakeholders and support the review of tax policy to ensure that we deliver on our mandated objectives.
- Review SARS values.
- Gauge public opinion on tax compliance.
- Continue to implement and streamline our governance processes.
- Continue to adopt a zero tolerance approach to fight fraud and corruption.



SARS will continue to implement the SARS **graduate recruitment programme** to create a talent pool for the organisation

## Key initiatives

### Engage with key stakeholders and support the review of tax policy to ensure the we deliver on our mandated objectives

In order to deliver on this objective, SARS will proactively engage stakeholders to ensure alignment around objectives and make proactive suggestions around tax policy matters.

SARS will:

- Continue to promote a collaborative approach with the Ministry of Finance and National Treasury.
- Continue to partner with other government departments to achieve value chain efficiencies throughout our operations and the wider state.

### Review SARS values

We will express our values through honest and ethical engagement. Employees are essential advocates and SARS aim to build a culture of trust amongst our staff, leadership and stakeholders. A key activity is to review and approved a set of values that will govern behaviour in our organisation. This review process will be completed by the end of June 2016.

### Gauge public opinion on tax compliance

SARS' definition of tax compliance is the inclination and willingness to comply with tax reporting requirements as a function of knowledge and understanding of tax issues, ethics, tax morale of citizens, socio-economic factors, service experience and influence from peers and social networks.

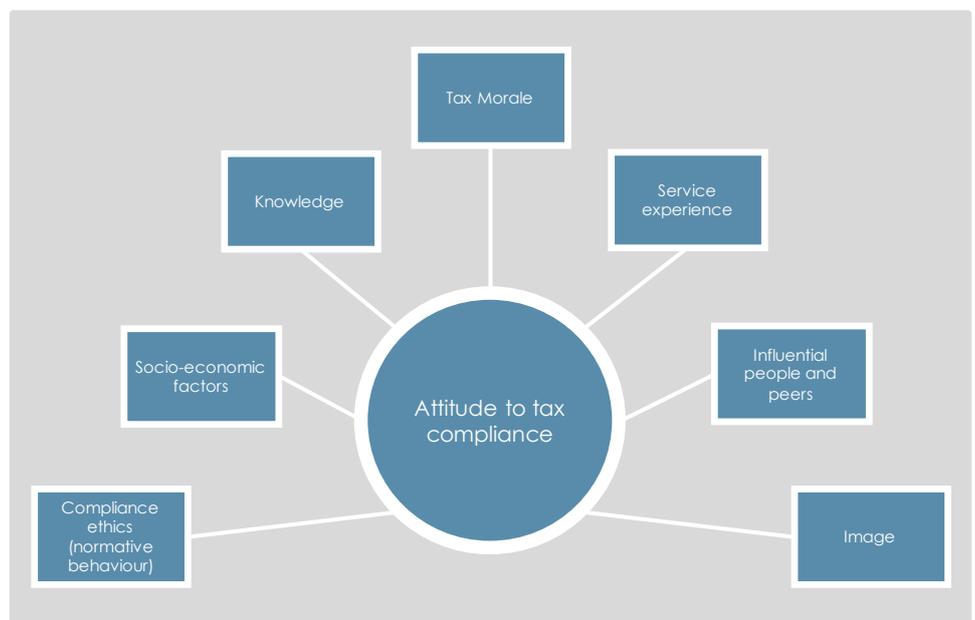


Figure 2: Attitude to Tax Compliance

SARS commissioned a study primarily to gauge public opinion on tax compliance while simultaneously looking at the drivers of tax compliance on an annual basis to inform various other key initiatives.

### **Continue to implement and streamline our governance processes**

Continue to build an organisation that is performance and results-driven, adheres to good governance and is guided by an explicit ethics, values and integrity framework throughout all its actions and interactions. We will continue to improve our internal systems of administrated revenue accounting and the way we report our performance to comply with Generally Recognised Accounting Practice (GRAP)

SARS will:

- SARS will migrate to Generally Recognised Accounting Practice Standards (GRAP23) and Account Management Reform for SARS administered revenue to ensure legislative compliance.
- Implement a new code of conduct and ethics framework to ensure that employees continue to live out the SARS values.
- Enhance effectiveness of governance committees and processes to improve decision making.
- Review the enterprise-wide risk management framework to effectively manage key risks facing the organisation.

### **Continue to adopt a zero tolerance approach to fight fraud and corruption**

Recognising that corruption fundamentally harms the developmental objectives of the State and robs our citizens of the resources required to build better lives, SARS commits itself to adopting a zero tolerance approach to fraud and corruption.

SARS will:

- Continue to improve controls in our refund processing, to reduce the amount of fraudulent refunds claimed by taxpayers and criminals.
- Ensure the security of our internet access channels, web-enabled and internet connected services against threats.
- Continue to operate the suspicious activity reporting system, which allows both members of the public and employees to inform SARS of any tax and customs non-compliance by individuals or entities and corruption perpetrated by SARS employees.
- Continue to operate our Voluntary Disclosure Programme (VDP) and special voluntary disclosure initiative as announced in the 2016 budget speech for those taxpayers who wish to disclose previously undisclosed income.
- Continue to run campaigns to educate and deter those taxpayers, traders, public and employees thinking about or currently committing tax and customs fraud or corruption.
- Continue collaborations with other key stakeholders involved in anti-corruption activities and strengthen our capabilities to recover monies stolen by criminals.
- Implement controls to strengthen our physical and information security systems, including the security of taxpayer and trader information.



SARS will implement **controls** to strengthen our physical and information security systems including the **security** of taxpayer and trader information



MEASURING SARS'  
PERFORMANCE

## 07 | Measuring SARS' Performance

### Aligning our performance with the government-wide performance measurement framework

We seek to align SARS' performance management and reporting processes with the Government's outcomes-based approach to measuring and assessing the performance of government entities. The SARS Strategic Plan 2016/17 – 2020/21 provides the basis for the organisation's outcomes-based performance management and planning processes. This Strategic Plan describes our long-term objectives and actions that describe the measurable outcomes we seek to achieve over the next five years.

From the Strategic Plan, we develop our annual business plans, annual budgets and annual performance measures which are presented in the SARS 2016/17 Annual Performance Plan. We report on the performance of SARS in the Annual Report and we use this performance information to track our progress towards achieving the long-term goals as set out in the Strategic Plan.

In developing and setting out our performance measures, we continue to look for new ways to better reflect and report our performance in a more meaningful way. We rely on accurate data, including efficient and effective systems of gathering and analysing data. In this regard, we have updated some of our strategic outcome measures to reflect appropriate targets and baselines for this planning period. This also reflects our measured approach to how we are transitioning the organisation to outcomes-based performance measurement and reporting. We also continue to focus on creating the smallest and most meaningful set of strategic outcome measures that we can use as a tool to measure and report our performance.

## SARS' outcome measures and five-year targets

**Increased Customs and Excise Compliance:** SARS seeks to further government's aim of growing the economy and creating employment through effective and efficient trade and travel facilitation and effectively combating illicit trade activities.

Strategic Outcome	Measures	Baseline	Targets				
			2016/17	2017/18	2018/19	2019/20	2020/21
Increased Customs and Excise Compliance	Customs and Excise revenue collected (R billion)	Actual Collections for 2015/16	As agreed with Minister of Finance				
	% Audit coverage of trade	26.42	25.00	20.00	20.00	15.00	15.00
	% Of goods declarations targeted	13.39	13.00	13.00	13.00	13.00	13.00
	% Compliance to Excise Framework	66.00	70.00	75.00	80.00	85.00	85.00
	*Interfront Governance - Unqualified audit report by Auditor-General	Unqualified audit report					

**Baselines are 2014/15 actual achievements, unless otherwise stated**

\*International Frontiers (Interfront) is a wholly owned subsidiary of SARS responsible for the development of Customs software.

**Increased Tax Compliance:** SARS seeks to increase voluntary compliance across a broader taxpayer base. In this regard, SARS wants taxpayers to calculate their tax liabilities correctly, file their returns on time, report their income accurately and duly pay what is due.

Strategic Outcome	Measures	Baseline	Targets				
			2016/17	2017/18	2018/19	2019/20	2020/21
Increased Tax Compliance	Total revenue (excluding Customs and Excise revenue) collected (R billion)	Actual Collections for 2015/16	As agreed with Minister of Finance				
	Debt Book as a % of revenue	7.65*	7.00	6.40	6.00	6.00	6.00
	% PIT filing compliance	94.49	92.00	92.00	92.00	92.00	92.00
	% PIT payment compliance	42.28	50.00	60.00	70.00	75.00	80.00
	% CIT filing compliance	39.59	50.00	60.00	70.00	75.00	80.00
	% CIT payment compliance	66.64	70.00	75.00	80.00	85.00	90.00
	% VAT filing compliance	54.62	60.00	70.00	80.00	90.00	90.00
	% VAT payment compliance	82.85	85.00	90.00	90.00	90.00	90.00
	% PAYE filing compliance	62.41	65.00	70.00	75.00	80.00	85.00
	% PAYE payment compliance	84.16	85.00	90.00	90.00	90.00	90.00
	% Audit coverage of registered taxpayers (PIT, CIT, VAT, PAYE & Trusts)	12.11	12.00	12.00	12.00	12.00	12.00

**Baselines are 2014/15 actual achievements, unless otherwise stated**

\*The definition of Debt Book refers only to collectable and established debt, with specific exclusions for debt under objection, dispute and older than 4 years.

**Increased ease and fairness of doing business with SARS:** SARS seeks to make it as straightforward as possible for taxpayers and traders to register, file their returns, calculate their tax liability and pay the correct taxes and duties due. We want to reduce the costs of compliance for taxpayers and traders by simplifying processes and requirements to improve our data accuracy, and by being easily accessible to taxpayers and traders when they want to contact us.

Strategic Outcome	Measures	Baseline	Targets				
			2016/17	2017/18	2018/19	2019/20	2020/21
<b>Increased ease and fairness of doing business with SARS</b>	% System Uptime for e-channels	99.00	99.00	99.00	99.00	99.00	99.00
	% Uptake of PIT eFiling channel	53.90	60.00	65.00	70.00	75.00	80.00
	Average processing turn-around time for PIT returns (working days)	0.05	Less than 1 day				
	Average processing turn-around time for CIT returns (working days)	0.63	Less than 1 day				
	Average processing turn-around time for VAT refunds (working days)	32.85	21.00	21.00	21.00	21.00	21.00

**Baselines are 2014/15 actual achievements, unless otherwise stated**

**Increased cost effectiveness and internal efficiencies.** SARS seeks to maximise its performance through prudent management of its resources.

Strategic Outcome	Measures	Baseline	Targets				
			2016/17	2017/18	2018/19	2019/20	2020/21
Increased cost effectiveness and internal efficiencies	Treasury allocation to revenue percentage	0.97	Between 0.95 and 1.00				

Baselines are 2014/15 actual achievements, unless otherwise stated

**Increased public trust and credibility.** SARS seeks to maximise its employee engagement and stakeholder management, good governance, and to minimise the incidence of corruption and fraud within and against the organisation.

Strategic Outcome	Measures	Baseline	Targets				
			2016/17	2017/18	2018/19	2019/20	2020/21
Increased public trust and credibility	Employee Engagement (%)	66.42	-	66.00	-	67.00	-
	Leadership Effectiveness Index (%)	86.53	88.00	88.00	88.00	88.00	88.00
	Employment Equity: Demographics (%)	72.62	75.10	76.60	78.30	78.40	78.50
	Employment Equity: Gender on management level (%)	48.52	48.70	48.90	49.00	49.10	49.20
	Employment Equity: Disability (%)	1.95	1.40	2.20	2.90	2.95	3.00
	Public opinion index (%)	73.00	74.50	75.50	76.50	77.50	78.50
	Unqualified audit report by Auditor-General	Unqualified audit report	Unqualified audit report				

Baselines are 2014/15 actual achievements, unless otherwise stated



08

SARS' RESOURCE  
PLAN

## Expenditure estimates over the medium-term

SARS' projected funding and expenditure for 2016/17 to 2018/19 is presented in Table 3 below.

Expenditure Estimates R'000	2016/17	2017/18	2018/19
<b>Budget Grant</b>	<b>10 009 151</b>	<b>11 078 483</b>	<b>11 037 098</b>
Interest income	67 344	65 327	67 938
Other income	300 422	303 426	306 458
Roll-over funding	-	-	-
<b>Total Funds Available</b>	<b>10 376 917</b>	<b>11 447 236</b>	<b>11 411 494</b>
<b>Funding Allocation</b>			
Baseline Expenditure (BAU)	10 299 533	11 025 885	11 362 072
Projects	77 384	421 351	49 422
<b>Total Allocation (Budget)</b>	<b>10 376 917</b>	<b>11 447 236</b>	<b>11 411 494</b>

**Table 3: SARS' projected expenditure**

Other income refers to commission received from the Department of Labour for services rendered in the collection of Unemployment Insurance Fund and Skills Development Levy.

SARS is in the process of applying for roll-over funds (not included in the table above). This will be subject to National Treasury approval in line with section 53 (3) of the Public Finance Management Act.

## Expenditure estimates per Strategic Outcome

SARS' projected expenditure for each Strategic Outcome for 2016/17 to 2018/19 is presented in Table 4 below:

Strategic Outcomes	Full Time Equivalents 2016/17	Budget 2016/17 R'000	Budget 2017/18 R'000	Budget 2018/19 R'000
<b>Increased Customs and Excise Compliance</b>	<b>2 637</b>	<b>1 680 106</b>	<b>1 906 816</b>	<b>1 835 264</b>
Personnel Expenses		1 142 658	1 225 440	1 269 413
Goods & Services		483 709	517 825	533 335
Information Technology		115 918	124 094	127 810
Land and Buildings		149 037	159 549	164 328
Audit & Legal Fees		33 119	35 455	36 517
Administration		185 634	198 727	204 679
Capex - Business as usual		29 602	29 500	23 115
Projects		24 137	134 051	9 400
<b>Increased Tax Compliance</b>	<b>6 074</b>	<b>4 484 075</b>	<b>4 841 634</b>	<b>4 938 551</b>
Personnel Expenses		3 086 957	3 310 593	3 429 735
Goods & Services		1 306 766	1 398 931	1 440 978
Information Technology		313 159	335 245	345 322
Land and Buildings		402 633	431 030	443 985
Audit & Legal Fees		89 474	95 784	98 663
Administration		501 501	536 871	553 008
Capex - Business as usual		79 972	79 695	62 454
Projects		10 380	52 415	5 385
<b>Increased Ease and Fairness of Doing Business with SARS</b>	<b>3 757</b>	<b>2 214 246</b>	<b>2 408 764</b>	<b>2 438 356</b>
Personnel Expenses		1 522 041	1 632 310	1 690 734
Goods & Services		644 308	689 752	710 349
Information Technology		154 405	165 295	170 231
Land and Buildings		198 520	212 522	218 868
Audit & Legal Fees		44 116	47 227	48 637
Administration		247 268	264 708	272 613
Capex - Business as usual		39 431	39 294	30 788
Projects		8 465	47 407	6 485
<b>Increased Cost Effectiveness and Internal Efficiencies</b>	<b>1 330</b>	<b>1 364 506</b>	<b>1 619 167</b>	<b>1 501 673</b>
Personnel Expenses		922 806	989 669	1 024 451
Goods & Services		390 641	418 197	430 416
Information Technology		93 615	100 218	103 146
Land and Buildings		120 362	128 852	132 617
Audit & Legal Fees		26 747	28 634	29 470
Administration		149 917	160 492	165 182
Capex - Business as usual		23 907	23 824	18 655
Projects		27 152	187 477	28 152
<b>Increased Public Trust and Credibility</b>	<b>679</b>	<b>633 984</b>	<b>670 854</b>	<b>697 650</b>
Personnel Expenses		432 461	463 734	485 034
Goods & Services		183 069	195 957	203 784
Information Technology		43 871	46 960	48 836
Land and Buildings		56 406	60 377	62 789
Audit & Legal Fees		12 535	13 417	13 953
Administration		70 257	75 203	78 207
Capex - Business as usual		11 204	11 163	8 832
Projects		7 250	-	-
<b>Grand Total</b>	<b>14 477</b>	<b>10 376 917</b>	<b>11 447 236</b>	<b>11 411 494</b>

Table 4: SARS' projected expenditure by outcome

## Projected Human Resource capacity

The SARS headcount is envisaged to remain fairly stable during this period with a staff establishment of 14,477. As outlined in this document, SARS will develop an integrated workforce and capacity plan that will inform our staff establishment in line with our new operating model, within the parameters of cost containment and affordability.

Grade	Headcount	Vacancies	Projected capacity
10	1	0	1
9B	6	2	8
9A	31	9	40
8B	80	51	131
8A	321	83	404
7	1 262	100	1 362
6	2 351	150	2 501
5B	639	17	656
5A	2 407	57	2 464
4B	1 480	36	1 516
4A	3 300	47	3 347
3B	880	10	890
3A	556	4	560
2	39	1	40
1	97	3	100
0	12	0	12
2LI	99	0	99
2GT	292	19	311
2GA	33	0	33
NG	2	0	2
<b>Grand Total</b>	<b>13 888</b>	<b>589</b>	<b>14 477</b>

Table 5: SARS projected Human Resource Capacity

## Human Resources Demographics

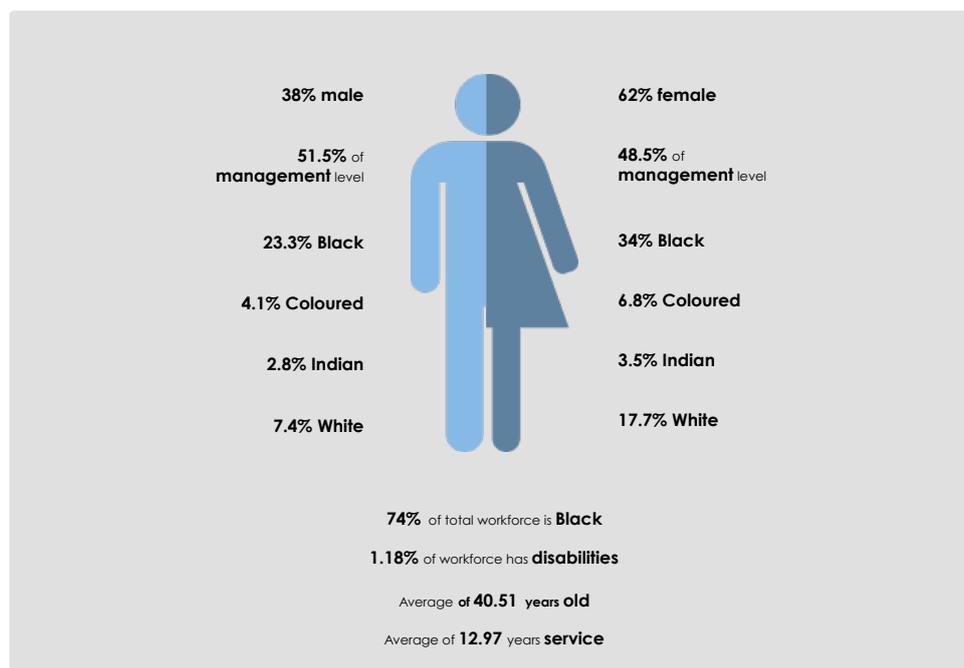
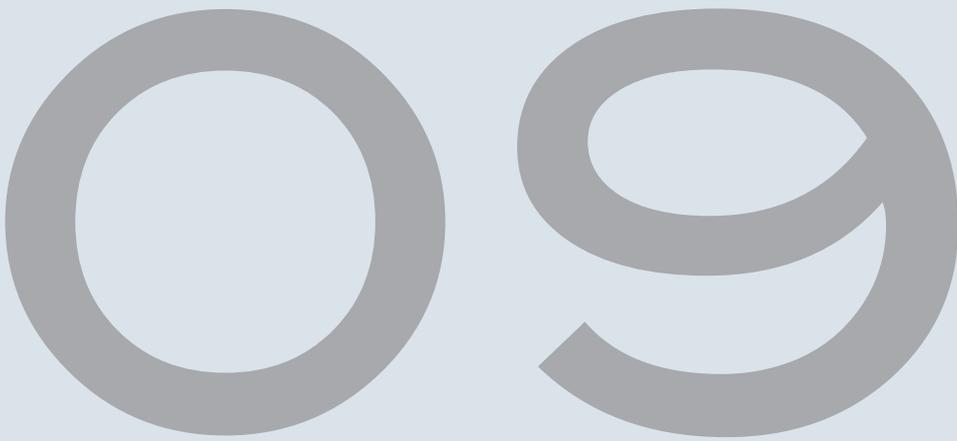


Figure 3: Human Resources Demographics



ANNEXURES: MATERIALITY  
AND SIGNIFICANCE  
FRAMEWORK

## 09 | Annexures: Materiality and Significance Framework

### ANNEXURE A: MATERIALITY FRAMEWORK

MATERIALITY FRAMEWORK: OWN ACCOUNTS		
Section 55 (2) (b) PFMA – The annual report and financial statements must include particulars of:		
PFMA Subsection	Qualitative	Quantitative
a) Any material losses through criminal conduct.	Consolidated losses attributable to criminal conduct relating to own accounts.	100% of the monetary value of identified criminal cases during the financial year.
b) Any irregular expenditure and fruitless and wasteful expenditure that occurred during the financial year.	Consolidated irregular expenditure and fruitless and wasteful expenditure.	100% of the monetary value of irregular expenditure and fruitless and wasteful expenditure.
c) Any criminal or disciplinary steps taken as a consequence of such losses or irregular expenditure or fruitless and wasteful expenditure.	Disciplinary steps taken and/or criminal charges laid as a result of material losses through criminal conduct.	100%: Number of: <ul style="list-style-type: none"> <li>• disciplinary cases opened</li> <li>• disciplinary cases concluded</li> <li>• criminal cases opened</li> <li>• criminal cases concluded during the financial year</li> </ul>
d) Any losses recovered or written off.	Losses written off or recovered as a result of criminal conduct.	100% of the monetary value of losses written off or recovered during the financial year.

## ANNEXURE B: SIGNIFICANCE FRAMEWORK

SIGNIFICANCE FRAMEWORK		
Section 54 (2) PFMA – Before a public entity concludes any of the following transactions, the accounting authority for the public entity must promptly and in writing inform the relevant treasury of the transaction and submit relevant particulars to its executive authority for approval of the transactions:		
PFMA Subsection	Qualitative	Quantitative
a) Establishment or participation in the establishment of a company.	All transactions or actions entered in relation to section 54(2)(a) to (c) of the PFMA.	100% as it is not normal business of SARS.
b) Participation in a significant partnership, trust, unincorporated joint venture or similar arrangement.		
c) Acquisition or disposal of a significant shareholding in a company.		
d) Acquisition or disposal of a significant asset.	Any acquisition or disposal in relation to section 54(d) of the PFMA.	<ul style="list-style-type: none"> <li>Acquisition of a single tangible or intangible asset to the value of 15% of the cost of the total fixed assets for the financial year prior to the year in which the acquisition takes place.</li> <li>Disposal of tangible assets individually or cumulatively to the value of 10% or more of the cost price of total tangible assets for the financial year prior to the year in which the disposal takes place.</li> <li>Scrapping of intangible assets, individually or cumulatively to the value of 10% or more of the cost price of total intangible assets for the financial year prior to the year in which the scrapping took place.</li> </ul>
e) Commencement or cessation of a significant business activity.	Any commencement or cessation of business activity outside of SARS' core business in relation to section 54(2)(e) of the PFMA.	100% as it is not normal business of SARS.
f) A significant change in the nature or extent of its interest in a significant partnership, trust, unincorporated joint venture or similar arrangement.	Any change in nature or extent of interest in relation to section 54(2)(f).	100% as it is not normal business of SARS.



