

South African Revenue Service

# SARS Programmes

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2006/09



# Purpose and Value System

## Purpose

Recognising that a successful South Africa improves the prosperity of its people and that of Africa. We will contribute to South Africa's development as a globally competitive economy by facilitating legitimate trade, tax payment, and economic growth and by eliminating illegal trade and tax evasion. We administer an efficient tax system and reduce the compliance burden by advocating the value of compliance and creating a culture of good citizenship across all sectors of society and the economy.

## Value system

Each of us is committed to South Africa's wellbeing. As such, always trustworthy and accountable, we show zero-tolerance for corruption and optimise our human and material resources. We develop professionalism and leverage diversity to deliver quality service to all those engaged in legitimate economic activity in and with South Africa.

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## Minister's Foreword

This year SARS marks its ninth year in existence as an autonomous agency within the administration. As Minister of Finance, I have observed SARS' evolutionary role in contributing to secure South Africa's fiscal and social foundation. We look to the year ahead, heralded as the Age of Hope by President Mbeki in the State of the Nation Address, with a renewed focus on tax and customs administration.



*"South Africans will join me in congratulating the 15,000 tax and customs officers of the SARS for their dedication, enthusiasm and hard work."*

As Government takes forward its programme of economic growth, social cohesion and, in particular, prioritising the needs of the poor, it looks to SARS to finance development through delivery to the fiscus and contributing to an enabling environment for further growth.

SARS' approach to meeting the state's revenue requirements has several components: broadening the tax base, improving tax administration and building a culture of tax compliance, and lowering the tax burden. These are general goals of sound tax design, and contribute to economic growth and tax fairness. In addition, SARS should also seek to contribute to Government's economic and social objectives where this can efficiently be done through the tax structure.

Progress has been made by SARS on all these components but more needs to be done. Maintaining high levels of performance will not be easy. Service expectations continue to increase and business competitiveness is creating significant compliance pressures. It will take careful stewardship and continued investment to maintain SARS' core capacity in service and compliance.

Against this backdrop, SARS is advancing a strategy designed to introduce productivity and efficiency measures - including its contribution to the Government's developmental objectives - while maintaining service leadership, identifying and addressing key areas of risk, and enhancing the overall fairness and integrity of South Africa's tax regime.

Of special interest to me this year are the initiatives such as the implementation of General Anti-Avoidance Rule (GAAR) and the roll out of the tax amnesty for small businesses which aim to deepen taxpayers' commitment to pay taxes and build good fiscal citizenship as well as integrity and sound ethics among professionals. Another area of interest is the strengthening of Customs to fully take up its role as a facilitator of trade and protector of the economy and the community.

Together with the rest of Government, SARS faces significant challenges in the year ahead as we work towards the goal of raising economic growth towards 6%. I am confident that SARS will rise to the challenges and ably deliver on its contribution to this goal.

**Trevor A. Manuel**  
**Minister of Finance, MP**

Minister Manuel,  
Budget Speech,  
15 February 2006

## Commissioner's Introduction

SARS enters the 2006/07 financial year both inspired and humbled by President Mbeki's sentiment that South Africa is living its "Age of Hope" and Minister Manuel's reminder that "while we continue to make progress, the pressing challenges of social and economic development are a constant reminder of how much farther we need to travel". We share in the further reminder of the Minister of Finance that "People may think that because the Revenue is performing well that we have laurels to rest on - they are wrong!"

Much still remains to be done by SARS - and what is being done, can be done better!



SARS sees it as its constitutional and democratic duty to contribute to resolving some of those national challenges.

It is within this context that Government has given us our marching orders for 2006/07. Government's unequivocal message to SARS is to continue contributing assertively to fiscal capability. A capable developmental state is a state that has access to resources without growing indebtedness. Whilst noteworthy levels of fiscal capability and sovereignty have been attained by Government since 1994, the lesson from many other countries is that unless there is a determined effort by all stakeholders to create a credible and sustainable tax compliance culture and an increasingly broad tax base with an effective and efficient tax and customs administration, fiscal capability cannot be sustained or advanced.

In this regard, the key deliverables are the Medium Term Expenditure Framework (MTEF) Revenue Targets, which are currently set at R456,786bn for 2006/07 and R501,670bn for 2007/08 and R558,106bn for 2008/09.

From SARS' perspective, this entails retaining the valuable in the old; introducing a new culture, orientation and capability; implementing the injunction of the Constitution to create a representative public administration; and creating a work ethic and service orientation to the public.

We will continue to strengthen compliance by positively influencing taxpayer and trader behaviours and attitudes with the aim of increasing the number of South African taxpayers who are voluntarily compliant and may be considered good fiscal citizens. Initiatives in that regard will include making tax and customs evasion and aggressive avoidance a social and moral crime. In the small business sector, an amnesty has been introduced that will allow SARS to waive certain taxes potentially payable by small businesses (in respect of income from small business) for years of assessment ending on or before 31 March 2004, where the turnover for the 2005 year of assessment does not exceed R5 million. This will include a tax amnesty for taxi operators who qualify as part of the taxi recapitalisation process in terms of the National Land Transport Transition Act, Act 22 of 2000. We believe that amnesty will facilitate the normalisation of the tax affairs of small businesses and will increase the tax base by registering more individuals and businesses.

Much still remains to be done by SARS - and what is being done, can be done better!

Service will remain central in what we do and we will seek service improvement. This year, SARS staff and I will be listening carefully to what our taxpayers and traders are telling us. We are learning and want to learn more about the needs of taxpayers and traders every day and will channel lessons learnt into better service provision.

In giving effect to our mandate, we are aware that the majority of taxpayers, individuals and businesses are honest and law abiding. They deserve efficient, professional service and fair tax administration. They have a right to expect that others will comply with the tax and customs laws just as they do.

That is why while our commitment to serve and educate taxpayers, traders, practitioners and the public continues, we must also sharpen our enforcement focus. Our enforcement programmes must respect taxpayer and trader rights. We will uphold high standards in our enforcement activities.

We acknowledge the contribution of our people in growing our organisation and continue in our efforts toward the systematic and continual improvement will through a comprehensive people programme that seeks to enhance our human capability.

The gains in development and maturity that SARS has made over the recent past provides us with a strong platform from which to launch our modernisation programme. This programme provides a vehicle for further growth and development as it advances our vision of a future SARS that is smarter, more visible, more accessible and more responsive to the needs of our taxpayers and traders.

We will meet their expectations.

I would like to thank the SARS staff for their dedication and commitment and look forward to serving the nation with them.

I also take this opportunity on behalf of SARS to congratulate Minister Trevor Manuel on his tenth anniversary as Minister of Finance. We remain inspired by his commitment and wise leadership. We also wish to thank Deputy Minister Jabu Moleketi for his trust and guidance. We look forward to supporting the Minister and the Deputy Minister in the year ahead. We also salute the millions of citizens and businesses who display honesty and good judgement in respect of their compliance duties.

A handwritten signature in blue ink that reads "Pravin Gordhan". The signature is written in a cursive style and is underlined with a single horizontal line.

# 1. Strategic Review

Our goal must be to extend good fiscal citizenship. That is, a citizenship culture where all South Africans and others operating within our country recognise their responsibility to meet their obligations of their own accord and contribute positively to conquering the developmental challenges of our young democracy.

In establishing the priorities and programmes for the MTEF 2006 / 09 we are directed and inspired by the founding mandate of SARS, by the direction set by the President in outlining Government's program of action and the fiscal mandate provided by the Minister of Finance.

It is also important to take a fresh look at our external and internal environment and search for new developments, new voices, new trends and potential risks which must influence our choices.

We plan to continue to extend our "culture of listening" to both external and internal stakeholders so that we are sensitive to their needs, aspirations and ideas.

## 1.1 SARS' Strategic Foundation

### SARS' Mandate

In terms of the South African Revenue Service Act No. 34 of 1997, SARS as the revenue agency for Government is tasked with the collection of revenue, and with control over the import, export, manufacture, movement, storage and use of certain goods.

### Government's Expectation of SARS

President Mbeki in his State of the Nation Address confirmed Government's broad developmental objectives of continued growth through increased investment, poverty alleviation and job creation, and introduced ASGISA as a complimentary set of interventions to supplement Government's response to issues of economic growth, poverty alleviation and unemployment. The task of meeting the goal of providing a better life for all cannot be left to market forces alone but requires focused and informed Government intervention. For this, Government has to have a clear understanding of the people's expectations and as well as a commitment, ability and capacity to deliver on those expectations.

The Minister of Finance, in building further on the Presidential theme, has set rigorous marching orders for SARS in the Budget Speech on 15 February 2006.

Government's expectations of SARS for 2006/07 are clear:

- Provide the revenue on a sustainable basis for Government programmes;
- Contribute to the Government's economic and social objectives where this can efficiently be done through the tax structure and trade administration;
- Broaden the tax base;
- Build a culture of tax compliance;
- Lower the compliance cost and burden; and
- Facilitate trade and protect the economy from prohibited goods and substances.

*"While we must indeed celebrate the high levels of optimism that inspire our people, who are convinced that our country has entered its Age of Hope, we must also focus on and pay particular attention to the implications of those high levels of optimism with regard to what we must do together to achieve the objective of a better life for all our people. We have to respond to the hopes of the people by doing everything possible to meet their expectations."*

President Mbeki,  
State of the Nation  
Address, 3 February  
2006

## SARS' Contribution to the Government Programme of Action

SARS has over the years been making its contribution to the Government Programme of Action (GPOA). Leveraging taxation for growth and poverty alleviation and protecting the economy and the community has meant that SARS has had to champion a sustained effort to grow a positive compliance culture, broaden the tax base and, at the same time, collect enough revenue to enable Government to deliver to the poor and invest in a vibrant supportive infrastructure for economic growth. This has gone hand-in-hand with service and internal efficiency improvements. However, much remains to be done.

Our present efforts are all creating a foundation for sustainable fiscal capability. At the same time, we are acutely aware that progress made to date will be undermined unless all South Africans make the commitment to development and the accompanying commitment to pay taxes; build good corporate citizenship, integrity and sound ethics among professionals; and criminalise tax and customs evasion and aggressive avoidance.

*"Government's approach to meeting the state's revenue requirements has several components: broadening the tax base, improving tax administration and building a culture of tax compliance, and lowering the tax burden associated with unduly high rates of tax. These are general goals of sound tax design, and contribute to economic growth and tax fairness, and in addition, we seek to contribute to the government's economic and social objectives where this can efficiently be done through the tax structure."*

Minister Manuel,  
Budget Speech,  
15 February 2006



## 1.2. Our Challenging Environment

It is our legal and moral obligation to ensure that the right people pay the right amount of tax or duty at the right time. This role imposes clear responsibilities on SARS and it also attracts attendant challenges. The overarching challenge that defines our role is to embed a positive attitude toward compliance in support of good fiscal citizenship.

In the face of an increasingly complex and dynamic global, continental and national environment, SARS must take full cognisance of the external and internal challenges, respond to them and, in doing so, exploit and leverage off new opportunities and mitigate risks.

### 1.2.1 The External Environment

The main features in the external environment and the principal drivers which form the backdrop of our strategy are political, economic and social trends which include levels of compliance with tax legislation and stakeholder expectations.

#### a) The international tax environment

Challenges facing the area of taxation include a continual downward pressure on corporate income tax rates requiring alternative sources of revenue to be sourced in the longer term to make up for these shortfalls. Impermissible tax avoidance is practiced on a global scale by the larger and more affluent taxpayers requiring greater cooperation between tax administrations in countering this erosion of their tax-bases. E-commerce and the ease with which trade can be facilitated from “non-brick and mortar establishments” makes it increasingly difficult to identify and locate such traders as well as the ease with which payment in respect of these transactions can be effected. Small business and its specific needs in terms of assistance and environmental friendliness - with little in terms of revenue yield in the shorter to medium term - as well as the need to re-model the manner in which a tax administration interacts with individual taxpayers, pose generic challenges to tax administrations. There is also an increasing move towards less intrusion and imposing less compliance burden on salaried taxpayers, where tax information is gathered from employer returns.

#### b) The international trade and customs environment

The global landscape in which SARS operates is complex, fluid, and highly sensitive to external drivers such as the growth in international trade in goods, continued initiatives to liberalise trade, more complex trade rules, the proliferation of regional trade agreements, and security threats.

South Africa currently participates in five Regional Trade Agreements, another three are currently under negotiation and it is expected that negotiations will be initiated with other trading partners. Between 2000 and 2004, the total number of import and export declarations processed increased by nearly 100% from almost 2.4 million to nearly 4.8 million per annum. Between 2000 and 2005 the number of certificates of origin issued by SARS Customs grew by almost 440% from just over 15000 to almost 83000. It is estimated that the costs of trade procedures (including Customs compliance costs) range from 1.5 to 7.5 per cent of the value of trade flows. A big cargo ship carries approximately 250kgs in paper such as invoices and bills of lading that are required for regulatory controls.

At the same time, the freer movement of goods and people means that countries are exposed to a greater level of transnational criminal activity. These activities threaten national economic security. The attacks of 9-11 and elsewhere have also exposed the vulnerability of international trade supply chains.

In response to the changing trade and security landscape, new international Customs trade facilitation and security standards are emerging. The two major global initiatives that will shape the trade environment are the development of new Customs Supply Chain Security and Facilitation Standards and the negotiation of the World Trade Organization (WTO) Trade Facilitation Agreement. The WCO Framework of Standards aims to promote the seamless movement of goods through secure international trade supply chains. It relies on increased cooperation and the sharing of real-time information between Customs administrations. The Framework also calls for Customs administrations to perform inspections on behalf of each other.

The challenge for Customs is to be able to deal with increased workload in a manner that tightens border security without compromising trade competitiveness. Customs requires a much better understanding of the movement of goods through international trade supply chains as opportunities for under-invoicing, transfer pricing and other forms of fraud increase.

### **c) Demographic changes and employment patterns**

The estimated population of South Africa is approximately 46 900 000 according to the mid year 2005 population estimates produced by StatsSA, and is expected to increase to 50 296 000 by 2011 according to the Institute for Futures Research (IFR). At the same time, statistical surveys show that there is a slight trend towards growth in employment. Estimates from the Labour Force Survey of March 2005 by StatsSA indicate that the number of employed persons increased from 11 392 000 in March 2004 to 11 907 000 in March 2005. The unemployment rate was 26,5% in March 2005 down from 27,9% in March 2004.

Demographic growth and improvements in the labour market will translate into growth of the tax base. From SARS' perspective, the growing customer base will increase the demand for face-to-face contact with our taxpayers and traders. At the same time, we will have to devise new ways of working with businesses electronically to minimise compliance costs. Our challenge lies in implementing new approaches to communication and how we design our content so that our staff will be able to provide a range of information during any contact.

### **d) South Africa's tax and customs compliance culture**

We have already seen a substantial increase in compliance levels over the past few years. Our tax register has grown by some 111% since 1997. Our filing campaign has seen a year-on-year increase of some 42% in returns being filed on time, with a concomitant year-on-year increase of some 51% in respect of payments received on time. Revised assessments - being an indicator of the accuracy of returns submitted to us - are down to 5%.

Aside from the volumetrics which seem to suggest an improved compliance culture, we are also heartened by an apparent increase in respect of attitudes towards and perceptions of compliance: 72% of polled South Africans agree that paying taxes honestly would benefit everyone, and 71% believe that people who cheat on their taxes are likely to get caught and punished. At the same time some challenges remain in respect of perceptions about whether the tax system is fair (only 45% of those polled seem to think that it is), and whether not declaring all income is a serious offence (only 63% think it is).

Issues around complexity and the cost of regulatory compliance remain a cause for some concern. At 26%, tax is the greatest contributor to the cost of regulatory compliance.

We are keenly aware of the fact that our different constituencies have different attitudes towards compliance, and that their compliance-related behaviour is driven by different realities.

SARS is also aware of the role of some in the accounting, legal and banking professions in promoting tax injustice. Not all professionals are guilty of such conduct. But some in the accounting profession are at the forefront of the improper planning that has created the current environment of tax injustice. The big firms dominate the profession and are now so big that another failure could mean that the world-wide audit market would collapse for lack of choice of firms to undertake the work. Similarly, some lawyers have been pivotal in creating the legal frameworks that enable and allow financial planners to “shoe horn” dubious practices. They write the commercial contracts, trust deeds and shareholder agreements that incorporate the use of offshore and other mechanisms that use the secrecy space of the offshore world. Some banks provide reputational capital to offshore activity. Our challenge lies in working with and convincing the professions to reinforce behaviours that promote tax justice.

### e) Stakeholder expectations

The mandate to collect revenue, optimise compliance and secure our borders has an attendant expectation of service from taxpayers and traders, tax practitioners and intermediaries, and our neighbouring countries.

As a learning and transforming organisation we are listening carefully to what our stakeholders are telling us about their needs:

- From taxpayers and traders: One of the effects of South Africa's growing democracy is a more sophisticated citizen participating in the affairs of the country, which results in them having higher expectations of both service and value. In addition, many also have additional exposure to other revenue administrations and have a greater sense of both expectation and sophistication. Broadly, our stakeholders are asking us to ensure that the law is applied equally and equitably. They expect enhanced service from us which includes less red tape, improved resolution of queries at the point of service and faster turn around times. They also aspire to improved interaction through strategic partnerships.
- From our neighbouring countries: We are intensely aware of the expectation, both from our neighbouring countries as well as from the international community, for SARS to provide technical support and facilitate capacity building within the broader SADC region. Expectations in this regard seem to centre around the following elements:
  - o Provision of guidance and leadership on regional activities and contributing to regional development;
  - o Being a well-coordinated and cooperative partner, which carries out risk analyses and experiments with joint certification and controls together with fellow authorities;
  - o Interacting in a spirit of consultation;
  - o Securing access to and from world markets. This is especially true for landlocked countries that rely on South African ports and borders for imports and exports;
  - o Sharing our experiences and expertise and contributing to the development of other administrations.

## Objectives

- To optimise compliance and manage risk;
- To ensure a better taxpayer and trader experience;
- To improve enforcement;
- To enhance human capability;
- To enhance Customs control;
- To ensure greater operational efficiency;
- To ensure good governance and administration

### f) Tax and Customs practitioners and professionals

We interact with tax and Customs practitioners and professionals who act on behalf of taxpayers and traders, and this trend has grown significantly over the past few years. Taxpayers and traders are increasingly moving towards the usage of practitioners, professionals and intermediaries in their interaction with SARS on their tax and customs matters. As a result, and in our pursuit to offer and improve service, a dedicated communication channel is available to practitioners and professionals and regular stakeholder forums are being held where service-related issues are discussed. This provides an opportunity for engagement with SARS on how best we can enhance our service delivery to them. Their expectations include:

- Greater facilitation from SARS' side;
- Technically competent and credible SARS staff to interact with;
- Fair and equitable treatment;
- Diligent follow-up on queries.

#### Customs:

Our traders - and their intermediaries - require of us:

- Developing strategic partnerships (facilitating trade transactions);
- Ensuring short and predictable release times;
- Applying simple, predictable Customs controls and procedures;
- Working with other agencies to develop a single entry point for Customs declarations and other regulatory formalities;
- Enhancing trader compliance in order to lighten control and enhance trade facilitation.

## 1.2.2 The Internal Environment

SARS has based the successful delivery of its mandate on its core strategic and operational strengths. These have been steadily developed during the past five years by Siyakha and other initiatives.

Our people are the drivers of our success. Their ideas, aspirations and knowledge are the catalysts through which we build sustainable capability.

Increasingly we are evolving a culture of listening and greater participation by internal stakeholders in the generation of innovation, best practice, and professionalism in SARS.

The progressively better service which South Africans receive reflects the change in orientation of our staff. Whilst significant achievements have been achieved over the past few years, particularly in the arena of market-related remuneration and benefits and enhanced people management administration and systems, a number of important internal challenges remain:

### a) Leadership

- To create a powerful cadre of SARS leaders that have the capacity and capability to sustain the achievement of the SARS strategic and operational objectives;
- To provide the necessary support through training, coaching, mentoring and performance measurement for team leaders in order to enable the delivery of the operational objectives. Also, to create succession opportunities into higher level roles.

### b) Technical skills

The need to attract, manage and retain critical skills to fill positions that disproportionately contribute to SARS' success. Moreover, complex roles (for example auditors, investigators, risk analysts/profilers) require high-end skills which are often difficult to attract into the business as a result of the skills shortage in the country presently. This in turn means that it is essential for SARS to implement a talent attraction and retention strategy that differentiates the approach to managing these critical high-end skills from other skills and roles in the organisation.

### c) Culture

To engender the behaviour and practices that facilitate ownership and accountability for the achievement of business and individual performance and the building of a robust organisational approach that supports professionalism, integrity, service and a learning environment. Our culture must drive individuals towards positive enterprising attitudes fuelled by an urge for learning and self development. Collectively, these attitudes and culture must drive a strong service ethic.

### 1.2.3 Business Risks

Against the background of the internal and external challenges we have identified the following generic business risks:

#### a) Changes to the tax base

- The lack of taxpayer and trader knowledge will remain a risk to SARS due to the expected growth in our register.
- SARS operational performance is dependent on employees' skill levels, numbers and experience. The calibre of the expertise required as well as the capacity required should be proportional to the tax base in order to acquire some level of efficiency.
- The expected growth in the tax base will have a major impact on SARS income tax systems.
- A loss of current tax base is a risk that SARS could be facing as a result of illegal activities, negative economic factors as well as the scourge of HIV/Aids.

#### b) Compliance

- Fraud by taxpayers will continue to pose a risk to SARS in the next three years.
- Internal fraud and corruption pose an ongoing risk to SARS.
- Against increased transparency of SARS policies, we face increased sophistication on the part of taxpayers and traders resulting both in more sophisticated avoidance schemes and increased expectations by taxpayers in respect of SARS services.

#### c) Organisational elements

- The loss of skills is a serious risk facing SARS in the next three years. The causes for loss of skills include HIV/Aids and competition for the same skills by the private sector.
- Poor working conditions, especially at border posts and other remote areas is a real risk that is facing SARS and has a negative impact on operational performance and client service.
- The increase in complexity of business transactions, legislation and regulations that SARS and its officials need to comply with could result in non-compliance.

## 2. Strategic Direction

After 10 years of democracy, South Africa is still very much in the process of reconstructing and developing the country and building strong state institutions.

The rebuilding and redesigning of a tax and customs administration is part of nation building and creating a strong state. It is recognised that the reconstruction of institutions through the moulding of a new service culture, increased operational efficiency, business innovation and a new people capability cannot be achieved overnight.

This is the challenge SARS faces. Below we outline our aspirations as a tax and customs administration. We also indicate our strategic objectives for the MTEF period ahead.

### 2.1 Our Aspirations

We are mindful of the context outlined above and believe that the following aspirations must inform our operational and transformational programmes:

- We will be an administration that is impartial, independent, consistent and fair;
- We will engender a compliance approach that incentivises compliance, disincentivises non-compliance and reduces the opportunities for non-compliance through education, service and enforcement activities;
- We will administer and collect revenue in accordance with the law and in a manner that will sustain community confidence in the revenue system and its administration, reduce the administrative burden on the taxpayer and reduce the cost of doing business with SARS;
- We will administer and facilitate legitimate trade, protect the economy against illicit trade and heighten economic security;
- We will broaden the tax base by bridging the gap between the formal and informal economy as well as simplifying and consolidating various processes;
- We will promote the formation of a new ethics-driven corps of tax and customs professionals;
- We will work with other Government departments and agencies to bring together, at a single point of contact, Government services aimed at taxpayers and traders, particularly in pursuit of Government's small business strategy; and
- We will actively contribute to the socio-economic development of Africa and regional economic integration in line with NEPAD.

Against this background our business approach centres on being smarter (by being more efficient and electronically enabled), being more visible (by touching all segments, having tax officers in the field and providing increased access to the taxpaying community), by being more responsive (which includes the ability to swiftly detect and deter non-compliance), and by being more accessible.

### Guiding Principles

- Transform our culture to one that is professional, flexible, service-oriented, results-driven, able to cope with change and that creates new knowledge
- Promote a service ethic that is focused on meeting the needs of our taxpayers and traders
- Invest in our people in a way that enhances performance and promotes job enrichment and self-development
- Recognise and reward performance of high quality
- Empower staff by encouraging innovation and knowledge-sharing in a supportive, learning environment
- Provide assistance and support to employee wellness
- Communicate and share information regularly with staff

## 2.2 SARS Strategic Objectives

In order to deliver on its mandate in a sustained way, SARS will focus on giving effect to the following seven strategic objectives:

- **Optimising compliance and managing risk:**

Our objective is to entrench and enhance a culture of compliance, which will be facilitated by the deployment of our compliance model and by implementing a risk matrix aimed at allowing us to better segment our tax base.

- **Ensuring a better taxpayer and trader experience:**

Our objective is to inform taxpayers and traders of their obligations, facilitate their understanding and fulfilment of their obligations and to make their obligations easier by simplifying our product mix.

- **Improving enforcement:**

Our objective is to incentivise compliance, disincentivise non-compliance with appropriate sanctions, and reduce the opportunities for evasion with the goal to ensure that every taxpayer and trader fully meets their legal obligations.

- **Enhancing human capability:**

Our objective is to continue to enhance people development, and Human Resource policies and procedures by increasing employee engagement and focusing on the importance of integrity of our staff.

- **Enhancing trade facilitation and border control:**

Our objective focuses on ensuring effective and efficient control of the entire supply chain, increasing our capability to detect illicit goods combined with enhanced anti-smuggling activities, upgrading and deploying a stringent accreditation and licensing system, ensuring proper classification and valuation of imported goods, and increased engagement with our various stakeholders.

- **Ensuring greater operational efficiency:**

Our objective is to ensure organisational efficiency through the efficient deployment of people, replacing our core tax systems, re-engineering our processes, optimising throughput and focusing on the implementation of a value-based management system aimed at ensuring effective utilisation of our assets.

- **Ensuring good governance and administration:**

Our objective aims to ensure that a framework for the delegation of authority is implemented and to ensure compliance with both our own internal policies and with the legal regulatory framework.

For 2006/09 we have designed a number of programmes which will ensure that we:

1. Meet our normal operational obligations with the increasing volumes and complexities that each year brings with it;
2. Continue to deliver improvements and new products and technologies which will enable us to move a step closer to our aspirations and the fulfilment of the above objectives.



### 3. SARS Programmes 2006/09

We will execute our mandate in terms of the following programmes. These programmes are outlined below, with each providing:

- an overview of the relevant programme,
- the desired outcomes, and
- the deliverables and measures for each.

#### We process:

- 2,3 million call centre queries;
- 4,2 million branch office queries;
- 750,000 items of physical correspondence; and
- 15,6 million documents per year

The Programmes:

1. Education and Service
2. Operations
3. Audit and Investigation
4. Trade Administration and Customs Control
5. Enhanced Human Capability
6. Technological Solutions
7. SARS Modernisation Programme
8. Governance and Administration
9. Legal and Policy



## 3.1 Education and Service

A vital part of meeting the demand of service delivery is to first understand the customers' needs, preferences and expectations and then to fulfil them. Our aim should be to design the organisation around the customer, as enhancing the customer experience will impact positively on overall compliance and benefit taxpayers and traders. Taxpayers and traders who are well informed of their obligations will be better able to ensure that they comply.

This is effected through a number of modalities of communication which result in SARS:

- Becoming more accessible to taxpayers and traders;
- Improving the means of communication between SARS, taxpayers and traders;
- Creating a dedicated service channel to tax practitioners and intermediaries.

We will complete the segmentation of our register, and aim specifically to understand the respective needs of our various constituencies such as large corporates, small business, individuals and practitioners. We will increasingly distinguish and differentiate our service delivery between these different segments and constituencies.

This programme comprises the following sub-programmes:

- 3.1.1 Service
- 3.1.2 Accessing SARS
- 3.1.3 Informing the Public
- 3.1.4 Reducing Compliance Costs

### Channels

- Face-to-face
- Post
- Fax
- Telephone
- Electronic portals

# SARS Service Charter

## You are entitled to expect SARS:

### To help you through

- self-explanatory leaflets and booklets as well as our website
- courteous and professional service at all times
- providing clear, accurate and helpful responses
- making clear what action you need to take and by when
- being accessible via our call centre and walk-in centres
- listening to your suggestions

### To be fair by

- expecting you to pay only what is due under law
- treating everyone equally
- ensuring everyone pays their fair share

### To respect your constitutional rights and privacy by

- keeping your private affairs strictly confidential
- furnishing you with reasons for decisions taken
- applying the law consistently and impartially

### If you are not satisfied, you may

- request that your tax affairs be re-examined
- exercise your right to object and appeal
- request that we advise you of the procedures to be followed in our Alternative Dispute Resolution (ADR) process
- lodge a formal complaint at any of our offices
- lodge a complaint with the SARS Service Monitoring Office (SSMO)

### In return, your obligations are to

- be honest
- submit full and accurate information on time
- pay your tax and/or duties on time and in full
- encourage others to pay their tax and/or duties
- report others who are not paying their fair share
- not encourage or be party to bribery or fraud in any form

### 3.1.1 Service

Effective service delivery necessitates an understanding of the segments that comprise our register. This allows SARS to respond with a differentiated offering of products and services for large business, small business, tax practitioners and individual taxpayers and traders.

Our service is underpinned by the values contained in the SARS Service Charter.

#### Outcomes

- A better understanding of taxpayer and trader needs
- Improved capability to respond to service delivery needs

### 3.1.2 Accessing SARS

Different segments and categories of taxpayers and traders have different requirements in their interactions with SARS. Typically, taxpayers and traders will choose the most appropriate channels to ease the effort required to comply and to reduce their costs of compliance. Conversely, certain channels also hold benefits of reducing the burden on SARS administration by providing alternative filing options. For example eFiling and the use of call centres alleviates the burden on branch offices placing them in a position to improve our overall service proposition to taxpayers and traders.

#### Outcomes

- Make SARS more accessible to taxpayers and traders
- Improve the means of communication between SARS and taxpayers and traders
- Create a dedicated service channel to tax practitioners and intermediaries

### 3.1.3 Informing the Public

Taxpayers and traders who are informed of their obligations are better able to ensure that they comply with them. Our educational campaigns are focused on informing taxpayers of their obligations and thus creating an environment that encourages people to meet their obligations of their own accord. We do this by providing information, working in the community as well as by delivering workshops and seminars on a diverse range of topics across a spectrum of taxpayers and traders.

#### Outcomes

- Increase awareness of taxpayer and trader obligations to SARS
- Increase awareness of fiscal citizenship

### 3.1.4 Reducing Compliance Costs

The cumulative cost (financial and non-financial) incurred by taxpayers or traders in the discharge of their tax obligations is termed the cost of compliance. The ease with which business is conducted is influenced significantly by this cost and complexity as well as the regulatory environment in which businesses transact.

The reduction of compliance cost impacts all tax and trader constituencies and as such is rated as a priority area for SARS' attention.

#### Outcomes

- Systematic reduction in red tape
- Simplification of the law, forms and procedures
- An administration that is constantly sensitive to the imposition of compliance burdens

## Education & Service

Deliverables	Measures
<b>1. Service</b>	
<b>1.1 General</b>	
a) Undertake a segment needs analysis	a) An understanding of the base
b) Finalised Service Strategy	b) • Stakeholders consulted
c) Finalised Channel Strategy	b) • Stakeholders consulted
d) Enhance unified customer profile <ul style="list-style-type: none"> <li>• Conduct a study on the feasibility of a single business register</li> <li>• Single Registration form and process simplified to require taxpayers and traders to supply information and apply for registration only once</li> </ul>	d) • Performance against the Service Charter - Customer satisfaction index implemented <ul style="list-style-type: none"> <li>• Take-up rate (number of registration particulars updated electronically)</li> <li>• Implementation of single register</li> </ul>
e) Improve communication with taxpayers and traders <ul style="list-style-type: none"> <li>• Expand SMS confirmations to taxpayers and traders</li> <li>• Develop a more user-friendly internet website</li> <li>• Deployment of additional self-service terminals</li> </ul>	e) • Performance against the Service Charter - Customer satisfaction index implemented <ul style="list-style-type: none"> <li>• Performance against the Service Charter - Customer satisfaction index implemented</li> <li>• Number of kiosks established</li> </ul>
f) Deploy Community Tax helpers	f) • Performance against the Service Charter - Customer satisfaction index implemented
<b>1.2 Service to Corporates</b>	
a) Introduce eFiling of corporate returns	a) Availability for limited eFiling
b) Introduce advance rulings	b) • Availability of advance rulings system <ul style="list-style-type: none"> <li>• Advance rulings system take-up</li> </ul>
c) Create feedback mechanisms	c) • Four sector forums to be established <ul style="list-style-type: none"> <li>• Two sessions this year for feedback</li> </ul>
<b>1.3 Service to Small Business</b>	
a) Expand education programme	a) Customer satisfaction index
b) Introduce free payroll and accounting software	b) Number of software packages installed
c) Implementation of the small business tax amnesty	c) Number of small business participants
d) Create feedback mechanisms	d) Stakeholders consulted
e) Training staff on requirements of small business	e) Customer satisfaction index
f) Study to establish the compliance burden faced by small business	f) Stakeholders consulted
g) Study: new services and products that SARS could offer small business	g) Stakeholders consulted
<b>1.4 Service to Individuals</b>	
a) Introduce eFiling and tele-filing for salaried individuals	a) Take-up of eFiling and tele-filing by salaried individuals

## Education & Service continued...

Deliverables	Measures
<b>1.5 Service to Tax Practitioners</b>	
a) Establish a Tax and Customs Practitioners Unit	a) Tax and Customs Practitioners Unit is operational <ul style="list-style-type: none"> <li>• Number of practitioners serviced</li> <li>• Number of unprofessional conduct complaints addressed</li> </ul>
b) Release of draft legislation on regulating tax practitioners and unprofessional conduct	b) Draft legislation published for comment
c) Portal for Practitioners	c) Availability of e-portal for practitioners
<b>2. Accessing SARS - Channels</b>	
a) Channel protocols implemented	a) Channel protocols implemented
b) Call centres - <ul style="list-style-type: none"> <li>i) Increase capability and agents to deal with the additional incoming calls</li> <li>ii) Develop and implement standard operating procedures</li> </ul>	i) Reduce number of complaint-related calls ii) Performance against standard operating procedures
c) Branch offices <ul style="list-style-type: none"> <li>o Facilities to respond to need</li> </ul>	c) Customer satisfaction index
d) eBusiness	d) Increased uptake for those identified groupings
e) Fax <ul style="list-style-type: none"> <li>o Rolling out a single number nationally for all customer interactions</li> </ul>	e) Reduction in complaints of lost correspondence
f) Post <ul style="list-style-type: none"> <li>o Acquisition of Electronic Data Management System and scanners</li> </ul>	f) Reduction in complaints of lost correspondence
g) Self-service portal	g) • Performance against the Service Charter • Customer satisfaction index
h) Review the manner in which correspondence is dealt with, and our approach to paper files	h) Stakeholders consulted
<b>3. Informing the Public</b>	
a) Tax education programme	a) Customer satisfaction index
b) Conduct "listening" campaign	b) Number of campaigns
c) Conduct amnesty workshops	c) Number of workshops
d) Conduct workshops	d) Number of workshops
e) Expand schools / university programme	e) • Number of educational institutions visited • Develop appropriate content for inclusion in formal curriculae
f) Further extend Khanyisile to more official languages	f) Customer satisfaction index
g) Conduct eFiling campaigns <ul style="list-style-type: none"> <li>o Corporates - all transactions</li> <li>o Individuals - salaried</li> <li>o General eFiling</li> </ul>	g) Number of campaigns

## Education & Service continued...

Deliverables	Measures
<b>4. Reducing Compliance Costs</b>	
a) Conduct a study on the compliance burden imposed on taxpayers and traders	a) Stakeholders consulted
b) Simplify documentation and processes	b) Reduce time required to resolve service issues
c) Provide multiple delivery channels	c) Reduce communication and service costs
d) Simplify the issue of tax clearance certificates	d) Customer satisfaction index
e) Reduce cost of administrative collections (Cost/receipt issued)	e) Convergence of bank electronic channels to SARS eFiling

## Education and Service Resource Plan R Millions

	2005/6	2006/7	2007/8	2008/9	TOTAL
Compensation of employees	161,204	173,255	181,918	190,450	706,827
Goods and services	52,523	55,704	58,490	61,233	227,950
Acquisition of assets	1,372	1,474	1,548	1,621	6,015
Projects	8,061	0	0	0	8,061
<b>Total</b>	<b>223,160</b>	<b>230,433</b>	<b>241,956</b>	<b>253,304</b>	<b>948,853</b>

## 3.2 Operations

Operations can best be described as the engine room of the organisation. This is the delivery component of SARS' value chain and it is within the operations environment that SARS receives and processes a range of transactions.

These inputs may take the form of returns filed or declarations made, payments made, requests for registration or licensing, queries and assessing of submissions made by taxpayers and traders.

The operations environment represents a significant opportunity for SARS to improve its operational efficiency and by so doing enhance the service that it delivers to taxpayers and traders, whilst maintaining the highest level of compliance assurance.

This programme comprises the following sub-programmes:

- 3.2.1 Registration of Taxpayers and Traders
- 3.2.2 Filing
- 3.2.3 Assessing and Risk Differentiation
- 3.2.4 Assurance and Control Activities
- 3.2.5 Revenue Management
  - 3.2.5.1 Account Management
  - 3.2.5.2 Debt Management
  - 3.2.5.3 Payment System
- 3.2.6 Large Business
- 3.2.7 Small Business

### SARS Register at a Glance

- 1,6 million companies
- 4,6 million individual taxpayers
- 349,000 trusts
- 624,000 VAT vendors
- 326,000 PAYE registrants



## Registration

- eFiling registration take-up has increased by 41%
- We processed 240,000 new registrations this year

### 3.2.1 Registration of Taxpayers and Traders

The objective of the registration process is to maintain an accurate record of all identifiable economic entities in order to sustain, protect and grow the tax base through a continuing relationship with the taxpayer and traders. As such, registration initiates the relationship between SARS and taxpayers and traders, and is the first of a number of steps that provide the taxpayer and trader with the opportunity to become compliant. In addition, registration is also a requirement for commercial participation in the economy and the ability to participate in certain Government contracts where tax clearance certificates are a prerequisite.

The amnesty for small businesses announced by the Minister of Finance in the Budget Speech on 15 February 2006 will also require interaction and assistance from the registrations perspective. This will ensure that the taxpayer and trader is assisted and taken onto register where required and validate the details that we have for those already on register. This process will be administered at a national level while the branch offices will have to facilitate the process when taxpayers or traders visit a branch office.

#### Outcomes

- Single registration
  - o Implementing one unique taxpayer identification number, including the conversion of the current multiple numbers
  - o Implementing pro-active single registration across all tax types, which leverages off third party information
  - o Further exploring the creation of a one-stop Government registration capability
- Self-service
  - o Creating of automated, self-service registration capability
  - o Enabling access to the Single Registration Capability through self-service channels
- Enhancing registration intelligence
  - o Using third party information to verify and validate registration particulars
  - o Developing and implementing analytical tools to determine registration non-compliance trends
- Expanding registration accessibility
  - o Entrenching the use of mobile devices and roving access to registration or tax base broadening teams
  - o Deploying registration staff at every point of contact
- Increasing our registration efficiency
  - o Integrating front and back office

### Registration of Taxpayers and Traders

Deliverables	Measures
a) Employer obligations to SARS <ul style="list-style-type: none"> <li>• Pro-active registration of employees as taxpayers using third party employer data</li> </ul>	a) Increased number of employees registered
b) Register small business amnesty taxpayers within amnesty window period	b) Number of small businesses registered as a result of amnesty

### 3.2.2 Filing

Filing encompasses the submission of returns, i.e VAT, Income tax, PAYE and others; declarations relating to imports and exports by traders and travelers; and manifests submitted by carriers. Taxpayers and traders that are registered with SARS are obliged to file a return or submit a declaration, either on an *ad hoc* or cyclical basis. Although the majority of our tax returns are submitted manually, the electronic submission of tax returns has been increasing. Large corporates tend to file their VAT returns electronically, whilst medium and small companies tend to file VAT returns manually. The income tax returns of both companies and individuals tend to be filed manually.

The filing of income tax returns has to be re-engineered to compensate for the increasingly large volumes that are received year-on-year - for the year ahead we anticipate receiving 5.2 million returns.

**Filing**

- 2,4 million income tax returns were received this year - a 42% year-on-year increase
- 1,7 million import transactions
- 1 million export transactions

#### Outcomes

- Extend eFiling services within existing products and segments by facilitating the electronic submission of payroll data to SARS

#### Filing

##### Deliverables

- a) Introduction of electronic filing for certain income tax returns - Electronic submission and payments and processing of certain identified groupings for the 2006/07 Filing Season
- b) Enhance the assessment process for the 2006/07 Filing Season in accordance with our compliance model - Introduction of production planning

##### Measures

- a)
  - Take-up rate (number of eFilings)
  - Improvement in turnaround times of assessments
- b)
  - Adherence to Service Charter standards
  - Improvement in turnaround times

## Assessing

Revised assessments are down to 5% - an indication of improved quality of returns submitted by taxpayers

### 3.2.3 Assessing & Risk Differentiation

During the recent past SARS has experienced an incremental increase in return submissions of 10% per annum. This has impacted adversely on the organisation's assessing capability. In order to address this challenge, SARS will have to revisit the current assessing model to streamline the assessment pipelines to ensure that the work flows more efficiently to effect a reduction in handovers. In order to alleviate the assessing burden and empower the taxpayer, SARS will pilot electronic submissions of certain return types for 2006 in an endeavour to improve and enhance service.

The above-mentioned will enhance the taxpayer's control of assessment data on the SARS eFiling system, thus moving the burden from SARS, freeing up resources to mitigate risk elsewhere in the assessment process and expediting refund payments.

In order to manage returns and declarations more efficiently, increasing differentiation of transactions, traders and taxpayers by level of risk will be undertaken. This will enable faster processing of taxpayers and traders with low levels of compliance risk while detailed attention is given to more high-risk cases. Risk differentiation approaches have been developed for corporate income tax and for imports. Over the coming three years the approach will be applied to most product and transaction types.

#### Outcome

- Accurately establish the liability of taxpayers and traders whilst meeting the standards set in the Service Charter

### Assessing & Risk Differentiation

#### Deliverables

- a) Implement case management tracking solution to manage disputes and queries

#### Measures

- a) Resolution of disputes in compliance with legislated time-frames

### 3.2.4 Assurance & Control Activities

The aim of assurance and control activities is to verify and validate the compliance of our taxpayers and traders, and to contribute to improving compliance. These activities are not risk-based, but are performed on a random or cyclical basis. Actions consist predominantly of:

- Refund-based audits
- Deregistration audits
- Randomly selected audit cases (which make up the majority of assurance cases)
- Cyclical audits
- Post-clearance inspections
- Passenger checks
- Cargo checks

The outcome of our assurance activities also allows us to continuously validate the outcomes of our risk profiling activity.

#### Outcomes

- Verify and enhance compliance through:
  - o Increased visibility
  - o Increased taxpayer contact
  - o Increased coverage
- Equitable case selection methodology
- Enhanced understanding of compliance risks

#### Assurance & Control

Deliverables	Measures
a) Improved assurance coverage and quality in customs and activities	a) • Increased number of interventions per: <ul style="list-style-type: none"> <li>o Segment</li> <li>o Tax type</li> <li>o Region</li> </ul> • Reduce % of objections allowed and appeals upheld
b) Integrated tax and customs interventions for importers and exporters	b) • Number of integrated interventions <ul style="list-style-type: none"> <li>• Reduce % of objections allowed and appeals upheld</li> </ul>
c) Extend case selection and management system	c) • Reduction in backlog <ul style="list-style-type: none"> <li>• Number of cases completed within specified turn-around time</li> <li>• Number of cases resolved against cases completed</li> <li>• Reduction in number of objections and disputes</li> </ul>

### 3.2.5 Revenue Management

Managing our revenue consists of the following broad elements:

- Account management
- Debt management
- Payment systems

The revenue raised through our different products must be received and accounted for as expeditiously as possible. Revenue management entails the timely and accurate accounting of all revenue due and payable to SARS and other Government agencies through:

- The resolution of receivables, disbursements and outstanding debt cases at a single point of contact
- Executing disbursements
- Collecting debt
- Updating SARS accounts
- Updating taxpayer and trader accounts

#### 3.2.5.1 Account Management

The total accounts that we have on register is approximately 7.5 million. These accounts vary across all the tax and customs products. Taxpayers and traders require these to be correct. They also require electronic access to their accounts so that they know the status of their tax and customs affairs. Statement of accounts will be issued after the outstanding follow-ups on the core systems have been dealt with.

#### Outcomes

- An accurate updated taxpayer account

#### Account Management

Deliverables	Measures
a) Complete review and reformulation on issuing of statements of account	a) Frequency of correct statements issued
b) Implement electronic view of taxpayer account: - Enable taxpayers and traders to view parts of their accounts online	b) Take-up rate (number of electronic viewings)
c) Implement key account management for top 20% of our traders who pay 80% of our Revenue & Volumes per region / branch	c) Customer satisfaction index
d) Implement key account management for the top 100 taxpayers per region / branch	d) Customer satisfaction index

### 3.2.5.2 Debt Management

The debt book has increased from R44,4 billion in April 2002 to R66,7 billion in April 2005. The biggest increase occurred between 2002 and 2003, when debts rose 39%. The increase, which has occurred across all taxes was a result of the broadening the tax base and the setting audit assessments as a key performance indicator. Of the total outstanding debt, 79% is older than 9 months and 51% older than 24 months. Of the debt, 840 000 cases involve amounts of less than R2 500 each (totalling R440 million). The majority of the debt (R44 billion) comprises approximately 7 000 cases.

## Collections Code of Conduct

(abridged version)

**Every call you make or receive is a golden opportunity to ensure compliance and improve how taxpayers perceive SARS**

- Inform the taxpayer of the reason for the call
- Inform the taxpayer what information is reflected on our system
- Treat every taxpayer in a manner that you would also wish to be treated
- Treat taxpayers with dignity and respect
- Listen, and avoid interruptions
- Be honest
- Be fair
- Provide taxpayers with choices and alternatives
- Don't be aggressive, hostile or threatening
- Ensure that the taxpayer fully understands SARS' expectations from him or her
- Ensure that the taxpayer is aware that enforcement action will be taken if any agreements are broken, but don't threaten taxpayers with legal action

## Outcomes

- Increase timeous payments of accounts
- Reduce the debt book

## Debt Management

Deliverables	Measures
a) Reduce the debt book	a) Net reduction in debt book
b) Resolve debt cases within Service Charter standards	b) Performance against Service Charter standards
c) Contracting out bad debt	c) % recovered
d) Contracting out debt between R200 and R2 500	d) % recovered
e) Improve technical quality of debt management including assuring the legal basis of debt collections (agent appointments)	e) Reduction in complaints
f) Improve the success rate of cases dealt with	f) Increase in success rate
g) Implement case selection and management system	g) Reduction in average debt age



### 3.2.5.3 Payment System

The strategy for the effective administration of SARS' payment channels is integral to the development of the overall accounting solution for SARS. The overall accounting solution envisages the end-state as set out below.

**We process around:**

- 2,596 million payments annually

#### Outcomes

Improved payment administration. The focus is on pursuing new payment channels that conform to SARS' payment rules and strategy and eliminating those channels that do not.

This is to be achieved by:

- Introducing additional payment channels by allowing taxpayers and traders the opportunity to pay at one of the other three commercial banks, namely ABSA, Standard Bank, and Nedbank (in addition to First National Bank). This is to be extended to telephone banking and ATMs
- Streamlining and improving back-office administrative processes in order to become more efficient and cost effective - particularly in the area of eliminating unknown payments
- Consolidating electronic channels to SARS eFiling as the preferred payment channel. The process of consolidation will occur gradually and is dependant upon the readiness of each of the four commercial banks
- Reducing cash and cheque handling at branch offices. This objective is underpinned by the intention to leverage and extend the current electronic banking/payment facilities in order to significantly reduce cash handling at branch office level in the short to medium term, and as a result, ultimately phase out cash halls. The primary motivation behind the phasing out of cash halls is to eliminate cash handling at branch office level, and therefore, the internal control risks and back-office administration costs associated with such an activity. The shift to a pure electronic payment channel also enables SARS to absorb higher volumes at minimum cost and effort
- An electronic account management service (with supporting legislation) which ensures simultaneous filing and declarations and payment (where possible), and query resolution. The intention is to reduce the administrative burden of payment allocation and general account management by enabling the taxpayer and trader to perform this function electronically. This includes "account view" and the raising and resolution of account queries. This requires improvements to remittance/form design to enable taxpayers and traders who do not have internet access to perform over the counter (bank), ATM, or TeleBank payments whilst simultaneously submitting a payment advice or form of declaration

#### Payment System

Deliverables	Measure
a) Proper allocation of payments	a) • Reduction in unknown transaction volumes • % clarified items < 0.5% of total electronic volumes
b) Improved reporting accuracy and turnaround	b) Reduced turnaround on collections reporting to office level
c) Accurate budgeting and forecasting (% actual vs forecast deviation)	c) Performance against budget at tax type and taxpayer level
d) Introduction of telephone and ATM banking	d) Implementation of telephone and ATM banking
e) Automated reconciliations	e) • Ageing of unreconciled items • Improved bank reconciliation turnaround times
f) Reduce cost of administrative collections (cost/receipt issued)	f) Convergence of bank electronic channels to SARS eFiling

### 3.2.6 Large Business

Large business typically represents the lion's share of a country's total business tax contributions. The Large Business Centre (LBC) was launched in September 2004 as part of the overall strategy of SARS to become more taxpayer and trader oriented. The LBC was designed to provide a one-stop facility to meet the needs of an important group of taxpayers, i.e. large corporations and high net worth individuals.

Large business is a distinct community with sophisticated and wide-ranging tax issues. The complexities of these issues are increasing with the advent of new technologies and globalisation. Three areas of specialisation are therefore required:

- Tax technical integrity
- Industry specialisation
- Relationship management

#### Outcomes

- Successful transition to a full-service tax office
- The development of highly skilled and competent personnel
- The implementation of an integrated and risk-based audit methodology, comprising a combination of high-risk, cyclical and random audits

### Large Business

Deliverables	Measures
a) Implementation of a Risk Matrix that ranks the large corporates according to compliance risk	a) • Functional risk engine • Success of audits from selected cases
b) Communicate the large business value proposition to taxpayers and traders	b) • Number of visits - per taxpayer relationship management plan • Customer satisfaction index
c) Extend High Net Worth Individuals (HNWI) project beyond initial pilot to full operations and launch officially	c) • Increase number of HNWI managed • Customer satisfaction index
d) Corporate Income Tax (CIT) modernisation project	d) • Strategy and position paper • Extended pilot
e) Enhanced assessment process for large corporates	e) • Review document • Implementation plan
f) Improved risk profiling	f) • Methodology and toolset for risk profilers • Improved success rate from cases selected
g) Consolidate all corporates' tax affairs into LBC (business as usual)	g) All relevant files transferred
h) Roll-out of remaining regional office (business as usual)	h) Office open for business

### 3.2.7 Small Business

There are a large number of small businesses in South Africa that span both the formal and informal sectors. Collectively, these economic entities contribute significantly to South Africa's GDP and employment. The number of people engaged in informal employment almost doubled between 1996 and 1999 from 996 000 to 1,9 million - or from 12% to 22,5%. Some estimates put the informal sector at present at around 30% of the workforce.

Formal small businesses experience the cost of compliance most acutely and it is this compliance cost which contributes to the constraint on their growth and proliferation. Informal small businesses have historically been located on the periphery of the economy and are generally characterised by a limited knowledge of their tax obligations.

The SARS Small Business Programme seeks to respond to these challenges by introducing an envelope of products and services that seek to improve the awareness of tax obligations within the small business community and thereby encourage the registration of these businesses as well as promote the ease of doing business. In his 2006 Budget Speech the Minister of Finance announced a tax amnesty for small businesses. This will provide non-registered small businesses the opportunity to legitimise their affairs with SARS.

#### Outcomes

- Increase in the number of small businesses on the tax register
- Simplified small business tax products and processes, e.g. registration process
- Reduced cost of compliance for small business

#### Small Business

Deliverables	Measures
a) Small business strategy	a) Stakeholders consulted
b) Small business help desks	b) Establishment of help desks
c) Basic accounting and payroll software	c) Development and distribution of a basic and functional software package
d) Operationalising the tax amnesty for small business	d) • The number of new small business registrations • The number of amnesty applications
e) Creating feedback mechanisms	e) Number of engagements
f) Study to establish the compliance burden faced by small business	f) Study conducted with recommendations on reducing the compliance burden on small business
g) Study on new services and products that SARS could offer small business	g) Study conducted with recommendations on new services and products that SARS could offer small business

#### Operations Resource Plan R Millions

	2005/6	2006/7	2007/8	2008/9	TOTAL
Compensation of employees	1,812,570	1,950,912	2,049,961	2,146,787	7,960,230
Goods and services	409,386	495,570	517,119	540,576	1,962,651
Acquisition of assets	21,859	23,493	24,667	25,824	95,843
Projects	15,224	0	0	0	15,224
<b>Total</b>	<b>2,259,039</b>	<b>2,469,975</b>	<b>2,591,747</b>	<b>2,713,187</b>	<b>10,033,948</b>

## Audit

- We investigate around 2,800 statutory contraventions and 250 serious offences annually
- We audit around 60,000 cases annually
- Our hit rate on risk-based cases is 81%

## 3.3 Audit and Investigation

Enforcement is one of the three key responses to improving compliance (the other two being service and education). It is that response which is aimed at deterring non-compliant behaviour through audit and investigations, and is intended to have punitive consequences in instances of non-compliance. Due to limited resources, audit and investigative actions are largely based on credible allegations or hypotheses of non-compliance. Risks pertaining to taxpayers or traders may be specific or general.

### Outcomes

- Improvement of compliance and the deterrence of non-compliance as a consequence of:
  - o Effective identification of non-compliant entities
  - o Increased visibility
  - o Increased taxpayer and trader contact
  - o Increased coverage
  - o Increased risk of detection
  - o Enhanced audit and investigative capability
- Recovery of revenue from audits and investigations

## Audit & Investigation

Deliverables	Measures
a) Defined system to operationalise the Compliance Model	a) Operational principles in support of Model developed and completed
b) Improve penalty regime	b) Reduced objections upheld to penalties imposed
c) Develop an understanding of the segments that comprise our register to ensure a risk-focused investigation and audit response	c) Updated risk matrix across different segments
d) Embed investigations and audit policies, procedures and audit programmes	d) Compliance checklist against policies and procedures
e) Enforcement Code of Conduct	e) Enforcement Code of Conduct developed and implemented
f) Improve audit coverage	f) Improved audit coverage (geographic, tax type, taxpayer types, sectors, segments)
g) Increase the visibility of enforcement actions	g) Increase field audits
h) Improve technical quality of audits and investigations ensuring that fully functional technical committees are in place to support our offices	h) Reduced number of disputes arising from assessments
i) Case selection and management system	i) % of cases resolved within specific turn-around time
j) Integrated tax and customs audits	j) Increase integrated tax and customs audits
k) Create integrity partnerships with industry organisations	k) Number of partnerships concluded
l) Compliance of high-risk sectors through partnerships and targeting high risk industries	l) • Increased compliance level in selected industries • Number of industry campaigns
m) Increase customs coverage	m) Increased number of customs investigations

## Audit & Investigate continued...

### Deliverables

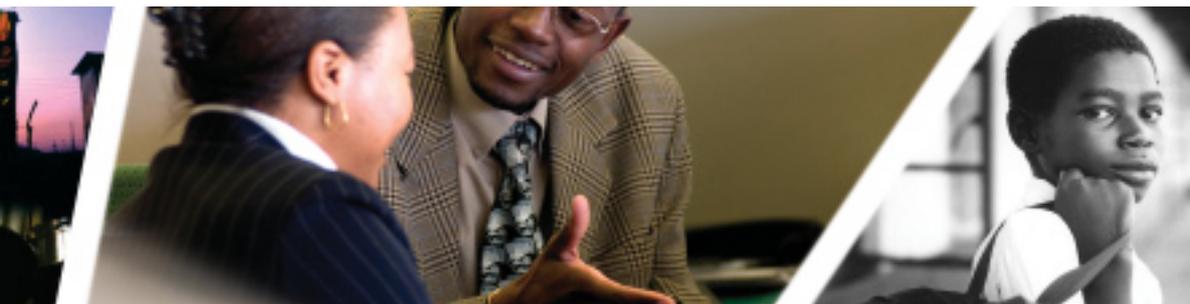
- n) Anti-Avoidance
- Improved capability to identify avoidance schemes
  - Enhance technical capability to address avoidance schemes
  - Report back on GAAR discussion document
  - Establishment of a knowledge-sharing tool with operations

### Measures

- n)
- Increased number of avoidance schemes closed
  - Increased number of avoidance schemes closed
  - Report on GAAR discussion
  - Knowledge-sharing tool implemented

### Audit and Investigation Resource Plan R Millions

	2005/6	2006/7	2007/8	2008/9	TOTAL
Compensation of employees	40,395	43,415	45,585	47,723	177,118
Goods and services	15,382	16,523	17,349	18,163	67,417
Acquisition of assets	1,074	1,155	1,213	1,269	4,711
<b>Total</b>	<b>56,851</b>	<b>61,093</b>	<b>64,147</b>	<b>67,155</b>	<b>249,246</b>



### 3.4 Trade Administration and Customs Control

The mandate of SARS Customs is to administer international trade in support of national socio-economic development within the framework of national trade and developmental policies. SARS Customs is therefore the first-line of defence at our borders to protect the South African economy as well as the wellbeing of society. We are also a partner in enhancing our economic growth by controlling the movement of goods and the persons accompanying such goods across South Africa's borders. We do this by:

- Ensuring that goods enter and leave South Africa lawfully
- Detecting illegal, dangerous and unsafe goods

We are tasked with ensuring that goods imported into, exported from and moved in transit across South Africa comply with our country's policies and laws. This includes:

- Stimulating our export competitiveness by applying tariffs on imported goods and Government incentive schemes such as the Motor Industry Development Programme (MIDP)
- Optimising utilisation of preferential trade schemes such as the African Growth and Opportunity Act (AGOA)
- Growing and integrating the regional economy through agreements such as the Southern African Development Community (SADC) Trade Protocol
- Ensuring a level playing field between imported and locally manufactured goods by preventing smuggling
- Protecting national industries against harmful unfair trade practices such as under-invoicing, dumping and subsidised imports

Increasingly, we are also being called upon to protect society against the importation of dangerous goods, controlling the movement of environmentally sensitive goods under the Convention on the International Trade in Endangered Species (CITES) and enforcing our country's intellectual property rights regime.

#### Customs

- 14 million passengers move through Customs annually
- We effect around 1,850 seizures annually
- In 2005 Customs processed goods worth R676,5bn
- In 2004/05 Customs handled almost 5 million trade transactions

#### Outcomes

SARS Customs is an economic enforcement authority and its strategic outcomes are to:

- Implement the WCO Framework of Standards to Secure and Facilitate Global Trade
- Support international trade to become a driver for economic growth and development
- Protect the economy and community from the cross-border movement of illegal, prohibited and dangerous goods
- Ensure the security of the border with a view to promoting South Africa as a secure and trusted trading partner through the application of international customs control and trade administration standards

## Trade Administration and Customs Control

Deliverables	Measures
<b>Securing International Trade Supply Chains</b>	
a) Integrate and amplify the various SARS electronic clearance systems to support paperless transactions <ul style="list-style-type: none"> <li>Align information requirements with the WCO Data Model and introduce the WCO Unique Consignment Reference (UCR) Number to support the international auditability</li> </ul>	a) Integrated SARS Customs electronic clearance system
b) Provide for mandatory advance electronic reporting by carriers and traders	b) <ul style="list-style-type: none"> <li>% submission of electronic manifests (cargo declarations)</li> <li>% reduction of paperless transactions</li> <li>Introduce enabling legislation and supporting rules</li> </ul>
c) Review and improve our licensing and accreditation scheme <ul style="list-style-type: none"> <li>Align our accreditation scheme with the WCO Authorised Economic Operator standards</li> </ul>	c) <ul style="list-style-type: none"> <li>Introduce enabling legislation and supporting rules</li> <li>% post-clearance inspection coverage of authorised economic operators</li> <li>Introduce enabling legislation and supporting rules</li> <li>Accreditation for top 10 taxpayers per branch</li> </ul>
d) Enhance our risk management strategy and capability to target non-compliance	d) Establishment of targeting teams at all branches
<b>Simplification and Harmonisation of Procedures</b>	
a) Align existing procedures on the basis of international standards [such as the WCO's Revised Kyoto Convention (RKC)] and international best practice	a) <ul style="list-style-type: none"> <li>Analysis of alignment of procedures against the WCO Framework of Standards</li> <li>Complete alignment of the Customs and Excise Act with the RKC</li> </ul>
b) National roll-out of a Single Administrative Document (SAD)	b) National roll-out of the SAD
c) Introduce the WCO Single Window concept to simplify compliance with international trade regulatory requirements	
<b>A Smarter and Assertive Border Management and Enforcement Approach</b>	
a) Modal port of entry control models	a) <ul style="list-style-type: none"> <li>Model developed and blueprint for national roll-out</li> <li>Reduce clearance and release times</li> </ul>
b) Strengthen law enforcement capability by - <i>People</i> <ul style="list-style-type: none"> <li>Develop a cadet programme and a new recruitment and training programme (combining vocational and basic training with specialised courses)</li> </ul>	c) Increased detection/seizure rate <ul style="list-style-type: none"> <li>Cadet programme implemented</li> </ul>

## Trade Administration and Customs Control continued...

Deliverables	Measures
<ul style="list-style-type: none"> <li>• Introduce measures to create a new discipline</li> <li>• Deploying highly mobile and specialised anti-smuggling teams (i.e. drug detection, rummage, surveillance, etc.)</li> </ul>	<ul style="list-style-type: none"> <li>• Roll-out of new code of conduct, dress code, logo and ranking system</li> </ul>
<p><b>Equipment</b></p> <ul style="list-style-type: none"> <li>• Procuring proper equipment, tools (seals and tracking devices) and vehicles</li> <li>• Establishing marine and air capability</li> <li>• Introducing canine capability</li> </ul>	
d) Introduce non-intrusive detection equipment to detect the movement of contraband and smuggled goods without hampering the movement of legitimate goods	d) Deployment of scanner
e) Establish a Customs laboratory to undertake the testing and verification of classification of materials	e) <ul style="list-style-type: none"> <li>• Customs laboratory in place</li> <li>• More efficient and quicker classification</li> </ul>
<p><b>International and Regional Partnerships</b></p>	
a) Continue to participate in the development of international standards and rules by the WCO and the WTO and support trade negotiations	a) Draft legislation aligned with frameworks of international standards
b) Implement electronic Customs corridors: Extend Container Security Initiative (CSI) coverage to other ports. Finalise and implement Customs cooperation arrangements such as electronic seamless processing with key trading partners (e.g. EU). Establish continental electronic corridors	b) Effective management of trade-flows on the corridors
c) Establish joint Customs controls and one-stop border posts at major ports of entry, including SACU ports of entry	c) Implement one-stop border posts with Lesotho and Mozambique
e) Deploy SARS officers at strategic locations abroad	e) Deployment as per the SARS deployment plan
f) Customs Anti-Smuggling <ul style="list-style-type: none"> <li>• Improve border control</li> <li>• Increase visibility and coverage</li> </ul>	f) <ul style="list-style-type: none"> <li>• Establish a Customs Border Control Unit</li> <li>• Increased number of seizures of prohibited goods</li> <li>• Reduce number of disputes</li> </ul>
<ul style="list-style-type: none"> <li>• Improve technical quality of investigations, including assuring the legal basis of scheduling</li> </ul>	

## Trade Administration and Customs Control Resource Plan R Millions

	2005/6	2006/7	2007/8	2008/9	TOTAL
Compensation of employees	26,072	28,022	29,423	30,803	114,320
Goods and services	4,662	5,010	5,261	5,508	20,441
Acquisition of assets	346	372	391	409	1,518
Projects	68,921	174,750	211,300	195,350	650,321
<b>Total</b>	<b>100,001</b>	<b>208,154</b>	<b>246,375</b>	<b>232,070</b>	<b>786,600</b>

### 3.5 Enhancing Human Capability

SARS' contribution to national growth and development goals is guaranteed by its commitment to providing the highest levels of service to the South African public. Key to this is appropriately skilled staff. The commitment is realised through the creation of a high performance public tax and customs administration workplace, where individuals and teams are supported and rewarded for exemplary performance, sharing knowledge, being team players, and living SARS' core values. Rewards include relevant financial and non-financial incentives, various forms of recognition, attractive development and career growth opportunities as well as the unique opportunity to contribute directly to our nation's developmental goals. Individual performance is the gateway to individual development, career growth and mobility within SARS.

#### Outcomes

- A cadre of professional SARS leaders (at all levels) who are technically competent, who understand their responsibility for driving the new SARS culture which is defined by achievement of business strategy and enhanced human integrity
- Enhanced individual and organisational performance that provides the gateway to individual development, career growth and mobility within SARS
- A talented, appropriately staffed organisation that attracts and retains the best (in line with our Employment Equity (EE) plan)
- Improved relations with labour measured by a stable and productive working environment
- A comprehensive HR administrative capability with employee self-service functionality

#### Enhancing Human Capability

Deliverables	Measures
a) A people development strategy in which individual and organisational performance is the gateway to individual development, career growth and mobility within SARS	<ul style="list-style-type: none"> <li>• A strategic human capital plan (skills mix)               <ul style="list-style-type: none"> <li>• Leadership development and enhancement plans signed off for the top 150 performing leaders and managers</li> <li>• Develop career development programme</li> <li>• Meet employment equity targets as per SARS plan</li> </ul> </li> </ul>
b) A comprehensive human resource administrative system	<ul style="list-style-type: none"> <li>• Introduce key human resource policies with the view to introduce flexibility               <ul style="list-style-type: none"> <li>• Introduce an e-employee self-service - that provides for example, e-leave and e-PMDS</li> <li>• Introduce a rigorous performance management and development system</li> </ul> </li> </ul>
c) Improved relations with labour	<ul style="list-style-type: none"> <li>• Consolidate agreements with labour               <ul style="list-style-type: none"> <li>• A reduction in time and quantity of disputes with labour</li> </ul> </li> </ul>
d) An employee engagement programme	<ul style="list-style-type: none"> <li>• A full employee engagement and retention framework               <ul style="list-style-type: none"> <li>• Employee Satisfaction Survey</li> </ul> </li> </ul>
e) Enhance integrity of employees	<ul style="list-style-type: none"> <li>• Integrity risk assessment starting with senior managers               <ul style="list-style-type: none"> <li>• Policies that promote good governance and ethical conduct</li> </ul> </li> </ul>
f) Ethics framework	<ul style="list-style-type: none"> <li>• Develop and implement systems and procedures to monitor and enforce ethical behaviour</li> </ul>
g) A rigorous Performance Management and Development System	<ul style="list-style-type: none"> <li>• Improvement in identified performance indicators, e.g. service               <ul style="list-style-type: none"> <li>• % compliance with personal development plans</li> <li>• Employee satisfaction index</li> </ul> </li> </ul>

## Enhancing Human Capability Resource Plan R Millions

	2005/6	2006/7	2007/8	2008/9	TOTAL
Compensation of employees	45,908	48,466	50,795	53,178	198,347
Projects	5,567	187,000	219,000	244,000	655,567
<b>Total</b>	<b>51,475</b>	<b>235,466</b>	<b>269,795</b>	<b>297,178</b>	<b>853,914</b>



### 3.6 Technological Solutions

Whilst SARS has made substantial technological advances, we remain sensitive to the reality that a substantial portion of our population does not have access to technology, and to the fact that not all solutions to the risks and challenges that we face are technology-based.

SARS is fast moving to a 24 x 7 operation, and this poses significant challenges in the provision of services to support the business units. An infrastructure that can handle volumes that are not evenly spread across the year must also be implemented to ensure that business operations are in no way impacted or degraded at any time.

The introduction of automated processes is now an important imperative for SARS as we have moved quite quickly to maximum throughput using our existing back-office manual and paper-intensive process. With this automation, we must also replace the ageing back-end applications that are disparate and complex to maintain. A large amount of the technology and process effort over the coming three years will be in automating these processes in a manner that will enable SARS to handle a significant (500%) increase in volumes over the coming five to ten years.

It is also of great importance that we integrate our revenue and customs support systems and risk systems so as to ensure that the compliance efforts are given the profiling that will give greater returns on the inspections, audits, investigations and searches.

#### Outcomes

- Back office automation and integration including the introduction of workflow and paper management
- The introduction of taxpayer-focused services to aid in easing the cost of compliance and allowing taxpayer self-service to become a reality
- The provision of an infrastructure geared to support a 24 x 7 operation that will also manage variable production loads whilst reducing overall cost

## Technological Solutions

Deliverables	Measures
a) A single register for all SARS taxpayers and traders - A single source for the storing and segmentation of the SARS taxpayer and trader base	a) • Delivery of business policy framework • No redundancy of data
b) Single Registration facility - A system whereby a taxpayer and trader will have the ability to register once for all SARS products and tax types	b) • Taxpayer ability to register once • Reduction of compliance cost
c) Self-service facility for SARS taxpayers - The ability for a taxpayer and trader to alter personal details and eventually look at tax status. This will be done through the E-Filing secure access facility	c) • Reduction in inbound calls • Customer satisfaction index
d) eFiling for individuals and corporates systems - To give individuals and corporates the capability to submit tax returns electronically	d) • Expansion of current system • Reduction of manual submissions
e) Case management tracking solution to manage disputes, advance rulings and queries	e) Compliance with legislative requirement
f) Implementation of a new voice over internet protocol robust infrastructure to ensure high availability and flexibility - The replacement and re-architecture of the data, voice and video infrastructure to allow for redundancy, flexibility and 24x7 operations	f) Reduction in cost
g) Process automation pilot - To pilot the re-engineering and automation of the income tax return and assessment process in order to evaluate productivity and quality benefits	g) • Reduction in manual intervention • Customer satisfaction index
h) New data mining capability - Improve data extraction and comparison capability to allow SARS to enhance its risk profiling	h) Delivery of a data matching system

### Technological Solutions Resource Plan R Millions

	2005/6	2006/7	2007/8	2008/9	TOTAL
Compensation of employees	265,313	285,147	299,404	313,446	1,163,310
Goods and services	395,533	371,596	390,175	408,475	1,565,779
Acquisition of assets	35,837	38,516	40,441	42,338	157,132
Projects	205,186	0	0	0	205,186
<b>Total</b>	<b>901,869</b>	<b>695,259</b>	<b>730,020</b>	<b>764,259</b>	<b>3,091,407</b>

## 3.7 SARS Modernisation Programme

SARS has been benchmarking against numerous tax and customs agencies internationally to understand the requirements for modernisation. Our initial 2010 vision required sharper focus and therefore the Modernisation Programme is set to raise the performance standards of SARS to that of world class levels, within a regional and South African context, leading to the year 2010 and beyond. This transformation effort aims to build on the solid foundations that have been delivered by Siyakha 1 and subsequent initiatives to reach optimal levels of performance across the SARS mandate. This will lead to greater internal capacity, supported by external partnerships and a group of experts that will interface with SARS.

In line with the modernisation of the business model and the tax products, it is also critical that the technological inadequacies and constraints associated with the current transaction processing systems are addressed in order to ensure that these systems are both suitable and able to accommodate any enhancements or additions that a new business and product model may require.

SARS is critically aware that the design of a new business and product model will fundamentally impact the selection and implementation of the relevant technology systems. However, SARS has also realised that the technology systems themselves can either enable or hinder particular types of business and product model. Therefore SARS wishes to bring onboard a single Business and Systems Solution Provider to tackle both of these inextricably linked programmes of work. It is expected that the Business and Systems Solution Provider will develop an appropriate methodology to redesign and develop tax and customs business solution and product design.

The development of an integrated transaction processing capability together with automation of key business processes (both front and back-end processes) will create the desired synergies and integrated view across tax and customs capabilities. This is the key structure to providing and enabling the single view of each economic entity across all products in all SARS offices and collaborating with stakeholders within Government, other revenue and customs agencies, and third parties such as financial institutions. A holistic view of each customer will enable SARS to make more informed decisions at speed with the required accuracy that mitigates risk to the agency, reduces non-compliance, and ultimately increases revenue collection.

SARS has issued a tender to procure the services of a Business and Systems Solution Providing Partner to supply a proposal to modernise the tax and customs business, product and systems environment. The closing date for tender responses was 17 February 2006 and SARS is now in the tender evaluation phase.

### 2010 Strategic Intent

- From an inward administrative view to an outward customer view
- From a single Government department to an agency serving all of government
- From reactive to proactive engagement with taxpayers
- From manual to automated systems and processes

### Outcomes

- Review and consolidate our business model
- Align products and business processes
- Replace existing core tax and customs transactional systems
- Enhance our people skills

## SARS Modernisation Programme

### Deliverables

- a) Review and consolidate business model
- b) Align products and business processes
- c) Replace existing core transactional systems
- d) Enhance people skills

### SARS Modernisation Programme Resource Plan R Millions

	2005/6	2006/7	2007/8	2008/9	TOTAL
Projects	5,447	47,820	188,627	214,586	456,480
<b>Total</b>	<b>5,447</b>	<b>47,820</b>	<b>188,627</b>	<b>214,586</b>	<b>456,480</b>

## 3.8 Good Governance and Administration

This programme provides strategic management and administrative support to SARS and gives managerial leadership to the work of SARS. The programme aims:

- To ensure effective leadership, management and administrative support to the core business divisions through ongoing refinement of organisational strategy and structure in compliance with relevant legislation and best practice
- To maximise compliance with all relevant financial, ethical, social and environmental statutes and regulations. This entails addressing matters related to stewardship, risk management, internal audit and statutory compliance

This programme comprises the following sub-programmes:

- 3.8.1 Risk Management
- 3.8.2 Business Planning
- 3.8.3 Performance Management
- 3.8.4 Statutory Compliance
- 3.8.5 Governance
- 3.8.6 Ethics
- 3.8.7 Facilities

### 3.8.1 Risk Management

Risk Management is the culture, processes and structures that are directed towards the effective management of potential opportunities and adverse effects.

The adoption of a proactive risk-based approach to the way the organisation conducts its business is critical. A proactive risk-based approach considers the cost-effectiveness of strategies in relation to the assessed level of risk associated with a specific event. In the tax and customs area of the business, this approach releases scarce resources for use in areas where the risk exposure (i.e. non-compliance) has been assessed as high. It also provides the organisation with an opportunity to improve service and reduce the compliance burden for compliant taxpayers and traders who pose a lower risk.

SARS has prepared a first internal draft materiality and significance framework and is having discussions with National Treasury with a view to finalising the framework.

#### Outcomes

- The Risk Differentiation Mechanism which allows us to understand the drivers and risks across different segments, sectors and industries, and which enables us to better predict risks and behaviours for individual taxpayers and traders, and for segments of taxpayers and traders generally
- Ability to respond to emergency and crisis situations
- Readiness and preparedness to respond to unforeseen circumstances
- Ability to identify, assess and mitigate our risks pro-actively

#### Risk Management

Deliverables	Measures
a) Develop the Enterprise-wide Risk Management Methodology and ensure that it is consistently applied throughout the organisation	a) • Implementation throughout SARS • Risk committees established and functional
b) Implement the risk management policy throughout the organisation	b) • Approved risk management policy • Level of implementation
c) Provide assurance through audits regarding the adequacy and effectiveness of the organisation's risk management process	c) • Number of assessments conducted within business units • Reduction in adverse findings by Internal Audit and Auditor General
d) Finalise the delegation of authority within the various business units	d) Delegation register implemented
e) Finalise the development and implementation of the risk management training programme throughout the organisation	e) Number of managers trained
f) Implement a risk register and action plan for each identified risk	f) Risk register and action plans operationalised
g) Implement disaster recovery and contingency plans	g) Operationalise disaster recovery and contingency plans

### 3.8.2 Business Planning

SARS requires an increasingly robust strategic, planning and operationalisation capability to direct and guide the “strategy formulation to execution” process. Manifesting the formulation-to-execution process entails:

- A system of getting things done through questioning, analysis and follow through, a discipline for meshing strategy with reality, aligning people with goals, and achieving the promised results
- A discipline requiring a comprehensive understanding of the business, its people, and the environment
- A link between the processes of strategy, people and operations, to get things done better and on time

#### Outcomes

- Appropriate strategies
- Appropriate deliverables
- Measurable outcomes
- Appropriate targets with concomitant responsibilities

### Business Planning

Deliverables	Measures
a) Draft the Strategic Plan	a) Approved by Minister and submitted to Parliament
b) Draft the SARS Programme	b) Approved by Commissioner and implemented
c) Draft the Operational Plan <ul style="list-style-type: none"> <li>• Modernisation Plan</li> <li>• People Plan</li> </ul>	c) Approved by Commissioner and implemented
d) MTEF/MTEC strategy and budget	d) Submission to National Treasury
e) Draft the quarterly report on strategic outcomes	e) Submission to National Treasury
f) Draft the Annual Report	f) Approved by Minister and submitted to Parliament
g) Develop a customer satisfaction survey	g) Approved by Commissioner and implemented
h) Develop an employee satisfaction survey	h) Approved by Commissioner and implemented

### 3.8.3 Performance Management

In the last two financial years a performance management system was introduced and steady improvement in the culture of performance is noticeable. In the coming financial year we will inculcate and introduce rigour and consistent application of performance management from top to bottom.

The performance management system integrates the management of individual performance, reward, development and career progression. The effective implementation of performance management is influenced by the culture and climate in the workplace and the way in which managers manage their staff.

#### Outcomes

- Improved operational performance
- A culture of performance and performance management
- Advancement of personal development climate and culture

### Performance Management

#### Deliverables

A rigorous Performance Management and Development System

#### Measures

- Improvement in identified performance indicators, e.g service
- % compliance with personal development plans
- Employee satisfaction index

### 3.8.4 Statutory Compliance

SARS became an autonomous revenue agency in terms of its own Act with a certain level of control and flexibility over its own resources in 1997. SARS furthermore operates under the executive authority of the Minister of Finance and must perform its functions in the most cost-efficient and effective manner and in accordance with the values and principles mentioned in Section 195 of the Constitution.

SARS administers 21 pieces of legislation. In its operations and functions SARS must also be guided by other important Acts such as:

- a) The Constitution
- b) Basic Conditions of Employment Act, 1997
- c) Labour Relations Act, 1995
- d) Employment Equity Act, 1998
- e) Public Finance Management Act, 1999
- f) Promotion of Access to Information Act, 2000
- g) Promotion of Administrative Justice Act, 2000

#### Outcomes

- Compliance with all relevant legislative requirements, policies and directives
- Entrenching the compliance culture within SARS and ensuring business-wide ownership of regulatory compliance

### Statutory Compliance

Deliverables	Measures
a) Develop legislative compliance programmes that will include the development of a user-friendly checklist that can be used by all managers in SARS	a) Implementation of regulatory compliance checklist
b) Conduct a legislative compliance awareness campaign for SARS managers	b) Campaign conducted
c) Commence with legislative compliance audits	c) Legislative compliance audit

### 3.8.5 Governance

SARS is committed to ensuring good governance throughout the organisation and observing the principles of the King Report on Corporate Governance for South Africa - 2002 (King II Report), within the parameters of public sector legislation.

#### Outcomes

- Entrenched SARS governance framework
- To embed a governance consciousness throughout SARS and ensuring ownership of governance by all SARS managers

#### Governance

Deliverables	Measures
a) Finalise the implementation of the governance framework and structure and review	a) Implemented governance framework
b) Create education and awareness with managers on good governance practices and the role and benefits of governance structures	b) Frequency of internal education and awareness interventions
c) Ensure effective policy coordination through the establishment of a policy repository	c) Policy repository established
d) Ensure that committees are properly constituted and terms of reference and delegation of powers observed	d) Properly constituted committees



### 3.8.6 Ethics

During the following three years SARS will aim to raise the levels of ethics and integrity amongst all employees throughout the organisation. This effort is in line with SARS' stated strategic goals, imperatives and its Fraud Prevention and Anti-Corruption Strategy and is fundamental to good corporate governance.

All SARS ethics and integrity measures are in line with the recommendations in the King Report on Corporate Governance which states that the existence of and demonstrable adherence to established principles of ethical conduct provide a strong measure of organisational integrity. For SARS it is not enough to merely demonstrate ethical standards. Our role and mandate in serving the democratic Government requires every SARS official to serve the public interest with unyielding integrity. Across the organisation the message is loud and clear - 'AT SARS INTEGRITY IS NOT NEGOTIABLE'.

#### SARS' approach to organisational ethics

- a) Assessing the integrity of new appointees in selection and promotion procedures.
- b) Communicating with and training all employees regarding ethics, morality, SARS values, standards and compliance procedures.
- c) Developing systems and procedures to introduce, monitor and enforce the ethical code.
- d) Ethics-related policies, which include a Declaration of Interest Policy, a Gifts Policy and a Whistle-blowing policy.
- e) Responding to ethical and moral violations.
- f) Providing monitoring and systems for the reporting of unethical behaviour.
- g) Oversight bodies including the Enterprise-wide Risk Steering Committee (internal), the Ethics Committee (internal), the Audit Committee (external), and the Auditor General (external) give credence to the ethics and integrity process at SARS.
- h) Prevent and reduce incidence of fraud and corruption in the organisation through inculcating an ethical organisational culture.

#### Outcome

- Unyielding organisational integrity through demonstrable adherence to established principles of ethical conduct

### Ethics

#### Deliverables

- a) Finalise the implementation of the ethics framework and structure and review where appropriate
- b) Create education and awareness for managers on ethics practices and the role and benefits of ethics structures

#### Measures

- a) Implemented ethics framework
- b) Frequency of internal education and awareness interventions

### 3.8.7 Facilities

Facilities management entails identifying, providing and maintaining SARS facilities. The portfolio continues to grow and with more branches being planned all the time, the SARS presence will continue to grow in order to meet both business and taxpayer and trader requirements. A key challenge is to improve conditions at land border posts. Continuing to make short term improvements forms part of SARS' longer term facilities programme.

#### Outcome

- Facilities that best serve the needs of taxpayers, traders and SARS.

#### Facilities

Deliverables	Measures
a) Commissioning of the Alberton Assessment and Enforcement Centre	a) Accessibility to stakeholders
b) Location and commissioning of the Port Elizabeth Assessment, Customs and Enforcement Centre	b) Identification and selection of site
c) Location and commissioning of the Pretoria Taxpayer Service Centre	c) Possible sites identified
d) Location and commissioning of the Pretoria Assessment, Customs and Enforcement Centre	d) Possible sites identified
e) Opening up and upgrading of various identified sites	e) Possible sites identified
f) Upgraded land border post working and living conditions	f) Employee satisfaction index
g) New property and facility management system	g) Tender process completed

#### Good Governance and Administration Resource Plan R Millions

	2005/6	2006/7	2007/8	2008/9	TOTAL
Compensation of employees	416,412	448,188	470,827	492,909	1,828,336
Goods and services	422,115	401,195	421,254	441,011	1,685,575
Acquisition of assets	17,537	18,848	19,790	20,718	76,893
Projects	102,466	150,000	124,000	210,000	586,466
<b>Total</b>	<b>958,530</b>	<b>1,018,231</b>	<b>1,035,871</b>	<b>1,164,638</b>	<b>4,177,270</b>

## 3.9 Legal and Policy

SARS revenue collection and customs control activities are based on and governed by tax and customs laws. The Legal and Policy component of SARS plays an important role across the whole spectrum of this legislative framework as it influences the policy underpinning such legislation, drafts the legislation, and ensures responsible and uniform interpretation and application of the law, as well as litigation.

### Our Legal and Policy programme consists of the following sub-programmes:

- 3.9.1 Policy Input Regarding Legislation
- 3.9.2 Treaties
- 3.9.3 Interpretation
- 3.9.4 Advance Tax Rulings
- 3.9.5 Dispute Resolution
- 3.9.6 Tax Shelters
- 3.9.7 Knowledge Sharing

### 3.9.1 Policy Input Regarding Legislation

This sub-programme consists of:

- Interact with the National Treasury's Tax Policy Chief Directorate and the Department of Trade and Industry (the dti) on policy issues and legislative drafting
- Advise on aspects of tax law and reform and timeously draft clear and precise customs and tax legislation in compliance with Government Policy
- Ensure that policy advice is sound, balanced, administratively practical and translated into legislation that is clear and precise

#### Outcomes

Contribute to tax proposals to be announced in the annual Budget Speech and to produce the Bills and enabling laws that give effect to all tax proposals that are announced in the Budget Speech. This outcome is achieved by close co-operation with National Treasury, the dti and other relevant role players.

## Policy

### Deliverables

- a) Taxation Laws Amendment Bill
- b) Revenue Laws Amendment Bill
- c) Customs Bill (Re-write)
- d) Regulation of Tax Practitioners Bill
- e) Tax Administration Bill

### Measures

- a) Gazetted legislation
- b) Gazetted legislation
- c) Draft legislation published for comment
- d) Draft legislation published for comment
- e) Draft legislation published for comment

### 3.9.2 Treaties

This sub-programme relates to the negotiation and maintenance of a tax and customs treaty network that will promote trade and investment, protect the tax base and facilitate information exchange.

#### Outcomes

Negotiate new treaties and agreements and where appropriate re-negotiate existing treaties and agreements as well as provide training courses within SARS and to foreign governments.

#### Treaties

- 57 fully ratified treaties
  - 9 comprehensive treaties
  - 3 sea and air treaties.
- We are also in the process of negotiating 22 more treaties.

## Treaties

### Deliverables

- a) Negotiate double taxation agreements
- b) Negotiate mutual assistance agreements
- c) Present training courses

### Measures

- a) Prepare and publish to deadline
- b) Prepare and publish to deadline
- c) Number of courses presented

### 3.9.3 Interpretation

This sub-programme entails the following:

- Facilitating, by means of interpretation notes, rulings and guides, the uniform and correct application of legislation and case law by stakeholders
- Building expertise in the interpretation of the various tax laws

### Outcomes

Produce rulings and other documents in order to clarify certain aspects of the various tax and customs laws

## Interpretation

### Deliverables

- a) Issue rulings
- b) Review of all Practice Notes, Interpretation Notes, Retirement Fund Practice Notes and General Notes and replace where relevant
- c) Review and update various guides including Public Benefit Organisations (PBOs), MPs, Local Councillors, DPSA, Non-Residents Working in SA, Cabinet Members, VAT 409 (Fixed Property)

### Measures

- a) Number of rulings issued
- b) Review completed
- c) Review completed

### 3.9.4 Advance Tax Rulings (ATR)

This sub-programme entails providing a service to taxpayers and traders to promote certainty in respect of the application of the tax and customs laws with regard to certain types of advance rulings.

### Outcomes

- Implement the ATR Unit in 2006
- Produce accurate and high quality rulings which provide clarity regarding the tax treatment of proposed transactions

## Advance Tax Rulings (ATR)

### Deliverables

- Implement a world class rulings application system by way of eFiling
- Implement a case management system
- Implement a document tracking system
- Issue private advance rulings within time frames as determined by the ATR Unit in consultation with the applicant
- Ensure smooth billing process

### Measures

- Launch and implement ATR system
- Launch and implement ATR system
- Launch and implement ATR system
- % rulings provided within timeframe
- Customer satisfaction index

## 3.9.5 Dispute Resolution (DR)

This sub-programme entails providing taxpayers with a fair dispute resolution process respecting taxpayers' rights to redress in their dealings with SARS and to render legal opinions of a high professional standard.

### Outcome

- A fair dispute resolution process respecting taxpayers rights

### DR

- We reached 240 successful alternative dispute resolution agreements over the past year

## Dispute Resolution

### Deliverables

- Develop and implement a litigation case management system
- Develop and implement an opinion case management system
- Develop good case law
- Conduct litigation
- Conduct appeals

### Measures

- Litigation case management system operationalised
- Opinion case management system operationalised
- Number of cases embodying good case law
- Increase success rate in litigated cases
- Reduction in average age of appeals

## 3.9.6 Tax Shelters

This sub-programme entails the following:

- Monitoring tax avoidance schemes through analysis and research
- Ensuring continued assistance to the business in terms of identifying and closing down impermissible tax avoidance schemes

### Outcome

- Identify, analyse, and develop appropriate responses to tax avoidance schemes.

## Tax Shelters

### Deliverables

- Review Reportable Arrangements legislation
- Investigate tax schemes
- Provide assistance to business

### Measures

- Review completed
- Number of tax schemes investigated
- Number of initiatives to assist business

### 3.9.7 Knowledge Sharing

This sub-programme entails the following:

- Develop and maintain a sound tax knowledge base and issue tax guides and brochures for relevant stakeholders
- To promote the transfer of tax and customs information and relevant skills to various stakeholders

#### Outcome

- Ensure and coordinate interaction with the rest of SARS in terms of post reviews, training assistance, knowledge sharing, quality assurance of output items such as brochures and guides and general ruling documents in terms of language and content correctness

### Knowledge Sharing

Deliverables	Measures
a) Review all new and updated general rulings (Interpretation Notes)	a) Number of rulings reviewed
b) Review all brochures and guides and assist with the design and layout of such guides	b) Number of brochures and guides reviewed
c) Establish a knowledge sharing tool	c) Knowledge sharing tool implemented

### Legal and Policy Resource Plan R Millions

	2005/6	2006/7	2007/8	2008/9	TOTAL
Compensation of employees	65,966	70,897	74,442	77,934	289,239
Goods and services	11,966	12,580	13,209	13,829	51,584
Acquisition of assets	569	611	642	672	2,494
Projects	10,264	0	0	0	10,264
<b>Total</b>	<b>88,765</b>	<b>84,088</b>	<b>88,293</b>	<b>92,435</b>	<b>353,581</b>







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