



Portfolio Committees  
on Finance (PCOF)  
30 May 2006

Report card  
2005/06





### Strategic Objective 1: Optimise revenue collection

<b>OUTCOMES</b>	<ul style="list-style-type: none"> <li>• Optimise collections</li> <li>• To advise on appropriate tax policy and legislative interventions</li> </ul>
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DELIVERABLES	TARGET	ACHIEVEMENT	MOTIVATION
Revenue target	February 2005: R372,8 Billion February 2006: R417.05 Billion	Cash R418.127 billion Gross R417.387 billion	Extraordinary effort from SARS management and staff and special initiatives that has been embarked on
Revenue collected as a percentage of GDP	24,4%	26.8%	
Cost as a percentage of total revenue	1,3%	1,2%	
Debt as a percentage of total revenue	16%	14,3%	<p>The target has been achieved as a result of the change in focus on debt management as apposed to debt collection</p> <p>Debt to Revenue ration (excluding debt not yet due) 31/03/2005: R62, 1 Billion (18%) 31/03/2006: R58, 8 Billion (14.3%)</p>

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**Strategic Objective 2: Better taxpayer and trader experience**

<b>OUTCOMES</b>	<ul style="list-style-type: none"> <li>• Targeted communication, taxpayer education and expectation management</li> <li>• Enhanced service processes and responses to queries</li> <li>• Perform against SARS Service Charter</li> <li>• Effective, easily available and efficient channels</li> <li>• Efficient dispute resolution</li> </ul>
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DELIVERABLES	TARGET	ACHIEVEMENT	MOTIVATION
Percentage of achievement against SARS Service Charter	85%	100% Implemented	
Customer satisfaction survey index	85%	93%	
Year-on-year percentage reduction in number of complaints	12%	14%	

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## Strategic Objective 3: Improved compliance and risk reduction

<b>OUTCOMES</b>	<ul style="list-style-type: none"> <li>• Understand and segment the tax base and develop appropriate compliance strategies</li> <li>• Improve compliance culture</li> <li>• Assess and mitigate risk</li> </ul>
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DELIVERABLES	TARGET	ACHIEVEMENT	MOTIVATION
Percentage increase in compliance behaviour (registration, filing and payments)	9%	9.53%	Only in respect of registered growth.  Cases on register as at 1/04/2005: 6,965,580 Cases on register as at 31/03/2006: 7,631,207
Increase in effective tax rates per selected industry sector	3%	Not available	Currently working on segmenting taxpayers data per sector as the data is mixed up
Enforcement revenue (banked)	R23.2 Billion	R20.523 Billion	The target was not reached by R2,7 billion. ( a drop of 6% compared to the previous year) as greater emphasis was placed on debt management rather than debt collection with special emphasis on the finalisation of cases.
Percentage success in risk based audits	60%	63%	Target was exceeded by 3%  Target: 11 967 (19,945x60%) Achieved: 12,575
Percentage audit coverage across tax types: • CIT	1.32%	1.51%	The target was exceeded by 0.36% as focused was placed on industry based audits.  Target: 9085 Achieved: 11,947
• PIT: Salaried Individuals	0.5%	0.46%	The target was not reached by 0.04% as the risk is greater with non salaried individuals, not all filing season cases (travel allowances audits) were completed before year end  Target: 16,000 Achieved: 14,815
• PIT: Non-Salaried	1.2%	1.37%	The target was exceeded by 0.17% as greater emphasis was placed on



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### Strategic Objective 3: Improved compliance and risk reduction (continued)

<b>OUTCOMES</b>	<ul style="list-style-type: none"> <li>• Understand and segment the tax base and develop appropriate compliance strategies</li> <li>• Improve compliance culture</li> <li>• Assess and mitigate risk</li> </ul>
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DELIVERABLES	TARGET	ACHIEVEMENT	MOTIVATION
• PIT: Non-Salaried Individuals	1.2%	1.37%	The target was exceeded by 0.17% as greater emphasis was placed on these cases due to greater risks  Target: 8,640 Achieved: 9,877
• PAYE	1.25%	1.35%	The target was exceeded by 0.10% as greater emphasis was placed on this due to the fact that the target for the 2004/05 was not reached  Target: 3,375 Achieved: 6,642
• VAT	5.0%	4.46%	The target was not reached by 0.04% as greater emphasis was placed on PAYE , CIT and PIT audits  Target: 26,500 Achieved 23,619
• Total coverage	1.15%	1.16%	Target was exceed by 0.01%  Target: 63,600 Achieved: 63,900

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## Strategic Objective 4: Enhanced human capacity

<b>OUTCOMES</b>	<p>A staff complement with the appropriate skills and orientation</p> <p>Enhance human resource systems and processes.</p> <p>Achieve employment equity and workplace diversity.</p> <p>A cadre of progressive and capable managers.</p> <p>A well established performance management system</p>
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DELIVERABLES	TARGET	ACHIEVEMENT	MOTIVATION (for non-achievement as well as target exceeded)
Percentage compliance with equity plan	100%	97%	Overall compliance to EE targets was <b>97%</b> The shortfall of 3% is in the management and supervisory staff occupational levels. Notwithstanding, there has been a year on year incremental improvement of 2% & 1 % for management and supervisory levels respectively.
Percentage closure of skills gap	Establish Percentage skills gap	35%	An extensive learning needs analysis was done last year. This revealed an average skills gap of 35%. The biggest gap of 85% resided in Customs.
Implementation of new Performance Management Development System	40%	50,5%	Overall performance against target of 40% was <b>50.5%</b> Measured against the following dimensions of a PMDS: <ul style="list-style-type: none"> <li>✓ PMDS driven by SARS strategic plan</li> <li>✓ SMART objective setting</li> <li>✗ Contracted Behaviours Charter</li> <li>✓ Annual review and tracking</li> <li>✓ Pay for performance Individual Development Plans</li> </ul>
Percentage improvement in management capability	30%	19%	Overall improvement weighting was <b>19%</b> <ul style="list-style-type: none"> <li>• Accelerated Management Development Programme</li> <li>• Operational Management System</li> <li>• Emotional Quotient (EQ)</li> <li>• Integrated Budgeting and Strategic Planning</li> <li>• Coaching</li> </ul>

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**Strategic Objective 5: Improved trade administration and border security**

<b>OUTCOMES</b>	<ul style="list-style-type: none"> <li>To implement the general annex to the revised Kyoto Convention</li> <li>Efficient implementation and management of trade agreements</li> <li>Increased ability to detect illicit trade and enhanced anti-smuggling activity</li> <li>Visible border control and pro-active deterrence</li> </ul>
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DELIVERABLES	TARGET	ACHIEVEMENT	MOTIVATION
Percentage implementation of the general annex to the revised Kyoto Convention	50%	70%	70% of the general annex has been incorporated into the Customs legislative instruments i.e. Customs Act, Rules and policy. The re-drafting of Customs legislation establishes the Revised Kyoto as the legislative foundation. There are a few principles of the general annex that has not been adopted as yet, due to them being in conflict with current national legislation.
Percentage documentation compliance with customs regulation coverage and examination success rate: <ul style="list-style-type: none"> <li>Document coverage</li> </ul>	20%	Imports - 27% Exports - 90%	
<ul style="list-style-type: none"> <li>Success rates</li> </ul>	20%	Imports - 17.2% Exports - 19.7%  Combined Success Rate % Achieved = 17.68 %	<p>On imports, it is evident that our Risk analysis capability as well as Assessment skills still requires further improvement. On exports our target setting methodology requires refinement in addition to the above mentioned issues for imports.</p> <p>Imports examined: 74,674 Imports successful: 12,849</p> <p>Exports examined: 17,337 Exports successful: 3,418</p>

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## Strategic Objective 5: Improved trade administration and border security (continued)

<b>OUTCOMES</b>	<ul style="list-style-type: none"> <li>To implement the general annex to the revised Kyoto Convention</li> <li>Efficient implementation and management of trade agreements</li> <li>Increased ability to detect illicit trade and enhanced anti-smuggling activity</li> <li>Visible border control and pro-active deterrence</li> </ul>
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DELIVERABLES	TARGET	ACHIEVEMENT	MOTIVATION
Percentage success of anti-smuggling activities	<b>55% (Total)</b> <b>5% (People/ Bag Searches)</b> <b>15% - (Rummage/ Searches)</b> <b>35% (Patrols/ Other Activity)</b>	<b>42,62% (Total)</b>  <b>0.62%</b>  <b>10.2%</b>  <b>31.8%</b>	<p>The Anti smuggling standards framework was operationalised this year and officials did not split the achievements properly. A number of projects have been set up to improve the activities of anti-smuggling.</p> <p>People/bag searches: 222,862 Successful: 1,384</p> <p>Rummages searches: 103,652 Successful: 10,544</p> <p>Patrols and other activity searches: 5,958 Successful: 1,896</p>
Percentage achievement of turnaround times for trade processes	90%	<b>Imports</b> 4hrs – 93%  24hrs – 92,3%  <b>Exports</b> 4hrs – 94,9%  24hrs – 93,9%	<p>Imports: Bills of entries processed electronically: 1,576,791 Within 4 hours: 1,466,304</p> <p>Bills of entries processed manually: 311,525 Within 24 hours: 287,405</p> <p>Exports: Bills of entries processed electronically: 419,955 Within 4 hours: 398,384</p> <p>Bills of entries processed manually: 602,328 Within 24 hours: 565,619</p>
Improvement in infrastructure and equipment (border, warehouse and scanner)	5%	5%	



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## Strategic Objective 6: Greater operational efficiencies

<b>OUTCOMES</b>	<ul style="list-style-type: none"> <li>• Optimise throughput</li> <li>• Maintain/enhance quality</li> <li>• Establish an operational management system</li> <li>• Optimise processes</li> <li>• Improve cost efficiency/value for money</li> </ul>
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DELIVERABLES	TARGET	ACHIEVEMENT	MOTIVATION
Percentage of transactions delivered within standard throughput time	IT – 42% within 60 days	IT - 30.82% was processed within 30 days 41.25% was processed within 40 days  PAYE – 79% within 21 days  VAT – 76% within 21 days	Pipelines increased from approximately 80000 per week to 120000 per week currently. This shows that there has been an improvement on the volumes and in doing this also maintaining an acceptable quality level.  The volume of returns received in the current year up to October is 3771981 and in that very period we managed to process 2301193 returns.  The current average capacity per week is 120000 and based on this we can process only 24000 returns per day. Therefore forecasting this will allow us to process 1440000 returns within 60 days. Taken as a percentage of returns received this means that 39% of the returns received can be processed within 60 days. Compared to our target set of 80% in 60 days there certainly needs to be some reality check on the target and also some adjustment thereof.
Percentage accuracy of assessments	90%	93%	Total assessments raised: 4,870,238 Revised assessments: 337,988
Percentage reworked as a result of own error	5%	3%	
Maintaining success rate in the litigation of appeals in the Tax and higher courts in line with international benchmarks	65% Target 2005/06 – 62% 2006/07 –	72%	

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**Strategic Objective 7: Promoting good governance**

**OUTCOMES** • Entrench our Governance Framework throughout the agency

DELIVERABLES	TARGET (AS PER STRAT PLAN)	ACHIEVEMENT	MOTIVATION
The percentage of Governance Framework implemented across the organisation	90%	91.5%	