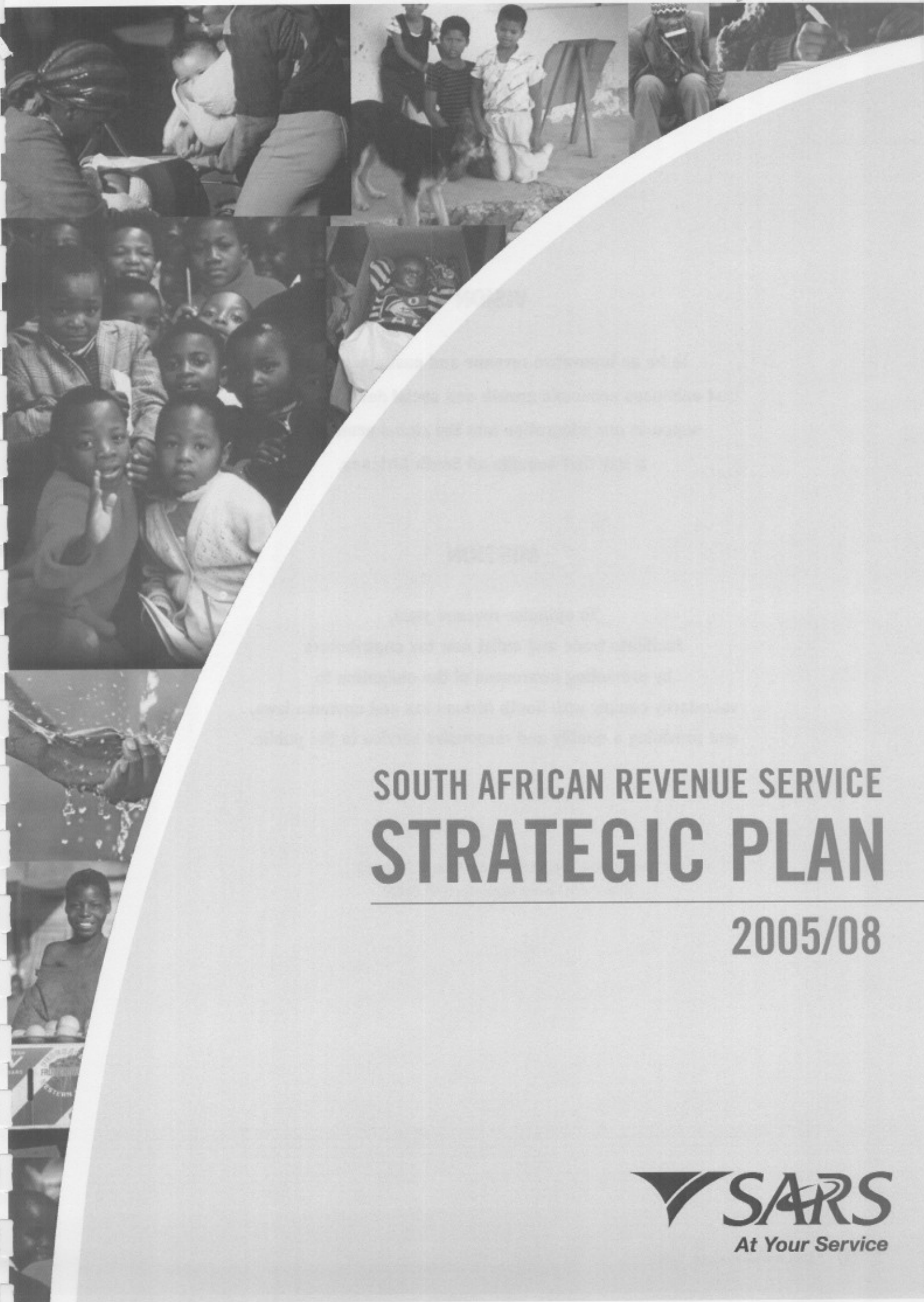


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SOUTH AFRICAN REVENUE SERVICE STRATEGIC PLAN

2005/08

SARS
At Your Service

VISION

**To be an innovative revenue and customs agency
that enhances economic growth and social development, and
supports our integration into the global economy in
a way that benefits all South Africans.**

MISSION

**To optimise revenue yield,
facilitate trade and enlist new tax contributors
by promoting awareness of the obligation to
voluntarily comply with South African tax and customs laws,
and providing a quality and responsive service to the public.**

This Strategic Plan is submitted in terms of Section 53
of the Public Finance Management Act (PFMA)

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1. MINISTER'S FOREWORD



The South African Revenue Service (SARS) fulfils a number of roles in the reform process of South African society through its collection of revenue to fund Government programmes, the facilitation of trade and economic security, and contributing to an economy that supports growth and development.

The mandate of Government is to implement policies that bridge the economic divide between the rich and poor. To this end President Thabo Mbeki clearly outlined the "central architecture" for Government in his State of the Nation Address on 11 February this year, and its underlying focus on eradicating poverty and underdevelopment, within the context of a thriving and growing First Economy and the successful transformation of the Second Economy.

Within this uniquely South African economic paradigm we have a revenue administration that will increasingly be confronted with two key issues; financing development through delivery to the fiscus, and contributing to an enabling environment for further growth. This mandate would necessarily have to include raising the levels of tax compliance in the First Economy, facilitating the transformation of the Second Economy through tax relief, as well as administrative interventions and tax education to build a new culture of fiscal citizenship across the board.

As outlined in this Strategic Plan for SARS over the medium term, the demands on revenue yield will increase significantly towards 2007/8. These targets are

informed by macro-economic assumptions and a developmental fiscal policy aimed at providing more for social services, infrastructure development, job creation and sustainable economic growth. This will ensure that the allocation of our public finances remains heavily skewed towards the poor and vulnerable as our developmental agenda recognises the importance of direct income support in easing the immediate burden of poverty and deprivation, investment in education, health, community infrastructure and basic municipal services.

The SARS Strategic Plan therefore details the revenue administration's contributions to the national developmental goals contained in Government's Programme of Action. Any assessment of revenue collection during the First Decade of Freedom will highlight important gains in organisational reform and efficiency, expansion of the tax base, the incorporation of fragmented customs and revenue administrations into one autonomous administrative organ, stability in the tax policy, progressive increases in revenue yield and significant tax relief to both individuals and businesses.

Still SARS, like the rest of South Africa, faces immense challenges as our collective goal remains to work towards raising our growth levels further towards 6% by 2014. However, judging by the many successes SARS had achieved in transforming itself during the first ten years of democracy, I remain confident in the organisation's ability to deliver on its contribution to this goal.

Trevor A. Manuel MP
Minister of Finance

2. MESSAGE FROM THE COMMISSIONER



As our young democracy continues to mature and make its mark in the global arena, we are reminded of the vision contained in the Freedom Charter - whose 50th anniversary we celebrate this year - that, "South Africa belongs to all who live in it, black and white" and which is enshrined in our Constitution: "We, the people of South Africa, believe that South Africa belongs to all who live in it, united in our diversity."

While South Africa has made significant strides towards realising this vision, much remains to be done particularly with regard to overcoming poverty and underdevelopment. Key to achieving these imperatives is government's "3 Pillar" strategy, expounded by President Mbeki, which seeks to encourage growth in the first economy, integrate the second economy, and to build a social security net for poverty alleviation.

SARS has and will continue to make its humble contribution to the numerous developmental challenges we face as a nation. In terms of SARS mandate, this role goes beyond revenue collection and also includes the facilitation of legitimate trade between South Africa and the world and securing our borders to minimise illegitimate trade and customs evasion. Furthermore, SARS' location in the economy allows it to contribute meaningfully to the creation of a climate that stimulates small business growth and the integration of the "second economy".

Over the past ten years SARS has delivered notable successes. The tax base has been broadened, revenue collection has improved and a new culture of compliance is beginning to take root. Moreover these successes have been achieved in a balanced manner with due regard to sustainability and economic growth. Without detracting from these achievements, we at SARS remain acutely aware of our duty



to continue to improve on our performance. The decade that lies ahead is crucial; our ability to efficiently meet stakeholders' expectations over this period will be the true test of the organisation. In this regard, the key deliverables are the MTEF revenue collection targets which are currently set at R372.8bn for 2005/6, R414.2bn for 2006/7 and R453.7bn for 2007/8.

This strategic plan sets out the broad approach and specific interventions that we will pursue over the MTEF period from 2005 to 2008. Our approach, premised on an understanding of our environment, is to intelligently deploy education, service and enforcement activities in pursuit of our mandate. Central to the principles of economic efficiency and fairness is a pervasive, value driven orientation towards responsible fiscal citizenship. Indications are that the majority of individual taxpayers, businesses and tax advisors do display such an orientation and it is to them that we will direct our education and service improvement efforts. Yet there are still those who continue to display a contrary tendency and resist paying their fair share to the detriment of those who comply. It is to these entities that we will direct a vigorous enforcement programme.

Having one strategy and operating plan across the organisation will allow us to direct our resources in concert and to pursue our strategic objectives of optimising revenue, making further efficiency gains, improving service, educating individual taxpayers and traders, extending our reach into underserved sectors and ultimately, to develop a national culture of compliance with tax and customs legislation. Two important initiatives to be delivered during 2005 are worth mentioning at this point. Firstly, in line with government's commitment to the development of the small business sector, SARS will implement a variety of measures that are designed to stimulate business growth and to reduce the costs of tax compliance. Secondly, the SARS Service Charter will be instituted, in the spirit of Batho Pele, to make explicit our commitment to provide acceptable levels of service to our taxpayer/trader base.

Internally, SARS will endeavour to stabilise its operating environment that has undergone significant change, transform aspects of the organisation to respond to the new challenges we face and align our structure and systems with strategies that are more taxpayer and trader centric. In order to mobilise the agency to further extend its reach and message, SARS has set specific targets that will be used to actively manage performance. In doing so, we will be in a better position to translate our strategic intent into concrete delivery.

Over the last year we have been inspired and ably led by Minister Trevor Manuel and Deputy Minister Jabu Moleketi. We thank them for their trust and leadership and look forward to working with them in the coming years. We also acknowledge the millions of citizens and businesses who truly are responsible and patriotic fiscal citizens.

We will continue to raise the bar!

Pravin Gordhan



3. INTRODUCTION



Constitutionally, Government has a developmental obligation to eradicate poverty and underdevelopment. SARS supports Government in achieving its developmental objectives. In terms of the South African Revenue Service Act No. 34 of 1997, SARS as the revenue agency for government is tasked:

- To collect all revenues that are due;
- To ensure the maximum compliance with the legislation;
- To provide a Customs service that will maximise revenue collection, protect our borders as well as facilitate trade.

SARS' revenue generating role coupled with its role of protecting the economy and facilitating trade is pivotal in enabling the country and the economy.

“President Thabo Mbeki has noted with appreciation the increasing levels of tax compliance amongst South Africans, shown by the overwhelming response of the public to the filing season campaign conducted by the South African Revenue Service (SARS).

SARS this week registered receipt of a cumulative 1,9 million tax returns after the conclusion of the filing season. It is confident that it will surpass the two million mark once all the returns - including those that are still in the mail - have been counted.

The enthusiastic response among the population, including many first-time taxpayers, not only improves the possibility of more resources being available for the programme of government to improve the lives of South Africans.

It also bodes well for the popular partnership/people's contract aimed, among other objectives, at entrenching the culture of responsibility at the same time as we exercise the rights that democracy has brought.”

*Statement from the Presidency,
Tax compliance amongst South Africans, July 2004*



Our programme for the coming year is premised on the broad objectives to increase investment in the economy, lower the cost of doing business, improve economic inclusion and provide the skills required by the economy. Therefore, the details outlined in May last year, to the extent that the tasks are ongoing, remain an integral part of the programme.

...

The capital investment programme of government will be speeded up focusing on housing, rural and urban infrastructure, public transport and national logistics system, water and electricity.

*President Thabo Mbeki,
State of the Nation Address, 11 February 2005*

SARS exists to improve the quality of life for all South Africans through the taxes it raises and the trade it administers.

On 11 February 2005, President Mbeki, in his State of the Nation address, prioritised the following broad objectives for the economy: increased investment, lowering the cost of doing business and developing the skills base to support growth.

The 2005/06 Budget reflected strong growth in the economy, stable inflation and a sound overall macro-economic environment. The Budget for the coming MTEF period emphasised more rapid growth, broad based development, and fighting poverty and inequality. To this end additional allocations have been made over the next three years to transport infrastructure, water and electricity provision, education and skills development, and fighting crime. Additional allocations were also made to cater for the increasing number of people who receive social grants,