

**INTERNATIONAL MONETARY FUND (IMF)  
TAX ADMIN. RESEARCH CENTRE (TARC)**

**CONFERENCE 2021**

*“Session 1: Tax Administration and the Pandemic: The South African Experience”*

# **THE STATE OF SARS**

## ***(2014 - 2019)***

# SARS HAD BEEN DELIBERATELY WEAKENED AS REPORTED IN THE NUGENT REPORT

*PRESIDENT RAMAPHOSA APPOINTED A COMMISSION OF INQUIRY INTO THE TAX ADMINISTRATION -  
LED BY JUDGE NUGENT. THIS LED TO THE DISMISSAL OF THE FORMER COMMISSIONER, AND  
APPOINTMENT OF COMMISSIONER KIESWETTER ON 1 MAY 2019*

## **SINCE 2014, SARS EXPERIENCED:**

- A MASSIVE FAILURE IN GOVERNANCE & INTEGRITY
- THE “BAIN OPERATING MODEL REVIEW” DELIBERATELY SOUGHT TO RENDER THE ORGANIZATION INCAPABLE OF FULLY SERVING ITS MANDATE BY

## **RESULTING IN:**

- A DECLINE IN REVENUE PERFORMANCE
- A DECLINE IN TAX MORALE & COMPLIANCE
- A DECLINE OF EMPLOYEE MORALE & CONFIDENCE
- A DECLINE IN HARD WON PUBLIC CONFIDENCE IN SARS

# SARS HAD BEEN DELIBERATELY WEAKENED SIGNIFICANT LOSS OF TECHNICAL SKILLS

- **CAPABILITY - ALMOST 3000 STAFF LEFT SINCE 2014, INCLUDING:**
  - > 400 Compliance & Investigative Auditors
  - > 350 Customs Officers
  - > 200 Debt Management
  - > 115 Highly Skilled Auditors:
    - Transfer Pricing
    - Risk Profiling
    - High Wealth - structuring
  - > 200 IT Specialists

***In addition, the Soul of the organization was weakened & trust had been eroded...***

# THE REBUILDING OF SARS

# OUR STRATEGIC CLARITY (2020)

RESPONDS TO FOUR DEFINING QUESTIONS:

1. Our Mandate: What we do?
2. Our Higher Purpose: Why we exist?
3. Our Vision: Our aspiration for a future SARS?
4. Our Strategic Intent: How we will approach delivering our mandate?

These inform:

1. How we work
2. How we are organized
3. How we allocate resources
4. How we define success

# CLARITY OF PURPOSE

## Whilst our Mandate is to:

- Collect all revenues due
- Ensure optimal compliance with tax and customs legislation
- Provide a customs service to optimize revenue, border protection & facilitate legitimate trade

SARS exists to serve the **HIGHER PURPOSE** of

***ENABLING GOVERNMENT TO BUILD A CAPABLE STATE THAT FOSTERS  
SUSTAINABLE ECONOMIC GROWTH & SOCIAL DEVELOPMENT THAT  
SERVES THE WELLBEING OF ALL SOUTH AFRICANS***

# SARS VISION 2024

***A SMART, MODERN SARS WITH UNQUESTIONABLE INTEGRITY, TRUSTED & ADMIRER***

## THIS ASPIRATION IMPLIES:

### INTERNALLY, we

- Engage stakeholders ethically and beyond reproach
- Use technology and data to build an intelligent organization
- Evolve our staffing model towards high value knowledge & service work
- Become an Employer of Choice with a high performing, engaged workforce

### EXTERNALLY, we

- Achieve substantially our strategic intent of Voluntary Compliance
- Benchmark against the best among our peers internationally
- Regain public trust and confidence
- Provide the financial resources for Government to deliver



# SARS STRATEGIC INTENT

*DEVELOP A TAX & CUSTOMS SYSTEM BASED ON VOLUNTARY COMPLIANCE*



**COMPLIANCE PROGRAMME**  
**(OUR PROGRAMME OF WORK)**

# SARS THEORY OF COMPLIANCE

*WE BELIEVE THAT **MOST** TAXPAYERS ARE HONEST AND SIMPLY WANT TO FULFIL THEIR OBLIGATION WITH THE LEAST AMOUNT OF EFFORT & COST*

# COMPLIANCE BEHAVIOURAL INSIGHTS

Voluntary Compliance is best achieved when SARS:

- Provide clarity and certainty of how we see taxpayers obligations
- Make it easy for taxpayers to comply
- Ensure that there's always a credible threat of detection
- Base our actions on a thorough profiling of individual and groups of taxpayers
- Customize our engagement and communication with taxpayers
- Provide transparency to taxpayers about how we approach our work
- Communicate the consequence of non-compliance
- Communicate how tax revenue is spent

**THIS DRIVES OUR COMPLIANCE MODEL**

# OUR THEORY OF TAX COMPLIANCE DRIVES OUR MODEL OF COMPLIANCE



# STRATEGIC INTENT: *Develop a Tax & Customs system based on Voluntary Compliance*

In support of our Strategic Intent we have **9 Strategic Objectives:**

1. Provide **Clarity & Certainty** for Taxpayers & Traders of their obligations
2. Make it **Easy** for Taxpayers & Traders to Comply with their obligations
3. **Detect** Taxpayers & Traders who do not Comply, and make non-compliance **Hard & Costly**
4. Develop a **High Performing, Diverse, Agile, Engaged** and **Evolved** workforce
5. Increase and expand the use of **Data** within a comprehensive knowledge management framework to ensure integrity, drive insight and improve outcomes
6. Modernize our systems to provide **Digital and Streamlined** online services
7. Demonstrate effective **Resource Stewardship** to ensure efficiency and effectiveness in the delivery of quality outcomes and performance excellence
8. Work with and through **Stakeholders** to improve the tax ecosystem
9. Build **Public Trust and Confidence** in the tax administration system

# COMPLIANCE MODEL

## SEGMENTATION

- Individuals: Standard & Provisional
- Individuals: Wealthy & Complex
- Business: Large & International
- Business: Small & Medium
- Restricted: Individuals & Related Entities
- Intermediaries (*Employers, Traders & Practitioners*)
- Tax Exempt Entities
- Government & Embassies
- Estates

## COMPLIANCE CONTINUUM

**CLARITY &  
CERTAINTY**

- Outreach
- Awareness
- Education
- Publication
- Interpretations & Rulings
- Legal Policy & Products

**EASE OF  
COMPLIANCE**

- Registration
- Declaration & Filing
- Assessment
- Payments

**COSTLY  
NON-COMPLIANCE**

- Case Selection
- Theme Selection
- Audit & Investigation
- Dispute Resolution
- Debt Collection

## KEY OUTCOMES

### A. PRODUCTION

- Voluntary Compliance
- Tax Gap
- Trade Facilitation
- “Border” Protection
- Total Revenue
- Compliance Yield
- Expense Budget
- Capital Budget

### B. PROD CAPABILITY

- Talent Management
- Modernization
- Tax Policy
- Data Management
- Research & Analysis
- Risk Management
- Planning
- Governance
- Stakeholders
- Operating Model

# CONNECTING OUR HIGHER PURPOSE, OUR MANDATE TO OUR STRATEGIC OBJECTIVES & CORE VALUE CHAIN

## HIGHER PURPOSE

*ENABLING GOVERNMENT TO BUILD A CAPABLE STATE THAT FOSTERS SUSTAINABLE ECONOMIC GROWTH & SOCIAL DEVELOPMENT THAT SERVES THE WELLBEING OF ALL SOUTH AFRICANS*

### SARS VALUE CHAIN (What we administer)

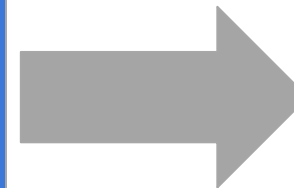
*Registration  
Filing of Declarations  
Assessment of Filing  
Investigations & Audits  
Dispute Resolution  
Payments  
Debt Collection*



### STRATEGIC INTENT (How we administer)

*Build an  
Administration  
Platform based on  
Voluntary Compliance*

*Underpinned by 9  
clear Strategic  
Objectives*



### SARS MANDATE (The Impact of our Work)

1. Collect Tax & Customs Revenue
2. Improve Compliance
3. Facilitate Legitimate Trade

**MEANS**

**END**



# COVID – 19 FAST TRACKED OUR STRATEGIC INTENT AND VISION 2024

## ***VISION 2024***

*To build a smart modern SARS, with unquestionable integrity, trusted and admired.*

# EXPRESSING OUR STRATEGIC OBJECTIVES FROM THE PERSPECTIVE OF THE DESIRED “USER” EXPERIENCE

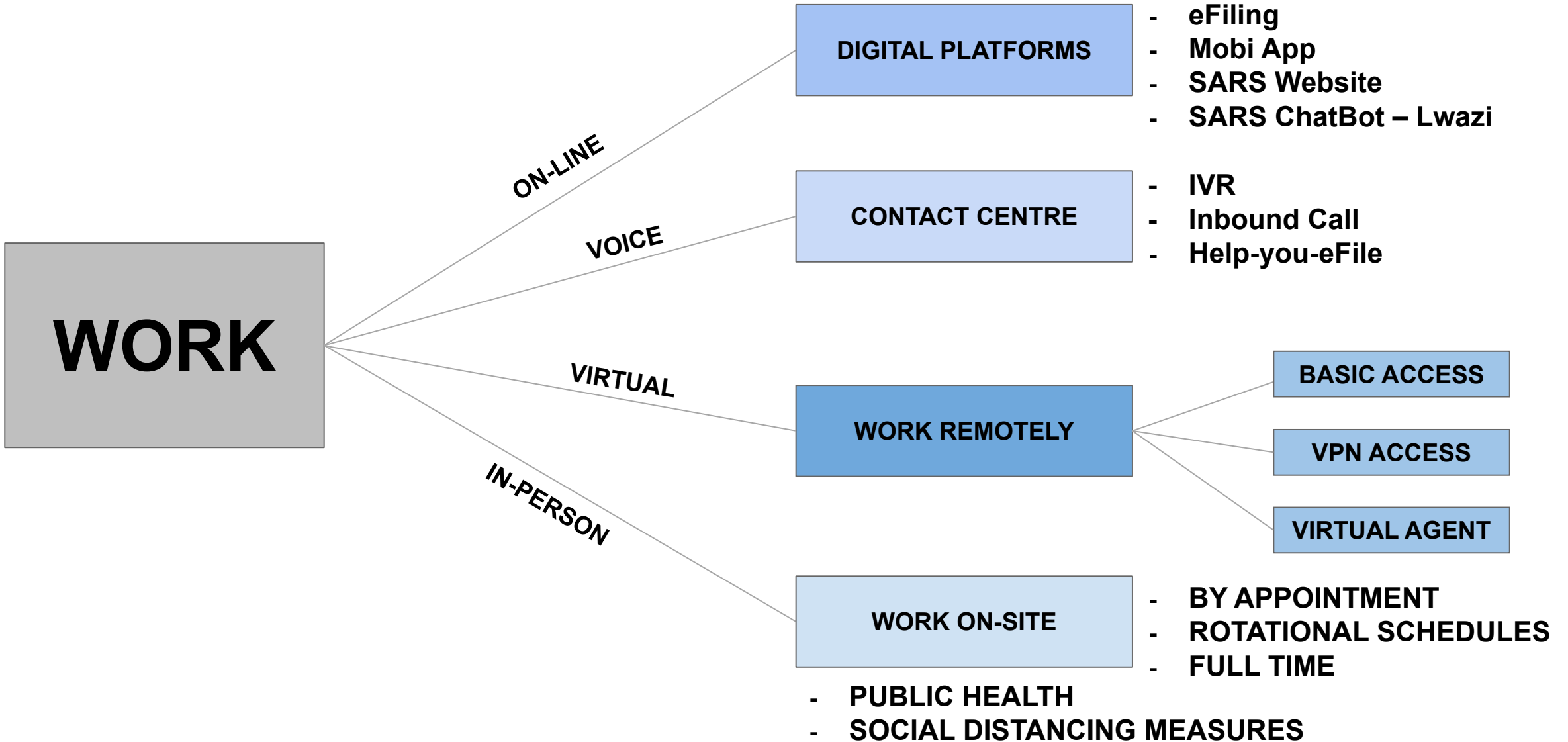
The important challenges for us, as we think about the modernization of SARS, include:

1. Clarity on the experience we wish to create for taxpayers, traders, or other users/stakeholders
2. Moving beyond simply developing “x” number of digital transactions, towards a systemic “always on” digital super-platform (an interconnected Tax & Customs Ecosystem)
3. Greater convergence between Tax & Customs development for the administration core value chain, with the smart applications relevant to a specific experience
4. Internally, an operating model that is data driven, technology enabled and human effort augmented by machine learning algorithms and artificial intelligence
5. Externally, a user experience that is seamless, intuitive as well as customised and self-administered

# LEVERAGING PEOPLE + DATA + TECHNOLOGY

*SARS' High Performing, Diverse, Agile, Engaged and Evolved RESPONSE TO THE COVID-19 PANDEMIC HAS BECOME OUR NEW WAY OF OPERATIONS AND WORK – THAT IS IN KEEPING WITH OUR VISION 2024...*

# LEVERAGING AGILE WAYS OF WORK



# LEVERAGING DATA & TECHNOLOGY

Change in our routine that we service taxpayers & traders – expanding our reach as well as moving from physical engagements to that of virtual engagements through our various Digital Platforms.

Implemented **45+ additional technology and data enhanced functionalities** to our digital offering – to name a few:

- **SO1: SARS Online Query System (SOQS)** for specific queries – **1 273 000**
- **SO1: SARS TV (YOUTUBE)** webinars conducted – **250 000 views**
- **SO1: Notice of Registration for VAT** now available on e-filing – **114 000**
- **SO2: Automated registration for PIT** – **1 044 000**
- **SO2: Taxpayer visits through our new Branch e-booking system** – **1 270 000**
- **SO2: Communication via our Unsolicited eMail solution** – **328 000**
- **SO2: Non-filers can now submit supporting documents via the web** – **1 073 000**
- **SO2: Tax Directives applications** via eFiling (individuals & practitioners) – **16 000**
- **SO3: Developed a streamlined banking details verification** process – **681 000**
- **SO3: Suspended the need for VAT interviews** as a pre-registration requirement – **84 000**
- **SO4: Introduced Virtual Agents in our Service Channels** (Branch & Contact Centres) **+2000 agents**

**OUR RESPONSE IN  
THE FIRST 100 DAYS  
OF COVID-19!**

**SO1 & SO2: APPROX. 6 MILLION TAXPAYER INTERACTIONS BEING CONVERTED TO OUR DIGITAL OFFERING AS COMPARED TO A PREVIOUS BRANCH OFFICE INTERACTION.**

**SO1 + SO2+ SO3: IMPLEMENTED “AUTO-ASSESSMENT” FOR ABOUT 3.4 MILLION TAXPAYERS..**

**SO4: AND WE ENABLED +90% (+11 000 STAFF MEMBERS) OF OUR WORKFORCE TO WORK REMOTELY...**

# SARS DIGITISATION JOURNEY – RESULTS

Online Digital Services a Key Enabler of SARS Strategy, Operations and Successes



**99.76%** systems availability

**NO** ICT Security Breaches

1 Provide Clarity & Certainty for Taxpayers & Traders of their obligations

**89.9%**

Individuals Tax Returns received via eFiling, Mobi and Estimated Assessments

**100%**

VAT Returns and Customs Declarations received Electronically

**7.6 million**

Electronic Letters & Correspondence 2020/21

**1 million**

Fully Online PIT Registrations

**16.5 million**

Electronic payments processed 2020/21

**R1.55 trillion**

Revenue Collected via eFiling platform 2020/21

**R300 billion**

Refunds disbursed to Taxpayers & Trades

**99.5%**

Disbursements made Electronically to SARS

3 Detect Taxpayers & Traders who do not Comply, and make non-compliance Hard & Costly

**+138 million**

Third Party Data records / certificates submitted to SARS (Employers, Medical Aids, Financial Institutions) 2020/21

**2.2 million**

Uploaded Electronic Supporting Documents for Review, Verification and Audit 2020/21

**1 million**

Audit and Verification cases created by SARS Risk Engines 2020/21

**R57 billion**

Revenue Leakage Prevented

Increase and expand the use of Data within a comprehensive KM framework to ensure integrity, drive insight and improve outcomes

Modernize our systems to provide Digital and Streamlined online services

**OUR SYSTEM ENABLES +30 MILLION TAXPAYERS AND TRADERS!**

**IN CONCLUSION...**

**WE VALUE OUR RELATIONSHIP WITH  
THE IMF + TARC!**

**WORK WITH & THROUGH STAKEHOLDERS  
TO IMPROVE THE TAX SYSTEM**

**STRATEGIC OBJECTIVE 8**



# STRATEGIC OBJECTIVE 8: WORK WITH & THROUGH STAKEHOLDERS TO IMPROVE THE TAX SYSTEM

## OUR PARTNERSHIPS ALLOWS:

- We have effective and beneficial partnerships with all Stakeholders in the tax ecosystem that deliver maximum benefits for the taxpayers, Government, the public and our international peers.
- We leverage each other's strengths to resolve tax administration challenges and improve voluntary tax compliance.
- Our interactions and exchanges are formal, professional, and transparent.
- The whole can be greater than the sum of our parts.



SARS - #YourTaxMatters to South Africa - TV Advert

<https://www.youtube.com/watch?v=8J3W3nEXFMw>

