SARS mandate...

• In terms of the SARS Act (No.34 of 1997), SARS’s mandate is to efficiently and effectively -
  ▪ Collect all revenue
  ▪ Ensure enforcement of the tax and customs legislation
  ▪ Provide a customs service to control the movement of goods into/through South Africa whilst facilitating legitimate trade
  ▪ Advise Minister of Finance on matters concerning revenue
  ▪ Advise Minister of Trade and Industry on matters concerning the control of goods
The Commissioner is -

• As Chief Executive Officer responsible for the management of SARS to ensure the performance of SARS’ functions

• As Accounting Authority (Officer) responsible for the proper financial management of SARS, and

• As Commissioner responsible for the administration of the tax and customs laws
High-level SARS organogram....
### SARS Current Operating Model

The current operating model of SARS (South African Revenue Service) is structured around several key areas:

<table>
<thead>
<tr>
<th>Strategic Stakeholder Interaction</th>
</tr>
</thead>
<tbody>
<tr>
<td>Process Improvement</td>
</tr>
<tr>
<td>Information Management</td>
</tr>
<tr>
<td>Compliance and Operational Risk</td>
</tr>
</tbody>
</table>

#### Enforcement Investigations

- **Priority Tax Segments**
  - LBC
  - Tax Practice
  - Formal Business
  - Informal Business

- **Shared Channel Platforms**
  - Branches
  - Call Centre
  - Self-service

- **Factory Operations**
  - Compliance Centres/little 'e'
  - Taxpayer/Trader Education
  - Processing
  - Audit/big 'e'
  - Account Management
  - Debt

- Modernisation, IT, Business Systems
- Legal and Policy
- Communications and External Relations

---

**South African Revenue Service**
SARS Governance mechanisms....

- To ensure the proper management and functioning of SARS the following persons/structures/mechanisms play an important oversight role -
  - Minister of Finance
  - PFMA
  - Auditor General’s Office
  - Parliament
  - Courts
  - Office of the Tax Ombud
  - Audit Committee
  - Internal Audit
  - Various other laws.
SARS’ core values...

- Mutual respect and trust
- Equity and fairness
- Integrity and honesty
- Transparency and openness
-Courtesy and commitment
Laws administered by SARS...

**Tax Laws**

- The main taxes collected by SARS are:
  - Corporate Income Tax (CIT) ---- Income Tax Act, 1962
  - Value Added Tax (VAT) ----------- Value Added Tax, 1991

- In addition to the above there are various other smaller taxes such as –
  - Donations Tax ------- Income Tax Act, 1962
Skills Development Levies --Skills Development Levies Act, 1999

Estate Duty ------- Estate Duty Act, 1955


Transfer Duty ------- Transfer Duty Act, 1933
Personal Income Tax (PIT)

- PIT is paid by individuals on their taxable income above the tax threshold.
- Bulk of PIT is paid through the Pay As You Earn (PAYE) and provisional tax system.
- PAYE is the employees tax deducted monthly by the employer from employment income earned by an employee.
- Provisional Tax is paid on a six-monthly basis on income not subject to PAYE i.e. business income.
- Both PAYE and Provisional Tax are mechanisms to collect tax in advance/on an ongoing basis during the year to avoid paying a big once-off payment on assessment.
Company Income Tax (CIT)

- CIT is paid by all legal entities such as companies on their taxable income at a rate of 28%
- Bulk of CIT is paid through the provisional tax system by companies
- Small Business Corporations pay tax at a concessionary progressive rate scale ranging from 0% to 28%
Laws administered by SARS...

**Customs**

The main duties and levies collected by SARS in terms of the Customs and Excise Act, 1964 are –

- Customs Duty
- Excise Duty
- Air Passenger Tax
- Fuel Levy
- Air Departure Tax
- Electricity Levy
SARS Compliance Model...

Unwilling to comply
Willing, but not able
Willing and able

Enforcement
Assisted compliance
Facilitating voluntary compliance

Education
Service
Tax Life-Cycle...

1. Education

- Registration
- Licensing
- Deregistration

2. Service

- Filing
- Declaration
- Payment
- Dispute Management

3. Enforcement

- Receivable Management
- Audit & Investigations
- Judicial Process

Education & Outreach 2013/14

- Education campaigns 4
- Campaigns to Employers 2 096
  - Employees 2 144
- Campaigns through Co-locations 1 441
  - MTU's 647
  - Points of service 5 720
- Interventions at Schools 234
  - Branches 574
- Visited Institution/organisation 3 516

Footprint:
- Branches 62
- Mobile Tax Unit 9
- Ports of entry 34

Capability to handle 4 channels (electronic, telephonic, postal and walk-ins)

- Pieces of legislation 22
- Total Register – 25 mil (20.3 mil active)
  - Individuals (active): 17 mil
  - Companies (active): 3 mil
  - Trusts (active): 0.3 mil
- Number of filing transactions 25 mil
- Queries addressed 10 mil
- Tax entities audited (compliance audits): 1.8 mil
- Revenue collected approximately R900 bn (25% of GDP)
- Number of visitors to branch offices 6.38 mil (2012/13)
- Operating expenses – 1.07% of revenue collected
- Headcount 14 137 (2013/14)

- In-depth audits 19 568
- Investigations concluded 333
- Court cases supported 267
Customs Value Chain...

1. Control of places of entry & exit
2. Control of imports & exports of goods
3. Advanced reporting of imports & exports
4. Registration & licensing
5. Movement in & out of terminals & depots
6. Tax status of goods
7. Clearance & release of goods
8. Collection of debt due
9. Enforcement
10. Dispute Resolution & Judicial
Tax Practitioners...

- Tax Practitioners play an important role as intermediaries to assist taxpayers to comply with their obligations
- Only Tax Practitioners belonging to a recognised controlling body are allowed to charge taxpayers for advice
- Tax Practitioners must register with SARS as tax practitioners
- Tax Practitioners are now regulated in terms of the Tax Administration Act, 2011
International Agreements...

Tax Agreements

• SARS is involved in the negotiation and finalisation of
  – Agreements for the Avoidance of Double Taxation (DTA’s)
  – Tax Information Exchange Agreements (TIEA’s)
• 73 DTA’s in force – 6 in the process of negotiation, 8 signed but not ratified
• 8 TIEA’s in force, 10 TIEA’s under negotiation, 5 TIEA’s signed but not ratified
• DTA’s and TIEA’s are section 231(2) of the Constitution Agreements and require ratification by both Houses of Parliament
Customs and VAT Agreements

- SARS is involved in the negotiation and finalisation of Customs & VAT Mutual Assistance Agreements (MAA’s)
- There are Customs 15 MAA’s in force, 11 under negotiation and 6 signed but not ratified
- There are 2 VAT MAA’s signed but awaiting ratification
- These Agreements are of a technical nature and classified as section 231(3) of the Constitution Agreements
- SARS also assisted with the legal framework of the One-Stop Border Post (OSBP) Agreement between South Africa and Mozambique
- SARS also administers various multi-lateral and bi-lateral Preferential Trade Agreements
In 1994/95 direct taxes contributed 53.8% of total tax collections and in 2008/09 it was at a high of 62.7%
SARS Volumetrics

Composition of Main Tax types (1994/95 to 2013/14)

CIT contribution increased from 11.9% in 1994/95 to a high of 26.5% in 2008/09 and subsequent to the recession has only recovered to 19.7%
SARS Volumetrics

- PIT, 34.5%
- VAT, 26.4%
- CIT, 19.9%
- Fuel Levy, 4.9%
- STC/DT, 1.9%
- Other, 7.4%
- Customs Duty, 4.9%

Source: National Treasury Revenue release April 2014
The tax to GDP ratio then dropped to 24.4% but has since then steadily increased to the current 26.1% in 2013/14.
SARS was established during the late 1990’s and hence the cost of collections is only reflected from 2000/01, the cost has varied from a high of 1.23% in 2005/06 but has subsequently declined to below 1%. International comparisons set out in the next slide.
International comparison of cost of collections

Source: OECD Tax Administration 2013.
Data for South Africa pertains to 2008/09, 2009/10 and 2010/11.
SARS Volumetrics – Customs...
SARS Volumetrics – Customs...

South African Trade: Number of Declarations
2010 - 2013

South African Revenue Service
The total number of arrivals and departures processed by the Department of Home Affairs for the Republic from 2010 to 2013 -

<table>
<thead>
<tr>
<th>Year</th>
<th>Arrivals</th>
<th>Departures</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010</td>
<td>10,736,969</td>
<td>10,290,601</td>
<td>21,027,570</td>
</tr>
<tr>
<td>2011</td>
<td>17,256,400</td>
<td>15,835,384</td>
<td>33,091,784</td>
</tr>
<tr>
<td>2012</td>
<td>18,141,756</td>
<td>16,371,960</td>
<td>34,513,716</td>
</tr>
<tr>
<td>2013</td>
<td>19,758,215</td>
<td>18,493,254</td>
<td>38,251,469</td>
</tr>
</tbody>
</table>
Modernisation journey....

Over the last few years SARS has gone a long way to modernise its tax systems and processes such as –

- Reducing, simplifying and standardising returns
- Electronic filing of PIT returns (99.86% of returns submitted electronically)
- Pre-population of PIT returns
- Increasing the SARS footprint (i.e. mobile tax units)
- Centralising the processing of Customs documents at 4 hubs
- Enhanced risk management systems for Core Taxes
- Introduction of a new Customs Management System
SARS footprint....
SARS customs footprint....
Priorities going forward...

- Enhance technical capability of staff
- Single registration of taxpayers across government
- Implement Customs Bills
- Refined approach to taxpayer segments (e.g. small business)
- Regulation of intermediaries
- Enhanced collaboration with other government institutions
- Border management

Source: Pg 31 onwards, SARS Strategic Plan 2014-2019
THANK YOU

QUESTIONS?