2015/16 – 2019/20 STRATEGIC PLAN & 2015/16 ANNUAL PERFORMANCE PLAN

Presentation to SELECT COMMITTEE ON FINANCE
22 SEPTEMBER 2015
Jonas Makwakwa (Acting Chief Officer: Operations)
Makungu Mthebule (Acting Chief Officer: Strategy, Enablement and Communication)
Matsobane Matlwa (Chief Financial Officer)
Katiso Tabe (Acting Group Executive: Strategy and Risk)
Sandile Memela (Executive: Media and Public Relations)
In a nutshell, SARS will...

- Continue to improve the way SARS operates and works to meet the growing needs of taxpayers, and reduce administrative burden.
- Continue to invest in SARS employees to serve taxpayers better and to address sophisticated tools and schemes used by those taxpayers that want to avoid/evade paying their taxes.
- Continue to collaborate with all of our stakeholders to strengthen our compliance efforts.
- Continue to apply risk management principles to focus our efforts on areas where we will have the biggest effect on compliance.
In a nutshell, SARS will...

- Continue to use technology and available data intelligently to build a single economic view of taxpayers across many interactions,
- Improve services to taxpayers, identify those taxpayers that fail to meet their tax and customs obligations, and to improve our internal efficiency and effectiveness
- Continue to educate taxpayers and potential taxpayers to improve compliance, and to realise our objectives of an active and engaged citizenry
- Improve access and availability of SARS’ services to all citizens and taxpayers wherever they might be
To increase customs compliance, SARS will:

- Implement the Customs Control and Customs Duty Acts, 2014
- Improve management of bonded warehouses - During 2015/16 we will introduce: mobile security system; off-site tracking & management system; a new case management system
- Deploy additional cargo/container & baggage scanners at our key ports of entry
- Implement the Model Port Pilot project at selected ports of entry
- Continue to facilitate implementation of the One Stop Border Post between SA & Mozambique, and SA & Zimbabwe
To increase tax compliance, SARS will:

✓ Implement SARS’ Compliance Programme – conduct work in the 7 focus areas – *Large Businesses/Transfer Pricing; HNWI & Trusts; Small Businesses; Tax Practitioners & Trade Intermediaries; Illicit Cigarettes; Construction Industry; Clothing & Textiles Industry*

✓ Implement processes to reduce debt owed by taxpayers to SARS

✓ Rollout small business desks at our branch offices to support small business compliance- over 130 small business desks rollout to date

✓ Continue to work with other tax jurisdiction and countries on global tax compliance and enforcement issues to protect the erosion of South Africa’s tax base – Implement FACTA agreement between South Africa and USA (came into effect in October 2014)
To increase ease and fairness of doing business with SARS, SARS will:

- Deliver an integrated complaints management process for taxpayers
- Deliver an improved Dispute Resolution Management Process
- Deliver an improved Tax Clearance Certificate (TCC) process and system
  - The TCC system will interface with the proposed National Treasury’s Central Supplier Database (CSD) to enable a paperless and online verification of tax clearance status of suppliers wanting to do business with Government!
- Partner with the DHA through Thusong Centers for co-locations
- Establish SARS “kiosks” at selected shopping malls and centres
To increase cost effectiveness, internal efficiencies and institutional respectability of SARS, SARS will:

- Continue with the migration of SARS’ accounting practices to Generally Recognised Accounting Practice (GRAP 23)
- Deliver and implement a revised Code of Ethics and Conduct
- Implement a new HR framework including a new Talent Management Model
- Implement a revised SARS operating model to eliminate duplication and improve efficiencies and effectiveness of our business practices
**Operating Model Review**

- Current state assessment of the organisation, its processes & practices.
- Review of the SARS operating model.
- Review of SARS governance and decision making processes.
- Creation of a roadmap to align the organisation to the new operating model.

**ICT & Modernisation Review**

- Information Technology strategy review.
- Architecture and technology review.
- IT sourcing/procurement governance review.
- Application development and project management review.
- Determine return on investment (ROI) of past expenditure on modernisation.
- Current project status – achievements against the plan & cost incurred vs original budget.
- Review IT contractual agreements / service level agreements and ownership of intellectual property.
To improve SARS capacity to handle its internal and external functions and relationships through:

- Increased ease and fairness of doing business
  - Establish a Customer Centric Approach (Service Charter)
  - Integrate Service Channels and establish a single contact point for Tax and Customs
To improve SARS capacity to handle its internal and external functions and relationships through:

- Strengthen Accountability
  - Maintain a clean Tax and Customs Register (Clean taxpayer records/accounts)
  - Effectively utilise SARS Economic Research and Analysis data
  - Tighten Governance Compliance
  - Apply Cost Containing Principles
To improve SARS capacity to handle its internal and external functions and relationships through:

- Increase Tax and Customs Compliance Level
  - Taxpayer/trader profiling (Allocate status levels to taxpayers)
  - Entrench an Employee Centric Approach - Protect our Specialist Skills
  - Apply A Systematic Compliance Enforcement Approach
We are currently developing solutions & detailed plans to realise improvements for both reviews.
Pursuant to the operating model review diagnostic, we have defined our transformation ambition and key strategic focus areas...

SARS will **materially increase revenue**, ensure **strong control over its border posts** and become a **customer and employee centric organisation** in order to **move South Africa forward**

1. **Turnaround**
   - Customs and Excise

2. **Address the tax gap** and increase taxpayer compliance

3. **Become a customer centric organisation**

4. **Build a high performance culture and operations**

5. **Improve information services and technology** – at the service of our organisation

6. **Implement a revised operating model** to support our strategic priorities
Customs and Excise: Regain port control, increase border control, facilitate trade and increase revenue

- Detect and manage risk accurately
- Ensure staff adequately equipped with skills, resources and equipments
- Improve stakeholder management
- Improve control and flow of goods at ports
- Develop a highly effective inspection / audit team
Tax: Maximise taxpayer revenue and compliance

- Develop targeted initiatives to address SMME non-compliance
- Launch comprehensive approach to address HNWI tax gap
- Improve data management and case selection effectiveness
- Build capacity and capability to enable Audit, Enforcement & Debt
- Expand BEPS team and enforce penalties on Large Corporates
Deliver consistent, effective service by embedding a customer centric approach.

Reduce volumes by automating and migrating activity.

Maximise efficiency by optimally utilising people and resources.

Increase focus on taxpayer education.

Create the service channel network of the future.

Customer Service: Provide high quality and efficient customer service.
People and Operations: Develop a high performance culture and operations

- Refine performance management and implement talent strategy
- Align resourcing with strategic priorities where they will have the largest impact
- Develop capabilities including a tax research Institute and data analytics
- Optimise our existing process and supporting data architecture to meet business needs
Information services and technology:
Fit for purpose IT systems, implementation of global best practice and strengthening of big data capability
Operating model:
Launch new operating model to allow our organisation to be transformed and our strategy to be executed
SARS revised operating model which was approved by the Minister of Finance was recently communicated to the organisation...

**Organisational structure**
Balanced structure aligned with SARS strategic priorities

**Accountabilities**
Clarified decision rights with single point of accountability

**Governance**
Simple, effective governance structures and procedures

**Values**
Customer centric, valued, high performance culture, continuous improvement

**Capabilities**
Focus on employee development and building tax / customs expertise
Business model will be simpler and better aligned with the achievement of our core mandate and strategic priorities…

Tax and Customs & Excise business units to drive our strategic agenda…

Enabled by Digital Information Services and Technology and Enforcement functions…

And supported by corporate support functions…

Tax – Business and Individual

Customs and Excise

Digital Information Services and Technology

Enforcement

Finance

Human Capital and Development

Legal Counsel

Strategy and Communications

Internal Audit

Tax Institute (incl. Tax Academy)
SARS TRANSFORMATION PLAN TO BE IMPLEMENTED OVER THE NEXT FEW YEARS…

SARS will materially increase revenue, ensure strong control over its border posts and become a customer and employee centric organisation in order to move South Africa forward.

Incremental tax and customs revenue collection

Customer and employee NPS

CUSTOMS & EXCISE

- Customs control from origin to depot (Import/Export/Excise)
- Excise coverage/inspection
- Case selection approach and rules
- Customs enforcement strategy including introduction of tactical team
- Penalty policy and application
- Trade facilitation (incl. Preferred trader, one-stop border post)

TAX COLLECTION

- HNWIs profiling and VDP campaign
- SMME audit & cash economy reduction
- Case selection rules and prioritisation
- Audit coverage and quality
- Penalty management & application
- Debt collection prioritisation and efficiency

PEOPLE AND CAPABILITIES

- People strategy (Talent, capability, perf. mgt)
- Capability sourcing
- Tax, Customs & Excise Institute

SERVICE CHANNELS

- Volume reduction / migration
- Workforce efficiency
- Customer-centric operations
- Network of the future

OPERATING MODEL

- Organisation transition / design
- Governance / decision rights
- Org rightsizing
- SARS Policy
- Process improvement

DATA INTELLIGENCE

- Register integrity & classification
- Trusts and 3rd party data sourcing (Tax/Customs)
- Data analytics

STAKEHOLDER MANAGEMENT AND REGULATORY CHANGES

- National and international stakeholder management
- Government regulations (laws, by-laws, decrees…)

IT TRANSFORMATION (TBD)
**KEY NEXT STEPS...**

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<th>Operating Model Review</th>
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<tr>
<td>• SARS will transition to align itself to the new Operating Model.</td>
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<td>- Will <strong>minimise disruption</strong> through the transition process and <strong>maintain focus on core operations and revenue collection</strong>.</td>
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<td>- Appointment of new COs to take place in September 2015. Interviews have taken place. <strong>Minister’s approval for the appointments to be obtained</strong>.</td>
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<td>- Full transition of organisation to be completed by 31 March 2016.</td>
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<td>• <strong>Finalise the detailed transformation plan</strong>, prioritise implementation solutions and commence implementation.</td>
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<td>• <strong>Implementation to commence in October 2015</strong>.</td>
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<td>• SARS has taken all the Gartner recommendations on board and <strong>Gartner has recently been appointed to conduct Phase II of the IT Renewal program</strong>.</td>
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<td>• The <strong>Phase II program consists of seven strategic IT projects</strong> that will be delivered and rolled out during the next 18 months.</td>
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<td>• Appointment of a new Chief Officer: Digital Information Services &amp; Technology.</td>
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<td>• Appointment of external Forensic Auditors to further investigate potential deviations or violations of the PFMA identified.</td>
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<td>• A detailed return on investment analysis of Modernisation expenditure to be conducted.</td>
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SARS’ EXPENDITURE ESTIMATES OVER THE MTEF (strat plan pg 46)

Initiatives and projects

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<thead>
<tr>
<th>Year</th>
<th>2015/16</th>
<th>2016/17</th>
<th>2017/18</th>
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<tr>
<td>Business As Usual</td>
<td>10 637 773</td>
<td>11 109 822</td>
<td>11 920 608</td>
</tr>
<tr>
<td>+7%</td>
<td>10 534 822</td>
<td>11 377 608</td>
<td></td>
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<tr>
<td>+6%</td>
<td>883 308</td>
<td>575 000</td>
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9 754 465

11 377 608

883 308

+4%
SARS’ HUMAN RESOURCE CAPACITY (strat plan pg 46)

Temporary Employees
- 2015/16: 14,196
- 2016/17: 13,600
- 2017/18: 13,700

Permanent Employees
- 2015/16: 13,350
- 2016/17: 13,150
- 2017/18: 13,300

Graduate trainees
- 2015/16: 421
- 2016/17: 400
- 2017/18: 350

50

South African Revenue Service
Thank you