

2ND NTO TECHNICAL CONFERENCE

“LEADING IN A PERIOD OF CHANGE”

Breakout Session 2

MY KEY MESSAGES 2ND NTO CONFERENCE:

→ DAY 1: CONTEXT, A CASE FOR CHANGE, STATE OF SARS, SIGNIFICANCE OF DIGITAL TRANSFORMATION, ...

→ DAY 2: STRATEGIC CLARITY, COMPELLING VISION, SARS' DIGITAL TRANSFORMATION, WHAT WINNING MEANS, ... (LEADING CHANGE)

→ DAY 3: DEVELOP A HIGH PERFORMING, DIVERSE, AGILE, ENGAGED AND EVOLVED WORKFORCE, ... (TAX PROFESSIONAL OF THE FUTURE)

THE STORY OF SARS AND THE HIGHER PURPOSE WE SERVE

BUILDING A SOLID FOUNDATION FOR SUSTAINABLE REVENUE GROWTH

“Winning means that we go after every inch!”

THE STORY OF SARS IS A STORY ABOUT PEOPLE:
*EVERYTHING WE DO IS ABOUT HAVING TRANSFORMATIONAL IMPACT
ON THE WELL-BEING OF THE LIVES OF PEOPLE - ESPECIALLY THE MOST
VULNERABLE AMONG US*



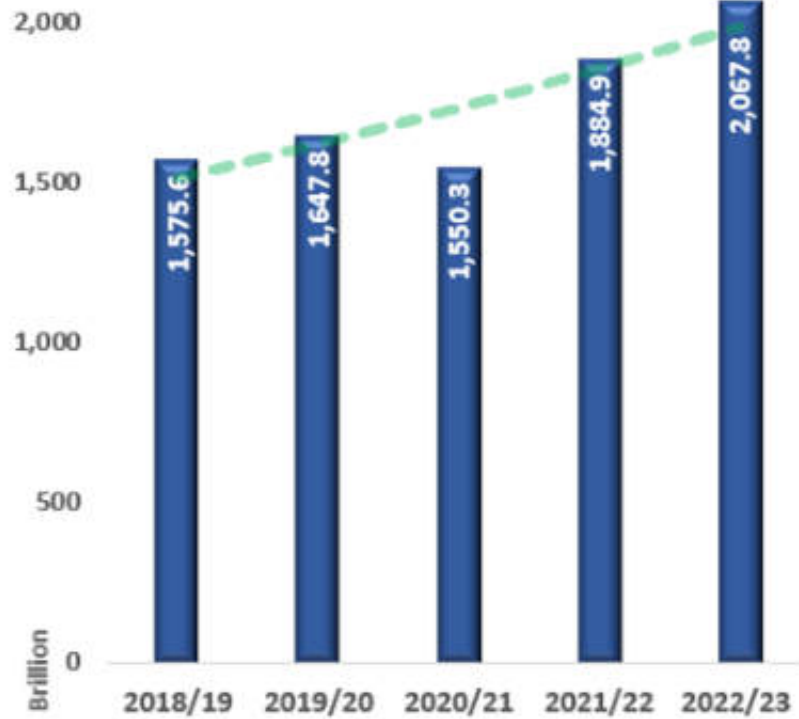
THE REBUILDING OF SARS

Over the past 4 years, the rebuilding of SARS post state capture, has received focused attention to restore governance and integrity, institutional capability and the overall performance of the organizational mandate to collect revenue, improve compliance and facilitate legitimate trade.

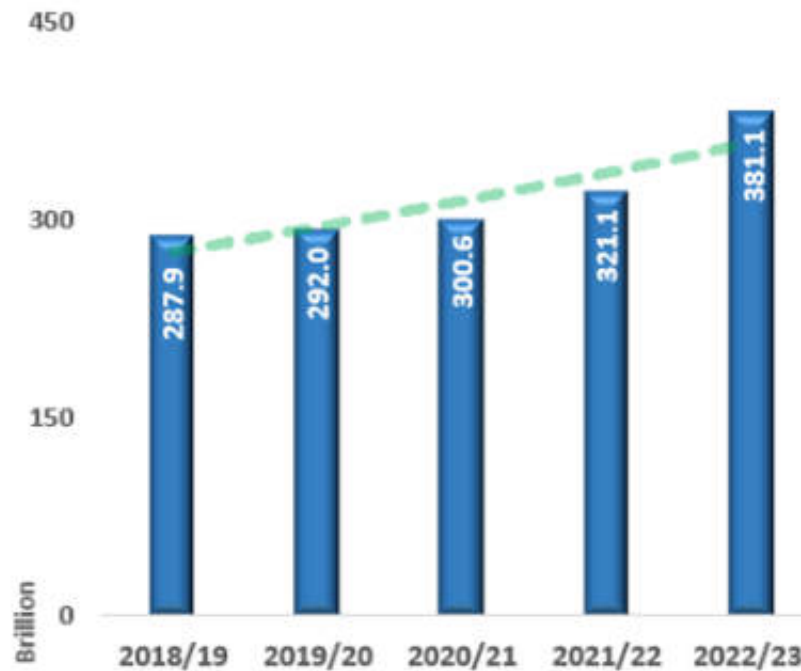
Whilst we still have along way to go, and funding challenges remain, we can report encouraging positive trends in the key areas of SARS ...

PROGRESSIVE REVENUE COLLECTIONS

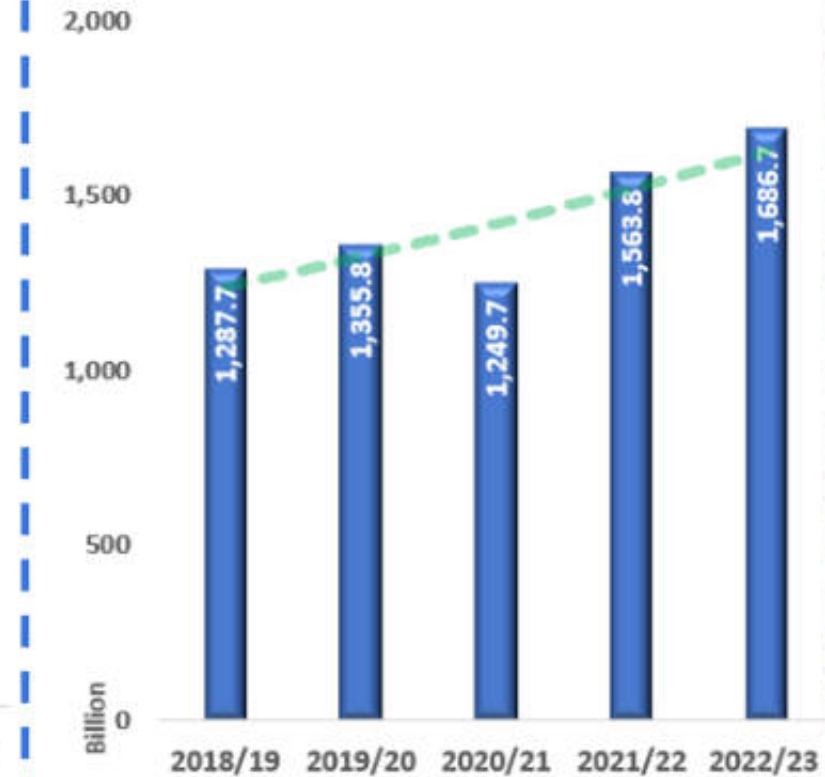
Gross 2022/23: R2,067tn
CAGR: 7.03%



Refunds 2022/23: R381bn
CAGR: 7.26%

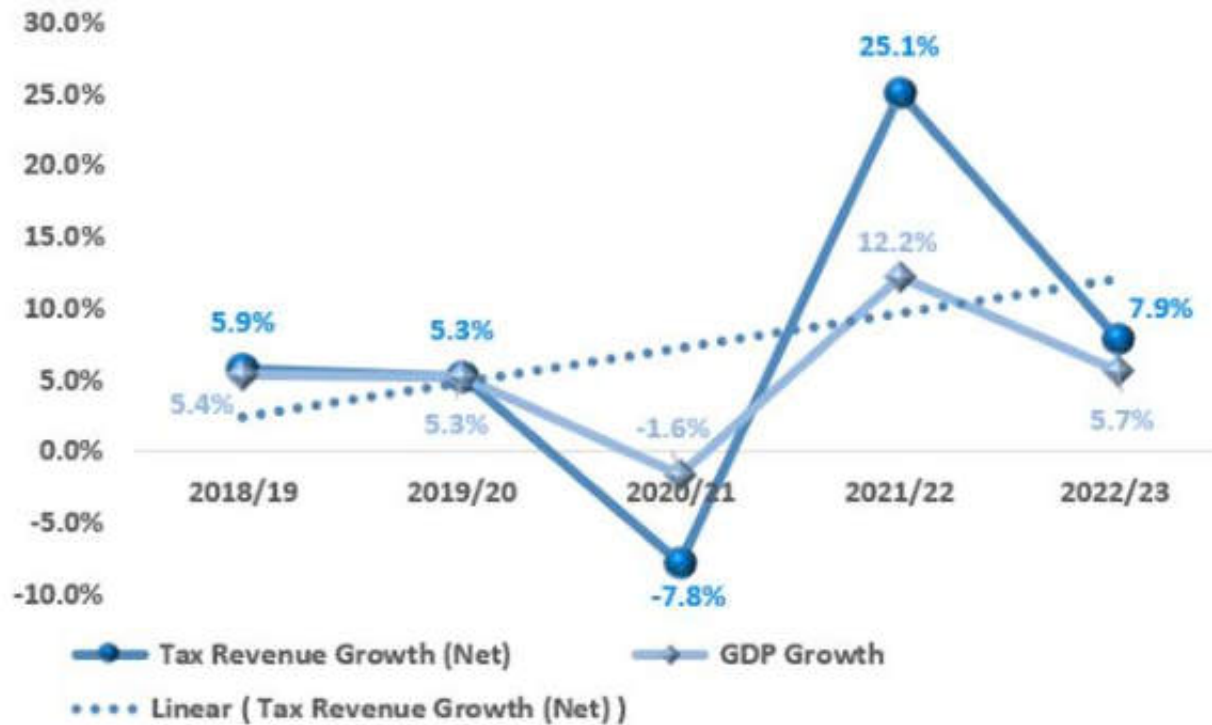


Net 2022/23: R1,687tn
CAGR: 6.98%



PROGRESSIVE REVENUE COLLECTIONS

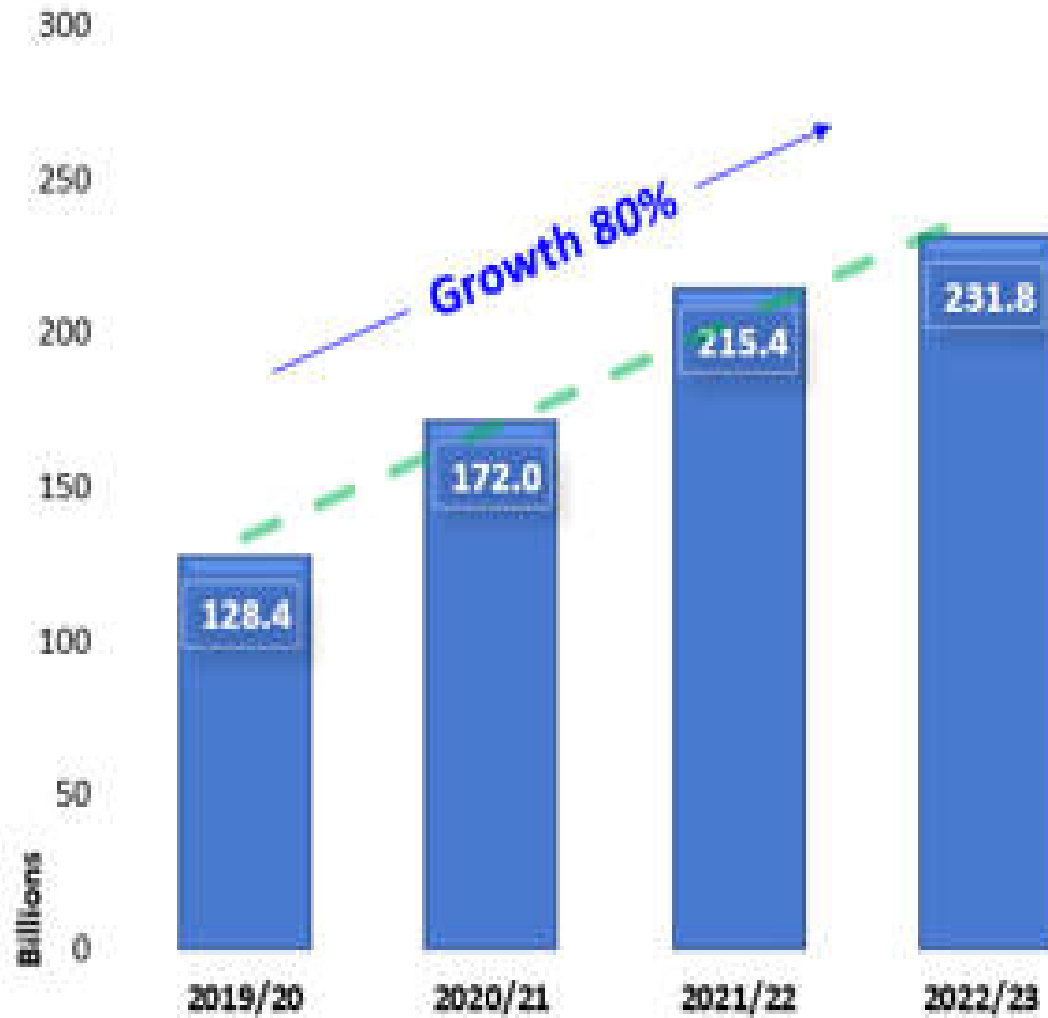
2022/23
GDP Growth: 5.6%
Tax Revenue Growth: 7.9%



2022/23
Tax Buoyancy: 1.38
Above Unity (1:00)

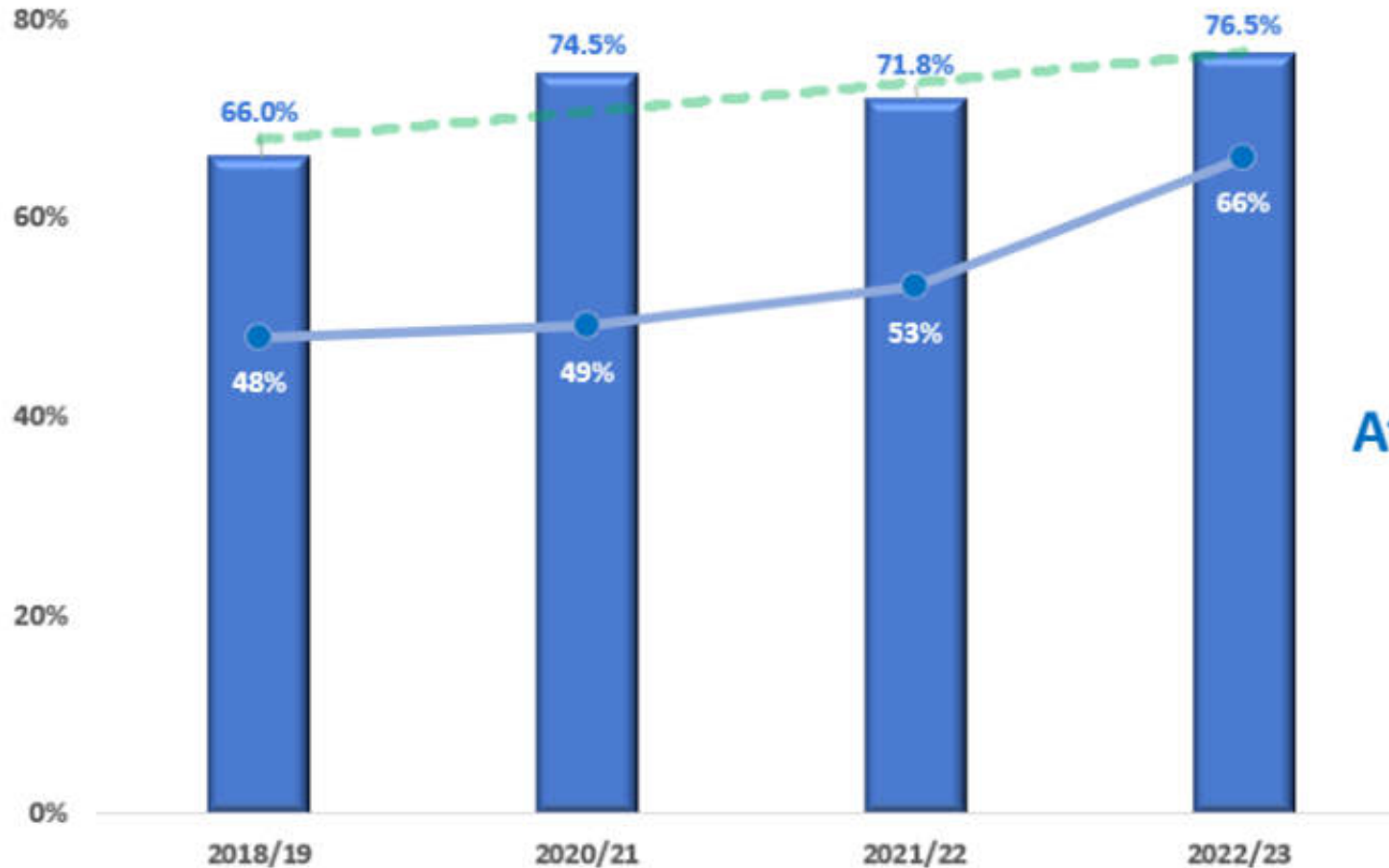


INCREASED COMPLIANCE



**Compliance Programme 2022/23:
Compliance Revenue = R232bn**

IMPROVED TAXPAYER BEHAVIOR



Public Opinion Survey 2022/23:

Attitude toward Compliance = 76.5%

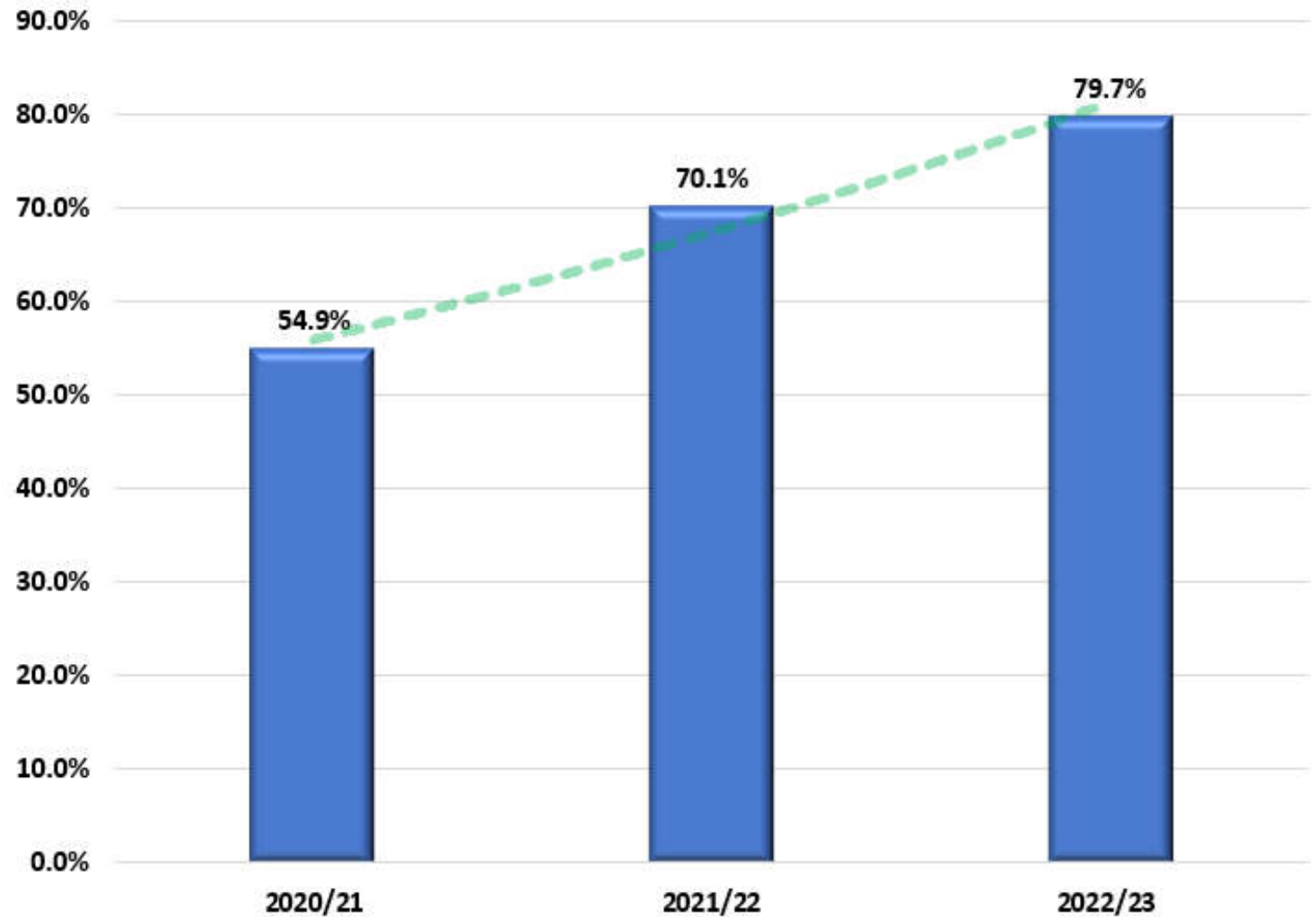
Trust in SARS = 66%

■ Attitude towards Compliance - ● Trust in SARS - - - Expon. (Attitude towards Compliance -)

IMPROVED TAXPAYER SERVICE

Service Charter Index 2022/23:

79.7%



ENGAGED PEOPLE

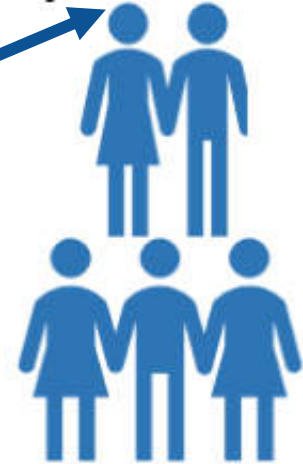
Employee Engagement Benchmarking Results			
	2019	2020	2021
Global	66%	68%	65%
Africa	65%	62%	61,2%
RSA	66%	61%	62,1%

Source Emergence 2021 / 2022 Report
Response rate range 30% - 47%



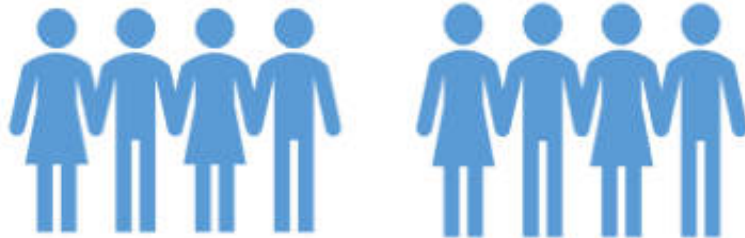
Employee Engagement Index

2022/23: **69.4%**



Employee Engagement Index

2019/20: **61.6%**



Survey Response Rate 2023: 69%



SARS Ranked #1 Admired Employer in young professionals BCOM field 2022¹

HELPFUL LEADERSHIP INSIGHTS

KEY INSIGHT 1

**ENGAGED EMPLOYEES = SATISFIED TAXPAYERS
= POSITIVE RESULTS**

EMPLOYEE ENGAGEMENT (69.4%) ≡ PUBLIC OPINION (76.5%) ≡ TAX REVENUES (R1.68T)

KEY INSIGHT 2

***“THE POWER OF STRATEGIC
CLARITY & A COMPELLING VISION”***

POWER OF CLARITY

1. CLARITY OF PURPOSE AND INTENT
2. INTENTION DRIVES ATTENTION
3. COMMUNICATE WITH SIMPLICITY - OFTEN
4. EXECUTION FOCUS - GETTING MANY LITTLE THINGS RIGHT THROUGH PEOPLE
5. CLEAR OBJECTIVES & AND MEASURABLE RESULTS
6. CELEBRATE SUCCESS, BUT CONTINUE TO STRETCH!

STRATEGIC CLARITY RESPONDS TO FOUR DEFINING QUESTIONS:

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

These in turn inform:

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

CLARITY OF PURPOSE

Our Mandate remains, 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***

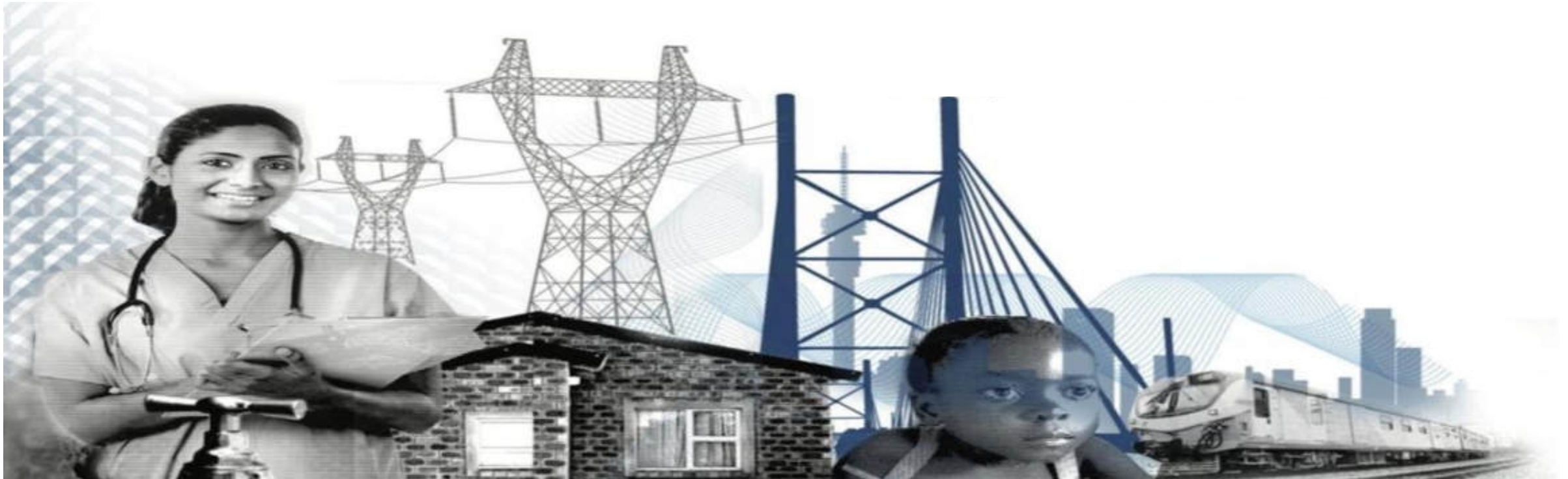
SARS VISION 2024

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



SARS STRATEGIC INTENT

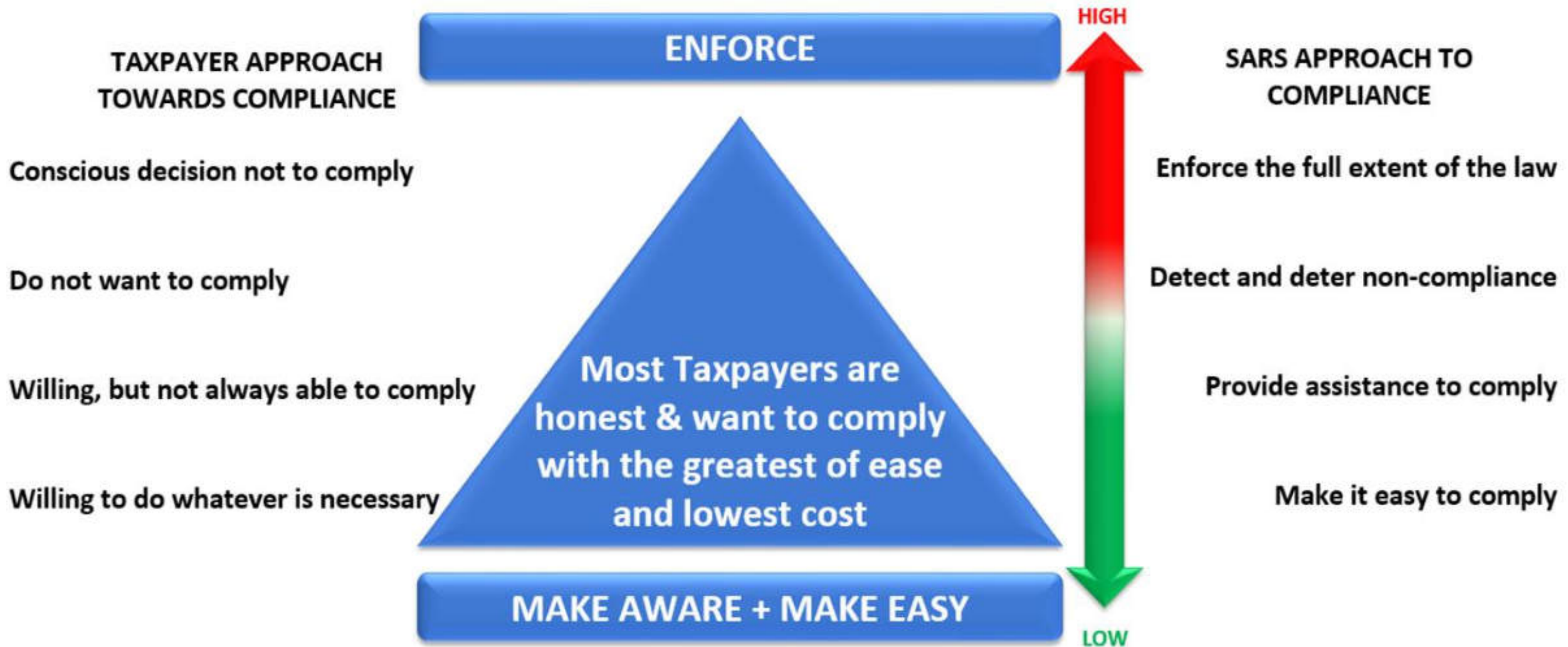
*DEVELOP A TAX & CUSTOMS SYSTEM
BASED ON VOLUNTARY COMPLIANCE*



SARS THEORY OF COMPLIANCE

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

OUR COMPLIANCE PHILOSOPHY DRIVES OUR COMPLIANCE MODEL



**IMPLEMENTING OUR
STRATEGIC INTENT**

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

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

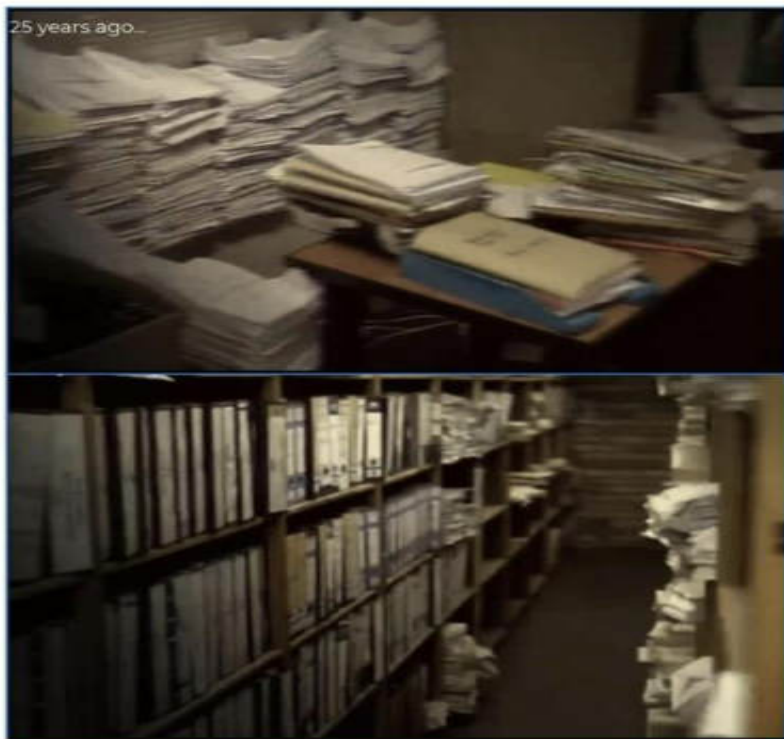
1. Provide **Clarity & Certainty** for Taxpayers & Traders of their obligations
2. Make it **Easy** for Taxpayers & Traders to Comply with their obligations
3. Detect Taxpayers & Traders who do not Comply, and make non-compliance Hard & Costly
4. Develop a **High Performing, Diverse, Agile, Engaged** 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

SHARING SOME USE CASES

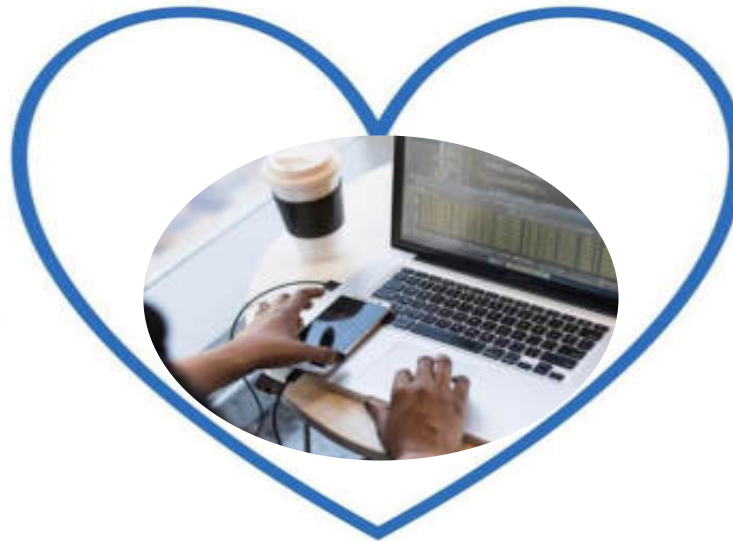
DEMONSTRABLE DIGITAL TRANSFORMATION



ITS ABOUT AN OPERATING MODEL THAT ENABLES OUR EMPLOYEES WORKING TOWARDS THE FULFILMENT OF OUR STRATEGIC INTENT OF VOLUNTARY COMPLIANCE WHILST BEING HIGHLY ENGAGED AND THE BEST VERSION OF THEMSELVES



2006



...DIGITAL TRANSFORMATION...



2022

DEVELOPING AN INSIGHTS DRIVEN OPERATING MODEL

The synthesis of
People + Data + Technology

USE CASE: DIGITAL PLATFORMS – INNOVATION!

45+

Additional technology & data enhanced functionalities

NEW CHANNEL

2.1m

Digital queries processed on our SARS Online Query System (SOQS)



ENHANCED

1,450,000

Automated registrations for Personal Income Tax

ENHANCED



980,000

Streamlined Banking Detail Verification Process

NEW



COVID relief measures

- PAYE Relief
- SDL Payment Holiday
- Employment Tax Incentive Scheme
- VAT Relief Measures
- Provisional Tax Relief
- Excise Relief

ENHANCED



+250,000

SARS TV Webinars views

NEW

480,000

Tax Clearance Requests now on eFiling Function

NEW

155,000

Notice of Registration for VAT now on eFiling

ENHANCED



Suspended Need for VAT Interviews for **126,000 Vendors**

ENHANCED

3,000,000

Taxpayers offered simplified filing through "Auto-Assessment"

NEW FUNCTION

1,142,000

new Branch e-booking system taxpayer visits

ENHANCED

+2,000

Virtual Agents empowered to work remotely in our Service Channels



NEW



MobiApp

Supporting Document Upload

+10 MILLION

PREVIOUS BRANCH OFFICE TAXPAYER INTERACTIONS MIGRATED TO SELF-SERVICE DIGITAL CHANNELS...

USE CASE: SARS SELF SERVICE TERMINALS



+200 000 taxpayer enquiries & requests processed through the SARS Self Service Terminals... HAVE YOU TRIED IT OUT?

USE CASE: PERSONAL INCOME TAX VALUE CHAIN

TAXPAYERS ON REGISTER



PIT Tax Register

2006 = 5.9M
2023 = 27M

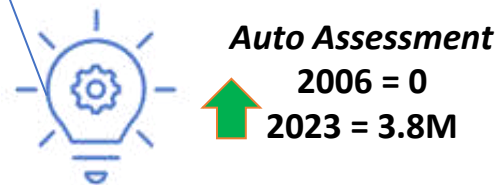
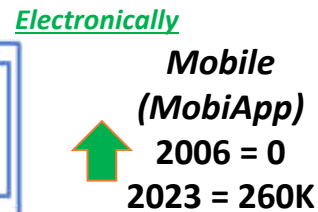
Segmentation – Individual Taxpayers:

- Standard
- Provisional
- Wealthy & Complex

INDIVIDUAL RETURN FILING BY CHANNEL



Number of Returns Filed:
2006 = 4.12M
2023 = 5.05M



Digitally
Powered by (Big Data/AI/ML)

3RD PARTY DATA

Third Party:	2023
Employers	19M
Banks	121M
Medical Aids	4.6M
Insurers	2.1M
CRS	1M
TOTAL	148M

RETURN ASSESSMENT



Return Assessment (TAT)
2006 = 180 Days
2023 = 5 seconds

REVENUE LEAKAGE PREVENTION



Return Verification
2023:

700k returns detected
52% assessments revised
R6 billion adjustments
(USD \$300 million)

REFUNDS PAYMENT



Refunds Paid (TAT)
2006 = 50 Days
2023 = 72 hours

R18 billion

(USD \$1billion)

100% electronically

2006

...THE SARS DIGITAL TRANSFORMATION & MODERNISATION JOURNEY IN EFFECT...

2023...

Tax Year: 2023 (Tax Filing Season 2023 underway currently...06.09.23)

Legend: M = Million | K = Hundred Thousand

USE CASE: AUTO ASSESSMENT - PIT TAXPAYERS

LAST YEAR SARS SIMPLIFIED THE PIT FILING OBLIGATION FOR +3.8 MILLION TAXPAYERS:

- 3.8 million standard taxpayers eligible, after considering all updated data & information
- 3.7 million taxpayers auto assessed (> 98% acceptance rate)
- Audit (verification) intervention rate for AA population < 2% (largely fraud detected)
- Continued insights from data informs future approach to disintermediate manual activity e.g. next year SARS intends to step-up the automated issuance of auto assessments to the majority of standard taxpayers (8 million)

...Disintermediating tax filing obligations for +3.8 million “standard” taxpayers...

USE CASE: MANAGEMENT OF VAT

LAST YEAR SARS RECEIVED 4.3 MILLION VAT RETURNS, PROCESSED AS FOLLOWS:

- 4.3 million processed and assessed through automated tax processor (data & ML algorithms)
- 3.88 million resolved through automated risk assessment and no further intervention
- Only 451 000 (10%) cases selected by our risk engine for further verification
- In other words:
 - 9/10 returns processed without any intervention
 - 1/10 returns selected for verification
 - Of which 75% had been completed within 21 working days
 - More than half of the cases selected by our risk engine comes from habitual non-compliant taxpayers
- Total revenue yield from our VAT risk management totals R41.2 billion (USD \$2.2 billion)
- Secured 54 successful criminal prosecutions for VAT contraventions

BALANCING RISK & SERVICE: 9/10 VAT VENDORS EXPERIENCED A SEAMLESS FILING & ASSESSMENT EXPERIENCE AND PREVENTING THE OUTFLOW OF R41 BILLION IN IMPERMISSIBLE DEDUCTIONS & REFUNDS...
FOR ALL TAX TYPES R80 BILLION (USD \$4.4 BILLION) PREVENTED IMPERMISSIBLE DEDUCTIONS/REFUNDS

OUR ASPIRATIONAL VISION

“WHAT WINNING MEANS”

FOR TAXPAYERS & TRADERS

EVENTUALLY TAX “JUST HAPPENS”

STRATEGIC INTENT
Voluntary Compliance

1. Clarify Obligations
2. Make it Easy to Comply
3. Detect and Respond to Non-Compliance

CHALLENGE:
Balancing Taxpayer Experience with Risk to Fiscus

- OPERATIONAL ASPIRATION:**
1. Reduce waiting times
 2. Improve turnaround times
 3. Reduce the need for Taxpayer support

THE BEST SERVICE IS NO SERVICE!

END STATE
What if we could eliminate the need for any service related enquiry by taxpayers and make the fulfilment of their obligations seamless

HAPPY TAXPAYER!



FOR OUR EMPLOYEES

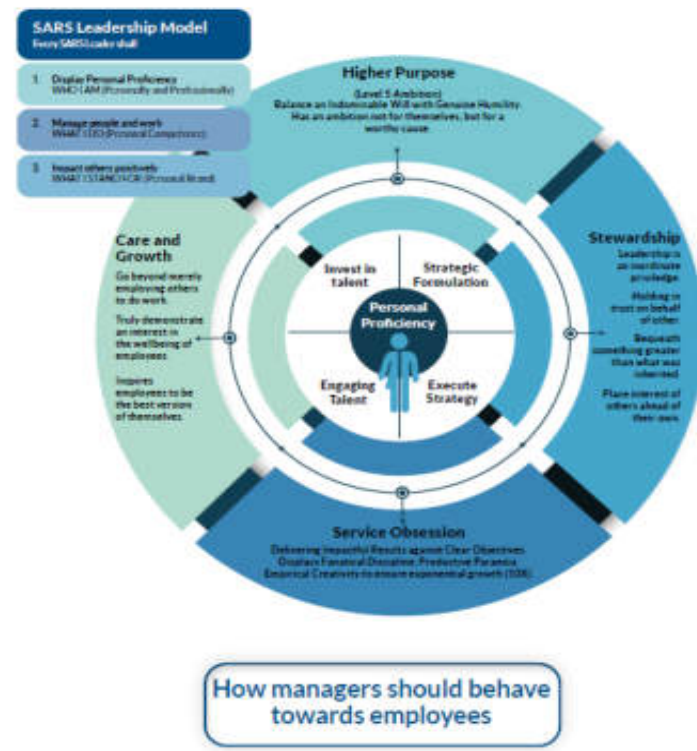
MORE ABOUT THIS TOMORROW...!



EVOLUTION OF WORK

- THE AUTOMATION OF REPETITIVE WORK
- DATA & INSIGHTS DRIVEN DECISIONS AND
- ARTIFICIAL INTELLIGENCE AUGMENTS HUMAN EFFORT

EMPLOYEES WHO ARE ENGAGED, HIGH PERFORMING & COMMITTED TO A SENSE OF HIGHER PURPOSE



The intellectual, psychological and emotional contract between SARS and its Employees that renders a highly engaged workforce to deliver the institutional mandate effectively, whilst providing an experience to every employee that is fulfilling and rewarding



Financial and Non-Financial Components of Rewards and Benefits

Employee Engagement Model (Employee Rights Charter)
Every Employee has the right to:

1. Do work they enjoy
2. Understand the meaning of their work
3. Know what "winning" means
4. Receive helpful performance feedback
5. Experience a "fair deal"

What employees should expect from their managers

SARS Employee Value Proposition =
The Intellectual, Psychological and Emotional "Contract" + Financial and Non-Financial Rewards

MORE ABOUT THIS TOMORROW...!

FOR GOVERNMENT & CITIZENS

FINDING THE BALANCE BETWEEN SERVICE & RISK



EASY

Make it Easy for Taxpayers & Traders

Aligned to our SARS Strategic Objectives (SO):

- **SO2:** Make it **Easy** for Taxpayers & Traders to Comply with their obligations
- **SO6:** Modernize our systems to provide **Digital and Streamlined** online services

Additional Controls to Combat Fraud

- **SO3:** Implement additional controls to monitor, detect and combat **potentially** fraudulent behaviour
- **SO5 & SO6:** Additional authentication and verification measures



SECURE



THANK YOU!