ANNUAL REPORT

South African Revenue Service **2019/20**

ISBN: 978-0-621-48819-7
RP337/2020

Message from the Minister of Finance

The Government is working very hard under severe challenges to restore confidence in South Africa's finances to grow the economy, alleviate poverty and create jobs, so that it can protect what matters most – healthcare, education and other critical public services. To do so, the Government must have access to resources, whilst assertively minimizing debt where possible. All of us can be proud of the fiscal capability and sovereignty that our Government has been able to attain over the past 26 years, but the lesson from many other countries is that unless there is a determined effort by all stakeholders to create a credible and sustainable tax compliance culture and an increasingly broad tax base with an effective and efficient tax and customs administration, this fiscal capability cannot be achieved and sustained.

Leveraging taxation for poverty alleviation means that a sustained effort must be made to grow a positive compliance culture, broaden the tax base, and at the same time collect enough revenue to enable Government to deliver to the poor and invest in a vibrant supportive infrastructure for economic growth.

I believe that we have a potentially winning formula in South Africa. By increasing compliance, broadening the tax base, ensuring the right tax policy, putting in place the right incentives and managing a reliable revenue flow, combined with effective trade facilitation, better education and service to the public, we are creating the foundation for sustainable fiscal capability.

But, we should be aware that unless we assertively make a commitment to development and the accompanying commitment to pay taxes, build good corporate citizenship, strengthen integrity and sound ethics among professionals, and make tax and customs evasion and aggressive avoidance a social and moral crime, we will undermine our progress.

Government acknowledges that countering the scourge and crime of maladministration builds trust in Government, and generally contributes to stabilizing and restoring the declining levels of compliance, and tax compliance in particular. It is for this reason that Government continues to do its part to sustain and deepen the culture of compliance and tax compliance, particularly by focusing effort and resources on dealing with maladministration, and ensuring that every tax Rand counts by taking action to deliver on its key priorities whilst reducing spending.

Government views SARS as an essential institution in this effort. SARS collects more than 90% of all Government revenue. In addition to its revenue collection mandate and improving tax compliance, SARS also facilitates legitimate trade, thereby connecting us to international trade, whilst protecting the integrity of the domestic economy. It is of paramount importance that SARS functions effectively and earns respect from all South Africans and national, regional and international stakeholders.

It has been an eventful year for SARS under the leadership of the newly appointed Commissioner Edward Kieswetter. Under the new leadership, the rebuilding of SARS has begun. It will be a hard road, but I am pleased with some meaningful achievements for the past year. The Commissioner has worked hard to improve the integrity and performance of the senior leadership. A number of the key positions

have been filled, and this process will continue in the next financial year.
Other achievements include:

- A new exciting Strategic Plan and Vison 2024 has been completed and tabled in Parliament.
- Many of the recommendations from the Nugent Report have been substantively implemented.
- From a Revenue Collection perspective:
  - Net revenue collections of R1 355.8 billion, represent a growth of R68.2 billion (5.3%) compared to the 2018/19 FY. This in an economy, which entered into a technical recession at the end of 2019, with a marginal annual Gross Domestic Product (GDP) growth rate of just 0.2%.
  - The 2019/20 financial year end had to be completed at the start of COVID-19 and the ensuing lockdown conditions.

- From a taxpayer service perspective, steady improvement is noticeable:
  - Inbound query volumes and complaints declined by almost 20%.
  - The average turnaround time for processing VAT Refunds, improved from 27.88 working days to 18.95 working days.
  - Information Communication Technology (ICT) platforms remained stable and uptime continued to exceed 99%.

- Towards building a "Smart modern SARS", innovations include:
  - The pre-launch of auto assessments for personal income tax filers.
  - The migration of more than 70% of personal income tax filers to electronic channels against a target of 55%.

- On improving the compliance environment:
  - Customs interventions resulted in 5 832 seizures with an estimated value of R2.4 billion.
  - Criminal investigations that were concluded culminated in a conviction rate of 98.5%.

- The SARS Enterprise Performance Management index improved from 74% to 85%.

But there are challenges to address as SARS forges ahead to rebuild and reimagine itself under difficult conditions.

A contracting economy for the foreseeable future and declining tax morality will continue to impact on the tax collection climate. Low compliance behaviours are of great concern, and will require a fresh approach. I trust the new SARS strategy, presented as Vision 2024, with nine well-defined strategic objectives will supplement Government's action to address this, as it aims to minimize the tax gap, facilitate legitimate trade and strive for voluntary compliance.

I acknowledge the loyal staff members who have embraced change and the start of an exciting new era, and congratulate them for their achievements over the past financial year under the leadership of the new Commissioner.

In conclusion, I express my sincere appreciation to compliant taxpayers, traders and intermediaries for their contribution to making South Africa great.

Mr TT Mboweni, MP
MINISTER OF FINANCE

Commissioner's Overview

For the past eleven months, I have had the privilege of serving and leading this organisation which is so essential to our democracy. It has been a most stressful and tough year, and an extremely stimulating and exciting one at the same time. My personal experience had confirmed the findings of the Report on Tax Administration and Governance by the Nugent Commission (Nugent Report). In fact, the reality on the ground, and the lived experience of employees within SARS, reflect worse than what was even captured in the Nugent Report.

The revenue collection efforts by SARS enable Government to transform the lives of many of our fellow South Africans, and in this regard, the 2019/20 financial year total tax revenue estimate (Printed Estimate), based on a 1.5% GDP growth outlook, was set at R1 422.2 billion in the February 2019 Budget. The estimate was then revised to R1 358.9 billion in the February 2020 Budget (Revised Estimate), based on deteriorating economic conditions. Collections for the 2019/20 financial year amounted to R1 355.8 billion, R3.2 billion below the revised target of R1 358.9 billion. The gross amount collected is R1 647.8 billion, which was offset by refunds of R292.0 billion, resulting in net collections of R1 355.8 billion.

The net revenue outcome of R1 355.8 billion represents a growth of R68.2 billion compared to the 2018/19 financial year. This represents a tax revenue growth of 5.3% within an economic growth of 4.6% nominally.

During the year under review, the organisation has gone through enormous changes which were necessitated by the need for SARS to realign itself with an ever changing environment. The damage caused by State Capture in general cannot be underestimated, and SARS was an unfortunate casualty in this process. While many of the recommendations in the Nugent Report have been substantively addressed, it will take resilience, consistent focused effort and time to reverse the breakdown in governance, rebuild capability and restore public confidence. In addition, these will not be achieved without a commitment to provide SARS with adequate resources.

Thankfully, the work of rebuilding SARS as an institution, as well as restoring public confidence, has begun. The crippling effect on staff morale is being addressed through enhanced employee engagements as well as the visible rebuilding of the SARS leadership team. These efforts allow us the space to move forward with laying the necessary foundation for change, to enable us to carry out our mandate which ensures the effective delivery of goods and services to all South Africans. This is such an important project in the interest of our relatively young democracy.

I am encouraged that working directly with the top 60 leaders at SARS, as well as the comprehensive engagements with all staff, whilst progressing slowly, will bear fruit. The renewed SARS Vision 2024 and the Strategic Intent provides much needed clarity on the organisational arrangements, the design of critical activities, as well as the appropriate allocation of resources. Once these institutional integrity issues are fully implemented, we can focus on the execution of our plans. A well-functioning SARS exists to enable Government to build a democratic state that fosters sustainable economic growth and social

development, and an interest in the well-being of all South Africans. This is our higher purpose.

The following were important and urgent issues that were commenced during the year, with varying degrees of progress:

1. **Governance, Integrity and Reputation:**
   - Address leadership integrity issues
   - Re-establishment of the Integrity Unit
   - Re-establishment of the Anti-Corruption Unit
   - Constructive engagement with Organised Labour
   - Initiated processes to review brand range of staffing matters
   - Re-established working relationships with international bodies and tax authorities
   - Listening Campaign with all Taxpayer Stakeholder Groups
   - Co-operative governance with key institutions: NPA, FIC, SIU, Hawks, SAPS

2. **Building Leadership Competence**
   - Building a leadership engagement with top 60 leaders
     - Alignment with Strategic Intent and Vision 2024
     - Commenced development of new leadership brand and competence model
     - Placement of leaders into suitable roles
   - Strengthen Leadership Arrangements in support of Strategic Intent
   - Commenced recruitment to enhance leadership bench strength

3. **Revenue Recovery and Compliance**
   - Re-established the Davis Tax Committee to complete the tax gap study
   - Established an internal revenue recovery programme
   - Taxpayer and broad public engagement to raise compliance consciousness

4. **Strengthening Organisational Capability**
   - Re-establish the Large & International Business Segment
   - Formalised capacity to address organised illicit activities and tax crime
   - Reviewed and addressed systemic aspects that may impact on VAT Refunds
   - Reviewed the SARS Risk Profiling and Case Selection methodology
   - Introduced a "3 Cluster Arrangement" to enhance delivery and taxpayer engagement

The new Cluster arrangement which will be implemented in the new financial year is specifically aligned with the revised strategic intent. It is intended to enhance our efficiency and effectiveness and focuses on the substantive and meaningful aspects of our work towards:

- Vision 2024 ***"to build a smart modern SARS with unquestionable integrity, trusted and admired"***
- Strategic intent ***"to develop a tax and Customs system based on Voluntary Compliance, and where appropriate, enforce responsibly and decisively"***
- The ***9 Strategic Objectives*** in support of the above (set out in this Annual Report)

On 5 March 2020, South Africa recorded its first COVID-19 patient. The pandemic reached South Africa as we were in the final stretch towards our year end. As an essential service, SARS continued to provide services around the collecting of revenue, improving compliance and facilitating legitimate trade. Within the lockdown conditions, SARS had to quickly reconfigure its operations to ensure that we could continue to collect taxes due, pay refunds to tax payers and ensure the clearance of goods. We went through our first financial year-end

managing within a largely virtual and remote setting.

In the short to medium term, COVID-19 presents SARS with a mixed bag of opportunities and challenges. The opportunities lie in accelerating SARS' journey towards a modern progressive digitalised revenue agency using data to drive automation and machine learning algorithms to enhance our services, improve the integrity of outcomes, and assist in the detection of non-compliance. As the use of data and technology increases, SARS remains acutely conscious of our role as custodians of taxpayers' and traders' information. We need to be able to assure people that our use of data is legal and ethical, and that our systems are secure. I want SARS to keep this focus to ensure we maintain the trust of taxpayers, traders and civil society.

On a more sobering note, the economy is expected to likely contract by 7% this year, owing to a number of economic problems existing before the outbreak of the pandemic, but also exacerbated by the impact of COVID-19. The impact of the coronavirus and the lockdown will not only see a decline in tax collection in the 2020/21 financial year, but will also have a long-term knock-on effect. Many businesses are collapsing and may not be saved, and certain jobs will no longer be available in the future. SARS' long term concern is that for the foreseeable future, the revenue base will contract. Whilst much is being done to rebuild SARS and restore public confidence and trust in the institution, we are acutely aware that much, much more remains to be done.

As always, it is the SARS employees who ensure the success of executing our plans and services. That is why it is a priority to ensure their workplace is healthy, safe, inclusive and respectful. I want to express my sincere appreciation to all SARS personnel for the manner in which they have responded to, and embraced the many leadership inputs and necessary changes. I am very privileged and extremely proud to have worked with many extraordinary individuals committed to the SARS Higher Purpose. Whilst we still have a long road ahead, I am appreciative and encouraged by the progress made and what has been achieved together so far. A special thank you to the SARS staff for continuing their work under the unique conditions brought about by COVID-19.

I would also like to express my appreciation to the Minister of Finance, the Deputy Minister of Finance, as well as the Parliamentary Committees for their oversight and support. Thank you to colleagues in National Treasury and the broader government for their support.

Edward Chr Kieswetter
SARS COMMISSIONER

About This Report

This report is primarily intended, but not limited, to address the information requirements of the PFMA and National Treasury's Annual Report guidelines. This Annual Report includes SARS' performance information for the 2019/20 financial year, governance, risks, stakeholder and human resource information, as well as the Annual Financial Statements for SARS' Own Accounts.

SARS presents its performance information in accordance with Government's performance monitoring methodology, and has therefore aligned this report with its 2016/17 to 2020/21 Strategic Plan and its 2019/20 Annual Performance Plan. The Annual Financial Statements (Own Accounts) for the year ended 31 March 2020 were prepared in accordance with the effective Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board (ASB), in accordance with section 91(1) of the PFMA.

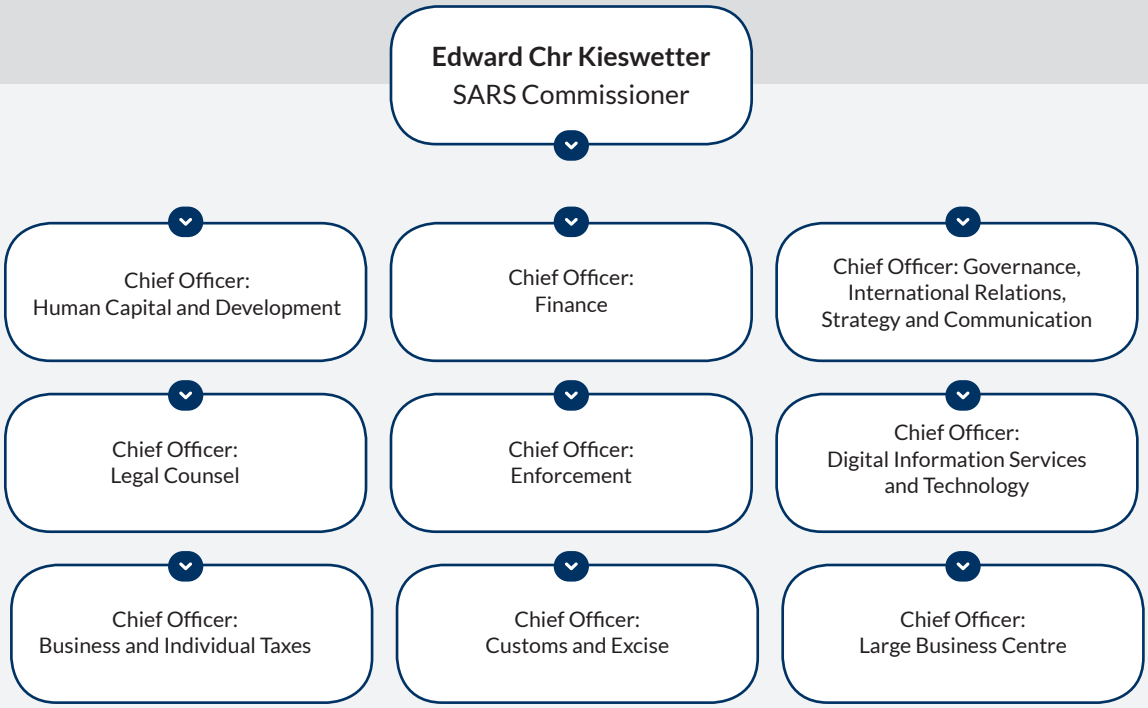
As part of SARS' commitment to align the organisation with the King Report on Corporate Governance, it continues on its journey to inculcate the principles of integrated thinking and integrated reporting to promote a more cohesive approach to reporting, that considers a broad range of reporting dimensions, and communicates all relevant factors that materially affect the ability of SARS to create value over the short, medium and long term. On the journey towards a fully integrated report, SARS embedded some of the concepts from the International Integrated Report Framework (IIRF) into this report.

The Annual Financial Statements in this report were audited by the Auditor-General of South Africa who expressed an opinion. This report is approved by SARS' Accounting Authority, the Commissioner for SARS.

Contents

1 PART ONE GENERAL INFORMATION

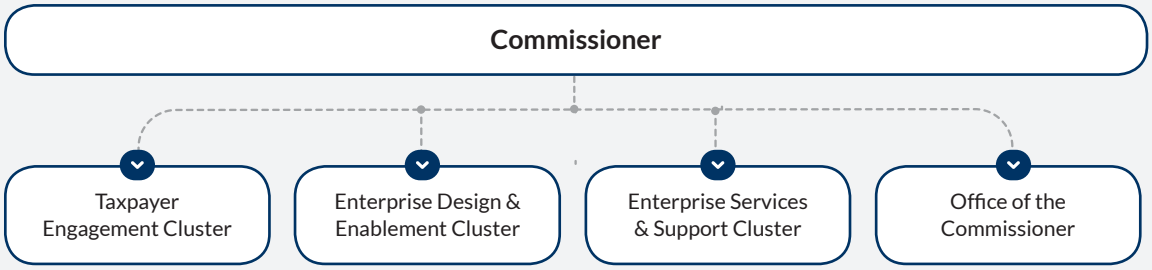
SARS Organogram as at 31 March 2020



Traditionally, SARS followed a functional design along the three core functions of Taxpayer Services, Enforcement and Customs. Within these functional divisions, further work units, based on transactional activities, resulted in a strong "silo" culture with multiple hand-offs, and no end-to-end accountability. The organisational model that was introduced in 2014 further diluted core abilities within SARS.

The new Cluster organisational arrangement consist of three distinct areas viz: Taxpayer Engagement, Design & Enabling, and Enterprise Services. This arrangement is intended to:

- Strengthen our ability to implement the SARS Strategic Intent
- Ensure end-to-end accountability for all Taxpayer Services
- Establish a clear culture of accountability for the Tax Register and Revenue Base through an empowered and enabled Regional and Segmented Operations



Who We Are

SARS was established in terms of the South African Revenue Service Act, 1997 (SARS Act) as an organ of state within the public administration, but as an institution outside the public service. It is listed as a National Public Entity in schedule 3A of the Public Finance Management Act, 1999, (PFMA). In terms of the SARS Act, the Commissioner for SARS is the Chief Executive Officer and Accounting Authority of SARS.

Our Mandate & Mission

Our mission is derived from our legal mandate that is crafted in the SARS Act. To ensure that the Tax and Customs revenue due to the State is collected as and when it becomes due, by building a high level of taxpayer compliance, facilitating legitimate trade and building public confidence in SARS through a strong service ethos, and professional integrity.

Our Purpose

SARS exists to serve the HIGHER PURPOSE of enabling Government to build a democratic state that fosters sustainable economic growth and social development in the interest and wellbeing of all South Africans.

Our Vision

A smart, modern SARS with unquestionable integrity that is trusted and admired.
Internally, this aspiration implies that we:

- Engage our stakeholders ethically and beyond reproach.
- Use technology and data to build an intelligent organisation.
- Evolve our staffing model towards high-value knowledge and service work.
- Become an employer of choice with a high-performing and engaged workforce.

Externally, this aspiration implies that we:

- Substantially achieve our strategic intent of voluntary compliance.
- Benchmark well against the best among our peers internationally.
- Regain public trust and confidence.
- Provide the financial resources for Government to deliver on its mandate.

Our Values

Endeared by a sense that we serve a higher purpose in the service of South Africans, and committed to the fulfilment of our mission & mandate, we hold the following values dear:

- Uncompromising regard for Taxpayer Confidentiality.
- Unquestionable Integrity, Professionalism and Fairness.
- Exemplary Public Service.
- Incontestable insights from Data & Evidence.

Revenue Collected

R1 647.8 billion
Gross Revenue Collected

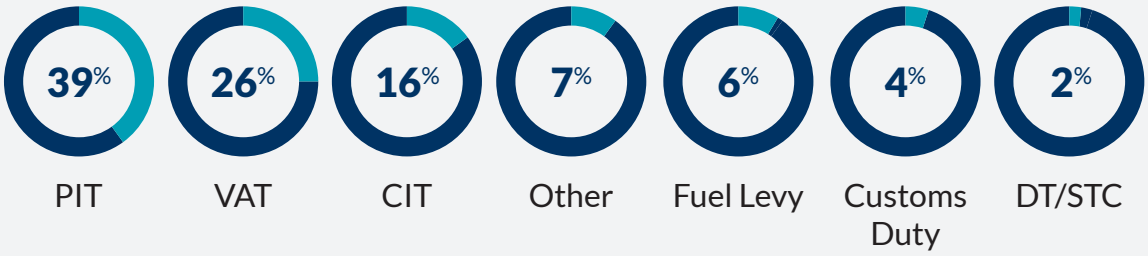
R292.0 billion
Refunds Paid

R1 575.6 billion
2018/19

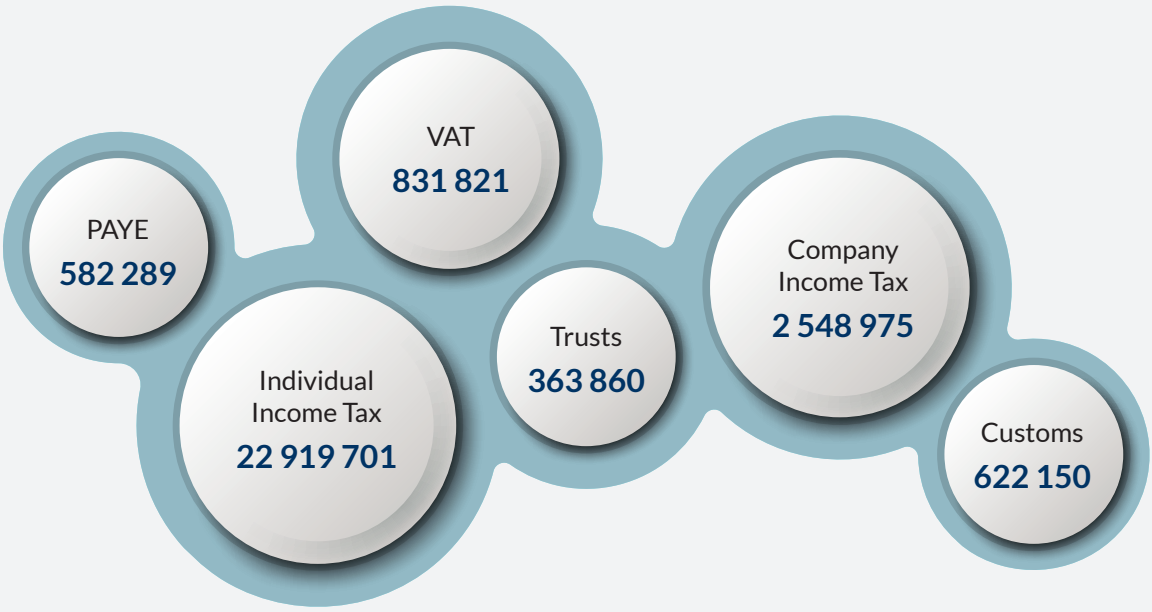
R287.9 billion
2018/19

Net Revenue Collected

R1 355.8 billion **R1 287.7 billion** 2018/19



Active Register



The Volumes We Processed

Tax Volumes	2019/20	2018/19
New Registrations	**1.4 million**	**1.6 million**
Tax Returns Submitted	**17.3 million**	**17.2 million**
Taxpayers Served in Branches	**5.0 million**	**6.5 million**
Payments Processed	**17.2 million**	**19.1 million**
Complaints Received	**31 445**	**38 218**
Audits & Verifications Conducted	**1.4 million**	**1.9 million**
Rulings Issued	**287** Binding rulings **621** Non-binding opinion	**315** Binding rulings **658** Non-binding opinion
Disputes Finalised	**7 981** appeals	**7 042** appeals
Tax Compliance Status Requests	**1.2 million**	**1.2 million**
Inbound & Outbound Calls	Inbound Calls **3.7 million** Outbound Calls **1.4 million**	Inbound Calls **4.6 million** Outbound Calls **3.7 million**

Customs Volumes	2019/20	2018/19
New Importers	**9 821**	**9 934**
New Exporters	**8 701**	**8 637**
Licensed Clearing Agents	**212**	**147**
New Accredited Clients	**28**	**35**
Import Declarations	**3.4 million**	**3.3 million**
Export Declarations	**3.8 million**	**3.7 million**
Customs Inspections	**673 408**	**629 031**
Customs Seizures	**5 832**	**6 828**
Post Clearance Audits	**1 758**	**2 449**
Tariff, Value and Rules of Origin determinations/rulings issued	**740**	**1 743**

Strategic Intent

In an endeavour to journey towards our stated vision, which is **to build a smart modern SARS with unquestionable integrity, trusted and admired by government, the public, as well as our international peers,** and give effect to our mandate, we have set ourselves a **Strategic Intent** to *develop a Tax & Customs system based on Voluntary Compliance*. The internationally recognised approach of voluntary compliance, as embodied in our strategic intent, further translates into nine clear strategic objectives:

	Provide CLARITY and CERTAINTY for taxpayers and traders of their obligations
1	The overall taxpayer and trader experience is empowering and enabling. Taxpayers and traders proactively receive clarity guidance, and where required, have easily accessible additional customised support. Certain segments of taxpayers and traders may also access leveraged products such as advance pricing agreements, advance rulings (inclusive of VAT rulings and Binding General Rulings) and cooperative compliance programmes.
	Make it EASY for taxpayers and traders to comply with their obligations
2	Engagements by taxpayers and traders in the fulfillment of their obligations will be mainly on-line, intuitive and self-managed, with minimal face-to-face visits. For standard taxpayers (largely non-provisional taxpayers), the fulfillment of their registration, filing, declaration and payment obligations will be seamless. Exceptions will be resolved with ease and minimal intervention. Complex taxpayers (largely provisional taxpayers - individuals and entities), as well as their intermediaries, will experience engagements customised to their specific needs. Increasingly, trusted intermediaries will be empowered and enabled as authorised agents acting on our behalf.

	DETECT taxpayers and traders who do not comply, and make non-compliance HARD and COSTLY
3	Taxpayers and traders who negligently, deliberately, aggressively, or criminally stay out of the tax system, or do not comply, will be detected. They will experience a response appropriate to the nature and degree of their non-compliance, which progressively, may include friendly reminders to more intrusive and investigative engagements that enforce compliance. Where necessary, hard enforcement may include court action, asset seizure and criminal prosecution. Non-compliant taxpayers and traders may under certain circumstances be named and shamed. The costs for non-compliance will be high and severe.
	Develop a HIGH performing, DIVERSE, AGILE, ENGAGED and EVOLVED workforce
4	Our employees consider us to be an Employer of Choice and are engaged to deliver the best taxpayer and trader experience, characterised by professionalism and actions that are beyond reproach. Tasks have become less administrative, and more analytical and service oriented. Our employees easily collaborate to leverage their combined strengths, and we invest in them appropriately and provide them with the right tools for the job. They are able to respond to future demands of the work environment, and the changing needs of taxpayers and traders with ease.
	Increase and expand the use of DATA within a comprehensive knowledge management framework to ensure integrity, derive insight and improve outcomes
5	By expanding and increasing the use of data, data analytics and artificial intelligence, we create the capability to understand the compliance behaviour of taxpayers and traders, to provide clarity and certainty where it is needed, an easy and seamless service that fosters voluntary compliance, and timely/early detection of risks, trends and instances of non-compliance that enable us to enforce responsibly. We have incorporated data into a comprehensive system of knowledge management. The composite effect of the expanded and increased use of data must substantively support our strategic intent of voluntary compliance.
	Modernise our systems to provide DIGITAL and STREAMLINED online services
6	Our digital platforms will provide reliable and secure services to all our constituencies. Specifically, for taxpayers and traders, to enable them to meet their obligations simply, easily and anywhere. For our employees, enable them to deliver world-class and best-in class taxpayer and trader experience, and to ensure performance excellence. For our stakeholders, provide reports and analysis that enable them to hold us accountable.
	Demonstrate effective resource stewardship to ensure efficiency and effectiveness in delivering quality outcomes and performance excellence
7	We steward the limited resources entrusted to us in a manner that creates value to achieve quality outcomes and performance excellence. The way we organise ourselves reflects agility and responsiveness to deliver the best experience for all our constituencies. We demonstrate a high work ethic, strive for performance excellence and achieve the most with the least effort and cost, and best-in class innovations that enable us to achieve our strategic intent.
	Work with and through Stakeholders to improve the tax ecosystem
8	We have effective and beneficial partnerships with all Stakeholders in the tax ecosystem which benefit the taxpayers, Government and the public. 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. Intermediaries experience their engagement with us as empowering and enabling mainly through on-line digital services.
	Build PUBLIC TRUST and CONFIDENCE in the tax administration system
9	The public is confident that our stewardship of the country's tax system is professional, unbiased and fair; we always act and do the right things all the time; we maintain the highest standards of integrity and ethics; we have transparent governance systems and processes, and we have capable and trustworthy leaders. We accept that ultimately, we are accountable to taxpayers, traders, and their representatives, the general public, as well as elected public office bearers, whose trust we must earn.

Statement of Responsibility and Confirmation of Accuracy of the Annual Report

To the best of my knowledge, I confirm the following:

All information and amounts disclosed in the Annual Report are consistent with the Annual Financial Statements audited by the Auditor-General. The Annual Report is complete, accurate and free from any omissions. This report has been prepared in accordance with the Annual Report guidelines issued by National Treasury.

The Annual Financial Statements included in this Annual Report were prepared in accordance with the applicable accounting standards.

The Accounting Authority is responsible for preparing the Annual Financial Statements, and for the judgements made in this information.

The Accounting Authority is also responsible for establishing and implementing a system of internal controls that have been designed to provide assurance as to the integrity and reliability of the performance information, the human resource information and the Annual Financial Statements.

The Auditor-General was engaged to express an independent opinion on the Annual Financial Statements.

In my opinion, the Annual Report fairly reflects the operations, the performance information, the human resource information and financial affairs of SARS for the financial year ended 31 March 2020.

Edward Chr Kieswetter
SARS COMMISSIONER

2 PART TWO PERFORMANCE INFORMATION

Situational Analysis

Global Economic Environment

The world economy went through a stormy 2019 to 2020 fiscal period. Some challenges persisted and became entrenched, while new ones emerged. The waves of such economic turbulence reached South Africa, resulting in different outcomes for GDP, trade, exchange rates, interest rates, mining, manufacturing, and therefore tax and customs revenue collection. South Africa is an open economy with strong vertical and horizontal linkages with the rest of the world.

The 2019 year began with rising uncertainty about the global economic prospects. In April 2019, the International Monetary Fund (IMF) in its World Economic Outlook (WEO) Report forecasted that global growth would moderate in the short-term, before picking up pace gradually. The IMF downgraded the global growth outlook slightly by 0.2 percentage point, from the January 2019 WEO update, to 3.3%, expecting that growth will pick up pace in the second half of 2019. Consequently, prospects for South Africa weakened and the IMF then forecasted a lower growth rate of 1.2% for 2019, compared to 1.4% in the January 2019 WEO update.

Subsequently, the global economy grew by a lower than expected 2.9% in 2019, down from 3.6% in 2018. A contraction of -3% was projected for 2020. The major drag came from the impact of the US-China trade impasse, uncertainty from protracted Brexit negotiations, and rising geopolitical tensions. The growth rate of world trade slowed from 3.7% in 2018 to 0.9% in 2019. Emerging markets and developing economies were the most affected, as trade growth slowed from 4.7% in 2018 to -0.8% in 2019.

Commodity producing, exporting emerging markets and developing economies suffered, as weak demands around the globe led to weak commodity prices. The currencies of commodity exporters with flexible exchange rates (like South Africa) depreciated over the review period. Data from the IMF shows that from mid-January 2020 to end-March 2020, base metal prices fell about 15%, natural gas prices declined by 38%, and crude oil prices dropped by about 65% (a fall of about US$40 a barrel).

Since the beginning of 2020, many countries began to face a multi-layered crisis comprising a health shock, domestic economic disruptions, plummeting external demand, capital flow reversals, and a collapse in commodity prices. On the domestic front, electricity supply shortages, weak demand, low potential output and productivity, weak business and consumer confidence, and the worsening fiscal situation exacerbated conditions.

The 2019/20 fiscal year ended with COVID-19 wreaking havoc around the globe. The IMF is expecting the impact on economic activity to be worse than the 2008/09 recession. Corona virus infections reduced labour supply, while the necessary protective measures like quarantines, regional lockdowns, workplace closures and social distancing curtailed the movement of people and goods, disrupted supply chains, lowered productivity and consumption, and triggered business closures and job losses. Globalisation has enabled disruptions in one country or region to spread to trading partners through trade and global value chain linkages, adding to the overall macroeconomic effects.

The growth forecast has been revised downwards by more than 6 percentage points, relative to the October 2019 WEO report and the January 2020 WEO update. Global growth might be well above the trend in 2021 at 5.8%, mainly because of the low 2020 base. In comparison, 2010 global growth rebounded to 5.4% from -0.1% in 2009.

Domestic Economic Environment

Domestically, 2019 had its fair share of economic challenges. Some of these factors have persisted, while new uncertainties emerged. Economic prospects remained subdued throughout the year, with considerable downside risks. These include weak economic growth, as well as the significant funding demands of South Africa's State-Owned Enterprises (SOEs) and other Government institutions. The shortage of reliable and cost-effective electricity, as well as the uncertain legislative, regulatory and policy environment continued to hamper a recovery in business confidence and capital formation.

The economy entered into a technical recession at the end of 2019, with real GDP contracting by 0.8% and 1.4% quarter-on-quarter for the third and fourth quarters respectively. On an annual basis, GDP only managed a growth rate of 0.2% in 2019, the lowest level since 2009 when the economy contracted by 1.5%. Agriculture was the main drag on growth in 2019, followed by construction, mining and manufacturing, while the financial sector was the main positive contributor to growth.

The following economic developments impacted on sector performance in 2019:

- Agriculture decreased by 6.9%, mainly due to weather-related dynamics adversely impacting agricultural production. Load-shedding further weighed on the irrigation-reliant and energy-intensive agricultural subsectors.
- Construction decreased by 3.3%, reflecting a significant decline in non-residential, residential and civil building activity.
- Mining decreased by 1.9%. Lower electricity production and consumption weighed on the demand for coal, as more than half of the country's coal extraction is used for producing electricity.
- Manufacturing decreased by 0.8%, as production was affected by domestic and global factors such as electricity supply constraints and higher energy costs, as well as subdued global demand and trade, following the heightened US-China trade tensions during 2019.
- Finance increased by 2.3% mainly due to increased activity in the banking subsector, showing resilience against tough economic conditions.

The weak growth culminated in lower growth in wages, employment, consumption and business profitability, which led to a decrease in tax receipts for Personal Income Tax (PIT), Value-Added Tax (VAT) and Corporate Income Tax (CIT), which make up more than 80% of the total tax revenue. Contracting imports also resulted in lower revenue from customs duties and import VAT. Despite increases over the past five years, tax revenue as a proportion of GDP has started to decline. The tax-to-GDP ratio is estimated at 26.3% for 2020/21. The tax buoyancy ratio, which is an indication of tax revenue growth in relation to GDP growth, eased to 1.1 in the 2019/20 financial year, from 1.23 in the 2018/19 financial year, and is estimated to be 0.93 in the 2020/21 financial year. The declining tax buoyancy ratio is an indication of declining compliance levels of taxpayers. This can be attributed to a number of factors including the problems within SARS, as highlighted in the Nugent Report, public disenchantment with maladministration and corruption in Government, and the very constrained economic situation.

The domestic economy faced new and severe headwinds in early 2020. The outbreak of the novel corona virus internationally and the subsequent COVID-19 national lockdown on 27 March 2020, drastically reduced economic activity. Economic growth is expected to decline sharply due to disruptions to global and domestic supply chains, and increased disruption of domestic production due to a protracted lockdown. The official unemployment rate increased by 1 percentage point to 30.1% in the first quarter of 2020, compared to the fourth quarter of 2019, and is expected to increase further when the full impact of the COVID-19 lockdown is felt in the second quarter. The country's economic outlook was negatively affected by the rating downgrades by both Moody's and Standard & Poor.

Policy Developments

The 2019/20 budget proposals were set out in the 2019 Budget Review, to support Government's main fiscal objective of ensuring sustainable finances by containing the budget deficit and stabilising public debt. The 2019 budget proposals were expected to yield an additional R15 billion in revenue for the 2019/20 financial year, which was lower than the estimated R36 billion that the 2018 budget proposals intended to raise. The 2019 Budget Review conceded to the existence of a difficult environment, characterised by weak economic growth, as well as accelerated public debt and debt-service costs. Of the R15 billion, R13.8 billion was expected to come from direct taxes and R1.2 billion from indirect taxes. The approach taken by the 2019 Budget Review was to not increase tax rates, but rather to generate additional revenue by not making adjustments for inflation to the PIT rates. A small adjustment was made to increase the minimum income tax threshold. The approach was taken with the aim of not increasing the tax burden by too much, thereby minimising the negative impact on economic growth.

The following proposed changes were presented in Chapter 4 of the 2019 Budget Review:

- An increase in the primary, secondary and tertiary PIT rebates by 1.1% from R14 067 to R14 220, R7 713 to R7 794 and R2 574 to R2 601 respectively, and an increase in the tax-free threshold by R850 (1.1%) from R78 150 to R79 000.
- PIT brackets remained unchanged with no adjustments for inflation.
- No change in the monthly medical tax credit for medical scheme contributions.
- Excise duties on alcoholic beverages and tobacco products to increase by between 7.4% and 9.0%. Malt beer increased by R7.04 (7.4%) from R95.03/litre to R102.07, Sparkling wine increased by R1.12 (9.0%) from R12.43/litre to R13.55 and Cigarettes increased by R1.14 (7.4%) from R15.52 per 20 cigarettes to R16.66.
- The list of zero-rated VAT items was expanded to include white bread flour, cake flour and sanitary pads.
- An increase in the health promotion levy rate by 0.11 cents (5.2%) from 2.1 cents to 2.21 cents.
- The following became effective for fuel taxes: carbon tax of 9c/litre on petrol and 10c/litre on diesel, the general fuel levy was increased by 15c/litre (4.5%) for petrol and diesel from R3.37 to R3.52 and from R3.22 to R3.37 respectively. The RAF levy increased by 5c/litre (2.6%) from R1.93 to R1.98.

In 2019, the Government committed to tax policy reviews and further research in the following areas: base erosion and profit shifting, urban development zone tax incentive, tax treatment of oil and gas activities, taxation of electronic cigarettes and tobacco heating products, definition of fuel levy goods and environmental fiscal reform policy.

Linking Performance with Budgets

SARS aims to act prudently in stewarding the resources it is entrusted with, by effective execution and ensuring value for money in all our operations. Furthermore, the organisation aims to empower staff in key areas of the business through skills development programmes, and augment this with the recruitment of external skills where necessary.

While every endeavour is made to spend our allocated resources in line with the grant allocated as part of the National Treasury budget vote, SARS in the year under review obtained approval from National Treasury to budget for a deficit in line with the provisions of the PFMA. Plans to fill critical vacancies during the year under review were not carried out due to the financial constraints. SARS continues to strive further for internal efficiencies, and is also engaging with National Treasury to explore options. SARS is encouraged by the R1 billion that has been extended to it over the MTEF period as announced in the 2019 Medium Term Budget Policy Statement. The allocation of headcount and associated costs are determined by the planned or actual time spent on activities specific to a strategic objective, however, it should be noted that most employees are likely to contribute to more than one objective as the objectives are inter-related and function as a system.

	Budget Headcount	Headcount March 2020	Annual Budget R million	Actual Cost R million	Variance R million
Increased Customs and Excise Compliance	2 430	2 430	2 064.0	1 925.6	138.5
Increased Tax Compliance	3 832	3 832	3 248.4	2 955.4	293.0
Increased Ease and Fairness of Doing Business With SARS	3 974	3 974	3 101.0	3 433.2	-332.2
Increased Cost Effectiveness and Internal Efficiency	980	980	1 221.7	1 166.9	54.8
Increased Public Trust and Credibility	930	930	1 052.9	991.0	61.9
Total	**12 146**	**12 146**	**10 688.0**	**10 472.0**	**216.0**

Auditor-General Report on Predetermined Objectives

Report on the audit of the annual performance report

Introduction and scope

1. In accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA) and the general notice issued in terms thereof, I have a responsibility to report on the usefulness and reliability of the reported performance information against predetermined objectives for selected strategic outcomes presented in the annual performance report. I performed procedures to identify material findings but not to gather evidence to express assurance.

2. My procedures address the usefulness and reliability of the reported performance information, which must be based on the approved performance planning documents of the public entity. I have not evaluated the completeness and appropriateness of the performance measures included in the planning documents. My procedures do not examine whether the actions taken by the public entity enabled service delivery. My procedures also do not extend to any disclosures or assertions relating to planned performance strategies and information in respect of future periods that may be included as part of the reported performance information. Accordingly, my findings do not extend to these matters.

3. I evaluated the usefulness and reliability of the reported performance information in accordance with the criteria developed from the performance management and reporting framework, as defined in the general notice, for the following selected strategic outcome presented in the annual performance report of the SARS for the year ended 31 March 2020:

Strategic outcome	Pages in the annual performance report
Strategic outcome 3 – increased ease and fairness of doing business with SARS	52 – 53

4. I performed procedures to determine whether the reported performance information was properly presented and whether performance was consistent with the approved performance planning documents. I performed further procedures to determine whether the indicators and related targets were measurable and relevant, and assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.

5. I did not identify any material findings on the usefulness and reliability of the reported performance information for this strategic outcome:

   - Strategic outcome 3 – increased ease and fairness of doing business with SARS

Other matter

6. I draw attention to the matter below.

Achievement of planned targets

7. Refer to the annual performance report on pages 29 to 32; 39 to 47; 52 to 53; 70 and 76 to 79 for information on the achievement of planned targets for the year and explanations provided for the under/over achievement of a number of targets.

Predetermined Performance Objectives

The performance measurement and reporting philosophy at SARS remains aligned with the South African Government's outcomes-based approach, albeit with some variation that establishes performance on the Objectives and Key Results (OKR) principle. Essentially, OKR is a goal setting framework that helps establish high-level, measurable goals by establishing ambitious goals and outcomes that can be tracked over a period of time. OKR, as a principle, delineates with clarity what needs to be accomplished (i.e. objective), the result that will be achieved with the accomplishment (i.e. outcome), and how the accomplishment will be achieved (i.e. roadmap or delivery plan). We believe that the OKR approach provides clarity on what is to be achieved, what success must look like, as well as how we will achieve our aspirational goals. The fusion of the South African Government's outcomes-based approach and the OKR approach focuses on what is to be achieved, how it will be achieved and how it will be determined whether they achieved what was intended; this goes beyond the outcome-based approach in that it plots the impact of the outputs, which should resonate with the intended objectives. The 2016/17 - 2020/21 SARS Strategic Plan (the Strategic Plan) provides the basis for the organisation's outcomes-based performance management and planning processes. The Strategic Plan itemises its short term, medium term and long term objectives, and articulates the associated action plans to achieve the objectives. From the Strategic Plan, SARS develops an Annual Performance Plan, annual budgets, key results and key performance indicators.

In developing and setting out key performance indicators, SARS continues to look for new ways to reflect and report on performance meaningfully. Performance indicators and their requisite targets are largely informed by legislative requirements, best practice, past performance, resource constraints, the SARS Service Charter, the four perspectives of the Balanced Scorecard, namely Financial, Customer, Internal Process and Learning and Growth, as well as the SMART (Specific, Measurable, Achievable, Realistic and Time-bound) principle. Consequently, SARS added new performance indicators, relegated some indicators, updated performance targets and tweaked some calculation basis in the year under review. This also reflects how SARS is transitioning to the ultimate desired end state of outcomes-based performance, measurement and reporting.

Reporting on the strategic measures, as set out in the 2019/20 APP, is covered under each Strategic Outcome. A full chapter is dedicated to Revenue Collection, as this reflects the results emanating from SARS' activities undertaken under each of the Strategic Outcomes.

Outcome 1:
Increased Customs and Excise Compliance

Customs and Excise Revenue

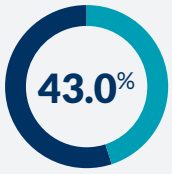
R381.6 billion
Collected

of RE target
R384.3 billion

R366.5 billion
2018/19

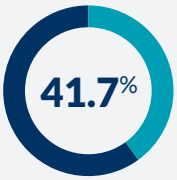
Customs Seizures

5 832 Seizures



of
R2.4 billion
Counterfeit Goods
seized

Excise Audits



of Excise Client Register

1 221
Excise clients audited

R1.2 billion
Yielded

Detailed Progress against APP Stated Deliverables

Segment traders to apply differentiated services for improved compliance	
Deliverable	**Progress**
Develop and implement the Authorised Economic Operator (AEO) policy framework by March 2020, which includes: □ A policy framework aligned to the WCO standard and inclusive of legislative enablement.	A South African AEO programme aligned to the WCO SAFE Framework of Standards was completed and is being incrementally implemented using the WCO AEO Implementation Guidelines aligned validation processes.
□ Pilot implementation focusing on an industry.	The AEO incremental implementation is being piloted with the South African motor industry and is currently at application for participation stage. SARS has received applications from the targeted group within the Motor Industry and plenary engagements are currently underway. Extensive training on validations offered by the WCO took place during the reporting period. The SARS team, together with the WCO representative, commenced with the validations for the Original Equipment Manufacturers who submitted self-evaluation questionnaires.
□ Initiation of Mutual Recognition engagements with one key trading partner.	**India** SARS is negotiating a joint action plan with India's Central Board of Indirect Taxes (CBIC) regarding mutual recognition of their respective AEO programmes. SARS Customs is awaiting the CBIC's response to changes proposed to the draft joint action plan received from the CBIC. **European Union** SARS is in the process of initiating an engagement with the EU on AEO mutual recognition. **BRICS** The BRICS member states have agreed to assess each other's AEO programmes after SARS implements its AEO programme, to work towards AEO mutual recognition in BRICS, including the signing of a BRICS MRA. The BRICS Customs Administrations expect to explore this further during the BRICS 2020 Customs Work Programme. **China** SARS and the General Administration of China Customs (GACC) signed a joint action plan and roadmap on Mutual Recognition of their respective AEO programmes in December 2019. SARS and the GACC agreed to negotiate a Mutual Recognition arrangement ahead of SARS' AEO implementation. SARS is still awaiting the GACC's response to the proposed draft text provided in February 2020.

Revenue Collection	
Deliverable	**Progress**
Meet Customs and Excise Revenue Collection target as set by the Minister of Finance, through the following initiatives: □ continued refining of the Risk Management tools and operational practices.	The Post Clearance Audit eCase workflow was successfully implemented, and the development of the Passenger Risk Engine and phase 1 of the system was implemented at ORTIA.
□ Timeous settlement of deferment payment balances.	The default percentage is calculated on the monetary value of the defaulters against the total deferments due for that specific month. For the 2019/20 financial year, the deferments totalled R194.8 billion, as per the statement balance. Of the R194.8 billion, 0.19% (R384.3 million) was recorded as defaulters.
□ continued focus on its Customs & Excise Revenue Programme, with specific focus on advanced import payments.	The objective of this project is to combat the misuse of the advance payment facility offered by authorised dealers in currency and exchange, which leads to illicit financial flows and the loss of tax revenue. The solution provides for the use of a pre-filing advice mechanism to record the impending advance payment and subsequent importation of the goods. A stakeholder session was held with the South African Reserve Bank (SARB) to discuss the conceptual design and the possibility to leverage on the Import Verification System (IVS), currently being modernised by the SARB. Stakeholder session on Advance Import Payments was held with Business Unity South Africa on 2 August 2019 to obtain its input. No serious objections were raised with regard to the intended solution. The technical development of the solution was deferred to allow for the necessary legal framework to be established in the Taxation Administration Laws Amendment Act, 2019, and appropriate rules have been published under the Customs and Excise Act, 1964. The enabling provisions were published in the Gazette in January 2020. The Project is currently on hold pending the securing of funding to enable system development during the 2020/21 financial year.

Improve Customs and Excise risk management and enforcement capabilities	
Deliverable	**Progress**
Implement the National Targeting and Command Centre with the associated risk and exception management processes by July 2019.	The development of a Business Requirement Specification (BRS) was completed. The project is pending, awaiting approval from the Investment Prioritisation Working Group (IPWG) in order to be registered and implemented.
Conclude the enhancements to the Post Clearance Audit eCase workflow.	Phase 1 of the PCA eCase workflow enhancements was concluded. Phase 2 of the enhancement project is in progress, which includes the development of the debt management inventory, multiple approval steps, and automation of audit letters and schedules (completed).
Implement Excise and Traveller risk engines by March 2020.	The development of the Passenger Risk Engine and phase 1 of the system was implemented in ORTIA, and will be rolled out in other regions in due course. Enhancements to phase 1 of the project are underway.
Elevate focus on key challenging illicit trade sectors and risk areas which include: □ Tobacco and cigarettes □ Fuel □ Clothing and Textile □ Alcohol and spirits □ Contraband smuggling i.e. CITES, drugs and counterfeit goods	For the 2019/20 financial year, SARS performed 5 832 seizures with an estimated value of R2.4 billion. The most significant categories of seizures were: □ CITES: 46 seizures to the value of R66.6 milliom □ Currency: 13 seizures to the value of R11.4 million □ Medicaments: 947 seizures to the value of R15.3 million □ Cigarettes: 445 seizures (102.0 million sticks) to the value of R103.5 million □ Alcohol: 365 seizures (76.9 litres) to the value of R17.0 million □ Counterfeit Goods: 1 301 seizures to the value of R1.1 billion □ Narcotics: 790 seizures to the value of R971.4 million
Commission the air cargo scanner at OR Tambo International Airport by December 2019.	The original approach of building a new facility for the scanner was put on hold, pending the outcome of the investigation into an alternative approach of installing the scanner in an existing warehouse. The alternative approach was approved and execution is in progress. The preparation of the ORTIA warehouse for the scanner installation is complete, and the physical installation of the scanner is now approximately 70% complete.

Strengthen Partnerships with key partners and regulatory bodies	
Deliverable	**Progress**
Leverage off regional and international relationships and programmes through: □ Implementation of interconnectivity and real time declaration exchange with the Botswana and Lesotho Customs administrations by December 2019.	MOUs were already signed with Botswana in November 2018, with eSwatini in April 2019, and with Lesotho in September 2019. SARS is exploring similar arrangements with Zambia, Namibia, DRC and Malawi. The SARS Commissioner and his counterpart from Lesotho Revenue Authority (LRA) signed the MOU on Processing and Administering the Value-Added Tax Refund System between SARS and LRA in Kampala, Uganda on 18 November 2019.
□ Reviewing and optimising International Engagement Models to enhance operational efficiency by July 2019 (WCO, Brazil, Russia, India, China and South Africa (BRICS) and Southern African Development Community (SADC) countries).	International Engagement Plan for Customs and Tax being implemented through the attendance of: □ ATAF 4th International Conference on Tax in Africa (ICTA) in Kampala from 18 - 21 November 2019. □ OECD Global Forum GFTEI Plenary Meeting and 10 Year Celebrations of the Africa Initiative in Paris, France from 26 - 27 November 2019.
□ Improved trade relationships and service offerings by implementing the Service Charter.	Work is currently underway to define the Customs and Excise performance matrix geared at enabling the division to measure performance against the Service Charter.
□ Improved collaborations aligned with global best practice regarding inter-agency co-operation. Focus for 2019/20 will be on the conceptualisation and planning for the implementation of the Single Window approach.	The Inter-Agency Cargo Control Strategy was approved by the Customs and Excise management. The approved strategy forms the basis upon which the improved collaboration with the relevant agencies will be implemented. In partial implementation of the Inter-Agency Cargo Strategy, SARS has embarked on a joint project with the Department of Agriculture, Land Reform and Rural Development (Department of Agriculture) to implement a single window interface which automates the import and export process. The project is currently on hold pending the securing of funding from Treasury by the Department of Agriculture.

Modernise and align Excise processes and systems	
Deliverable	**Progress**
Conclude the implementation of an Excise operating model by September 2019.	The Excise operating model includes the integration of Excise operational components into Customs and Excise business units. Steady progress continued with the development of the Excise Risk Engine. A task team consisting of members from both Enforcement and Customs and Excise divisions was established, and the task team workshop was held on 11 September 2019, where the roadmap was drawn. Further engagements are required and other stakeholders will be included in the project. A business case will be compiled for the project. A follow up engagement was held on 8 October 2019 to find a solution for licensing and registration, as it is the key initial process to drive the turnaround strategy, as well as to identify activities that should move to other divisions. The aim is to coach and mentor Customs and Excise members where required.
Review business processes for the Road Accident Fund by November 2019.	The RAF processes were reviewed. The current process is focused on implementing some of the quick findings on the identified gaps. A fuel specialist is on track with the documenting of the RAF processes. Meetings were scheduled with stakeholder divisions in SARS to finalise the rest of the processes (i.e. Diesel Refunds and Imports). The internal guide on the RAF verification process was drafted, and will be sent to the relevant stakeholders for inputs. SARS is also managing the process of amending the MOU between SARS and RAF, to remove the requirement of monthly audit reports.

Improve Customs and Excise Capability	
Deliverable	**Progress**
Review and optimise a tailor-made talent management, recruitment process, resource development and career modelling for Customs and Excise.	The intention is to propose a programme that will respond to the needs of SARS regarding the development of a Customs Cadet/Trainee Training Programme, in order to recruit and train suitable candidates as part of SARS' efforts to strengthen border control and the trade facilitation capability. The other foundational element included in the end-to-end review of the organisation design is a Customs and Excise Competency Framework. The development of a draft Customs and Excise Competency Framework is in progress, which takes into account insights from other organisations such as the WCO.

Continue with implementation of the New Customs Acts	
Deliverable	**Progress**
Review the pace of executing this programme and undertake a peer review to determine the extent to which legislation kept up with recent international developments.	The Customs and Excise Centre of Excellence submitted a request to the WCO in April 2019 requesting a peer review on the New Customs Act Programme (NCAP). The request is currently with the WCO for consideration, and is to be included in the 2019/20 corporate client plan. The WCO will provide SARS Customs with feedback in due course. Development and implementation of aspects under Registration, Licensing and Accreditation (RLA) and Reporting of Conveyances and Goods (RCG) are ongoing. Work on the Declaration Processing System (DPS) was halted pending the finalisation and recommendations of the Peer Review by the WCO. The enabling legal framework is in the public commentary stage.

Annual Performance Report

Outcome 1 - Increased Customs and Excise Compliance

Customs and Excise revenue collected	
Intention	To track the revenue emanating from Customs and Excise activities, and is one of the proxies for measuring Customs and Excise compliance.
Achievement	R381.63 billion
Target	Collect 100% of the target as agreed with the Minister of Finance – R384.28 billion (Revised Estimate for 2019/20)
Variance	-R2.65 billion
Baseline (2018/19 actual)	R366.45 billion
Reason for variance	Revenue collection is the result of our activity and represents our mandate in law. As such, a separate section in the Annual Report is dedicated to revenue collection, converging more details by tax type, which should be read in conjunction with the comments on both the Customs, Excise and Tax revenue measures. The Customs segment yielded a shortfall of R3.69 billion against the Revised Estimate, as payments from Import VAT and Customs Duties registered deficits of R2.68 billion and R0.90 billion respectively. The most significant driver underpinning the sluggish performance of import taxes was nominal merchandise imports, which grew by a meagre 2.3% year-on-year in 2019/20 compared to the 9.8% increase in the prior year; coupled with the disruptive impact of COVID-19 on the global and domestic trade and manufacturing sectors. The key contributing commodities which drove this underperformance were machinery, vehicles, electrical machinery, original equipment components, clothing and footwear; all of which recorded narrow to negative growth rates in 2019/20 while remaining major contributors to import taxes. In addition to the above, enforcement efforts in high duty rate sectors such as clothing & textile resulted in a deterrent effect and a reduction of imports in key commodity lines with decreases ranging between 45% and 70%. With the weakening of the currency and weak economic performance, commodities attracting high duties such as motor vehicles and luxury goods, show a natural decline that corresponds with consumer spending trends. The Excise segment yielded a surplus of R1.04 billion, driven by higher collections from the fuel levy, electricity levy, revenue from neighbouring countries, beer, wine and spirits. This was offset by lower than expected revenue from tobacco products.

Customs and Excise revenue collected	
Reason for variance	The general Fuel Levy collection on imports was higher than expected by R1.3 billion (14.3%) offset by lower than expected fuel paid by local manufacturers by R0.2 billion (0.3%). This increase was further offset by high diesel refunds, higher than the target by R0.8 billion (9.7%) because of a drive to finalise older cases. The positive variance for revenue from neighbouring countries is mainly a result of late payments from the previous year. Although electricity levy collections were higher than expected against the target, it contracted by R0.1 billion (1.3%) against the previous year as a result of falling consumption. Compared to the previous year, excise revenue from beer and spirits grew by more than the annual rate increases announced in the 2020 Budget. Growth was mainly as a result of rate increases and increased consumption. Although revenue from cigarettes was lower than expected as per the estimate, the growth was higher than the rate increase announced in Budget 2020.

% of trade attributable to Preferred Traders	
Intention	To track and monitor the trade contribution of traders accredited for the preferred trader programme against total trade.
Achievement	15.29%
Target	15.00%
Variance	0.29
Baseline (2018/19 actual)	8.45%
Reason for variance	The preferred trader scheme aims to incentivise compliant behaviour and serves as a precursor to the international Authorised Economic Operator (AEO) programme that aims to promote green lane treatment for trade participants of member states with mutual recognition agreements in place. It is implicit in these agreements that the exporting country administration needs to provide sufficient assurance of the compliance levels of participating trade entities and their supply chains, to enjoy these trade facilitation benefits. SARS' focus on main export industries as economic contributors, as well as the measure of the World Bank Doing Business report (Trading Across Borders indicator), served as input to prioritise the Automotive Industry as a key focus group, and subsequent accreditation of 28 trade participants in this industry who attained preferred trader status during the financial year.

% Audit coverage of Excise clients	
Intention	To track and monitor the completed Excise audits against the Excise register. SARS has adopted a strategy of risk-based control and assurance through, amongst others, compliance audit programmes to provide proper assurance of the Excise business. These programmes include both high risk audits and inspections on significant clients, and indicate the number of traders that are audited by SARS.
Achievement	41.72%[1]
Target	40.00%
Variance	1.72
Baseline (2018/19 actual)	43.97%
Reason for variance	The excise division focused on specific compliance initiatives which included the fuel industry, the alcohol (spirit industry), and tobacco industry. The Excise Audit business unit concluded audits on 1 221 Excise clients by the end of the financial year, resulting in 41.72% coverage of the Excise client register. A total of 951 cases of non-compliance were investigated, and consequent interventions concluded by the Excise Audit business unit yielded R1.2 billion for the year. This comprised revenue saved in respect of diesel refunds claimed totalling R1 billion, and cash collected and banked totalling just over R200 million. The assessments finalised in the fuel industry totalled R4 billion and R200 million in the alcohol industry, by the financial year end.
Footnote	*[1] The criteria used for determining the 2019/20 actual achievement differs from the criteria used in determining the baseline, i.e. the actual achievement for 2018/19. The coverage result for 2018/19 is calculated on a register at the end of the financial year while the coverage result for 2019/20 is calculated on a register at the beginning of the financial year. This is in line with the measure's definition.*

% matching of Customs declarations to cargo reports	
Intention	To track and monitor the rate of submission of electronic cargo reports by matching customs clearances to such reports, in order to promote the electronic submission thereof. This matching takes place for sea, air and rail modalities, and is divided into matching on master and house bill of lading level (excluding rail, which is only matched on master level).
Achievement	Sea: Master[2]: 50.00%; House[3]: 38.00% Air: Master: 25.00%; House: 15.00% Rail: Master: 11.00% Road: Master: 99.91%
Target	Sea: 70.00% Air: 50.00% Rail: 70.00% Road: 98.00%
Variance	Sea: Master: -20.00; House: -32.00 Air: Master: -25.00; House: -35.00 Rail: Master: -59.00 Road: Master: 1.91
Baseline (2018/19 actual)	New Measure

% matching of Customs declarations to cargo reports	
Reason for variance	The main purpose of this measure is to track the submission-rate of cargo reports, which enables the automation of matching between information contained in cargo reports with information contained in customs declarations. This in turn, ensures that all goods imported, exported or in transit are accounted for effectively. With the implementation of the new cargo reporting systems, this particular target was set as an aspirational target that not only reduces a major manual and paper-intensive process, but also provides SARS with greater visibility across the transactional supply chain. It is of utmost importance that the data submission of both customs declaration and cargo reports is accurate and complete, and it is in this area where most of the cause for non-compliance is found. Most Sea and Air cargo operators are international corporates with their technical development capacity often located in foreign countries. The success of this measure is dependent on co-operation with these entities, and often conflicting priorities result in under-achievement of compliance levels. The process of reporting compliance management started 1 November 2018, and engagement with relevant stakeholders is continuing. A technical implementation in December 2019 delivered an automated penalty solution for non-compliant cargo reporters, aimed at addressing the under-achievement in data matching. Compliance regarding road modality attests that achievement is possible if constraints are addressed. The main reasons for the low matching rates for sea, air and rail include: □ On the cargo declaration the vessel agent is incorrectly being submitted as the master cargo carrier, which then does not allow matching to the sea manifest. □ On air manifests, non-IATA (International Air Transport Association) data values are being declared as IATA airway bills and are thus being rejected. The rejected manifests cannot be used to match to the cargo declaration as it has incorrect matching data. □ For rail cargo, importers clear on foreign rail consignment numbers and not on the Transnet-assigned numbers used for reporting purposes, resulting in an inability to match customs declarations to cargo reports for import rail transactions. Engagements with Transnet are on-going to improve the reporting percentages. □ Customs is working with Trade to improve data quality. As additional assistance to trade and in an attempt to increase compliance, the system has been enhanced to provide clarity and certainty by returning a message for the submitter to correct the data. SARS aims to institute the automated penalty process by the third quarter of the financial year.
Footnote	*[2] Master refers to reports submitted by carriers (e.g. shipping lines, airlines as well as Transnet Freight Rail and road hauliers). The Master is usually made up by a number of House bills (consignments).* *[3] House refers to reports submitted by freight forwarders (e.g. groupage agents and other freight intermediaries).*

Outcome 2:
Increased Tax Compliance

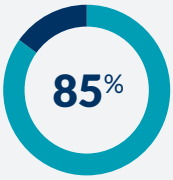
Tax Revenue (excluding Customs and Excise)

R974.1 billion
Collected

R921.2 billion (2018/19)

of RE target
R974.7 billion

Filing Season – Refunds Paid

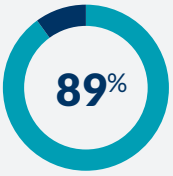


Refunds paid within
72 hours

2.2 million taxpayers
Refund amount R23.1 billion

Filing Season – Assessment Results

228 289
Auto Assessments Accepted



Returns assessed within
24 hours

Number of Returns Received during Filing Season

2019 tax period	**3.8 million**
Prior tax periods	**1.0 million**

Submission Channels used in Filing Season

e-Filing	**62.9%**
Branch filing	**32.0%**
Mobi filing	**5.1%**

Detailed Progress against APP Stated Deliverables

Conduct targeted compliance interventions	
Deliverable	**Progress**
Large Companies and High Net-Worth Individuals (HNWIs): Embed the reconstituted Large Business model, and effectively execute the service, education and compliance activities to rebuild confidence in this segment of SARS' business.	The Large Business unit was reconstituted and officially launched in the fourth quarter of the 2020 financial year. SARS continues to build capacity in the Large Business unit. □ 573 (674 PY) cases were completed for the year, with a value of R18.51 billion (excluding objections), (R17.0 billion PY). □ 67 HNWI cases were completed for the year to the value of R1.2 billion. There was additional focus in ensuring that revenue collections and refund reversals were improved through potential settlements and finalisation of audits, with potential cash collections by 31 March 2020. The collaboration and regular interdependency meetings between internal stakeholders and all the other relevant parties were revitalised, to ensure the enhancement of the collection process in respect of the suspension of payment and business as usual collections. SARS focused on finalising cases with refunds, cases with potential cash collections, assisting in the finalising potential settlements and following-up on the collection of outstanding debt, as well as finalising the suspension of payment applications. It was a difficult year for cash collections, and despite all these focussed efforts, SARS was not able to achieve the target set.
Small, Micro and Medium Enterprises (SMMEs): Improve compliance by continuing to craft strategies based on compliance behaviours in the SMME segment, with a specific focus on the informal or cash economy: □ During 2019/20, SARS would visit 1 500 businesses with a view to strengthen awareness and education, and dedicate special focus in high risk SMME sectors. □ Achieve audit coverage on Medium-sized enterprises to establish visibility and improve compliance.	**SMME** A total of 7 676 SMME audits were completed for the year, with a total assessment value of R48.7 billion (including a refund reduction of R10.9 billion). The objective of the interventions was to educate taxpayers and to gather insights on specific sectors. A total of 2 064 companies were visited in high risk areas. SARS exceeded the target of 1 500 due to an intervention in the North West Province, which involved cross-functional teams from the Tax, Debt, Investigations and Customs areas. This was in response to the North West being identified as a high risk area due to its various ports of entry and potential movement of illicit goods, as well as a high level of non-compliance. **Medium Business** Not achieved due to data integrity constraints. Further research into this segment will be conducted to understand the compliance per segment per industry. This will inform the segmented approach for the future.

Strengthen SARS' enforcement capabilities	
Deliverable	**Progress**
Conclude the implementation of CIT penalties.	The CIT Administrative Penalty project sought to implement CIT administrative penalties for the non-submission of CIT returns, as provided for in Section 211 of the Tax Administration Act. This project consisted of two Phases. Phase one served as a pilot, was implemented to a ring-fenced CIT population, and was completed. The implementation was reviewed and certain issues were identified. Once these issues have been addressed, Phase two will be implemented, which will result in CIT administrative penalties being applied to all companies in the Active CIT register, having one or more outstanding returns.
Continue to integrate outstanding returns as part of service and compliance processes, levy penalties, increase prosecutions and elevate awareness. The conclusion of register clean-up activities would enable SARS to define metrics and baseline performance in this regard.	Debt Management continued with the implementation of the outstanding returns strategy to improve submission compliance. The monetary target for outstanding returns was R4.7 billion for the 2019/20 financial year. At the end of the 2019/20 financial year, SARS collected R5.0 billion, exceeding the target by R323 million.
Process 80% of voluntary disclosure applications in under 180 days.	The number of voluntary disclosure applications continued to grow during the period under review. 1 147 applications were received. A total of 2 182 cases were finalised, and of these, 83.3% applications were dealt with within 180 days. Of the finalised cases, 1 298 (59%) yielded revenue of R3.8 billion against the revenue target of R1.7 billion. Of the remaining 884 (41%) finalised cases: ▫ 529 cases were cancelled due to not meeting the voluntary disclosure requirements, ▫ 46 cases related to rulings (no-name applications) provided; and ▫ 309 cases were discarded for various reasons, mainly due to being duplicate applications or on request for cancellation by the taxpayer.
Recommend 500 criminal investigations cases for both Customs and Tax for prosecution.	A total of 500 criminal investigation cases were handed over to the NPA for prosecution during the 2019/20 financial year.
Achieve a 95% criminal case prosecution conviction rate per annum.	132 cases were finalised in court for the 2019/20 financial year. Of the 132 cases, 130 cases yielded guilty convictions, equating to a 98.5% conviction rate.

Strengthen SARS' enforcement capabilities	
Deliverable	**Progress**
Establish a dedicated multi-team capability aimed at combating illicit economic activities by 30 September 2019.	A dedicated unit was established and capacitated. Standard Operating Procedure and Terms of Reference for the Case Governance Committee were developed. This unit is represented in three regions, being Gauteng, KZN and the Western Cape. The first intake of personnel started in November 2018 and secondment of additional resources was finalised by 30 October 2019.

Strengthen SARS' capacity and capability to manage debt	
Deliverable	**Progress**
Consider requests for deferral or suspension of payments within 21 days of receipt of the completed application, and communicate accordingly.	This is still work in progress and part of the overall improvement of debt management.
Consider requests for debt compromise within 30 days of receipt of the completed application, and communicate accordingly.	This is still work in progress and part of the overall improvement of debt management.

Improve case selection

Deliverable	Progress
Refine the SARS Risk Engine to reduce the number of cases and minimise the false positive rate, in line with SARS' Audit capacity, risk appetite and Service Charter commitments.	

Tax Type	YTD Cases Created		Variance	Variance %
	2018/19	2019/20		
PIT	1 681 313	1 067 660	-613 653	-36.5%
VAT	456 157	33 0 643	-125 514	-27.5%
Total	**2 137 470**	**1 398 303**	**-739 167**	**-34.6%**

Note: Negative figures are what is required for case reduction (i.e. desired outcome).

A reduction rate of 36.5% in the PIT tax product was achieved. VAT case reduction was at 27.5%. The combined efforts to reduce Risk Engine generated cases achieved the desired results as at year-end, cases were reduced by 34.6% year-on-year. This is in line with the strategy to focus on high-yielding risk rules, while alleviating case inflow pressures on the Audit function to enable improved case effectiveness and turnaround times.

The next phase of case selection will include an expanded focus on proactive risk profiling, to increase the overall positive impact on compliance.

Improve integrity of taxpayer registers	
Deliverable	**Progress**
Conclude SARS' efforts to clean up the CIT register (i.e. third-party data exchanges, periodic bulk data comparisons) and put mechanisms in place to maintain the integrity of the CIT register.	This objective was not achieved due to resource constraints. There are numerous business requirements to update company statuses on register in line with policy and current legislation, however, these could not be implemented due to financial and IT resource constraints.

Continue to collaborate and work with other Tax and Customs jurisdictions on global compliance and enforcement	
Deliverable	**Progress**
Review the recommendations of the Davis Tax Committee (DTC) on HNWI, and provide the Minister of Finance (MoF) with an action plan and implementation approach.	The deliverable is in progress. The DTC's recommendations were reviewed. A comprehensive action plan and implementation approach proposal to the MoF requires an in-depth analysis of all SARS affected systems. A current analysis of trusts was conducted and concluded in the fourth quarter of the 2019/20 financial year. The outputs of this study will be incorporated in the DTC proposal paper for consideration by the MoF. There is a dedicated team tasked with reviewing all DTC recommendations and the measurement of the tax gap in the next financial year.
Conclude a feasibility study of alternative taxation regime strategies identified for the passenger transportation sector by 30 December 2019.	This project is still at the data gathering stage. The development of a strategy was dependent on co-operation with the Department of Transport (DOT). SARS held an initial meeting with the DOT on 13 June 2019 for strategic collaboration and data gathering on transport providers. The meeting did not manage to address all issues. SARS has since received some third party data from the DOT with taxi operators' information. The available data was analysed and a data report issued.
Continue to collaborate with Companies and the Intellectual Property Commission (CIPC) to align registers and share information.	SARS is in the process of concluding an MOU with the CIPC. The memo is currently undergoing internal reviews. Engagements to align the registers are on-going.

Collect Tax Revenue	
Deliverable	**Progress**
Maintain focus on the Tax Revenue Programme, with specific focus on Estates, SARS' Voluntary Disclosure Programme (VDP) and tax gap claw-back initiatives.	The project is in its initial stage. The VDP programme delivered R3.8 billion during the year under review. SARS set up an end-to-end estate team to improve revenue collection, service and management of implemented. The end-to-end estate team implementation is work in progress. SARS implemented compliance revenue enhancing initiatives for the year under review. Though it started late in the year under review, the compliance revenue initiatives have delivered around R16.5 billion in revenue. Some initiatives could only be scoped by the end of the year, and are expected to be delivered in the 2020/21 financial year. SARS continues to work towards finalising the tax gap study planned for December 2020. This study will seek to provide tax gap estimates at product level.
Undertake all routine Filing Season activities and associated interventions to improve filing and payment compliance across tax products.	The Filing Season implementation in the year under review has enabled SARS to collect personal/provisional tax due to the Government, and has also positioned SARS to comply with legislation passed in relation to PIT. All Filing Season projects have been completed.
Improve cash collections from overdue debt by 30% year-on-year.	There was a decrease in cash collections from overdue debt by 7.9%. SARS has experienced increased difficulty with collection due to poor or non-compliance (mainly by SMMEs), as well as the parlous state of the economy, which resulted in an increase in defaulters, lower compromise and low settlement offers. This had a negative impact on the debt book and overall cash collection. The current economic conditions have not improved significantly. New workflow systems and automation will improve efficiency, and thus ensure improvement in cash collection.

Annual Performance Report

Outcome 2 - Increased Tax Compliance

Total revenue (excluding Customs and Excise revenue) collected	
Intention	To track revenue emanating from all tax-generating activities, excluding revenue from Customs & Excise activities, is one of the proxies for measuring tax compliance. This measure takes into account all debt collected, links debt to economic activity through the level of taxes received, has consideration for changes in tax collections, and can be benchmarked against other countries' tax agencies.
Achievement	R974.14 billion
Target	Collect 100% of the target as agreed with the Minister of Finance – R974.66 billion (Revised Estimate for 2019/20)
Variance	-R0.52 billion
Baseline (2018/19 actual)	R921.24 billion (audited)
Reason for variance	Revenue collection is the result of our activity and represents our mandate in law. As such, a separate section in the Annual Report is dedicated to revenue collection, converging more details by tax type, which should be read in conjunction with the comments on both the Customs, Excise and Tax revenue measures. CIT collections were lower than the Revised Estimate (RE) by R4.2 billion, and grew slightly against the previous year by R0.6 billion, well below the required full year growth rate of 2.3%. The overall CIT performance was exacerbated by lower than expected CIT provisional tax payments, mainly from the large business segment of R4.5 billion (3.1%), as well as higher-than-expected CIT refunds paid out to the SMME segment of R0.6 billion (9.7%) during the 2019/20 financial year. The overall performance in CIT provisional tax payments was negatively impacted by the contraction in the major contributing sectors, specifically Finance and Manufacturing in the Large Business segment, due to weak business and consumer confidence, and exacerbated by unreliable electricity supply. Furthermore, the declining economic activity due to the COVID-19 pandemic caused metal and oil prices to slump, resulting in a lower demand for commodities.

Total revenue (excluding Customs and Excise revenue) collected	
Reason for variance	VAT refunds were lower than the RE target by R5.4 billion, mainly as a result of more stringent measures introduced to curb revenue leakage due to fraudulent claims. Refunds were held back for specific industries associated with the high prevalence of fraud. As an example, investigations into the second-hand gold and precious metals industry triggered a tax enquiry during the year under review, which uncovered a proliferation of fraud. The tax enquiry was finalised in 2019/20, and SARS has taken the necessary action in line with the findings. The analyses and actions taken to stem the fraud informed the announcement by the Minister during the 2020 Budget speech, to consider possible changes to legislation.

Debt to Revenue Ratio	
Intention	To monitor the growth in the total debt book relative to the total revenue that SARS collects.
Achievement	10.46%
Target	7.00%
Variance	-3.46
Baseline (2018/19 actual)	8.79%
Reason for variance	The lower than target debt to revenue ratio is primarily attributed to lower than expected PIT and CIT payment compliance levels, coupled with an unusually high inflow of high value investigative audit cases from large uncollectable or fraudulent assessments on historic periods. Audit debt contributed ± 69% of the undisputed debt book. This includes suspected fraud cases amounting to ± R32.9 billion, which contributed to the shortfall (if excluded, Debt to Revenue % would be ±8%). A significant portion of the debt book is carried forward from previous years, which is proving difficult to collect given worsening economic conditions.

% Improvement in the collection of overdue debt	
Intention	To monitor the year-on-year improvement in the collection of overdue debt, to achieve the SARS revenue target.
Achievement	-7.19%
Target	30.00%
Variance	-37.19
Baseline (2018/19 actual)	New measure
Reason for variance	An aged debt book and the slow rate of economic recovery has resulted in an increase in debtor days. Payment defaults by SMMEs and lower than expected compromise and settlement offers were contributing factors. Debt Management continues to utilise various strategic initiatives to drive out process efficiencies.

% PIT filing compliance	
Intention	To track and monitor the filing compliance of individual taxpayers regarding their filing obligations during a year of assessment.
Achievement	52.17%
Target	92.00%
Variance	-39.83
Baseline (2018/19 actual)	60.94%
Reason for variance	SARS is committed to achieve Voluntary Compliance as the ultimate outcome of delivering Vision 2024. During the first year of its transition, this target was too ambitious, as influencing compliance behaviour is not a short term endeavour. SARS was not organised in an operating model suited to drive compliance end-to-end, and lacked the requisite investment, skills and capacity to have a focused endeavour and institutionalise best practice. PIT filing compliance for the 2019/20 cycle has declined. Even though SARS continued to issue direct communication to taxpayers who were required to file, the response rate was much lower than during the 2018/19 cycle. This could partially be attributed to the accentuated message around the filing requirements or threshold. Much of the focus in the mainstream media and social media was on the R500 000 income threshold, as opposed to the rest of the conditions. Data appears to support this hypothesis as 80% (or 1.2 million) of the 1.5 million taxpayers who did not file are normal salaried individuals. Just more than 1 million (or 85%) of these taxpayers earned a salary below the filing threshold. More than half of this 'under threshold' population was required to file due to a 'secondary' income which SARS is aware of through an IRP5.
Reason for variance	Data further shows that a significant percentage (up to 26%) of the population required to file could have been confused by SARS messaging. Lastly, about 22% of the total number of taxpayers who did not file, but were required to, appear to be new taxpayers in the 2019/20 cycle. To overcome this lack of understanding and reduce confusion, SARS will be extending the auto assessment in the PIT and PAYE 2020 Filing Season. In the current model, all salaried individuals will receive an assessment, and all they have to do is accept the outcome. This will ensure that the majority of taxpayers who should file their returns, but are not sure, are assisted through this process. A second issue is that most salaried individuals' taxes are already collected through employers. Therefore, filing the return is essentially a confirmation of what the employer or any other third party entity has already informed SARS of. The number of returns filed late is also quite high at 228 000 tax returns. This could also be pointing to the effectiveness or lack of enforcement activities and ease of service. In the 2020 filing cycle, this will also be a focus area of the activities to be undertaken to ensure taxpayers understand the importance of filing on time.

% PIT payment compliance	
Intention	To track and monitor the compliance of individual taxpayers in settling their gross PIT payment obligations in full and on time.
Achievement	47.15%
Target	75.00%
Variance	-27.85
Baseline (2018/19 actual)	45.07%
Reason for variance	There is a slight increase in the year-on-year payment compliance, and this could partly be attributed to the continued efforts in reminding taxpayers of the monies owed to SARS before they are due. Despite this slight improvement, PIT payment compliance remains depressed as individuals continue to struggle to honour their legal obligation. The lack of growth in the South African economy and the increase in unemployment, is reflected in a slowdown in the growth of PIT revenue which contributes the largest portion of (about 39% in 2019/20) revenue collected. SARS is putting in place measures to ensure that fewer taxpayers end up in a debit situation at the point of assessment. Changes introduced in the September 2019 PAYE process updates and those planned for Directives should help to address this problem. The PIT and PAYE 2024 vision embarked on is to essentially create a real-time rolling account for individuals and provide greater clarity to employers in terms of the actual tax rate. This will significantly reduce the instances where taxpayers are owed refunds or owe SARS money on assessment, thus ensuring that when taxpayers reconcile their taxes, they end up in a nil position. The recent debt automation changes are also aimed at improving the efforts in engagement with taxpayers, before the debt is due in order to improve compliance.

% CIT filing compliance	
Intention	To track and monitor the compliance of registered companies regarding their filing obligations.
Achievement	19.99%
Target	75.00%
Variance	-55.01
Baseline (2018/19 actual)	24.67%
Reason for variance	SARS is committed to achieving Voluntary Compliance as the ultimate outcome of delivering Vision 2024. During the first year of its transition, this target was too ambitious, as the influencing of compliance behaviour is not a short term endeavour. SARS was not organised in an operating model suited to drive compliance end-to-end, and lacked the requisite investment, skills and capacity to have a focused endeavour and institutionalise best practice. The general under-performance and year-on-year decline in filing compliance is exacerbated by a significant number of economically inactive companies in its register. The compliance trends by companies remain a huge concern for SARS. The CIT filing compliance of 19.99% for active companies came in lower than the previous financial year. The figures are significantly lower than the optimistic APP target of 75%. CIT filing for 2017/18 was 13.7%, which is reflective of concerning low filing trends over the years. The decline in filing from the previous financial years is a factor of substantial fiscal and economic challenges that South Africa has experienced in the 2019/20 financial year. External economic factors such as exchange rate fluctuations, technical recession, diminishing tax morality and unprecedented power outages. The state of the CIT register remains a concern for SARS. Efforts have started to use available third party data to improve the integrity of the CIT register and properly classify companies according to their true economic activities. Some of the initiatives to improve the integrity of the register includes: □ Maintaining an accurate company register. □ Alignment of registers with the CIPC through the CIPC/SARS interface. □ Identification of dormant/inactive companies through the use of internal data and review of policies. □ Bulk deregistration of companies in collaboration with the CIPC. □ Communication and reminders to taxpayers to file returns on time.

% CIT payment compliance	
Intention	To track and monitor the extent to which assessed corporate taxpayers are settling their CIT gross payment obligations in full and on time.
Achievement	64.28%
Target	85.00%
Variance	-20.72
Baseline (2018/19 actual)	67.76%
Reason for variance	The contributing factor is worsening economic conditions that adversely impact companies and influence them to shift their payment priorities. The following initiatives were embarked on during the year, in an effort to improve the CIT payment compliance: □ SARS has sent reminders to companies by SMS and letters reminding them of their payment obligations. □ Interest and penalties, where applicable, have been imposed on late payments as a deterrent. The new debt management enhancements enable third party appointments for debt, and this will be actively pursued in the coming years.

% VAT filing compliance	
Intention	To track and monitor the compliance of registered vendors regarding their filing obligations.
Achievement	51.46%
Target	90.00%
Variance	-38.54
Baseline (2018/19 actual)	52.09%
Reason for variance	SARS is committed to achieve Voluntary Compliance as the ultimate outcome of delivering Vision 2024. During the first year of its transition, this target was too ambitious, as influencing compliance behaviour is not a short term endeavour. SARS was not organised in an operating model suited to drive compliance end-to-end and lacked the requisite investment, skills and capacity to have a focused endeavour and institutionalise best practice. The general under-performance and year-on-year decline in filing compliance is exacerbated by a significant number of economically inactive companies in its register. The late returns for all four quarters remained below 4% and the overall late returns percentage for the year stands at 3.82%. The total filing compliance figure (on-time, plus late) stands at 55.28%, which is lower than the 56.12% of 2018/19.

% VAT filing compliance	
Reason for variance	On a quarterly basis, the on-time filing compliance did not show material movement over the past year, moving from 51.39% in quarter one to 51.12% in quarter four. Throughout the year, all regions (including LBC) failed to meet the annual target of 90%. Apart from the LBC, the Western Cape is the only region with on-time filing above 60%. Although Limpopo is one of the smaller regions, its on-time filing remains the lowest (below 40%). The monthly VAT compliance reports show that the unsegmented turnover category (focus group of the register clean-up project) continuously has more than 80% of its required returns outstanding. Between 1 April 2019 and 20 March 2020, 41 556 new vendors were registered. 14 486 of these new vendors already have 41 334 outstanding returns which contributed to low filing compliance. In terms of remedial action, on average, 9 193 SMSs were sent out monthly (since August 2019) to vendors with a late filing history and 8 229 SMSs to first time offenders (those that defaulted for the first time on their filing obligations). SARS is also looking at proactively communicating with vendors that have reached the R30 million VAT annual turnover threshold, that they fall into Category C and are required to submit returns monthly. These VAT turnover checks occur bi-annually, during April and October.

% VAT payment compliance	
Intention	To track and monitor the extent to which assessed vendors are settling their VAT payment obligation in full and on time.
Achievement	88.58%
Target	90.00%
Variance	-1.42
Baseline (2018/19 actual)	88.15%
Reason for variance	The annual on-time payment compliance stands at 88.58%, which is lower (-1.42%) than the annual target of 90%. This on-time compliance level is 0.43 percentile points higher than the 88.15% observed for 2018/19. Although quarters one to three were above their quarterly target values, the 90% annually has not been achieved for any of the quarters. The monthly compliance analysis shows that the LBC is the only region that reached the annual target, while the Free State has the lowest compliance levels. In terms of turnover segmentation, vendors with a turnover of R100 million and more have on-time payment in excess of 90%, while the unsegmented vendors (register clean-up sample) continue to be the least compliant.

% VAT payment compliance	
Reason for variance	Remedial actions throughout the 2019/20 year included: □ Debt Management has implemented their New Debt Management solution, and on 21 June 2019, 638 198 old and new debt cases (across tax types) with values of above R2 500, were created for follow-up. A total of 88 000 prevention cases (across tax types) were also activated to SMS taxpayers before their payment is due. □ At a national level, the revenue tracking team (StarsRoom) continues distributing lists of vendors that default on their payment obligations to the Regional Revenue Steering Committees for engagement/follow-up. The outcome of this process is being tracked at a national and regional level. □ A system change request is currently in progress to apply debt equalisation between vendor branches. □ Newly registered vendors with outstanding debt have been escalated to the Regional Revenue Steering committees for engagement/follow-up.

% PAYE filing compliance	
Intention	To track and monitor the compliance of registered employers regarding their filing obligations.
Achievement	57.38%
Target	80.00%
Variance	-22.62
Baseline (2018/19 actual)	58.82%
Reason for variance	SARS is committed to achieve Voluntary Compliance as the ultimate outcome of delivering Vision 2024. During the first year of its transition, this target was too ambitious, as influencing compliance behaviour is not a short term endeavour. SARS was not organised in an operating model suited to drive compliance end-to-end and lacked the requisite investment, skills and capacity to have a focused endeavour and institutionalise best practice. The general under-performance and year-on-year decline in filing compliance is exacerbated by a significant number of economically inactive companies in its register. Late filing for 2019/20 was 6.25%. Therefore, the filing rate (on time filing, plus late filing) for 2019/20 was 63.63%. Throughout 2019/20, SARS has continued with efforts to improve filing compliance, among others: □ Bulk SMSs and Emails sent to employers. □ Continuous engagements with Government and SOEs through the government relationship management unit. □ Dedicated efforts to improve the integrity of the tax register by embarking on the register clean-up project.

% PAYE payment compliance	
Intention	To track and monitor the extent to which assessed employers are settling their gross PAYE payment obligation in full and on time.
Achievement	86.46%
Target	90.00%
Variance	-3.54
Baseline (2018/19 actual)	87.11%
Reason for variance	Although the target was not reached, SARS will continue with efforts to ensure that late and outstanding returns are moved to on-time filing. Late payment for 2019/20 was 8.66%. Therefore, the payment rate (on-time payment, plus late payment) for 2019/20 was 95.12%. In an effort to increase payment compliance, SARS has, amongst others: □ Sent out bulk SMSs and Email reminders to defaulting employers. □ Followed up through teams in the regions on debt immediately after the due date, using a process of continuous engagement until debt is paid, prompting employers to be proactive and pay on time in future.

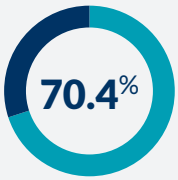
% Audit coverage of registered taxpayers (PIT, CIT, VAT, PAYE and Trusts)	
Intention	To monitor SARS' audit coverage of registered taxpayers, to ensure a fair and equitable tax system.
Achievement	8.87%
Target	6.00%
Variance	2.87
Baseline (2018/19 actual)	13.00%
Reason for variance	SARS concluded audits on 1 297 952 taxpayers, of which the majority were compliance verification audits. The Investigative Audit Division completed 7 676 audits for the year ending 31 March 2020, with a total value of assessments of R48.692 billion (including savings of R10.861 billion). Total revenue collected for the year ending 31 March 2020 is R15.454 billion (Cash R4.593 billion and Savings R10.861 billion). The LBC completed 573 audits for the year ending 31 March 2020, with a total value of assessments of R15.725 billion (including savings of R757.182 million). Revenue collected for the year ending 31 March 2020 is R3.99 billion. Compliance Audit completed 1 434 569 verification audits linked to 1 289 703 taxpayers in the year ending 31 March 2020, with a total savings of R13.131 billion. Total revenue collected for the year ending 31 March 2020 is R16.196 billion (Cash R3.064 billion and Savings R13.131 billion).

Outcome 3: Increased Ease and Fairness of Doing Business with SARS

System Uptime

System Uptime for e-channels

Uptake of PIT E-filing channel



2019/20

2018/19

Average Processing Turnaround Time

for VAT refunds

18.95 days

27.88 days (2018/19)

Customer satisfaction: Contact Centre

Complaints

31 445

Complaints received

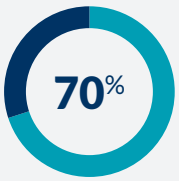
38 218 (2018/19)

2 444

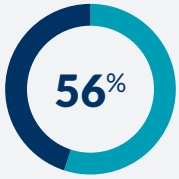
OTO Complaints received

3 040 (2018/19)

Resolved within prescribed turnaround times

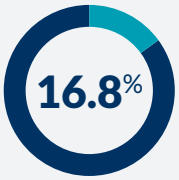


2019/20

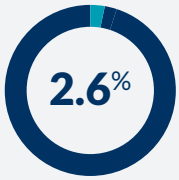


2018/19

Resolved within SLA turnaround time of 15 days



2019/20



2018/19

Detailed Progress against APP Stated Deliverables

Reduce volumes of manual activity for SARS and taxpayers through automation and digital migration	
Deliverable	**Comments**
Continue to collaborate with the Master of the High Court in accordance with the signed Memorandum of Understanding between SARS and the Department of Justice and Constitutional Development (DOJ & CD), which allows for sharing of trust register information.	Still in progress. SARS will schedule a meeting with the DOJ & CD to collaborate on this matter.
Implement auto assessment functionality for simple PIT tax returns as part of the 2019/20 PIT Filing Season. The objective is to reduce the cost of filing compliance for taxpayers, and the cost of servicing taxpayers for filing related service requests.	A new auto assessment workflow was introduced in June 2019 to auto assess a segment of taxpayers, in an effort to reduce the number of visits to branch offices by taxpayers who did not need to do so. A total of 228 289 auto assessments issued by SARS were accepted by taxpayers during the 2019 Filing Season. This work lays the basis for a step change in improving the compliance burden for large numbers of standard taxpayers.
Design the future of fully automated registration and consequent taxpayer engagement, based on the "Cradle-to-Grave" principle, as well as leveraging relevant information sources triggered by economic activity.	The conceptual designs were concluded, and formed part of content that was considered during the crafting of the SARS Strategic Plan in line with Vision 2024.

Deliver effective education and outreach programmes to build better understanding and awareness by all South Africans of their tax responsibilities and how to meet them	
Deliverable	**Comments**
Deliver 8 high impact campaigns aimed at reducing traffic at branch offices, during and after the filing season, to promote the use of SARS digital channels.	During the 2019/20 financial year, 820 digital migration interventions were planned, aimed at reducing traffic to branches for assistance with the submission of Income Tax returns.
Roll-out the Income Tax Registration Programme at identified institutions of higher learning by June 2019.	Nine tertiary institutions were identified (one per region) for actual registration purposes. Registration interventions in seven regions were postponed to June 2019, on request from the stakeholder, and eventually cancelled due to examination commitments. Interventions at the two institutions resulted in the registration of 83 students.
Pilot registration of Grade 12 learners in Kwa-Zulu Natal by June 2019.	Ten schools were identified. One intervention was completed, resulting in the registration of 26 learners. Some identified stakeholders postponed the initiative to June 2019 and eventually cancelled, due to examination commitments and the non-availability of parents to accompany learners to the registration intervention.
Roll-out the "Tax Practitioner" queue at all Mobile Tax Unit (MTU) Interventions nationally by June 2019.	A Tax Practitioner queue was added to mobile tax units in the Eastern Cape, Western Cape, Free State, Northern Cape and KwaZulu-Natal during June 2019.
Roll-out an education programme for Newly Registered Individuals and Small Business (Income Tax, VAT & PAYE) through various platforms, with the aim to improve tax awareness and to increase the usage of SARS digital channels by March 2020.	During the 2019/20 financial year, 684 interventions were planned with the aim of educating newly registered small businesses on their Income Tax, VAT and PAYE obligations. The programme recorded a total of 23 850 attendees from 596 interventions, resulting in an 87% achievement rate. A total of 88 interventions were cancelled due to a lack of attendance.
Deploy MTUs to top 10 sites based on the SARS location strategy by October 2019.	Mobile Tax Units were deployed to nine of the top ten sites, based on the SARS location strategy.
Promote fiscal citizenship amongst grade 11 and 12 learners at identified schools across the country by October 2019.	A total of 108 schools were identified nationally for the "Schools Tax Education Programme" endorsed by the Department of Basic Education. The objective of this programme is to assist learners and teachers to gain a better understanding of taxation and its impact on the economy of South Africa. The programme covered tax topics relating to "Tax Morality", "Maths Literacy" and Accounting.

Deliver effective education and outreach programmes to build better understanding and awareness by all South Africans of their tax responsibilities and how to meet them	
Deliverable	**Comments**
Conduct a sector-based education programme for the top 10 identified, non-compliant industries, to improve compliance by March 2020.	Ten non-compliant industries were identified regionally based on third party.. Based on the industries, tailor made workshops were designed and developed for the business, clothing and textile, construction, financial services, mining, property, retail, sport and recreation, and tourism transport industries. In collaboration with stakeholders such as the Chamber of Commerce, SEDA (Small Enterprise Development Agency), CIDB (Construction Industry Development Board) and the Taxi Industry, workshops were conducted to owners and representative owners of these non-compliant entities. A total of 432 workshops were conducted with a total of 7 632 attendees.

Improve the efficiency and effectiveness of the taxpayer complaints management process	
Deliverable	**Comments**
Resolve all complaints received by SARS within turnaround times as published in the SARS Service Charter.	At 31 March 2020, SARS received 31 445 complaints, which is a 18% decline from the 2018/19 financial year. This is reflective of continuous and deliberate efforts to improve the quality of the service through proactive efforts to address service failures identified from complaints data. Additionally, the CMO team's consistent effort and perseverance for improving service and is reflected in the achievement of 70% complaints resolved within prescribed turnaround times. This is an increase from the 2018/19 financial year achievement of 56%.
Resolve all cases received from the Office of the Tax Ombud (OTO) in line with the timelines agreed to between SARS and the OTO.	SARS received 2 444 (inclusive of 1 003 brought forward from the previous financial year) OTO complaints for the 2019/20 financial year, which is a reduction of 20% from the previous financial year's 3 040 OTO cases. SARS finalised (1 995) 82% of the total complaints for the year. During this financial year, SARS finalised 16.8% OTO complaints within the SLA of 15 days. This is an improvement compared to the previous year's 2.6%. Joint ongoing strategic and operational engagements between the OTO and SARS have played a pivotal role in building collaboration and in identifying opportunities for improvements.

Annual Performance Report

Outcome 3 - Increased Ease and Fairness of Doing Business with SARS

% System Uptime for e-channels	
Intention	To monitor electronic channel availability targeted at eFiling and business-to business gateway.
Achievement	99.44%
Target	99.00%
Variance	0.44
Baseline (2018/19 actual)	99.65%
Reason for variance	The refresh of eService's Hosting Platform was concluded during April 2019 and remained stable throughout the year. Regular scheduled maintenance tasks as well as the introduction of enhancements took place, normally after hours, to minimise disruption to the users of SARS' e-channels.

% Uptake of PIT eFiling channel	
Intention	To assess the extent to which SARS is providing an advanced service to PIT taxpayers to engage using eFiling.
Achievement	70.37%
Target	55.00%
Variance	15.37
Baseline (2018/19 actual)	54.59%
Reason for variance	The continued focus on digital migration included differentiated filing dates for personal income tax filers during PIT filing season, specifically allowing earlier start- and later submission due dates. Digital channels such as eFiling, the Mobi app and the ChatBot are continuously enhanced to stimulate uptake.

Average processing turnaround time for VAT refunds in working days	
Intention	To assess the duration that SARS takes to process VAT refunds. It is in line with SARS' commitment to provide an advanced service delivery to all taxpayers and traders. SARS has recognised the positive influence that quicker turnaround processing times have on achieving improved compliance.
Achievement	18.95 days
Target	21 days
Variance	2.05 days
Baseline (2018/19 actual)	27.88 days
Reason for variance	The improved performance in turnaround times resulted from an elevated focus to conclude verifications and audits, facilitated by a reduction of 27.52% in audit cases created. This was achieved through optimising risk rules that triggered false positives.

Customer satisfaction with Contact Centre Service	
Intention	To provide and maintain a high quality of service at the Contact Centre point of engagement between SARS and the customer (taxpayer/vendor/trader).
Achievement	90.64%
Target	90.00%
Variance	0.64
Baseline (2018/19 actual)	90.53%
Reason for variance	The continued focus on customer service resulted in a satisfactory achievement. This is also evident in the more than 20% year-on-year reduction in the number of complaints received.

% First contact resolution in Contact Centre	
Intention	To provide and maintain a high standard of service at the second tier of engagement between the taxpayer/tax practitioner/trader and the SARS Contact Centre, with a view to achieve "first time" resolution, thereby minimising undue escalations and complaints.
Achievement	96.53%
Target	96.00%
Variance	0.53
Baseline (2018/19 actual)	97.23%
Reason for variance	Contact Centre staff continue to resolve the majority of taxpayer queries on first contact, and it is noteworthy to mention that this outcome supersedes the international benchmark of the First Contact Resolution of 70%-75%.

Payment turnaround time for supplier invoices in working days	
Intention	To enhance compliance with Section 38(1)(f) of the Public Finance Management Act (PFMA), which requires accounting officers to settle all contractual obligations and pay all amounts owing, including intergovernmental claims, within the prescribed or agreed period. Delayed payments have a tendency of severely affecting the cash flow positions and sustainability of businesses, especially the small medium and micro enterprises (SMMEs).
Achievement	32.01 days[4]
Target	30.00 days
Variance	-2.01 days
Baseline (2018/19 actual)	New measure
Reason for variance	The slight under-achievement is mainly due to the fact that SARS does not always effect goods receipting on time, exacerbated by sundry invoices not received timeously. One of the main suppliers in this regard includes the Sheriff. Should sundry payments be excluded from the calculation, the average drops to around 29 days. SARS remains focused on improving on this.
Footnote	*[4] The turnaround time is reported in calendar days and not working days as it is a SAP standard of reporting in respect of payment days.*

Outcome 4: Increased Cost Effectiveness and Internal Efficiencies

Cost of Revenue Collection

0.80%
2019/20

0.84%
2018/19

Cost to Revenue ratio

Rental Savings

R60.3 million

17 leases re-negotiated

SARS' Expenditure

R10.5 billion
Total Expenditure

R10.8 billion
2018/19

Budget Utilisation

Breakdown of Expenditure

Employee cost	**71.5%**
Goods and Services	**24.1%**
Capex and Projects	**4.4%**

Cost of Revenue Collection

During the budget cuts effected by National Treasury, the funding to SARS had been unfortunately significantly reduced. The result is that SARS has had to do much more with less. Areas that specifically suffered were that vacancies were effectively frozen for a period of more than two years, and critical skills could not be replaced. This contributed to the loss of skills in areas of specialist audit and investigative work. Currently, we have more than 100 critical vacancies that are unfunded. The modernisation programme also had to be slowed down in both the tax as well as customs areas. The cost to revenue ratio is below the OECD benchmark for developing economies (1-2%). Significant investment will be required over the period of the 6th Administration, if the Vision 2024 and Strategic Intent are to be achieved. We strongly recommend a funding ratio of around 1% for SARS.

Operating costs had to be contained with greater efficiency, tighter controls and better rates from service providers. During the past six years, the ratio has ranged around the 1% mark. It moved from 0.97% in the 2014/15 financial year, to 0.80% in the 2019/20 financial year.

Cost of revenue collection for 2014/15 to 2019/20

Year	2014/15**	2015/16	2016/17	2017/18	2018/19**	2019/20
	R million	R million	R million	R million	R million	R million
Tax revenue	986 295	1 069 983	1 144 081	1 216 464	1 287 690	1 355 766
Operating cost*	9 523	10 245	10 696	10 795	10 792	10 841
	%	%	%	%	%	%
Cost to tax revenue ratio	**0.97%**	**0.96%**	**0.93%**	**0.89%**	**0.84%**	**0.80%**

Note: ** Controlling entity*
***2014/15 and 2018/19 Operating cost has been restated*

The SARS cost-to-tax-revenue ratio does not take collections of non-tax revenue on behalf of other institutions into account. Such revenue includes RAF levies and Unemployment Insurance Fund (UIF) contributions, as well as MPRR collections. If these amounts were included in the cost of revenue collections, then the cost-to-tax-revenue ratio would have been even lower at 0.76%.

Detailed Progress against APP Stated Deliverables

Improve SARS' information communications technology capability	
Deliverable	**Comments**
Stabilise and sufficiently capacitate Strategic ICT & Digital transformation capability.	SARS continues to maintain operational sustainability of the ICT environment in relation to 'Business as Usual' to maintain the status quo. This is heavily reliant on the finalisation of the Modernisation agenda and provision of the necessary human and financial resources.
Review and continue its Modernisation Programme.	The Modernisation Programme requires finalisation of the SARS 2024 Enterprise Strategy. SARS will align the IT Strategy accordingly. Steps were taken to define the strategic objectives related to thereafter modernisation; however, these are subject to review in light of human capital and financial constraints.

Improve SARS' information communications technology capability	
Deliverable	**Comments**
Continue to provide uninterrupted access to mission critical systems by ensuring 99% system uptime/availability for eChannels.	**Network Refresh** The network refresh project was completed. SARS continued its focus and discipline in managing changes, enhancements and system upgrades. **Server Refresh** All 327 mid-range servers have been successfully upgraded. **Desktop, laptops and multifunction devices** Total devices to be purchased include 1 788 standard laptops; 2 600 standard desktops; 150 hi spec laptops; 50 hi spec desktops and 10 executive laptops; 480 screens; 2 325 keyboards; 2 325 mouses and 4 688 convertors. Purchase Orders were finalised on 27 March 2020, and delivery will be in the new financial year **Storage** The cleanup of unused storage is ongoing. The Documentum data migration to the ECS at the Contact Centres has started. The new allocation of storage at the Doringkloof campus has been cut-over to the ECS. Archive data migrations are scheduled to start early in April, or still have to be scheduled. Approval was obtained to do migrations during the COVID-19 lockdown. There are storage constraints on backup and the F-drive environment due to growth, the data loss prevention program and additional backup requirements. Additional storage has been acquired. Delivery is scheduled for 8 April 2020. There are storage constraints on the SAN environment due to different projects (Windows 2003 to 2008 upgrades, Windows 10 and Server replacement) as well as growth. No funding is available to acquire additional storage. **Software upgrades** In order to ensure sustainable system uptime of critical systems, ongoing production fixes, monitoring, maintenance and technological enhancements are required.

Improve SARS' information communications technology capability	
Deliverable	**Comments**
Continue to provide uninterrupted access to mission critical systems by ensuring 99% system uptime/availability for eChannels.	Most notable business systems enhancements implemented during the first two quarters of 2019/20 include: □ High availability single registration database. □ Upgrade of the software. □ Enterprise Data Warehouse Migration. □ Re-engineering and optimisation of the pre-population engine. □ e@syfile WebSphere Application Server Fix pack upgrade. The Microsoft Office 2016 upgrade project was rolled-out to all applicable machines, and this will be the default standard office productivity suite. Multiple technical upgrades and enhancements were implemented throughout the year. **Security patches** SARS understands the importance of maintaining the overall security posture of our IT Systems, in applying different controls, to mitigate security threats. The value of security updates was not underestimated, and SARS ensures all security patches are up-to-date.
Continue to improve SARS' cyber security posture by implementing: □ Data Loss Prevention Program, which monitors e-mail, controls Universal Serial Bus (USB) devices, and encrypts data by December 2019.	The Data Loss Prevention programme was implemented successfully, which enabled the monitoring of access to taxpayer data, both in transit or static. Rules have also been applied to allow only pre-defined access and prevent unauthorised activities. Automated reports provide regular feedback to identified stakeholders and ensure unauthorised activities are flagged. USB ports have been disabled, and external storage devices require encryption if permitted for use.
□ Mobile Data Management to monitor and control mobile devices containing sensitive information by September 2019.	The setup of Active Directory File services required for the single sign-on functionality was completed. However, assistance is required from the service provider to setup the single sign-on. 100 tablet devices were enrolled on the data management solution. A decision was taken to install this software on all devices with the existing functionality. Once single sign-on setup is complete, it will automatically apply to the devices managed by the data management solution.

Improve SARS' information communications technology capability	
Deliverable	**Comments**
Implement e-Services Data Centre Migration by May 2019 which entails: □ Relocating the eFiling channel services and bank payment gateways.	The migration of the e-Services technology platform was necessary, as the contract was due to expire with the service providers who were hosting the platform in Bryanston. An open tender process was concluded and the tender for the new hosting platform was awarded. Aligned with best practice, significant enhancements were made to the technology platform to increase security in terms of physical access into the vault, as well as minimising the risk of cyberattacks. The modernisation of the networks and extended bandwidth improved the response times, which resulted in an improvement in taxpayer experience. High availability, dual power feeds and cooling air-conditioning systems were implemented to protect the systems against power outages. The physical footprint of the Vodacom environment was increased, and has sufficient room for growth over the next few years. SARS e-Services platforms were relocated and switched over to the new site on 12 April 2019. Decommissioning of equipment at the old site has been completed.
□ Refreshing the hardware and software technology stack.	A complete refresh of the hardware was undertaken to stay abreast of new technology and to incorporate the latest features and functionality to ensure supportability, drive agility, performance and high availability. Several enhancements were implemented to improve the taxpayer experience and decrease security vulnerabilities. The hardware refresh was successfully completed across the production, pre-production, quality assurance and disaster recovery environments. Over 172 servers, 28 network switches, five firewalls, four load balancers and four routers were refreshed. A total of 24 applications, 140 interfaces, 114 SQL server databases and 10 DB2 databases were successfully migrated and fully tested before the go-live date, resulting in a seamless implementation with minimal downtime, given the enormity of the project. The above was part of the e-Services project, and were refreshed and upgraded accordingly.

Improve SARS' information communications technology capability	
Deliverable	**Comments**
Renew relevant enabling agreements with development partners in line with National Treasury procurement guidelines by 31 December 2019. □ Bespoke Solutions	Discussions took place with National Treasury and the Public Protector regarding proposals presented and the way forward. Procurement vehicles were put in place before 31 December 2019. A 15 months' extension was granted from 1 January 2020 to 31 March 2021 with a condition that SARS should test the market. Planning for the next phase relating to the tender is in progress. National Treasury and SITA are being engaged to support the process based on lessons learned. The COVID-19 lockdown will negatively impact the future project dates.
Review the IT and Security Strategy by August 2019, to ensure that it aligns with SARS, taxpayer and trader needs. □ IT Strategy	The SARS ICT Strategy was developed, and a draft was ready by the end of August 2019. The draft was subsequently shared with internal stakeholders and a decision was taken to put the engagement with various business stakeholders on-hold. There was a need to align the ICT Strategy with the SARS Enterprise strategy that was finalised in February 2020.
□ Information Security Strategy	The Information Security Strategy is currently being reviewed with the new approval dates yet to be finalised. A draft business architecture landscape was completed for review. The current state of analysis and concept design were completed and reviewed for submission by 31 October 2019. The 2017 approved Information Security Strategy projects and programmes were not implemented in their entirety. The new strategy must be aligned with the final approved SARS Strategy. Four new information security goals with their own strategic objectives for the next five years have been aligned to the new SARS' strategic plan. The specific initiatives and programs to achieve these are being solicited from various stakeholders. This will inform the roadmap over the next five years. The Information Security Strategy still needs to be finalised and presented internally.
Undertake scheduled bi-annual disaster recovery testing of SARS critical systems.	Two fully integrated Disaster Recovery tests were competed in July 2019 and January 2020.

Improve SARS' information communications technology capability	
Deliverable	**Comments**
Continue to maintain and strengthen SARS' enterprise-wide Information Security Programme to protect its information and communication assets. During 2019/20, SARS had conducted security assessments and established SARS' maturity in line with industry standards, Government standards and protocols by May 2019. □ Information Security Strategy Implementation	The approved 2017 Information Security Strategy was never fully implemented due to budget and other resources constraints. The new roadmap will ensure that a more realistic plan is developed with confirmed resources. **Awareness Training** New eLearning training modules were successfully launched and internal communications were issued to increase the level of awareness of these eLearning training modules. Overall, 95% of employees completed the awareness training modules. An updated Awareness Training Plan for 2020-2022 was approved. **InfoSec Risk Assessments** All scheduled risk assessments and all Risk Assessment reports for the 2019/20 financial year were finalised. **InfoSec Compliance (Management Assurance)** The risk and compliance plan has been approved. Ten draft compliance management assurance reports were completed. All scheduled compliance assessments were concluded.

Identify, recruit and retain the right, diverse, engaged and highly skilled people	
Deliverable	**Comments**
Deal with inappropriate appointments, performance and malpractices regarding disciplinary actions over the past 4 years.	The Commission of Inquiry into Tax Administration and Governance by SARS, headed by Judge Nugent, made several recommendations including that SARS consider the possibility of reparation, not necessarily in pecuniary terms, for the damage done to employees and former employees during the period under inquiry, namely 1 April 2014 to 1 May 2019. Since 1 May 2019, in a conscious bid to restore internal trust and confidence within SARS, the Commissioner launched numerous reparation initiatives as part of a broader reparation programme. One of the initiatives was the establishment of an internal disciplinary review committee consisting of SARS officials and an independent law firm to review the cases, to determine whether there was a causal link between events mentioned in the Nugent Commission of Inquiry Report, establish the extent of damages in each case, understand the expectations of reparation in each case and recommend reasonable reparations, taking account of the law, relevant policies and the best interests of both the employees and SARS. The process is ongoing, and SARS aims to complete the process by end July 2020.

Identify, recruit and retain the right, diverse, engaged and highly skilled people	
Deliverable	**Comments**
Inspire staff to adopt and commit to the Higher Purpose, and restore a sense of pride.	The Higher Purpose was re-clarified as the ethos that inform the work at SARS. This was emphasised during the extensive engagement sessions the Commissioner conducted with staff. The Higher Purpose statement was refreshed, and included in the revised SARS 2020-2024 Strategy. Much work still remains to be done to ensure that this orientation is deeply embedded within the organisation. The Commissioner for SARS personally engaged with marginalised staff and allocated meaningful roles to them. This work continues.
Reach out, and where appropriate, re-engage those who were ostracized, neutralised or disillusioned.	The Commissioner for SARS personally engaged with affected staff, and after consultation with each staff member, placed staff in meaningful roles. This work continues.
Implement measures to improve recruitment turnaround times by 100% (from 6 months to 3 months), and stabilise the organisation through making permanent appointments in key roles, especially in the first three layers of the organisation, where there is an unhealthy prevalence of people in an acting capacity.	Due to a moratorium on enterprise-wide recruitment, no large-scale appointments have been made.
Solicit trust from stakeholders, including staff, by attracting and retaining top talent, especially in leadership positions.	Recruitment and retention of critical skills, in line with the new SARS Strategy, was achieved during the fourth quarter of the 2019/20 financial year. SARS advertised at least 29 senior positions, and the recruitment process will continue in the next financial year cycle ending 31 March 2021. The focus of this recruitment drive is on strengthening the leadership capacity and capability.
Provide leadership to inspire and ensure high performance.	SARS developed a new Leadership Development Framework based on steward leadership, and has aligned Leadership Effectiveness Measures with the new leadership approach. The Commissioner held leadership discussions periodically to ensure a common understanding of, and collective buy-in into the new leadership model and evolving culture.
Ensure that staff engages in meaningful work.	New organisational arrangements were announced and all leaders and staff were encouraged to take ownership of their careers, and ensure they engage in meaningful work. Performance conversations are taking place and included in the scorecards of management as part of the performance management process.

Identify, recruit and retain the right, diverse, engaged and highly skilled people	
Deliverable	**Comments**
Increase Employee Engagement by a simplified employee value proposition.	There were countrywide roadshows and several virtual engagements with staff to inculcate the Higher Purpose, the SARS Vision 2024 and the five principles of employee engagement. Every employee has the right: ◻ To do work that they enjoy ◻ To understand the meaning and impact of their work ◻ To know what "winning" means ◻ To receive regular, honest feedback that helps them "to win" ◻ To experience a fair deal (employee value proposition)
Enable compliance with the Employment Equity (EE) policy and strategy to ensure improved EE representation that is aligned with the Department of Labour report. SARS compliance will be measured against its quarterly and annual targets, as set out in the SARS EE plan.	SARS is making good progress with EE representation to reflect the demographics of South Africa. Although some of the steep EE targets were not met in specific areas, improvements were achieved as compared to the previous financial year, such as: ◻ Black representation improved from 76.03% to 76.38% ◻ African representation grew from 58.80% to 58.89% ◻ Coloured representation grew from 11.03% to 11.15% ◻ Disability representation improved from 2.13 % to 2.22% ◻ Gender representation on management levels improved from 49.08% to 49.20% ◻ White representation declined from 23.65% to 23.29% ◻ Indian representation improved from 6.19% to 6.34% Enforcing compliance to EE policy and strategy to ensure improved EE representation during the HR processes, with the implementation of compliance reporting in the following HC&D initiatives: ◻ Recruitment: EE appointment ratios ◻ Pipeline development: EE ratios with the intake of new graduate trainees on the graduate development programme. ◻ Bursary allocations ◻ Talent Management

Identify, recruit and retain the right, diverse, engaged and highly skilled people	
Deliverable	**Comments**
Optimise the SARS Institute of Learning (SIOL) by focusing on building capability and standardising learning and development processes, based on recommendations from the benchmarking and diagnostic processes carried out during the year, with specific focus on tax, customs and integrated audits.	The Kirkpatrick Level 3 Model of Training Evaluation was used to conduct Learning Impact Analysis. For the identified programmes, the learning impact was 11%. This implies an improvement of 11% behavioural change of the employees after the training, based on a comparison of pre- and post-training behavioural assessments as per the Kirkpatrick Model Level 3. Various skills programmes were implemented in the tax, customs and enforcement areas, to advance the Vision 2024 objective. The programmes were attended by 20 060 employees (some employees attended more than one training programme). At least 7 003 individuals attended at least one training intervention during the review period. Sign-off was obtained on 12 training programmes focusing on critical skills in the Tax, Customs and Enforcement areas.
Implement succession management for identified priority leadership roles, which have been identified as critical to the organisation, to ensure continuity and stability. By the end of the financial year, we will have identified successors for these roles and put them on development plans.	The SARS Resource Plan classifies all positions from grade 8B and above as critical leadership positions. According to the current organisational architecture, this accounts for 126 positions. Identified successors will be placed on development plans.
Design and implement a Career Management Framework for SARS by 31 March 2020, which will enable improved career planning.	This initiative was put on hold to allow for the implementation of the new SARS operating model. Organisational architecture will inform the Career Model.
Conclude a current state of assessment and conceptual design for Human Capital and Development (HC&D) processes, to better enable SARS' HC&D requirements for the future.	Phase one was completed with the implementation of the HC&D Self Service model on 18 November 2019. The self-service portal was redesigned to make it user-friendly. The processes were developed to strengthen the HR Contact Centre and escalation points for queries.

Practice prudent financial management and discipline to ensure SARS operates within the budget allocation, and to increase efficiency	
Deliverable	**Comments**
Review procurement transactions and contracts for impropriety and take corrective action by enforcing SARS' commercial rights to recover losses, as well as working with investigation and prosecuting authorities to hold perpetrators to account.	This measure seeks to enhance contract performance where SARS is supposed to: ▫ Directly monitor contract performance to identify any improprieties ▫ Provide the Procurement Unit with a contract performance report as initially agreed according to the SLA. The contract management SOP was finalised and published on 17 December 2019. The Supplier Relationship Management (SRM) function performed by Procurement is an additional contract monitoring measure, where possible improprieties can be identified and resolved.
Collaborate and closely work with National Treasury's central procurement office, to enable SARS' integrated demand plan, with strategic and agile sourcing vehicles and enabling contracts as a precursor to its capital investment and modernisation programmes.	The Procurement Unit is in the process of putting sourcing vehicles in place to proactively implement the demand plan. The unit is engaging with National Treasury with a view to strengthen collaboration between the two institutions.
Review and re-position the continuation of the migration of SARS' Revenue Accounting to Generally Recognised Accounting Practice (GRAP), within budget constraints.	The Mineral and Petroleum Resource Royalties (MPRR) release is behind schedule. Data cleansing and quality assurance testing of the new system is currently underway. These activities and the full data migration to the new system is to be completed by March 2021, which will be followed by the activation of client filing and payment in the first quarter of the 2022 financial year. The final MPRR release that will enable MPRR taxpayers to perform account maintenance functions is dependent on these earlier release dates, and has yet to be confirmed. The implementation of MPRR will set the base for the subsequent tax products. Challenges experienced are addressed optimally within the current priority, capability, and capacity constraints. Following consensus on scope and implementation approach, the plan for the implementation of the subsequent tax products (VAT, diesel refunds, UIF contributions, PAYE, SDL, and non-core taxes) has been concluded and is being refined. The 31 March 2021 GRAP migration deadline is no longer feasible. Engagements are being held with all key stakeholders (NT, ASB, and AGSA) to position a revised GRAP deadline and compliance approach to meet the current GRAP compliance requirements.

Practice prudent financial management and discipline to ensure SARS operates within the budget allocation, and to increase efficiency	
Deliverable	**Comments**
Continue to roll-out the new corporate real estate strategy, to deliver a fit for purpose real estate portfolio for SARS, with the broad objective of increasing space utilisation, acquiring key properties and reducing overall running costs by more than 5%.	Considering that private leases contribute 90% of lease costs, there has been a drive towards space consolidation that would lead to cost reduction. The following initiatives were undertaken: □ The Megawatt Park lease was terminated – overall rental savings of R200 411 955. □ Benoni - space reduction of 1 936m², resulting in savings of R3 221 484. □ Waverley Park – returned 55 parking bays to the landlord, resulting in rental savings of R1 508 490. □ Atlantis warehouse - contract not renewed, and vehicles stored at P166 as interim parking, resulting in rentals savings of approximately R558 900. □ P166 – 68 parking bays returned to the landlord, resulting in savings of R6 089 544. In addition to space consolidation, 17 leases were renegotiated, which yielded approximately R60 299 688 in rental savings. It is anticipated that more operational space will be handed back to various landlords in 2020/21, which will yield more rental savings, leading to reduced accommodation costs. This is currently being reviewed in line with the modernisation of SARS, specifically the impact of reconfiguration of modes of work.
Automate up to 80% of key financial reports to enable intelligence driven real-time and agile decision-making.	Continuing with engagements to upgrade the Information Communication Technology (ICT) infrastructure, to enable the full utilisation of automated process platforms, including e-Sourcing and Budget Planning Consolidation (BPC) tool.
Commence with regular identification and testing of key internal controls to address deficiencies and residual risks that may adversely impact the Auditor-General of South Africa's (AGSA) audit opinion on the SARS annual financial statements.	A concept document was finalised. External consultants will be utilised should a need arise, given the limited capacity available within SARS. The first deliverable is due by 30 June 2020.
Resolve 80% of outstanding Internal Audit and AGSA findings before the end of the financial year.	Audit findings have been loaded onto the risk management system for monitoring and tracking resolution progress. Of the 57 internal audit findings raised in the 2017/18 financial year, 90% have been resolved. Focus has shifted to resolving findings raised on audit reports issued in the 2018/19 financial year, and avoiding repeat findings. Of the 68 AGSA findings, 35 (37%) were resolved, of which 16 were repeat findings.

Practice prudent financial management and discipline to ensure SARS operates within the budget allocation, and to increase efficiency	
Deliverable	**Comments**
Continue managing operational and project costs within 95% of the budget by identifying improved efficiencies. Focus for the 2019/20 financial year will be on achieving cost savings through contract management and reviews.	At end of the 2019/20 financial year, preliminary expenditure amounted to R10.47 billion, posting a 97.97% year-to-date budget utilisation. Business as Usual (BAU) expenditure achieved 99.15% utilisation, which was however, diluted by capital expenditure (CAPEX) and projects that posted only 82.94% and 63.20% utilisation respectively.
Continue with SARS' supplier transformation agenda by ensuring that 7% of SARS' procurement spend is on Black Women Owned (BWO) entities, 15.5% on Exempted Micro Enterprises (EMEs) and 5% on Qualifying Small Enterprises (QSEs).	For the 2019/20 financial year, SARS spent 11.59% on Black Women Owned Entities, 2.80% on Exempted Micro Enterprises and 2.96% on Qualifying Small Enterprises.

Improve communication activities to keep SARS employees, taxpayers and the general public well informed and engaged	
Deliverable	**Comments**
Improve SARS branding by rolling out digital communication signage at identified branch offices to improve taxpayer communication.	This was completed in February 2020 for the identified 23 branches. There is no further rollout scheduled.
Develop and implement media roundtable discussions and briefing sessions at least once per quarter.	The revenue plan constitutes the first part of the discussion to focus media attention more on compliance instead of only on revenue collection.
Develop and implement an engagement programme between employees and senior leadership by August 2019.	When the Commissioner joined SARS on 1 May 2019, he found morale and employee engagement at its lowest. He started a conversation with the organisation on the social contract between SARS and its employees, based on the employee rights charter. An employee engagement assessment methodology is being developed and will be piloted in 2020/21.

Improve communication activities to keep SARS employees, taxpayers and the general public well informed and engaged	
Deliverable	**Comments**
Conduct SARS language policy awareness campaigns at all branches by end of June 2019. Roll-out the SARS South African Sign Language interpreting service to all identified tax branches by end of September 2019.	SARS conducted language policy awareness campaigns at all SARS Branches. As part of celebrating 'Deaf Awareness Month', the provision of a South African Sign Language (SASL) service was successfully implemented and concluded at all of the 12 identified tax branches. In addition to this service, once-off tax education workshops for the deaf were also conducted.
Hold annual engagements with captains of industry to inculcate the philosophy of collaborative compliance.	A report of this service, including recommendations, is being finalised and will be circulated to all relevant/affected business units within SARS.

Improve planning, execution and reporting discipline and capabilities	
Deliverable	**Comments**
Design a conceptual "SARS of the Future Model" that will inform the drafting of the next version of SARS' Strategic Plan.	The conceptual designs were concluded, and formed part of content that was considered during the crafting of the SARS Strategic Plan in line with Vision 2024.
Table a clear Strategic Plan covering the next 5 years.	A Strategic Plan and Annual Performance Plan (APP) were submitted to the Minister of Finance before the 31 October 2019, and were revised to consider inputs from National Treasury. The final drafts of the 2021 - 2025 Strategic Plan and 2020/21 APP were forwarded to the Minister of Finance on 18 March 2020 for tabling.
Continue to deliver improved enterprise planning, execution and reporting discipline. Focus for the 2019/20 financial year is on ensuring that key statutory and enterprise plans and reports are submitted on time, and meet all the required parameters to improve organisational performance.	The proposed draft policy and procedure are not yet approved and published. The appointment of the new Commissioner brought about changes to the manner in which planning and reporting will be done in the future. The new Department of Planning, Monitoring and Evaluation (DPME) planning and reporting framework also brought changes to the planning regime. The updated documents will be considered further. However, all key statutory and enterprise plans and reports were finalised and submitted on time.

Improve planning, execution and reporting discipline and capabilities	
Deliverable	**Comments**
Implement a revised strategic project/initiative prioritisation process and tool to improve project selection and prioritisation by December 2019.	The objective of this project was to automate the capture, prioritisation and approval of business cases by the SARS Initiative Prioritisation Working Group, and allocation of funds by the SARS Investment Council. This project was de-prioritised for the 2019/20 year.
Continue to enhance performance and capacity models for all operational business areas, and conclude the development of all support areas by 31 March 2020, to ensure alignment of resource requirements to effectively execute the enterprise strategy.	The design and development of the Performance and Capacity Models (ABM) for operational and support areas are progressing well and are on track, as per the Capacity Management Business Plan. More than 90% of the staff capacity models were completed in the previous financial year. For the 2019/20 financial year, the following models were concluded and transferred to production: □ Quarter 1: Internal Audit, Legal Counsel □ Quarter 2: Tax, Customs and Excise Institute, Human Capital and Development The Digital Information Systems and Technology (DIST) and Finance business areas are 85% complete, due to delays experienced during November and December 2019.
Extend the project repository tool functionality to the leadership in SARS responsible for project ownership. The target will be to incrementally extend to the various levels of leadership per quarter of the financial year by giving access, providing the relevant training and contracting increased use of real time project information.	During the course of the year, SARS leadership was provided with an enterprise wide Project and Portfolio Management System (PPMS). The aim of the initiative was to empower key stakeholders to access investment initiative information in real time, and have a view of the demands placed by projects on the organisation. The PPMS deployment was accompanied by a training and change management intervention that enabled project stakeholders to monitor items associated with projects. By providing key stakeholders with real time access, project sponsors and owners are enabled to take appropriate action and make timeous decisions. In addition, stakeholders were provided access to the document/artefact repository, ensuring greater visibility and transparency. Financial dashboards were implemented, offering stakeholders a centralised view of the financial performance of initiatives.
Enhance the hardware and software used in the data value chain through an infrastructure refresh, and streamlining of the data warehouse and consolidation of data layers by December 2019.	The Enterprise Data Warehouse (EDW) was enhanced, through the infrastructure refresh initiative, with the following underlying updates and benefits: □ The upgrade of the underlying operating system and database management systems to newer versions has resulted in higher availability of the environment. □ Data movement workloads were separated from the underlying database management system, resulting in less stress on the environment. □ The batch jobs run times have since improved significantly, resulting in earlier availability of management reporting.

Improve planning, execution and reporting discipline and capabilities	
Deliverable	**Comments**
Leverage existing third party data sources and the introduction of additional sources by December 2019.	SARS continued sourcing relevant third party data, to help improve compliance and drive revenue collection. The new sourced data is from the Road Accident Fund (RAF) and the Reserve Bank. We are currently busy finalising an MOU with the eThekwini Municipality, facilitated through SALGA, to obtain municipality data. Several revenue opportunities were identified using existing 3rd party data, such as the Deeds data, IT3 Bank data and OECD data, to identify non-compliant taxpayers. In addition, these 3rd party data sources were explored to inform the strategy for filing season 2020/21, and to enable our predictive models in support of our strategic intent.
Deliver a proposal on the enhancement of structures, culture and value systems that support data-based decision making, to drive data fluency within the organisation by August 2019.	The new organisational working arrangements have consolidated all data related functions under a single unit, namely, Enterprise Data Management. Various initiatives sourcing additional third party data, supporting good data governance and increased data quality are currently in process. This has enabled the shift in the data maturity curve to a proactive enterprise phase, resulting in a number of predictive analytic outputs available to business decision-makers for adoption and integration.

Conduct internal and external research to improve organisational decision-making and insights	
Deliverable	**Comments**
Initiate and complete research projects to inform organisational strategy and operations in line with the SARS Research Plan for the 2019/20 financial year.	A document on implementing the Research Plan has been drafted. **Digitalisation and Technology research hub:** Discussions have begun regarding the set-up of a SharePoint page. Nominees have been identified. **Data science research hub:** The possible topic of VAT refund fraud has been identified. Identifying assistance from other areas in the business is underway.
Develop an enterprise knowledge management strategy by 31 July 2019 to capture, align, disseminate, facilitate access and preserve institutional knowledge.	During 2019/20, SARS completed the first iteration of the SARS Knowledge Management Strategy, in support of its future strategic objective to "Increase and expand the use of data within a comprehensive knowledge management framework to ensure integrity, derive insight and improve outcomes." The strategy outlines the requisite governance-, process-, culture-, methodology- and technology components required for SARS to become a best in class knowledge organisation.

Annual Performance Report

Outcome 4 - Increased Cost Effectiveness and Internal Efficiencies

Cost to Revenue Ratio (%)	
Intention	To assess the extent to which SARS is achieving its five outcomes in a cost effective manner.
Achievement	0.80%
Target	Below 1.00%
Variance	0.20
Baseline (2018/19 actual)	0.84%
Reason for variance	Due to the difficult macro-economic environment, the budget allocated by the National Treasury to run SARS, reduced significantly over the years, as evidenced by the drop in the cost-to-revenue ratio below the international benchmark of 1%. The cost-to-tax-revenue ratio does not take into account collections of non-tax revenue on behalf of other institutions. Such revenue includes, amongst others, Road Accident Fund (RAF) levies and Unemployment Insurance Fund (UIF) contributions, as well as Mineral and Petroleum Resource Royalties (MPRR) collections. If these amounts were included in the cost of revenue collections, the cost-to-tax-revenue would have been at 0.76%. Inflationary growth in operating costs was absorbed mainly by a moratorium on vacancies and further non-filling of attritions, as well as tighter controls and renegotiated rates from service providers. This contributed to the loss of skills in areas of Revenue Recovery Programme; Excise Audit; Illicit Financial Flows; Transfer Pricing; Base Erosion; Profit Shifting; IT related resources and Graduate pipeline development. Currently, we have more than 100 critical vacancies that are unfunded. The modernisation programme has also been slowed down in both the tax and customs areas. The cost-to-revenue ratio is below the OECD benchmark for developing economies (1-2%). Significant investment will be required if the Vision 2024 and Strategic Intent are to be achieved. We strongly recommend a funding ratio of around 1% for SARS.

Outcome 5:
Increased Trust and Credibility

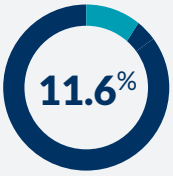
Voluntary Disclosure Programme

2 182
Applications finalised

R3.8 billion
Total amount collected

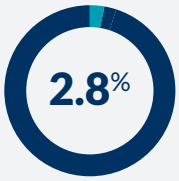
1 303
Contracts with an agreement value of R4.2 billion were concluded

Acquisition Spend



Black Women Owned Entities

Qualifying Small Enterprises



Exempted Micro Enterprises

Internal fraud investigations completed

276
2019/20

601
2018/19

Delivery against Service Charter Commitments

Engagement	
If you call our SARS Contact Centre we will: Answer call within 1 minute (off-peak seasons).	☺
If you visit a SARS branch or mobile tax unit we will: Serve within 1 hour (off-peak seasons).	☺
When using the eFiling channel we will: SARS eFiling available 24 hours a day (99%).	☺
Registration	
When you apply for registration (all requirements met):	
Finalise within 2 business days (no inspection).	☹
Finalise within 21 business days (inspection required).	☹
Returns/Declarations	
When you submit a return/declaration electronically we will: Assess return within 5 business days (no manual intervention).	☺
Inspection, Audit & Verification	
If you are subject to an inspection, verification or audit, we will: Conclude verification within 21 business days (from date required documents are received).	☹
Payments	
When you make a payment (correct reference number), we will: Process payment within 3 business days.	☺
Debt	
When you apply for deferral/suspension of payment, we will: Consider request within 21 business days, and communicate accordingly.	☹
Disputes in Terms of the Tax Administrations Act	
Requests for reasons, an objection or an appeal, where (no exceptional circumstances) we will:	
Provide reasons for assessment within 45 business days.	☺
Consider objection within 60 business days.	☺
Complaints to SARS	
Where a service complaint has been lodged, we will: Respond within 21 business days.	☹

The measurement of the achievements against the Service Charter is still under review and a number of measures were not measured at 31 March 2020.

Detailed Progress against APP Stated Deliverables

Restoring Integrity	
Deliverable	**Comments**
Set up a dedicated whistle-blower capability and invite the public and staff to come clean.	There is currently a mechanism for such persons to use the fraud hotline, but the key deliverable is the new Protected Disclosure Policy which has been drafted.
Create a dedicated capacity to deal with complaints, requests for engagement as well as to address work arising from various Commissions, such as Nugent and Zondo.	The dedicated Liaison Unit to deal with requests from various Commissions of Inquiry and law enforcement agencies was created. The Unit is functioning and is being further capacitated. The implementation of the recommendations of the Nugent Report is well advanced. Ongoing support was provided to the PIC and Zondo Commissions of Inquiry. Memoranda of Understanding were concluded with the law enforcement agencies and are being implemented to ensure co-operation in information sharing within the parameters of tax confidentiality and, where applicable, joint case prioritisation and planning and resource optimisation.
Engage its stakeholders in good faith and in a spirit of renewed co-operation.	The Commissioner has attended international conferences. SARS has received positive responses with offers from other revenue administrations to work with SARS in rebuilding the organisation. Engagements with Recognised Controlling Bodies (RCBs) Business Organisations, addressing numerous forums, interviews, media statements have generated positive coverage of the organisation. Public confidence is growing.
Increase clarity through rulings and interpretation notes.	Clarity was provided through comprehensive policy documents explaining the law and its application on a number of problematic areas. One of the 9 strategic objectives in the new Strategic Intent addresses this explicitly as an important step towards voluntary compliance.
Resolve disputes rapidly with high integrity and consistency.	◻ An internal review of the dispute resolution pipeline commenced towards the latter part of 2018 and a first draft has been completed. The review pointed to significant systemic issues throughout the dispute resolution value chain and extending upstream. These systemic issues are considered to be the root cause impacting negatively on turnaround times in dispute resolution, in particular in the Appeal phase of dispute resolution. ◻ A business case has subsequently been prepared and is in the process of review and finalisation. This business case aims to address the root causes that drive the systemic issues like poor turnaround times. The proposed solution is premised on enhanced capabilities to interact successfully with taxpayers starting at Case Selection through to Dispute Resolution, enhanced Service Manager facilities to ensure proper case management full uptake of the use of Service Manager as the primary processing and case management tool, and the cleansing of inventories to ensure one true source of data for reporting and statistical purposes. ◻ Ultimately, the objective is to ensure a smooth dispute resolution process for taxpayers, that adheres to the dispute resolution rules and the concomitant time frames.

Improve organisational governance frameworks and processes	
Deliverable	**Comments**
Establish a focused compliance function.	The Compliance Unit has been re-established with an expanded mandate to: □ facilitate the development, implementation, monitoring and reporting of the SARS' Compliance Risk Management Framework; and □ monitor SARS' compliance with applicable legislation and regulations.
Update and socialise the approved SARS Governance Framework across management levels by 31 March 2020.	The approved SARS Governance framework was socialised across the organisation to ensure that key concepts in respect of governance methodologies, the governance landscape and the SARS Enterprise Committee structure are well known and understood by the business.
Develop and promote the use of risk appetite and risk tolerance as an executive management tool by 31 December 2019.	A risk appetite and tolerance methodology was developed and utilised to finalise a risk appetite statement for SARS. The risk appetite statement was approved by EXCO and published. Awareness sessions on the risk appetite statement were conducted across the enterprise to promote an understanding of the risk appetite and tolerance methodology.
Embed the SARS Quality Management Framework across all management levels by 31 March 2020.	The Quality Management framework in SARS is based on good governance, comprehensive policies and procedures as well as commitment to the provision of quality service and business excellence. These form the backbone of the quality management system. Through embedding the quality framework, SARS was able to integrate processes, and provided a systematic approach to maintain and enhance the quality of service to taxpayers and traders.
Execute the Internal Audit plan for 2019/20 as approved by the SARS Audit Committee.	Internal Audit has finalised the audit projects from its 2018/19 operational plan. An audit plan for the new audit cycle (2019/20 financial year) was presented and approved on 21 February 2020. Execution of the plan has started.

Continue to adopt a zero tolerance approach to fight fraud and corruption	
Deliverable	**Comments**
Conduct at least one fraud and corruption awareness campaign per quarter in identified regions.	In order to raise awareness of the role and responsibilities of the Anti-Corruption Unit (ACU) and the available reporting mechanisms to report internal fraud and corruption, 27 fraud and corruption awareness campaigns were conducted. These campaigns resulted in 91% of cases reported for investigation were made by SARS employees and progressively more to the ACU directly. The unit undertook 92 engagements with key internal and external stakeholders to re-establish key relationships with partners in the disciplinary and criminal processes (Employee Relations, SAPS and NPA), as well as partners in fraud risk mitigation, specifically the banks. As a result, 78 (of the total 89) cases were successfully finalised in favour of SARS through internal disciplinary processes, resulting in dismissals, warnings and resignations. The relationships with the banks resulted in the recovery of R9.7 million PIT, R2.5 million CIT and R435.4 million VAT relating to suspected fraud.

Continue to adopt a zero tolerance approach to fight fraud and corruption	
Deliverable	**Comments**
Investigate and prosecute all reported incidents of fraud and corruption by SARS employees and third parties.	The mandate of the SARS Anti-Corruption Unit (ACU) is to fight internal fraud and corruption to minimise revenue leakages and protect the integrity of SARS systems and processes. This includes detection, prevention and investigation of internal fraud, theft, corruption and serious misconduct by SARS employees and/or third parties, and further to pursue disciplinary and criminal action where appropriate. For the 2019/20 financial year, 276 investigations were completed, 89 cases were finalised through internal disciplinary processes, while a further 16 cases were referred for internal enforcement intervention and 47 cases to SAPS due to tax, customs and excise non-compliance. Furthermore, 5 arrests were made with assistance from SAPS, and 6 convictions were achieved with the NPA's assistance, in cases involving corruption by SARS employees and attempts to bribe SARS employees.

Manage public trust and reputation to support compliance efforts	
Deliverable	**Comments**
Communicate a plan of action to restore SARS to a respected institution.	SARS has embarked on a journey to rebuild public trust, and the Commissioner plays a pivotal role in rebuilding the reputation of the organisation. The Commissioner has had several strategic engagements during this critical period, including meetings with the leadership of recognised controlling bodies, business associations, and Members of Parliament, as well as speaking at important events such as the Tax Indaba and International Federation of Freight Forwarders Associations (FIATA), and addressing a number of other meetings as a keynote speaker. The number of requests and invitations to various meetings suggests that SARS' credibility is being enhanced through its engagement process. The transitional process of restoring SARS' credibility is well underway to ensure SARS meets its overall objectives and fulfils its mandate.
Drive specific campaigns to raise awareness of tax morality and re-ignite citizen activism around tax compliance.	The Taxpayer Engagement Unit assisted 317 656 taxpayers through outreach and education activities during the 2019/20 financial year. The small business education interventions attracted 32 331 attendees, with 69.7% of the audience educated on the tax incentives for small business corporations, 5.8% attended workshops on "Compliance for Individuals", and 24.5% were engaged on a variety of other tax topics.
Continue commitment to deliver on SARS Service Charter commitments, track performance and report on achievement.	The Service Charter commitments are being tracked and achievements are being reported on.

Manage public trust and reputation to support compliance efforts	
Deliverable	**Comments**
Develop an annual key stakeholder engagement plan for domestic and international stakeholders by 30 April 2019 and implement it throughout the financial year.	A SARS annual engagement programme and calendar of events has been developed and implemented to build, leverage and enhance effective and beneficial relationships, and promote fiscal citizenship. The organisation has hosted regular strategic and operational engagements (at a national and regional level) that seek to improve tax and customs compliance, enhance service delivery and promote tax morality.
Develop a SARS reputation management framework by 30 June 2019, and implement it over the remainder of the financial year.	The SARS reputation management policy was drafted and adopted by the Executive Committee.
Undertake a Public Opinion Survey covering Tax, Customs and Excise Compliance and attitudes by 31 October 2019.	The service provider to undertake the Public Opinion Survey has not been appointed as yet. Our approach to this is being reviewed.

Annual Performance Report

Outcome 5 - Increased Public Trust and Credibility

Employee Engagement (%)	
Intention	To monitor the extent to which employees feel valued and involved in their everyday work, which helps to improve their level of commitment and affiliation to the SARS employer brand. This measure is tracked biennially (after every 2 years).
Achievement	Not conducted
Target	64.00%
Variance	Not applicable
Baseline (2018/19 actual)	Not applicable
Reason for variance	The Connexion Survey was not conducted during the 2019/20 year. The employee morale and trust had suffered a significant decline since the 2014 period, as reported in the Nugent Report. After his arrival on 1 May 2019, the Commissioner travelled extensively to visit offices and engage with staff. The process of rebuilding trust and improving employee morale requires hard work, and a need was identified to develop a revised Employee Engagement model. This work will commence during the subsequent financial period, after which the surveys will be re-introduced once the current transition phase has been substantively addressed.

Leadership Effectiveness Index (%)	
Intention	To gauge the effectiveness of SARS managers through the use of a 360 degree assessment process.
Achievement	Not conducted
Target	88.00%
Variance	Not applicable
Baseline (2018/19 actual)	88.52%
Reason for variance	The Commissioner, as part of rebuilding, commenced an extensive process to renew the SARS leadership system. This included addressing the recommendations in the Nugent Report, and the ongoing assessment of the broad executive leadership team to ensure alignment and appropriate role placement. A new leadership philosophy and model was also introduced, and several leadership conversations were led by the Commissioner. This is based on the principles of Steward Leadership. This new approach differed significantly from the previous SARS leadership philosophy, and requires the development of a new Leadership 360, which will be developed along with a new leadership development programme. The current SARS LE 360 has therefore been put on hold.

Employment Equity: Demographics (%)	
Intention	To gauge how adequately SARS is representing the country's demographics in the workforce, and to promote gender equality and create opportunities for people with disabilities.
Achievement	76.38%
Target	79.40%
Variance	-3.02
Baseline (2018/19 actual)	76.03%
Reason for variance	Due to funding constraints and a general freeze on vacancies, limited recruitment opportunities exist within the organisation. This trend will continue, with the exception of a small number of opportunities to address leadership vacancies, critical skills and young graduates. In 2020/21, subject to financial resources, the focus will move to building capacity and capability in core areas, whilst retaining the commitment to all aspects of transformation.

Employment Equity: Gender on management level (%)	
Intention	To gauge how adequately SARS is representing the country's demographics in the workforce, and to promote gender equality and create opportunities for people with disabilities.
Achievement	49.20%
Target	50.92%
Variance	-1.72
Baseline (2018/19 actual)	49.08%
Reason for variance	Female representation at management level improved slightly, with a 0.12 percentile point increase year-on-year, compared to the status as at 31 March 2019, and further progress was hampered by the lack of recruitment opportunities due to funding constraints.

Employment Equity: Disability (%)	
Intention	To gauge how adequately SARS is representing the country's demographics in the workforce, and to promote gender equality and create opportunities for people with disabilities.
Achievement	2.22%
Target	2.24%
Variance	-0.02
Baseline (2018/19 actual)	2.13%
Reason for variance	The limited recruitment opportunities and back-filling of vacancies, as well as the limited intake for pipeline and youth development for the financial year, contributed to the slight under-achievement of the disability target, which represents an opportunity for SARS to increase its representivity of people with disabilities. The organisation however remains committed to addressing this.

Public Opinion Score (%)	
Intention	To gauge the public's perceptions and attitudes towards tax compliance. The purpose of this measure is to help SARS better understand the public's attitudes towards tax compliance, and obtain feedback to enable SARS to track and monitor tax compliance over time.
Achievement	Not conducted
Target	72.50%
Variance	Not applicable
Baseline (2018/19 actual)	66.00%
Reason for variance	The Public Opinion Survey was not undertaken due to challenges that were experienced in the Supply Chain Management process. The challenges experienced have since been resolved but, regrettably not in time to conduct the survey in the year under review. The contracted service provider is tasked with conducting the survey in the 2020/21 financial year.

% of acquisition spend through Exempted Micro Enterprises	
Intention	To gauge the extent to which SARS' procurement spend is achieving supplier base transformation.
Achievement	2.80%
Target	15.50%
Variance	-12.70
Baseline (2018/19 actual)	New Measure
Reason for variance	The limited budget meant we could not extend our spend to new suppliers. This will be addressed in 2020/21 through the Supplier Development Initiative. SARS achieved a spend of 5.20% against all EME's, as opposed to the 2.80% when considering only the spend where EME's have at least 51% Black Ownership.

% of acquisition spend through Qualifying Small Enterprises	
Intention	To gauge the extent to which SARS' procurement spend is achieving supplier base transformation.
Achievement	2.96%
Target	5.00%
Variance	-2.04
Baseline (2018/19 actual)	New Measure
Reason for variance	The limited budget meant we could not extend our spend to new suppliers. This will be addressed in 2020/21 through the Supplier Development Initiative. SARS achieved a spend of 6.03% against all QSE's spend, as opposed to 2.96% when considering only the spend where QSE's have at least 51% Black Ownership.

% of acquisition spend through Black Women Owned Entities	
Intention	To gauge the extent to which SARS' procurement spend is achieving supplier base transformation (in this case, Black Women Owned Entities).
Achievement	11.59%
Target	7.00%
Variance	4.59
Baseline (2018/19 actual)	6.21%
Reason for variance	SARS performed well on the spend on Black Women Owned Entities by achieving 11.59% against the set target of 7.00% for the period of April 2019–March 2020.

Unqualified report by Auditor-General	
Intention	To assess SARS' commitment to maintain and promote good governance in the organisation.
Achievement	Unqualified Audit report with findings
Target	Clean Audit Report
Variance	0.00
Baseline (2018/19 actual)	Unqualified Audit report with findings
Reason for variance	The Auditor-General report for SARS is an unqualified audit report with findings.

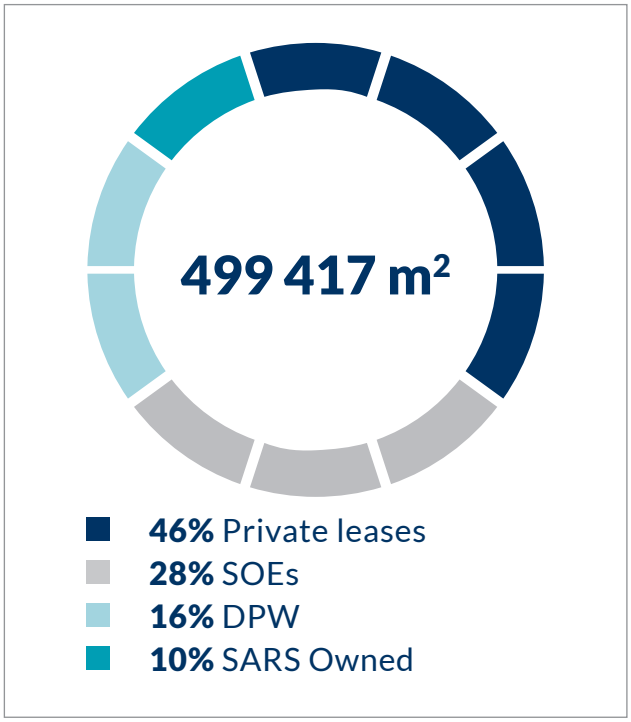
Interfront Governance - Unqualified report by Auditor-General	
Intention	To assess SARS' commitment to maintain and promote good governance in the organisation. This measure seeks to monitor Interfront's compliance with all Government's statutory requirements.
Achievement	Clean Audit Report
Target	Clean Audit Report
Variance	0.00
Baseline (2018/19 actual)	Clean Audit Report
Reason for variance	The Auditor-General report for Interfront is a clean audit report.

Capital Investments

As at 31 March 2020, the SARS buildings footprint was 499 417m² and split as follows: 46% being private leases, 28% State Owned, 16% State Owned Entities and 10% SARS owned, compared to 31 March 2019 when the footprint was 493 567m² split as follows: 47% private leases, 28% State Owned, 15% State Owned Entities and 10% SARS owned. Considering that private leases contribute 90% (75% in March 2019) of lease costs, there is an on-going drive towards space consolidation that would lead to cost reduction. The following initiatives were undertaken:

- The Megawatt Park lease was terminated - overall rental savings of R200 411 955.
- Benoni - space reduction of 1 936m², resulting in savings of R3 221 484.
- Waverley Park - returned 55 parking bays to the landlord, resulting in rental savings of R1 508 490.
- Atlantis warehouse - contract was not renewed, and vehicles are stored at P166 as interim parking, resulting in rentals savings of approximately R558 900.
- P166 - 68 parking bays returned to the landlord, resulting in savings of R6 089 544.

In addition to space consolidation, 17 leases were re-negotiated, which yielded rental savings of approximately R60 299 688. It is anticipated that more operational space will be handed back to various landlords in the 2020/21 financial year, which will yield more rental savings, leading to reduced accommodation costs.



Capital Investment by Project Type

SARS had 24 active projects to the value of R120 million in various stages in the 2019/20 financial year. These projects are multi-year projects. The expenditure for the 2019/20 financial year for physical infrastructure projects amounted to R54 million. Approximately 50% of the investment was for compliance upgrades, asset replacement, renewal, and 34% for the lease relocation and space optimisation projects.

Investment category	Value (R million)	%
Space optimisation projects	2.23	1.87%
Lease relocation	41.50	34.81%
Compliance upgrade and renewal and replacement	60.50	50.74%
Customs equipment installation for goods control	15.00	12.58%
Total	**119.23**	**100%**

Below is a list of key critical investments as per the asset renewal and replacement plan:

SARS Head Office heating, ventilation, and air conditioning (HVAC) system renewal

SARS upgraded the HVAC system at the Head Office complex, which had reached the end of its useful life to the value of R10 million over a six-month period. This upgrade results in energy efficiency, ensures business continuity, and provides a productive working environment for SARS staff.

Fire compliance upgrade at the SARS Head Office complex

In line with its strategic drive to address compliance with its property portfolio, SARS undertook an update of the fire system to ensure regulatory compliance of its Head Office in the 2019/20 financial year. The project was launched in 2018, and completed in 2020.

Decommissioning of Megawatt Park (MWP) and relocation

SARS relocated the re-established Large Business Centre from Megawatt Park to new premises in Wood-mead. The initiative involved acquiring a new building and implementation of the SARS agile space and modern workplace design standards, aligning SARS' physical environment with new ways of working to improve staff productivity and engagement.

Implementation of the Cargo Scanner site at the OR Tambo International Airport (ORTIA)

SARS completed 70% of the installation of a new scanner to control the flow of goods at the ORTIA site during the 2019/20 financial year.

IT Expenditure Projects

The total Information Technology project spent was R203 million and included the following projects:

GRAP Programme R30 million

As per the Accounting Standards Board (ASB) Directive 6, SARS needs to report from an Administered Revenue perspective all the respective tax and custom products on an accrual accounting basis, as prescribed by the relevant standards, by 31 March 2023. The purpose of the programme is to implement tax products reported on the modified cash basis of accounting to an accrual basis of accounting. Phase 1 consists of the implementation of the Mineral and Petroleum Resources Royalty (MPRR) tax product, which sets the foundation for the subsequent tax products.

Customs Risk Engine R4 million

As SARS elevates the sophistication of its risk engines, criminals respond with counter-actions and behaviour – this requires constant software development enhancements to stay ahead or respond to new risks that emerge.

Debt Management R11 million

The purpose of the project is to automate Debt case collection process, introduce advance collection case management, Taxpayer Self-service and management reporting services.

New Customs Act Programme (NCAP) R90 million

In July 2014, the Customs Control Act, 2014 and the Customs Duty Act, 2014 were promulgated into law, replacing the provisions of the current Customs and Excise Act, 1964 relating to customs control of all means of transport, goods and persons entering or leaving South Africa. This require the development of processes and systems to support the implementation of the Customs Control Act and Customs Duty Act.

Filing Seasons including Legal Change R40 million

Filing returns and making payments are at the root of SARS' core business and every year, new policy changes are introduced to ensure South Africa optimises its tax product mix, in line with international practice.

Migration of SARS forms to HTML5 R10 million

SARS continue on the journey of converting all Adobe Flex-based SARS electronic Forms into HTML5 framework to enhance taxpayers experience and to stay abreast with technology developments.

Relocation of the e-Services Data Centre R12 million

The purpose of the programme was to facilitate the relocation of the SARS e-Services Hosting Platform from the current environment in Bryanston to a new location that is hosted by Vodacom in Midrand. SARS migrated to the new hosting platform for electronic services on the weekend of 12 April 2019 and used the opportunity to refresh critical infrastructure to ensure a 24/7 and 99% uptime operation.

Business as Usual

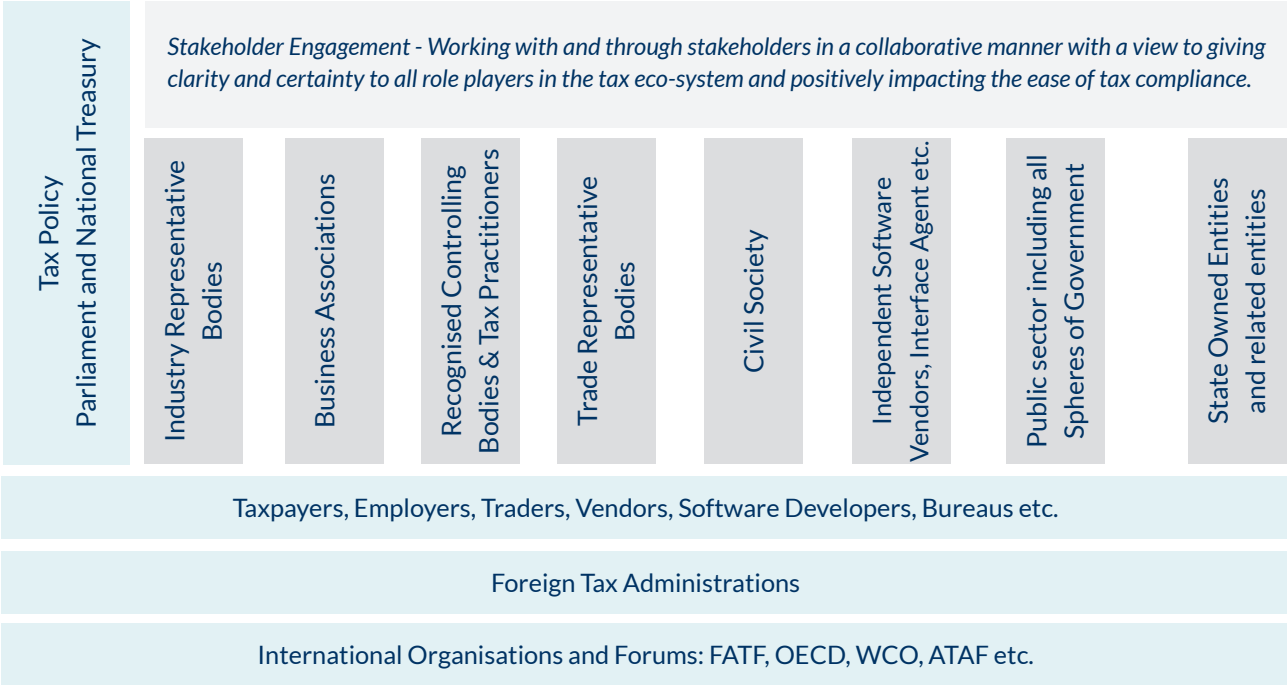
Modernising can only be done on a stable Information Technology platform and SARS continues to invest in technology that will not only enhance taxpayer experience but also protect taxpayer's information against cyber security threats. In doing this SARS must continue to refresh and update its technology platform. During the financial year ended 31 March 2020, SARS made the below investments in line with the aforementioned objectives:

End-User Device Refresh	88 419 166
Network Refresh	11 618 391
Security & Monitoring	5 290 182
Software	8 816 935
Branch IT Infrastructure	5 723 290
Server/Storage Refresh	99 048 265
Total	**218 916 229**

B-BBEE Compliance Performance Information

Criteria	Response Yes/No	Discussion
Determining qualification criteria for the issuing of licences, concessions or other authorisations in respect of economic activity in terms of any law?	No	Not Applicable
Developing and implementing a preferential procurement policy?	Yes	SARS has a Procurement policy that aligns to the Preferential Procurement Policy Framework of government.
Determining qualification criteria for the sale of state-owned enterprises?	No	Not Applicable
Developing criteria for entering into partnerships with the private sector?	No	None required at this point.
Determining criteria for the awarding of incentives, grants and investment schemes in support of Broad Based Black Economic Empowerment?	No	No funding and no budget set aside for such activities.

Stakeholder Management



Overview

SARS' credibility is key to the delivery of its mandate, and it is imperative that the organisation rebuild public trust. The SARS leadership, and particularly the Commissioner, plays a pivotal role in rebuilding the reputation of the organisation. To this end, the Commissioner has carried out a number of positive engagements with a wide variety of stakeholders in the year under review.

The Commissioner has had several impactful and strategic engagements during this critical period, aimed at rebuilding public trust in the organisation. The engagements include meetings with Parliamentarians and Government Heads, the leadership of Recognised Controlling Bodies, Business Associations, Tax Advisory and Accounting Firms, speaking at important industry events such as the Tax Indaba and FIATA Congress 2019, and addressing a number of international conferences as a keynote speaker. Based on the increasing number of requests for SARS leadership to engage in a multitude of platforms, and the feedback received from these events, the Commissioner's frank and interactive engagements with a variety of stakeholders are contributing to rebuilding SARS' credibility and trust.

In addition, the Stakeholder Management Unit ensures that engagement activities drive SARS' intent and influence the dialogue on Tax, Customs and Excise compliance in the private and public sector. A SARS annual engagement programme and calendar of events has been developed and implemented to build, leverage and enhance effective and beneficial relationships, as well as promote fiscal citizenship. The organisation has hosted regular strategic and operational engagements (at a national and regional level) that seek to improve tax and customs compliance, enhance service delivery and promote tax morality. SARS has utilised the official inter-governmental relations framework to prepare "whole of government" collaborative responses and initiatives, especially related to enforcement activities, and to ensure the optimal use of government resources. Participation in these forums ensures a collaborative approach with critical government stakeholders.

At an international and regional level, SARS has also collaborated with other Tax and Customs agencies and multilateral bodies to benefit from their expertise, and benchmark best practice that helps improve service and compliance.

Highlights of Engagements with Public Sector Stakeholders

Cabinet and Government Cluster

SARS has been increasing its co-operative government approach that aims to move away from a narrower intuitional view of SARS' functioning, to a broader "whole of Government" perspective. This aims to advance SARS' compliance efforts and improve overall government co-ordination and cohesion.

SARS participates in four FOSAD (Forum for South African Directors General) forums, which are Justice, Crime Prevention & Security (JCPS), International Cooperation, Trade and Security (ICTS), Governance State Capacity and Institutional Development (GSCID) and Economic Sector, Investment, Employment and Infrastructure Development (ESIEID) DG Clusters. SARS also participates in various sub-committees of these FOSAD Forums, as well as inter-ministerial task teams and related forums as and when required. An example of this collaborative approach is the Inter-governmental Working Group on Illicit Trade - a SARS and Department of Trade, Industry and Competition initiative, which led to the formation of a multi-stakeholder working group established to develop strategies and plans to address Illicit Trade, with specific attention on clothing and textiles, scrap metals, precious metals and minerals. This is a long-term project and expected to yield improved compliance and eradicate illicit trade.

Memorandums of Understanding (MoUs)

SARS has direct engagements with several entities, and may enter into a Memorandum of Understanding with such entities. The following changes are in process or have been finalised:

- CIPC: SARS and CIPC are in discussion to finalise a new Memorandum of Understanding.
- NPA: An MOU with the NPA and three annexures thereto were signed by the Commissioner and the NDPP on 12 September 2019.
- SIU: An MOU with the SIU was signed by the

Commissioner and the Head of the SIU on 11 September 2019.

- NSFAS: An MOU was signed in December 2019.
- AGSA and SARS are to explore the exchange of information between the parties, and an MOU is being considered in this regard.

Highlights of Engagements with Private Sector Stakeholders

Engagements with Recognised Controlling Bodies, Industry and Business Associations as well as Tax Advisory and Accounting Firms

Leadership meetings - The SARS Commissioner engaged with the leadership of all the Recognised Controlling Bodies (RCBs), business associations, tax advisory and accounting firms. At these leadership engagements, the Commissioner reflected on SARS' challenges in an open and honest manner, and shared SARS' new strategic direction with a strong emphasis on the role of external stakeholders in achieving increased levels of voluntary compliance.

In addition to the leadership meetings, national and operational meetings at a regional level with these key constituents continued as per the engagement plan, or when pressing industry matters arose. Dialogue and responsive engagements between SARS and this sector aim to enhance service delivery and promote fiscal citizenship.

Some highlights included participation in:

- The Tax Indaba 2019, an event that acts as an annual platform for private sector tax professionals to discuss developments around global and domestic tax trends. SARS used this platform to address issues related to its reputation and credibility, but also to challenge professionals and intermediaries to question its role in enabling state capture.
- The 58th Annual FIATA World Congress, hosted by the South African Association of Freight Forwarders (SAAFF). The congress provided a platform for industry leaders to interact on challenges facing the logistics industry. SARS shared a strong message on Customs Duty evasion, illicit trade and SARS' plans to fight this.
- Business Leadership Southern Africa (BLSA)/ Daily Maverick conference on Corruption in Public/Private Sectors – The Commissioner's participation in this and other Civil Society engagements, augment SARS' attempt at rebuilding public trust and strengthening the social contract between citizens and public institutions, like SARS.

Large Business and Individuals (LBI) Launch

The LBI launch event was attended by CEO's of Large Corporates. The re-establishment of the LBI will ensure that the Large Business segment is effectively managed and, co-ordinated with end-to-end accountability across the SARS large business functions. It will also ensure that large business and high net-worth clients receive the dedicated service and support that they require to fulfil their tax obligations.

Highlights of Engagements with Key Global Stakeholders and International Co-operation and Collaboration

The work undertaken internationally over the past year emphasises the importance of co-operation and collaboration in an ever-interconnected world. The Organisation for Economic Co-operation and Development (OECD)/G20 Inclusive Framework on Base Erosion and Profit Shifting (BEPS)'s ongoing work to develop a consensus solution to the tax challenges arising from the digitalisation of the economy, as well as the World Customs Organisation (WCO)'s continued focus on the Harmonised System, serve as examples of this inter-dependency. SARS ensured that it not only kept abreast of these developments, but actively provided input into these and other crucial discussions through its technical experts under the leadership of the Commissioner.

ATAF and Global Forum anniversaries

The past year also saw the 10th anniversary celebrations of two key international organisations – the African Tax Administration Forum (ATAF) and the Global Forum on Transparency and Exchange of Information for Tax Purposes (Global Forum).

With its headquarters in South Africa, ATAF has grown exponentially over the past decade, and is widely recognised as the voice of Africa in taxation. During the past year, SARS continued to play its role in supporting ATAF, financially and with technical expertise, and benefitting from the quality assistance offered by ATAF to its members.

With regard to the Global Forum, the organisation's leading work on the international transparency agenda over the past 10 years has greatly discouraged tax evasion and avoidance. South Africa is one of close to 100 jurisdictions that are automatically exchanging information on financial accounts each year. Through voluntary disclosure programmes and tax investigations, Global Forum members, including South Africa, have already identified around EUR 102 billion in additional revenues (tax, interest, penalties), with more to come. South Africa's Second Round of Exchange of Information on Request (EOIR) Peer Review was launched by the Global Forum in 2019, with its finalisation envisaged for later in 2020.

Bilateral Agreements, Mutual Administrative Assistance, Benchmarking Visits, Capacity Building and Technical Missions

SARS also proactively sought to strengthen its relations with bilateral and international partners, through the conclusion of bilateral agreements, work plans, the participation in and provision of experts for capacity building events and technical missions, as well as facilitating benchmarking and study visits.

More than 50 Customs Mutual Administrative Assistance (CMAA) requests were processed under bilateral CMAA Agreements with specific countries or multilateral instruments, such as Annex II of the Amended Southern African Development Community (SADC) Protocol on Trade, and the Nairobi Convention and the Trade Facilitation Agreement (TFA). The focus of these requests was primarily on clothing and textile, cigarettes, fuel, and fruits.

SARS hosted eleven incoming international benchmarking visits, with the areas of support focusing on approaches to domestic resource mobilisation, revenue analysis, forecasting and reporting, business process re-engineering, data warehousing, audit, customs detector dogs, tax incentives, exchange of information, customs procedures at a seaport, and the establishment of autonomous revenue administrations.

Through the provision of its technical experts, SARS supported the United Nations Development Programme (UNDP) / OECD Tax Inspectors without Borders (TIWB) programme, the WCO, ATAF and Southern African Customs Union (SACU). Additionally, SARS collaborated with the WCO ESA Regional Office for Capacity Building (ROCB), and the African Union Commission (AUC), in hosting a well-received Regional Workshop on Transit Management Systems in Africa.

SARS officials also benefitted from technical workshops and seminars facilitated by both bilateral and multilateral partners in various areas, including on the international VAT guidelines, exchange of information, implementing BEPS, advanced tax treaties, a Trade Facilitation Agreement (TFA) gap analysis and risk management assessment, border interdiction, the detection of counterfeit currency and fraudulent documents, and counter-proliferation investigations methods.

In addition, the past year saw the signing of several agreements and arrangements, including:

- Three separate arrangements, between SARS and the Lesotho Revenue Authority (LRA), the eSwatini Revenue Authority (SRA) and the Botswana Unified Revenue Authority (BURS) respectively, for the automatic exchange of customs information.
- The Memorandum of Understanding (MOU) between SARS and the LRA on processing and administering the Value-Added Tax Refund System.
- The Action Plan between SARS and the General Administration of China Customs (GACC) regarding the mutual recognition of each country's AEO programmes.
- A Cooperation Plan between SARS Customs Durban and Xiamen Customs District in China for 2020-2021.

Finally, the Minister of Finance also approved the commercialisation of the Kosi Bay border post between South Africa and Mozambique.

3 PART THREE **REVENUE COLLECTION**

Revenue Collected

Overall Revenue Performance in 2019/20

The 2019/20 financial year tax revenue estimate (Printed Estimate), based on 1.5% GDP growth, was set at R1 422.2 billion in the 2019 Budget Review. The estimate was then revised to R1 358.9 billion in the 2020 Budget Review (Revised Estimate), owing to deteriorating economic conditions. Revenue collection for the 2019/20 financial year amounted to R1 355.8 billion, which is R3.2 billion below the revised target. The gross amount collected amounted to R1 647.8 billion, which was offset by refunds of R292.0 billion, resulting in net collections of R1 355.8 billion. This represents a growth of R68.2 billion (5.3%) compared to the 2018/19 financial year. The ratio of revenue collection growth to GDP growth (tax buoyancy) is 1.16 for the 2019/20 financial year, which is above the long-term average of 1.08. Furthermore, a tax-to-GDP ratio of 26.3% was achieved in a very weak economic growth environment. This tax extraction rate is close to the long-term average of 24.3%. Revenue collection is driven by the state of the economy, the fiscal policy choices, legislation, administrative efficiency, taxpayer compliance, tax morality and sentiment.

Figures have been rounded so discrepancies may show between the component items and totals in the tables.

Budget Estimates for 2018/19 and 2019/20

Estimate description	Date announced	2018/19 Estimate	Date announced	2019/20 Estimate
		R million		R million
Printed Estimate	21 February 2018	1 344 965	20 February 2019	1 422 208
Medium Term Budget Policy Statement (MTBPS) Estimate	24 October 2018	1 317 600	30 October 2019	1 369 678
Revised Estimate	**20 February 2019**	**1 302 201**	**26 February 2020**	**1 358 935**

Revenue estimates for the next three years and the medium term are set or adjusted on three occasions during the financial year. For the 2019/20 financial year, estimates were announced in the February 2019 budget (generally referred to as the Printed Estimate), in October 2019 in the Medium Term Budget Policy Statement (MTBPS), and in the February 2020 budget (the Revised Estimate). Revenue estimates are predicted using various statistical models. They take into account prevailing and forecasted economic conditions, and provide detailed analysis of the likely performance of the different tax types.

Budget Revenue Performance for 2019/20

Tax type	Printed Estimate Feb 2019	Revised Estimate Feb 2020	Actual Result	Increase/ decrease on Printed estimate	Increase/ decrease on Revised estimate
	R million	R million	R million	R million	R million
Tax revenue	1 422 208	1 358 935	1 355 766	-66 442	-3 168
Non-tax revenue	31 537	36 142	39 834	8 298	3 692
Mineral Petroleum Resource Royalties	8 766	11 952	11 830	3 064	-122
Mining leases and ownership	218	-20	-25	-243	-5
Other non-tax revenue and extraordinary receipts	22 553	24 210	28 029	5 476	3 819
Less: SACU payments	-50 280	-50 280	-50 280	-	0
Total budget revenue	**1 403 464**	**1 344 796**	**1 345 320**	**-58 144**	**524**

The table above shows the contribution of tax revenue and non-tax revenue to the total national budget revenue. Payments to Botswana, eSwatini, Lesotho and Namibia (BELN), in terms of the Southern African Customs Union (SACU) agreement, are deducted. Included in the total non-tax revenue that SARS collects are mineral and petroleum resources royalties (MPRR), mining leases and ownership, as well as receipts from other State departments and extraordinary receipts. SARS also collects unemployment insurance fund (UIF) and skills development levy (SDL) contributions for the Department of Labour and the Road Accident Fund (RAF) on behalf of the Department of Transport.

Tax Revenue Performance by Tax type for 2019/20

Tax type	Printed estimate Feb 2019	Revised estimate Feb 2020	Actual result	Increase/ decrease on Printed estimate	Increase/ decrease on Revised estimate
	R million	R million	R million	R million	R million
Personal Income Tax (PIT)	554 807	529 309	529 172	-25 634	-137
Company Income Tax (CIT)	232 940	219 229	214 986	-17 954	-4 243
Dividends Tax (DT) / Secondary Tax on Companies (STC))	31 893	29 144	27 930	-3 963	-1 215
Value-Added Tax (VAT)	360 471	344 202	346 761	-13 711	2 559
Domestic VAT	406 210	399 433	399 288	-6 922	-144
Import VAT	187 422	182 666	179 987	-7 434	-2 679
VAT refunds	-233 161	-237 897	-232 515	646	5 382
Fuel levy	82 958	79 277	80 175	-2 782	898
Customs duties	60 029	56 325	55 428	-4 601	-897
Specific excise duties	42 354	46 765	46 827	4 473	62
Taxes on property	17 159	16 038	15 980	-1 179	-58
Skills development levy	18 759	18 576	18 486	-272	-90
Other taxes and duties	20 840	20 069	20 021	-819	-48
Total tax revenue	**1 422 208**	**1 358 935**	**1 355 766**	**-66 442**	**-3 168**
Customs and Excise revenue	392 615	384 276	381 631	-10 984	-2 644
Tax revenue (excluding customs and excise revenue)	1 029 593	974 659	974 135	-55 458	-524
Total tax revenue	**1 422 208**	**1 358 935**	**1 355 766**	**-66 442**	**-3 168**

Personal Income Tax (PIT) remains the largest contributor to the total tax revenue, and its contribution has increased to 39.0% in the 2019/20 financial year from 38.3% for the prior year, mainly due to reduced fiscal drag relief.

Company Income Tax (CIT) collections for the 2019/20 financial year were marginally higher compared to the 2018/19 financial year. The marginal growth was as a result of lower CIT refunds, which were paid to taxpayers in the large business segment during the months of August and December 2019. The refunded amount was lower mainly because CIT refunds were released in August 2018 due to the finalisation of audits from companies in the Manufacturing and Telecommunications sectors, as well as the continued effort to clear the Income Tax credit book, which did not recur in the 2019/20 financial year.

Furthermore, the growth in CIT collections was also due to improved company profits, particularly in the mining and quarrying sector, which grew year-on-year by R2.9 billion (12.0%) on the back of improved performance in commodity prices, mostly the iron ore and Platinum Group Metals (PGMs), which increased year-on-year by 11.4% and 26.9% respectively.

However, this was offset by the contraction in CIT provisional tax payments of R3.4 billion (1.5%) mainly from the Manufacturing (R3.2 billion, 9.4%) and the Finance (R1.7 billion, 1.8%) sectors. These sectors were negatively impacted by the continuing unreliable

electricity supply, a weak business and consumer confidence, as well as uncertainty about global growth prospects.

Customs and Excise revenue collections fell short of the RE by R2.6 billion (0.7%). This was solely due to customs collections, which recorded a deficit of R3.7 billion (1.5%) against the year's RE. This was mainly due to the sluggish 2.3% growth rate in nominal merchandise imports during 2019/20, driven by subdued domestic demand for consumption and capital goods, most of which are key contributors to import taxes. However, excise collections were R1.0 billion (0.7%) more than the RE, driven by higher collections from the fuel levy, electricity levy and revenue from neighboring countries, albeit that revenue from tobacco products was lower than expected.

Domestic VAT collections were below the RE by R0.1 billion, as high unemployment, sluggish household income growth and high indebtedness continued to subdue consumer spending.

Breakdown of Tax Revenue Collections and Contribution to Tax Revenue from 2014/15 to 2019/20

PIT, CIT and VAT remain the largest sources of tax revenue, comprising approximately 80% of the total tax revenue collections. The table below provides a breakdown of the relative contributions of the different taxes to the tax revenue portfolio over the past six years. The relative contribution of CIT fell from 18.9% in the 2014/15 financial year to 15.9% in the 2019/20 financial year, while PIT increased from 35.9% to 39.0%, and VAT declined from 26.5% to 25.6% during this period.

The tax-to-GDP ratio has increased from 25.5% in the 2014/15 financial year to 26.3% in the year under review.

Breakdown of Revenue Collected and Contribution of Tax Revenue

Year	PIT	CIT	DT/STC	VAT	Fuel levy	Customs duties	Other	Total tax revenue	GDP*
	R million	R million	R million	R million	R million	R million	R million	R million	R million
2014/15	353 918	186 622	21 247	261 295	48 467	40 679	74 068	986 295	3 865 119
2015/16	389 280	193 385	23 934	281 111	55 607	46 250	80 414	1 069 983	4 124 704
2016/17	425 924	207 027	31 130	289 167	62 779	45 579	82 475	1 144 081	4 419 437
2017/18	462 903	220 239	27 894	297 998	70 949	49 152	87 330	1 216 464	4 698 724
2018/19	493 829	214 388	29 898	324 766	75 372	54 968	94 469	1 287 690	4 921 564
2019/20	**529 172**	**214 986**	**27 930**	**346 761**	**80 175**	**55 428**	**101 314**	**1 355 766**	**5 157 300**
	%	%	%	%	%	%	%	%	%
2014/15	35.9%	18.9%	2.2%	26.5%	4.9%	4.1%	7.5%	100.0%	25.5%
2015/16	36.4%	18.1%	2.2%	26.3%	5.2%	4.3%	7.5%	100.0%	25.9%
2016/17	37.2%	18.1%	2.7%	25.3%	5.5%	4.0%	7.2%	100.0%	25.9%
2017/18	38.1%	18.1%	2.3%	24.5%	5.8%	4.0%	7.2%	100.0%	25.9%
2018/19	38.3%	16.6%	2.3%	25.2%	5.9%	4.3%	7.3%	100.0%	26.2%
2019/20	**39.0%**	**15.9%**	**2.1%**	**25.6%**	**5.9%**	**4.1%**	**7.5%**	**100.0%**	**26.3%**

*Source: * Q1-2020 GDP, Statistics SA*

Tax Policy Measures

Tax relief was last granted in 2014/15 to individuals and companies totalling a net of R5.6 billion. The five years since then to 2019/20 saw the implementation of tax policy reforms resulting in tax increases, with the most significant in 2017/18 and 2018/19 of R28.0 billion and R36.0 billion respectively. The 2019 budget proposals estimated tax policy measures to contribute R15.0 billion to revenue collections in 2019/20, mainly from the PIT proposals. The one percentage point increase in the standard VAT rate

from 1 April 2018 was the main contributor to the estimated tax proposal increase in tax revenue in 2018/19.

The majority of the direct tax increases in the 2019/20 financial year stemmed from PIT, where income tax brackets remained unchanged, with no adjustments for inflation. This was expected to raise R12.8 billion in revenue, as individuals with an inflationary increase in their taxable income are subject to a higher tax burden. Combined with an estimated R1.0 billion from no adjustment to the medical tax credit, direct tax proposals were estimated to yield R13.8 billion. The estimated R1.2 billion from indirect taxes comprised of R1.0 billion from increases in excise duties for tobacco (R400 million) and alcoholic beverages (R600 million), as well as the introduction of a carbon tax on fuel (R1.8 billion), which were off-set by the inclusion of additional zero-rated VAT items (R1.1 billion) and a general fuel levy adjustment (R500 million).

Summary Effects of Tax Proposals

Year	Direct				Indirect				Other	Total relief/
	PIT	CIT	Other	Total	Excise	Fuel levy	Other	Total		
	R million	R million	R million	R million	R million	R million	R million	R million		R million
2014/15	-9 250	-1 000	-	-10 250	2 110	2 565	-	4 675		-5 575
2015/16	-	-150	100	-50	1 835	6 490	-	8 325		8 275
2016/17	-5 650	1 000	100	-4 550	2 284	6 800	-	9 084	456	4 990
2017/18	16 516	-	6 374	22 891	1 936	3 197	-	5 133		28 024
2018/19	7 510	-350	150	7 310	2 360	1 220	25 110	28 690		36 000
2019/20	**13 800**	**-**	**-**	**13 800**	**1 000**	**-500**	**700**	**1 200**		**15 000**
Total	**22 926**	**-500**	**6 724**	**29 151**	**11 525**	**19 772**	**25 810**	**57 107**	**456**	**86 714**

During the six-year period, maximum marginal tax rates remained unchanged across most tax types. The exception was PIT and Dividends Tax (DT). The highest marginal tax rate for PIT increased from 41% to 45% effective 1 March 2017. From 22 February 2017, the dividends tax rate increased to 20%. The standard VAT rate increased by one percentage point to 15%, effective 1 April 2018.

Maximum Marginal Tax Rate

Period	PIT*	CIT	DT	VAT
	%	%	%	%
01 Apr 2014 - 28 Feb 2015	40.0%	28.0%	15.0%	14.0%
01 Mar 2015 - 31 Mar 2015	*41.0%	28.0%	15.0%	14.0%
01 Apr 2015 - 31 Mar 2016	41.0%	28.0%	15.0%	14.0%
01 Apr 2016 - 21 Feb 2017	41.0%	28.0%	15.0%	14.0%
22 Feb 2017 - 28 Feb 2017	41.0%	28.0%	**20.0%	14.0%
01 Mar 2017 - 31 Mar 2017	*45.0%	28.0%	20.0%	14.0%
01 Apr 2017 - 31 Mar 2018	45.0%	28.0%	20.0%	14.0%
01 Apr 2018 - 31 Mar 2019	45.0%	28.0%	20.0%	***15.0%
01 Apr 2019 - 31 Mar 2020	**45.0%**	**28.0%**	**20.0%**	**15.0%**

*Note: * An individual's tax year starts on 1 March and ends at the end of February the subsequent year. The marginal rate for individuals increased from 40% to 41% with effect from 1 March 2015 and from 41% to 45% on 1 March 2017*
*** The rate of DT was increased to 20% on 22 February 2017*
****VAT rate increased from 14% to 15% as from 1 April 2018*

Customs and Excise Revenue Performance

Maximise Customs and Excise Revenues

SARS collected R381.6 billion in Customs and Excise revenue during the 2019/20 financial year, which equated to a R2.6 billion (0.7%) deficit against the RE of R384.3 billion, with under-collections of Import VAT and Customs duties accounting for most of this deficit. Import VAT is levied on goods imported into South Africa, and is calculated according to the value of these products.

Customs and Excise Revenue Performance by Tax Types for 2019/20

Tax type	Printed estimate Feb 2019	Revised estimate Feb 2020	Actual result	Increase/ decrease on Printed estimate	Increase/ decrease on Revised estimate
	R million	R million	R million	R million	R million
Import VAT	187 422	182 666	179 987	-7 434	-2 679
Customs duties	60 029	56 325	55 428	-4 601	-897
Specific excise	42 354	46 765	46 827	4 473	62
Fuel levy	82 958	79 277	80 175	-2 782	898
Electricity levy	8 562	8 025	8 291	-272	266
Incandescent light bulb levy	41	33	34	-7	1
Miscellaneous customs & excise	932	860	733	-200	-127
Health promotion levy[1]	1 986	2 590	2 446	460	-144
Health promotion levy on imports	245	54	67	-179	12
Other[2]	8 085	7 681	7 644	-441	-37
Total customs and excise revenue	**392 615**	**384 276**	**381 631**	**-10 984**	**-2 644**

1. Levy on locally manufactured products
2. Other includes Air departure tax, Plastic bags levy, Environmental Levy on Carbon Dioxide (CO^2) Emission of Motor Vehicles, Tyre levy, International Oil pollution fund levy, Diamond Export levy and Ad Valorem excise duties

Import VAT collections of R180.0 billion in the 2019/20 financial year, recorded a year-on-year growth rate of 2.7% compared to the previous year's 14.7%, equating to a shortfall against the RE of R2.7 billion (1.5%). This was largely driven by a subdued economic environment with passive levels of investment, domestic demand and household consumption, which resulted in weak levels of imports in key contributing commodities such as machinery, electrical machinery, vehicles and original equipment components, factoring into an overall 2.3% expansion in merchandise imports for the 2019/20 financial year.

Import VAT

Year	Actual	% Year-on-Year change	% of tax revenue	% of GDP
	R million	%	%	%
2014/15	136 544	4.2%	13.8%	3.5%
2015/16	150 745	10.4%	14.1%	3.7%
2016/17	149 265	-1.0%	13.0%	3.4%
2017/18	152 789	2.4%	12.6%	3.3%
2018/19*	175 185	14.7%	13.6%	3.6%
2019/20*	**179 987**	**2.7%**	**13.3%**	**3.5%**

**Includes VAT collections on goods imported through the South African Post Office*

Customs duty collections of R55.4 billion in the 2019/20 financial year grew by a year-on-year rate of 0.8% compared to the previous year's 11.8%, resulting in the RE being missed by R0.9 billion (1.6%). This was largely driven by a subdued economic environment with passive levels of investment, domestic demand and household consumption, which resulted in negative to weak levels of imports in key contributing commodities such as vehicles, electrical machinery, clothing and footwear, factoring into an overall 2.3% expansion in merchandise imports for the 2019/20 financial year.

Customs duties

Year	Actual	% Year-on-year change	% of tax revenue	% of GDP
	R million	%	%	%
2014/15	40 679	-7.9%	4.1%	1.1%
2015/16	46 250	13.7%	4.3%	1.1%
2016/17	45 579	-1.5%	4.0%	1.0%
2017/18	49 152	7.8%	4.0%	1.0%
2018/19	54 968	11.8%	4.3%	1.1%
2019/20	**55 428**	**0.8%**	**4.1%**	**1.1%**

Specific Excise revenue collected during the 2019/20 financial year was R46.8 billion. The percentage contribution to the total tax revenue collected increased to 3.5% for the 2019/20 financial year from a low of 3.1% in 2016/17 and 2017/18. The year-on-year growth of 14.7% is higher than the growth of 9.3% achieved in the previous year. Year-on-year growth is impacted by changes in consumption and demand, as well as changes in activities by companies producing these goods.

Specific Excise

Year	Actual	% Year-on-year change	% of tax revenue	% of GDP
	R million	%	%	%
2014/15	32 334	11.3%	3.3%	0.8%
2015/16	35 077	8.5%	3.3%	0.9%
2016/17	35 774	2.0%	3.1%	0.8%
2017/18	37 356	4.4%	3.1%	0.8%
2018/19	40 830	9.3%	3.2%	0.8%
2019/20	**46 827**	**14.7%**	**3.5%**	**0.9%**

The **fuel levy** registered a growth of 6.4% in collections against the previous financial year, mainly as a result of a 5.0% duty rate increase from April 2019. The growth decreased from 14.7% in the 2015/16 financial year, to 6.2% for the 2018/19 financial year and increased slightly to 6.4% in the 2019/20 financial year. The fuel levy on imports was higher than expected, which can be ascribed to exchange rate fluctuations, making it lucrative for imports. Diesel refunds, included under the fuel levy, increased by R2.9 billion (50.0%) compared to the previous year. Refunds are higher because of a drive to finalise and release older cases and clear other cases on the credit book.

Fuel levy

Year	Actual	% Year-on-year change	% of tax revenue	% of GDP
	R million	%	%	%
2014/15	48 467	10.9%	4.9%	1.3%
2015/16	55 607	14.7%	5.2%	1.3%
2016/17	62 779	12.9%	5.5%	1.4%
2017/18	70 949	13.0%	5.8%	1.5%
2018/19	75 372	6.2%	5.9%	1.5%
2019/20	**80 175**	**6.4%**	**5.9%**	**1.6%**

Electricity levy collections contracted by 1.3% in the 2019/20 financial year compared to the previous year. The growth in collections during the earlier few years was mainly driven by the rate increase (from 2.5 cents per k/Wh to 3.5 cents per k/Wh), which was implemented in July 2012. Although the duty rate increased by 40.0% effective 1 July 2012, growth in consumption was slow. The expectation is that the demand for electricity will decrease as a result of the muted economy.

Electricity levy

Year	Actual	% Year-on-year change	% of tax revenue	% of GDP
	R million	%	%	%
2014/15	8 648	-1.9%	0.9%	0.2%
2015/16	8 472	-2.0%	0.8%	0.2%
2016/17	8 458	-0.2%	0.7%	0.2%
2017/18	8 501	0.5%	0.7%	0.2%
2018/19	8 404	-1.1%	0.7%	0.2%
2019/20	**8 291**	**-1.3%**	**0.6%**	**0.2%**

The health promotion levy on sugary beverages was implemented on 1 April 2018, in support of the Department of Health's deliverables to decrease diabetes, obesity and other related diseases in South Africa. It is payable by manufacturers of sugary

beverages produced locally or imported for domestic consumptions.

The levy applies to beverages with more than 4 grams of sugar content per 100ml. A tax of 2.1 cents per gram is applied for every gram of sugar beyond the first 4 grams, which are levy-free. To avoid erosion in the value of the tax due to inflation, the levy rate increased to 2.21 cents per gram, in excess of 4 grams of sugar per 100ml, from 1 April 2019.

The Printed Estimate during February 2019 for the health promotion levy on sugary beverages was R2.2 billion, and was increased to R2.6 billion during the February 2020 Revised Estimate. Collections in the 2019/20 financial year exceeded the Printed Estimate by R0.3 billion and was below the Revised Estimate by R0.1 billion. About 97.3% of these received payments were paid on locally manufactured products. Payments contracted by R0.7 billion compared to the 2018/19 financial year.

Health Promotion Levy 2019/20

Tax type	Printed estimate Feb 2019	Revised estimate Feb 2020	Actual result	Increase/ decrease on Printed estimate	Increase/ decrease on Revised estimate
	R million	R million	R million	R million	R million
Health promotion levy[1]	1 986	2 590	2 446	460	-144
Health promotion levy on imports	245	54	67	-179	72
Total Health promotion levy	**2 231**	**2 644**	**2 513**	**281**	**-132**

[1] *Levy on locally manufactured products*

Tax Revenue Performance (excluding Customs and Excise)

Tax revenue, excluding Customs and Excise revenue, collected during the 2019/20 financial year amounted to R974.1 billion. This was R0.5 billion below the RE of R974.7 billion.

Tax Revenue (excluding Customs Revenue) Performance by Tax Type for 2019/20

Tax type	Printed estimate Feb 2019	Revised estimate Feb 2020	Actual result	Increase/ decrease on Printed estimate	Increase/ decrease on Revised estimate
	R million	R million	R million	R million	R million
Personal Income Tax (PIT)	554 807	529 309	529 172	-25 634	-137
Company Income Tax (CIT)	232 940	219 229	214 986	-17 954	-4 243
STC/DT	31 893	29 144	27 930	-3 963	-1 215
Domestic VAT	406 210	399 433	399 288	-6 922	-144
VAT refunds	-233 161	-237 897	-232 515	646	5 382
Taxes on property	17 159	16 038	15 980	-1 179	-58
Skills development levy	18 759	18 576	18 486	-272	-90
Other taxes and duties	987	826	807	-180	-19
Total tax revenue (excluding customs and excise)	**1 029 593**	**974 659**	**974 135**	**-55 458**	**-524**

PIT collections grew to R529.2 billion, R0.1 billion lower than the RE of R529.3 billion. PAYE collections were lower than forecasted, but this was offset by higher-than-expected PIT provisional tax payments. PIT was the largest contributor to tax revenue, contributing 39.0% of total revenue collections for the year under review. It comprises assessed and provisional tax, as well as Pay-As-You-Earn (PAYE) collected by employers on behalf of employees (net of refunds).

PIT revenue including interest

Year	Actual	% Year-on-year change	% of tax revenue	% of GDP
	R million	%	%	%
2014/15	353 918	13.8%	35.9%	9.2%
2015/16	389 280	10.0%	36.4%	9.4%
2016/17	425 924	9.4%	37.2%	9.6%
2017/18	462 903	8.7%	38.1%	9.9%
2018/19	493 829	6.7%	38.3%	10.0%
2019/20	**529 172**	**7.2%**	**39.0%**	**10.3%**

CIT revenue including interest

Year	Actual	% Year-on-year change	% of tax revenue	% of GDP
	R million	%	%	%
2014/15	186 622	4.0%	18.9%	4.8%
2015/16	193 385	3.6%	18.1%	4.7%
2016/17	207 027	7.1%	18.1%	4.7%
2017/18	220 239	6.4%	18.1%	4.7%
2018/19	214 388	-2.7%	16.6%	4.4%
2019/20	**214 986**	**0.3%**	**15.9%**	**4.2%**

Although slightly higher than in the previous year, the growth in PIT collections remains under pressure as a result of lower wage settlements, lower bonus pay-outs, job shedding, increased unemployment and inflation. Strong PIT provisional tax payments from Trusts during February 2020 were the result of high returns on investments. Capital gains tax on financial emigration by individuals also contributed to this performance. PIT, as a percentage of GDP, has grown during this period from 9.2% in 2014/15 to 9.9% in 2017/18, and further increased to 10.3% in 2019/20. The table shows the trend of increasing PIT collections from the 2014/15 to 2019/20 financial years.

CIT revenue, which comprises provisional as well as assessed taxes paid by companies (net of refunds), grew marginally by 0.3% to R215.0 billion, compared to the 2018/19 financial year. The marginal growth was mainly due to lower CIT refunds. The huge spike in CIT refunds released in August 2018, due to the finalisation of audits from companies in the manufacturing and telecommunications sectors, as well as the continued effort to clear the IT credit book, did not recur in the 2019/20 financial year. The sluggish recovery of CIT during the past five years is the main reason for the reduction in the Tax-to-GDP ratio.

Sector contributions to CIT revenue have changed significantly since the global financial crisis. The financial sector remains the largest contributor, in line with most other sectors, with the exception of mining, it declined slightly in the year under review. The contribution of the mining sector continues to grow following an improvement in the iron ore and PGM industries as a result of favourable commodity prices and a generally weak exchange rate. This sector continues to be one of the biggest contributors to the overall CIT collections, although at a lower rate. Increased growth from the mining sector (up by 11.0%) boosted CIT collections during the 2019/20 financial year.

The financial intermediaries, insurance and real estate, as well as the manufacturing sectors declined by 1.6% and 5.8% respectively compared to the 2018/19 financial year, following continued unreliable electricity supply, weak business and consumer confidence, as well as uncertainty in global growth in the latter part of the year.

CIT revenue by sector

Sector *	2017/18	2018/19**	Growth	2019/20	Growth
	R million	R million	%	R million	%
Agriculture	5 345	5 335	-0.2%	4 629	-13.2%
Mining	30 772	33 598	9.2%	37 310	11.0%
Telecommunications	9 673	7 982	-17.5%	7 499	-6.0%
Financial services	60 136	61 290	1.9%	60 314	-1.6%
Banks	*23 169*	*23 522*	*1.5%*	*23 633*	*0.5%*
Insurance	*20 101*	*20 445*	*1.7%*	*19 950*	*-2.4%*
Other financial services	*16 866*	*17 323*	*2.7%*	*16 731*	*-3.4%*
Manufacturing	41 415	34 382	-17.0%	32 394	-5.8%
Petroleum	*7 105*	*3 993*	*-43.8%*	*3 443*	*-13.8%*
Other manufacturing	*34 310*	*30 389*	*-11.4%*	*28 951*	*-4.7%*
Wholesale and retail trade	25 183	25 474	1.2%	25 028	-1.8%
Business services	21 455	22 083	2.9%	23 112	4.7%
Medical and health	5 672	5 703	0.5%	5 997	5.2%
Transport	4 627	4 047	-12.5%	3 815	-5.7%
Construction	5 410	4 342	-19.7%	4 032	-7.1%
Catering and accommodation	3 131	2 991	-4.5%	3 270	9.3%
Recreational and cultural	5 204	5 319	2.2%	5 525	3.9%
Other	2 216	1 843	-16.9%	2 063	11.9%
Total	**220 239**	**214 388**	**-2.7%**	**214 986**	**0.3%**

Note: **SARS-defined sector*
***2018/19 now reflects final audited figures.*
As these figures have been rounded, discrepancies may occur between the numbers of the component items and the totals in the tables

Dividends Tax/Secondary Tax on Companies (DT/STC) collections of R28.0 billion are significantly lower against 2018/19 by R2.0 billion (6.6%), mainly driven by contractions in the finance sector (a major contributor to DT/STC), as well as a negative growth in the agriculture, construction and manufacturing sectors. These sectors were negatively impacted by economic developments such as unreliable electricity supply, stagnant commodity prices, as well as the recent economic developments, which have weighed heavily on companies' profitability.

Furthermore, a consecutive quarterly GDP contraction of 1.4% in the fourth quarter of 2019 and a revised contraction of 0.8% in the third quarter of 2019, have also put more strain on DT/STC collections. The manufacturing industry was one of the largest contributors to the contraction, decreasing by 3.9% and contributing 0.5 percentage point in the third quarter of 2019.

DT and STC revenue

Year	Actual	% Year-on-year change	% of tax revenue	% of GDP
	R million	%	%	%
2014/15	21 247	22.8%	2.2%	0.5%
STC	*547*	*-39.9%*	*0.1%*	*0.0%*
DT	*20 700*	*26.2%*	*2.1%*	*0.5%*
2015/16	23 934	12.6%	2.2%	0.6%
STC	*428*	*-97.9%*	*0.0%*	*0.0%*
DT	*23 507*	*13.6%*	*2.2%*	*0.6%*
2016/17	31 130	30.1%	2.7%	0.7%
STC	*423*	*-1.1%*	*0.0%*	*0.0%*
DT	*30 707*	*30.6%*	*2.7%*	*0.7%*
2017/18	27 894	-10.4%	2.3%	0.6%
STC	*176*	*-58.4%*	*0.0%*	*0.0%*
DT	*27 719*	*-9.7%*	*2.3%*	*0.6%*
2018/19	29 898	7.2%	2.3%	0.6%
STC	*53*	*-69.7%*	*0.0%*	*0.0%*
DT	*29 845*	*7.7%*	*2.3%*	*0.6%*
2019/20	**27 930**	**-6.6%**	**2.1%**	**0.5%**
STC	*16*	*-70.0%*	*0.0%*	*0.0%*
DT	*27 914*	*-6.5%*	*2.1%*	*0.5%*

The major contributing sectors to the **domestic VAT** growth were finance with R7.7 billion (4.8%), wholesale and retail trade with R3.5 billion (6.2%), as well as manufacturing with R3.2 billion (5.9%). While the finance sector is the largest nominal contributor (42.0%), its 2019/20 growth of 4.8% is below the 5.5% that was required to reach the RE.

Domestic VAT

Year	Actual	% Year-on-year change	% of tax revenue	% of GDP
	R million	%	%	%
2014/15	286 889	8.9%	29.1%	7.4%
2015/16	297 422	3.7%	27.8%	7.2%
2016/17	321 475	8.1%	28.1%	7.3%
2017/18	336 279	4.6%	27.6%	7.2%
2018/19*	378 733	12.6%	29.4%	7.7%
2019/20*	**399 288**	**5.4%**	**29.5%**	**7.7%**

** Excludes VAT collected on goods imported through the South African Post Office*

VAT refunds amounted to R232.5 billion in 2019/20, which was R3.4 billion (1.5%) higher than the previous year. VAT refunds to SMMEs drove this growth, registering an increase of R8.7 billion (9.2%), while VAT refunds to large businesses contracted by R5.4 billion (4.0%). This increase was lower than the 19.9% in the 2018/19 financial year, which was driven by the VAT rate increase, combined with the Minister of Finance's announcement in the 2018 MTBPS that SARS would reduce its VAT refund credit book.

VAT refunds

Year	Actual	% Year-on-year change	% of tax revenue	% of GDP
	R million	%	%	%
2014/15	-162 138	3.4%	16.4%	4.2%
2015/16	-167 056	3.0%	15.6%	4.1%
2016/17	-181 574	8.7%	15.9%	4.1%
2017/18	-191 071	5.2%	15.7%	4.1%
2018/19	-229 151	19.9%	17.8%	4.7%
2019/20	**-232 515**	**1.5%**	**17.2%**	**4.5%**

VAT refunds are mainly driven by zero-rated supplies such as exports, investment in capital projects, level of imports and restocking. Growth in import VAT translates to higher VAT refunds when imports are used as inputs in the production process. The mining and quarrying, whole and retail trade, as well as manufacturing sectors received the largest amount of VAT refunds in 2019/20. These sectors benefitted from zero-rated exports as well as high input VAT, which translated into higher VAT refunds. Real gross fixed capital formation contracted by 0.9% in 2019 following a contraction of 1.4% in 2018.

Debt Book

The debt book as at 31 March 2020 includes the established debt (undisputed) of R108.7 billion, as well as the uncertain debt (disputed, older than 4 years and taxpayers not operational) of R68.3 billion, hence bringing the total debt book for the 2019/20 financial year to R177.0 billion.

SARS is in the process of migrating its tax and customs systems and processes from a modified cash basis of accounting to an accrual basis, which is defined in terms of standards of Generally Recognised Accounting Practice. Applying an accrual basis of accounting means that SARS will report revenue when it becomes due in terms of tax and duty legislation, as opposed to the current approach of only reporting revenue when cash is received.

Generally recognised accounting standards will be applied progressively on the basis of revenue classes (i.e. groupings of tax types). This will result in the simultaneous recognition and measurement of revenue, receivables and payables for the selected class of revenue so that a complete financial position is reflected. While migrating, taxpayer receivables and payables will remain on the modified cash basis of accounting and continue to be included as unaudited annexures.

This change is significant and requires that SARS conduct a detailed review of the end-to-end debt management processes, to determine what constitutes receivables and payables, and to perform an assessment of what is collectable in terms of the applicable accounting standard (GRAP108, which deals with Statutory Receivables). This review will be performed on all taxpayer accounts, which includes accounts that have been temporarily written off in terms of section 195 and 196 of the Tax Administration Act.

Temporary write-offs are debts capable of recovery but which are uneconomical to pursue on grounds of value for money. These debts are marked as temporarily written-off in SARS' accounts and excluded from ongoing debt recovery actions. These accounts continue to accrue interest and will be subject to recovery actions when SARS identifies economic activity, sources of funds, and/or an economical means or capability to collect. Since 2013, SARS has temporarily suspended collection actions on an accumulated value of R162 billion of accounts. This valuation exercise will result in SARS re-visiting its decision on all these accounts to determine the most appropriate accounting treatment, which may be to re-incorporate some of these accounts back in to receivables.

Unaudited Overdue Taxpayer Debt (receivables) as at 31 March 2020		
	2019/20	2018/19
	Rands	Rands
Segmentation		
Established Debt		
Active	97 892 368 096	76 014 997 066
Address Unknown	1 307 808 410	1 268 226 195
Estate	9 464 378 927	8 861 240 641
Total Established Debt	108 664 555 434	86 144 463 902
Uncertain Debt		
Debt Under Dispute	35 228 630 133	29 120 507 094
Objections	*15 484 987 614*	*16 218 201 378*
Appeals	*19 743 642 518*	*12 902 305 716*
Debt Older than 4 years	29 950 887 945	24 227 102 428
Taxpayers No longer operational	3 155 113 137	2 780 632 969
Total Uncertain debt	68 334 631 214	56 128 242 491
Total Overdue Taxpayer Debt	**176 999 186 648**	**142 272 706 393**
Comprising		
Capital	103 192 723 136	84 190 712 644
Additional Tax	37 850 526 926	28 303 144 289
Penalty	3 177 708 944	2 756 493 829
Interest	32 778 227 642	27 022 355 632
Total Overdue Taxpayer Debt	**176 999 186 648**	**142 272 706 394**
Administered Tax Analysis		
Income Tax	73 085 970 683	59 746 970 882
Individuals	*28 918 834 903*	*25 524 782 869*
Trusts	*2 308 989 028*	*1 725 693 216*
Companies	*41 858 146 752*	*32 496 494 798*
PAYE	18 085 474 267	13 573 034 332
VAT	59 800 540 555	51 159 950 928
STC	570 879 615	651 949 367
Diesel levies	995 731 303	449 660 031
SDL	2 026 101 438	1 701 126 676
UIF Contributions	2 516 268 323	2 224 089 961
Customs	5 439 463 871	3 187 144 191
Excise	4 276 854 987	318 237 221
Administrative Penalties	9 063 049 142	8 387 491 960
Estate Duty	208 356 811	198 757 280
Small Business Amnesty Levies	998 272	998 272
Dividends Tax	910 613 972	654 411 883
Donations Tax	18 883 409	18 883 409
Transfer Duty	-	-
Total Taxpayer Debt	**176 999 186 648**	**142 272 706 393**

Unaudited Taxpayer Credits (payables) as at 31 March 2020		
	2019/20	2018/19
	Rands	Rands
Income Tax	**-22 919 524 868**	**-24 250 376 492**
Income Tax	*-23 337 188 586*	*-24 655 780 227*
Unallocated payments	*-10 855 783*	*-10 841 055*
Returns not received	*428 519 501*	*416 244 789*
PAYE	**-3 852 813 823**	**-2 542 688 485**
PAYE	*-160 842 061*	*-65 338 684*
Unallocated payments	*-3 706 677 759*	*-2 494 010 684*
Returns not received	*14 705 996*	*16 660 882*
VAT	**-33 470 725 913**	**-24 935 962 451**
VAT	*-33 877 066 590*	*-24 337 321 993*
Unallocated payments	*-1 976 444 854*	*-1 403 399 866*
Returns not received	*2 382 785 532*	*804 759 409*
UIF	**-11 012 935**	**-23 522 333**
UIF Contributions	*-14 492 123*	*-29 914 257*
Returns not received	*3 479 187*	*6 391 924*
SDL	**-5 141 861**	**-10 870 718**
SDL	*-6 730 392*	*-14 147 131*
Returns not received	*1 588 531*	*3 276 413*
Diesel levies	**-3 358 519 429**	**-4 254 691 185**
Diesel levies	*-3 411 606 591*	*-4 283 598 142*
Returns not received	*53 087 161*	*28 906 957*
STC	**-58 264 313**	**-57 203 062**
STC	*-2 412 901*	*-1 485 755*
Unallocated payments	*-56 096 214*	*-56 096 213*
Returns not received	*244 802*	*378 906*
Estate Duty	**-**	**-**
Estate Duty	*-3 227 444 273*	*-2 997 848 660*
Returns not received	*3 227 444 273*	*2 997 848 660*
Dividends Tax	**-477 307 513**	**-169 683 924**
Dividends Tax	*-495 417 773*	*-198 672 210*
Unallocated payments	*-3 901 298*	*-3 901 298*
Returns not received	*22 011 558*	*32 889 583*
Administrative Penalties	**-4 748 254**	**-5 665 818**
Administrative Penalties	*-3 339 494*	*-4 517 202*
Unallocated payments	*-1 408 761*	*-1 148 616*
Small Business Amnesty (SBA) levies	**-7 531 387**	**-7 511 785**
Customs	**-75 305 219**	**-64 307 210**
Excise	**-46 782 513**	**-32 093 077**
Total Taxpayer Credits	**-64 287 678 029**	**-56 354 576 541**

R2.98 billion manual disputes were adjusted in 2018/19 financial year-end figure which were not coded but still need to be reclassified to disputed debt (the amount was classified under undisputed debt due to coding error.
R2.8 million Donations tax manual adjustment: The debt book excluding donation tax interest adjustment was R142 272 7 million vs Debt book with Donations tax interest R142 275 5 million.

4 PART FOUR
GOVERNANCE, LEGAL & RISK MANAGEMENT

Governance

SARS believes that all employees must do the right things in the right way at the right time to ensure informed, rational and reasonable decision making that underpins appropriate levels of service, education and enforcement in promoting voluntary taxpayer and trader compliance.

The SARS governance philosophy is informed by ethical and effective leadership, which results in governance outcomes inclusive of effective controls and an ethical culture. The combined assurance approach, which is a co-ordinated approach involving all assurance providers, is a journey which SARS has embarked upon. Ultimately, a combined assurance environment involving both internal and external assurance providers, will adequately address significant risks facing SARS, and will ensure that suitable controls exist to mitigate these risks. The integrity of information will also be enhanced, ultimately enhancing decision making by the Commissioner and Executive management.

SARS' journey towards a world class combined assurance system is a work in progress. In order to give impetus to further practical implementation, SARS adopted the following governance goals in 2019 to:

- embed risk-based governance that promotes effective and efficient risk management at all levels of the organisation, whilst improving efficiencies by cutting the red tape;
- establish a flatter organisational structure comprising regional, centralised, enabling and enterprise function clusters and sub-clusters that efficiently, effectively and ethically coordinate the functions holistically within and across clusters, in pursuit of standardisation, ongoing mutual adjustment, and where optimal, functional integration;
- develop capable and accountable leadership;
- clarify accountabilities and responsibilities with a view of incentivising proactivity and self-direction in delivery; and
- detach reporting arrangements from grade, designation or organisational level.

In order to ensure execution against the governance goals, SARS continues to:

a. set governance standards in line with national and international best practice;
b. ensure a common understanding of, organisational buy-in into, and implementation of such standards;
c. monitor compliance with governance standards across the organisation; and
d. incrementally measure the outcomes of deepening combined assurance.

Whilst most of the components of a combined assurance are being implemented in SARS, the challenge ahead is to link the components in combined assurance system thus giving practical effect to the golden thread between risk, strategy, control and performance.

Integrity Promotion

During the period under review, the Integrity Promotion Unit (IPU) conducted a number of sessions where issues concerning integrity and ethics were discussed and workshopped. These workshops were conducted as part of embedding the SARS Values and Code of Conduct across the organisation.

The following mechanisms were used to conduct the sessions:

- Induction for new employees
- Executive engagements
- Ethics and integrity training
- Integrity dialogues and workshops

Other activities included:

- Providing second line support and guidance on conflict of interest and ethical dilemmas cases.
- Development of Integrity Testing tool.

Parliamentary Engagements

Standing Committee of Finance (SCOF)	
Date of meeting	**Matters raised**
1 March 2019	**2019 Budget Submission:** NT and SARS response
20 March 2019	**Illicit Financial Flows**
4 July 2019	**2019/20 Annual Performance Plans:** NT and SARS
20 August 2019	**Induction and Stakeholder Engagement:** role, mandate and key strategic objectives and SARS
3 September 2019	**TLBB, TALAB, Rates Bill and Income Tax Amendment Bill:** NT and SARS
10 September 2019	**TLAB, TALAB, Rates Bill and Income Tax Amendment Bill:** public hearings
17 September 2019	**Nugent Commission recommendations:** progress report by SARS
18 September 2019	**TLAB, TALAB, Rates Bill and Income Tax Amendment Bill:** NT and SARS response to public submissions
9 October 2019	**2018/19 Annual Report:** NT and SARS
23 October 2019	**Financial Budgetary Review and Recommendations Report**
31 October 2019	**Medium Term Budget Policy Statement:** Minister and NT and SARS remarks
8 November 2019	**2019 Revised Framework:** NT and SARS response to public submissions
19 November 2019	**Illicit Tobacco Trade:** SARS briefing
20 November 2019	**TLAB, TALAB and Rates Bill:** finalisation
27 February 2020	**2020 Budget:** NT and SARS briefing with Minister and Deputy Minister

Selected Committee on Finance (SECOF)	
Date of meeting	**Matters raised**
6 March 2019	**Carbon Tax Bill, Customs and Excise Amendment Bill, PIC Amendment Bill**: briefing
12 March 2019	**Carbon Tax Bill, Customs and Excise Amendment Bill, PIC Amendment Bill:** public hearings
19 March 2019	**Carbon Tax Bill, Customs and Excise Amendment Bill, PIC Amendment Bill:** adoptions; Financial Matters Amendment Bill: briefing
12 November 2019	**2019 Revised Fiscal Framework and Revenue Proposals (MTBPS):** committee report
27 November 2019	**Tax Bills: (TLAB and TALAB):** public hearings and NT response
3 December 2019	**Tax Bills (TLAB and TALAB) and Rates Bill:** finalisation
4 December 2019	**Tax Bills:** adoption

Executive Authority Engagements

SARS submits a monthly report to the Ministry of Finance, which covers progress in relation to the SARS Annual Performance Plan, as well as other pertinent aspects. Other engagements are done on a one-on-one basis between the Minister and Commissioner, as and when required.

SARS Committees

Committee	No. of meetings held	No. of members	Name of members
EXCO	1 Meeting 3 April 2019	10	Acting Commissioner: Mark Kingon Chief Officer: Governance, International Relations, Strategy and Communications: Hlengani Mathebula Chief Officer: Human Capital and Development: Teboho Mokoena Chief Officer: Finance: Johnstone Makhubu Acting Chief Officer: Customs and Excise Taxes: Beyers Theron Acting Chief Officer: Legal Counsel: Makungu Mthebule Acting Chief Officer: Large Business: Narcizio Makwakwa Acting Chief Officer: Enforcement: Viwe Mlenzana Acting Chief Officer: Business and Individual Tax: Dan Zulu Acting Chief Officer: Digital Information Systems and Technology: Intikhab Shaik
ERMC	1 Meeting 22 August 2019	10	Commissioner: Edward Kieswetter Acting Special Advisor to the Commissioner: Mark Kingon Acting Chief Officer: Human Capital and Development: Takalani Musekwa Acting Chief Officer: Finance: Johnstone Makhubu Acting Chief Officer: Customs and Excise Taxes: Beyers Theron Acting Chief Officer: Legal Counsel: Makungu Mthebule Acting Chief Officer: Large Business: Narcizio Makwakwa Acting Chief Officer: Enforcement: Viwe Mlenzana Acting Chief Officer: Business and Individual Tax: Dan Zulu Acting Chief Officer: Digital Information Systems and Technology: Intikhab Shaik
ARC	4 Meetings 26 July 2019 30 Aug 2019 15 Nov 2019 21 Feb 2020	3 external members	Mr Sathie Gounden; Mr Thabiso Ramasike; Ms Doris Dondur

SARS Executive Committee

Mr. EC Kieswetter was appointed by the President of the Republic of South Africa as the new Commissioner of SARS and his 5 year term commenced 1 May 2019. Upon arrival of the newly appointed Commissioner, the controlling entity's Executive Committee was put on hold, therefore disclosures for this Committee only relate to April 2019.

During the 2019/20 financial year, one of the newly appointed Commissioner's focus areas was to implement the recommendations of the Nugent Commission, and this specifically required him to address the leadership challenges in SARS.

The Commissioner took action and subsequently, the absolute majority of the previous EXCO members left the employ of SARS. The Commissioner engaged the remaining top 50 leaders in SARS, and initiated a recruitment process to appoint a permanent leadership team.

EXCO Member	Position	Permanent/Acting	Changes in the 2019/20 financial year
Mark Kingon	Acting Commissioner	Acting	30 April 2019 end
Edward Kieswetter	Commissioner	Permanent	1 May 2019 begin
Beyers Theron	Acting CO: CET	Acting	30 April 2019 end
Teboho Mokoena	CO: HC&D	Permanent	30 April 2019 end
Hlengani Mathebula	CO: GISC	Permanent	30 April 2019 end
Viwe Mlenzana	Acting CO: Enforcement	Acting	30 April 2019 end
Dan Zulu	Acting CO: BAIT	Acting	30 April 2019 end
Johnstone Makhubu	CO: Finance	Permanent	30 April 2019 end
Makungu Mthebule	Acting CO: Legal Counsel	Acting	30 April 2019 end
Narcizio Makwakwa	CO: Large Business	Permanent	30 April 2019 end
Intikhab Shaik	Acting CO: DIST	Acting	30 April 2019 end

- SARS Chief Officer Governance, International Relations, Strategy and Communication, Mr. HC Mathebula, was suspended on 31 July 2019, based on recommendations made in the Nugent Report (2019) and resigned on 31 August 2019.
- SARS Chief Digital Information and Services Technologies, Ms. LJM Makhekhe-Mokhuane, was suspended on 21 August 2019 and resigned on 1 October 2019, following a disciplinary inquiry into allegations of misconduct.
- SARS Chief Officer Human Capital and Development, Mr. TMI Mokoena, was suspended on 31 July 2019, based on recommendations made in the Nugent Report (2019) and resigned 11 October 2019.
- SARS Chief Legal Officer, Ms. R Mokoena, was suspended on 20 September 2018 and her services terminated on 16 November 2019, following a disciplinary inquiry into allegations of misconduct.

Enterprise Risk Management

The SARS Commissioner, as the Accounting Authority for SARS, a Schedule 3 Public Entity, has the responsibility in terms of section 51(1)(a)(i) of the Public Finance Management Act, 1999 (PFMA), to ensure that the entity has, and maintains an effective, efficient and transparent system of risk management. The Commissioner has duly executed this responsibility and established an Enterprise Risk Management (ERM) function at SARS to manage the risk governance process. The ERM unit developed and approved an enterprise-wide Risk Management Policy and ERM framework, aligned to the ISO 31000-2009 International Standards and the King IV Report on Corporate Governance, to provide regulatory and general guidance on risk management in the organisation.

During the last financial year, SARS senior leadership has performed a review of its strategic risk and emerging risk exposure. This was undertaken by way of an EXCO risk workshop, which took into consideration the global risks from the World Economic Forum (WEF), high risks identified by Tax Administrations within the OECD Forum on Tax Administration (FTA) and the top country risks for South Africa as reported by the Institute of Risk Management of South Africa (IRMSA). Under the guidance of the Commissioner, SARS reviewed its operating model and identified nine new Strategic Objectives. Risk alignment and consolidation with the SARS Strategic Intent and nine new Strategic Objectives is well underway.

SARS has a sophisticated risk governance and reporting structure embedded in the organisation. SARS established an Enterprise Risk Management Committee (ERMC), which is a governance structure to gain consensus on the top risks identified, and the current and emerging risks in the organisation. The business areas within the organisation managed their risks through operational risk registers and regular feedback during Divisional Risk Management Committee (DRMC) meetings. In addition to the internal risk committees and governance structures, the Audit and Risk Committee, as an external governance committee, was convened quarterly during the financial year to review and provide recommendations on the top risks and the risk governance processes.

SARS' management of its operational risk profiles is conducted at the DRMC, where risks and their associated progress are reviewed and re-rated. Operational and strategic risks undergo a similar process at ERMC meetings. A risk pack is prepared and reviewed by the ERMC for submission to the Audit and Risk Committee, which independently monitors the effectiveness of the system of risk management. The top risks at SARS are published in the SARS Annual Performance Plan (APP), which is available to the public. Additional transparency to improve the integrity of risk management is found in SARS' quarterly reports to the National Treasury on the progress of its top risks.

SARS has seen an improvement in certain areas in managing the top risks to the organisation. For example, in terms of the cyber security risk, SARS has improved its IT security such that the organisation has not had any major cyber security incident to date. Additionally, to combat illicit trade and smuggling, SARS has reconstituted the Illicit Economy Unit, which has already resulted in successes during the 2019/20 financial year. To further improve on its risk management and ultimately organisational performance, SARS is embarking on major operational changes, some in response to the risks that have been highlighted both in its internal risk assessment, and through risks highlighted by the Nugent Commission.

In the 2019/20 financial year, a global emerging risk was presented by the consequences of the COVID-19 pandemic. Under the guidance of its Commissioner, SARS embarked on the establishment of a COVID-19 task team, with the intention of ensuring that appropriate measures are put in place to mitigate and manage the risk of the Corona virus. This also ensured that the health and safety of the employees, taxpayers and traders are not compromised.

The following table highlights SARS' top risks, and updated key mitigating actions identified to manage these risks as at the end of the fourth quarter of the 2019/20 financial year. The risks listed below are in no particular order of ranking.

Risk Title	Mitigation Actions
Cyber Security Threat: The escalation of large-scale cyber-attacks nationally and globally leads to SARS' vulnerability and in the event of an attack, could result in taxpayer and trader confidentiality breaches and severe reputational damage.	◻ A cyber security roadmap to ensure vigilance, ownership and ongoing management was developed. ◻ The Data Loss Prevention (DLP) programme was implemented across SARS. ◻ Additional Firewall security in the form of Distributed Denial of Service (DDOS) was implemented.
Loss of Public Trust and Credibility: Damage to the reputation of SARS due to: ◻ Negative media reports. ◻ Varying levels of service provided to customers and stakeholders. ◻ SARS non-compliance to legislation and regulations. These may lead to the projection of a negative perception of SARS and result in loss of public trust and credibility.	◻ SARS communication assesses and monitors any potential risk or damage to SARS' image. ◻ The new SARS Strategic Plan is repositioning the organisation. ◻ SARS' Enterprise Compliance Unit has been re-established.
Illicit Trade and Smuggling: Poor border control leads to smuggling (narcotics and counterfeit goods), illicit trade, trade mispricing and illicit financial flows whose negative socio-economic impact threatens economic growth, undermines legitimate formal business activity as well as job security and creation. Poor risk profiling, technology and skills lead to the inability to detect non-compliance and enforce compliance, as well as to the poor management of the risk posed by the illicit economy and the shadow economy.	◻ An integrated capability to focus on illicit trade and illicit financial flows was established to detect and investigate instances of non-compliance. ◻ A customs risk-based client segmentation model was developed and implemented to bolster targeted enforcement initiatives. ◻ SARS is continuing its work with the DTIC through the Inter-Agency Working Group (chaired by the FIC and SARS) to address the ongoing challenges in illicit trade. ◻ The "Watch and Fraud" list has been created to monitor actions of refund fraud syndicates on SARS' systems. ◻ An integrated audit team in Excise is continuing with the audits on tobacco.
Increasing non-compliance by taxpayers and traders: Weak case selection and taxpayer profiling, the inability to identify potential tax avoidance schemes, failed strategic enforcement projects, inadequate resources and skills needed to detect and act against sophisticated tax avoidance schemes lead to ineffective enforcement interventions, which result in increased non-compliance and the inability to meet the revenue and duty targets required to meet fiscal demands.	◻ A new 2020/21 SARS Compliance Programme was developed, and some elements have already been implemented in business.

Risk Title	Mitigation Actions
Business Interruption: The lack of an approved enterprise-wide Business Continuity Management (BCM) framework leads to an inability to plan a response to unplanned business interruptions, and in the event of an incident, results in prolonged business interruption, operational failures and potential business failure.	◻ In line with the new SARS approach, the Operational Enablement & Production Planning division has the responsibility to ensure that SARS has Business Continuity Plans across its businesses.
Loss and leakage of data and information: The lack of a co-ordinated enterprise-wide approach to protect and secure digital and physical information leads to fragmented and inefficient management and security controls, resulting in loss, theft and exploitation of data and physical information	◻ SARS has implemented a refocused enterprise-wide Security Awareness programme, with a dedicated team solely focusing on delivering the Cybersecurity roadmap, aimed at protecting and securing data and physical information. The Data Management Division is responsible for all SARS data management issues.
Non-achievement of revenue estimates due to lower than expected revenue collections: A unfavourable global and domestic economic environment contributes to the decline in business activity, profitability and reduced tax revenue, due to macro-economic factors such as the impact of lower-than-expected economic growth, new tax policies (such as the health promotion levy and carbon tax), national debt sustainability during different economic scenarios, micro-economic factors including household debt sustainability, declining employment rates and increasing business liquidations. Inaccuracies in the tax register and an inadequate registration process, as well as declining compliance levels due to inadequate enhanced/ targeted enforcement capability.	◻ Focus has been created on revenue collected from compliance activities. While the economy will take time to recover, SARS is seeking to derive revenue by enhancing its own compliance activities in a revenue plan, which has been developed to ensure the consolidation of revenue related work, thus improving chances of attaining set targets.
Workforce capacity and allocated staff budget are not aligned: The lack of required funding to fully capacitate the SARS Workforce Plan results in existing staff being over-worked, which impacts directly on revenue collection, delivery and the quality of SARS' strategic outcomes, as well as existing staff morale.	◻ A dialogue with National Treasury for SARS funding requirements is ongoing. ◻ The Medium Term Capacity Framework for 2019/20 – 2021/22 document is in the process of being approved. ◻ The Recruitment Policy has been updated to address immediate capacity requirements.

Internal Audit

Objective

Internal Audit helps the organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluating and improving the effectiveness of risk management, control, and governance processes. Internal Audit at SARS is an independent, objective assurance and consulting activity designed to add value and improve the organisation's operations. The SARS Commissioner has accordingly maintained an internal audit unit as per statutory requirements, in particular section 51(1)(a)(ii) of the PFMA, which states that the Accounting Authority (the Commissioner) must ensure that SARS has, and maintains a system of internal audit under the control and direction of an Audit and Risk Committee.

The purpose, authority, and responsibility of the internal audit function are formally defined in the Audit Charter, which is reviewed and approved by the Audit and Risk Committee. Internal Audit executes its work according to the Treasury Regulations and the Standards of the Institute of Internal Auditors (IIA). For the best management practice, reference is made to the King IV principle 15, which outlines internal audit arrangements needed to provide relevant and objective assurance that contribute to the effectiveness of governance risk management and control processes.

Summary of work done for the 2019/20 financial year

The strategic thrust of internal audit is aimed at realising the following key objectives:

- Providing quality, valued (assurance) services and proactive advice to assist SARS in achieving its Strategic Objectives.
- Enhanced focus on SARS risk environment to align audit work with critical/emerging risks that the organisation faces.
- Modernising internal audit processes to provide an efficient service.

Internal Audit has implemented a risk-based audit plan that was approved by the Audit and Risk Committee. The audit coverage comprised reviews in the sphere of governance, risk management and internal controls, to provide reasonable assurance to the Audit and Risk Committee on the state of internal controls within SARS.

Compliance with Laws and Regulations

To ensure compliance with all national and international laws and regulations, as well as professional standards, accepted business practices and internal standards, SARS established the compliance function under the Enterprise Compliance Risk Unit. In the year under review, SARS began to develop the Compliance Risk Management Framework, including the compliance risk policy and compiled the compliance universe consisting of 103 pieces of legislation, divided into primary (66) and secondary (37) legislation. The compliance universe provides the basis for identifying and risk rating all the compliance requirements the organisation has to comply with.

Fraud and Corruption

The work of the Anti-Corruption Unit (ACU) gives effect to SARS' zero tolerance for fraud and corruption.

Since April 2019, most of the 198 cases received for investigation involved unauthorised interference in tax matters (ITM - 59), ghost exports (26), fraud/misconduct in other customs processes (25), customs corruption (11) and information breaches (19). A total of 70 of the 276 investigations completed were referred for internal disciplinary action.

Arrests in ACU cases: Five external individuals were arrested for charges related to fraud, soliciting and attempted corruption.

Mechanisms in place to report fraud and corruption:

SARS has a whistle-blower policy.
There are several entry points which reporters and whistle-blowers can use to report a case for investigation by the ACU. Employees may use of any of the following avenues to make protected disclosures:

- Lodge a formal grievance in line with the SARS grievance procedure
- Inform their direct line managers
- Inform their line managers' managers where the disclosure implicates the employee's immediate line manager
- Utilise the Hotline number (0800 00 28 70)
- Inform any member of the Anti-Corruption Unit
- Inform any member of the Fraud Investigations unit
- Inform any member of the Employee Relations unit
- File a Report of Suspected Non-compliance (RSN) on the SARS website or Intranet

Regardless of the channel used, all incidents will be submitted via a Report of Suspected Non-compliance (RSN 01) form to Case Selection, which will evaluate and assign the case to the relevant SARS unit. When the ACU receives a case from Case Selection and registers it, all actions related to the case are recorded on the ACU Case Management system i.e. from registration to closure of the case. Managers have to approve all major phases in the lifecycle of a case (e.g. proceeding from preliminary investigation to full investigation phase, referral to Employee Relations for initiation of disciplinary action, and closure of cases).

Where received cases do not fall within ACU's scope of work, the case is referred to the relevant SARS unit. In cases where an immediate and urgent investigation is warranted for certain reasons, for example, evidence preservation or risk mitigation, the ACU Executive may approve a "Request for urgent investigation" memorandum. The case will then be immediately registered and assigned to a manager, and allocated to an investigator. However, the same steps will still follow as set out above while the investigation has commenced – i.e. an RSN will be submitted to Case Selection for approval.

Where the matter is referred for disciplinary action, it is referred to Employee Relations for evaluation and decision on whether to proceed with disciplinary action. Employee Relations will initiate disciplinary action and appoint a presiding officer. SARS records all disciplinary records on SAP as well as on the employees' personnel files.

When an internal investigation concludes that a supplier has committed fraud/corruption in collusion with a SARS employee, a criminal case is registered, and support is provided to the SAPS and NPA until the case concludes in court.

Legal Counsel

Legislative, Policy Principles and Standards Framework

Our mandate is derived from the **SARS Act**

Principles of a good **Tax System**

- Efficiency
- Equity
- Simplicity
- Transparency
- Certainty

Governance & Oversight

- Executive Committee
- Audit and Risk Committee
- Standing Committee on Finance
- Ministry of Finance
- Office of the Auditor-General
- Office of the Public Protector
- Office of the Tax Ombud

Policy Makers

Standards

WCO Framework of Standards

- Utilising advanced electronic manifest information to allow risk assessment
- Using a common risk management approach
- Using non-intrusive detection equipment to conduct examinations
- Enabling the accrual of benefits to nations, Customs and business conforming to standards

OECD

- Designed Common Reporting Standard (CRS) for countries and tax authorities globally
- SARS, as an early adopter, committed to Automatic Exchange of Information (AEOI)
- Minimum standards and other elements under the Base Erosion and Profit Shifting (BEPS) action items

SARS Administers Various Acts

Income Tax Act, 1962

Customs and Excise Act, 1964

Value-Added Tax Act, 1991

Tax Administration Act, 2011

Estate Duty Act, 1955

Transfer Duty Act, 1949

Unemployment Insurance Contributions Act, 2002

Skills Development Levies Act, 1999

Mineral and Petroleum Resources Royalty and Administration Acts, 2008

Securities Transfer Tax and Administration Acts, 2007

Diamond Export Levy and Administration Acts, 2007

Merchant Shipping (International Oil Pollution Compensation Fund) Contribution and Administration Acts, 2013

Employment Tax Incentive Act, 2013

Amendment Acts

SARS conducts extensive research to support the drafting and development of Acts pertaining to tax proposals and international Tax and Customs agreements. National Treasury is responsible for drafting amendments to South Africa's tax legislation around tax policy matters. SARS is responsible for drafting amendments to legislation relating to tax administration and customs and excise.

SARS meets regularly with National Treasury, the Department of Trade, Industry and Competition, Department of Environmental Affairs, Forestry and Fisheries, Department of Mineral Resources and Energy, International Trade Administration Commission, traders and tax practitioner organisations, to help improve the legislation SARS administers. A draft revised Common Reporting Standard regulations under section 257 of the Tax Administration Act, 2011, was released for public comment in June 2019. Following the release of a discussion paper on the diesel refund system in 2017, industry-specific workshops in 2018 and further technical inputs from stakeholders in 2019, draft amendments were released for public comment in January 2020.

Bills Promulgated

Act	Date
Customs and Excise Amendment Act, 2019 (Act No. 13 of 2019),	23 May 2019
Rates and Monetary Amounts and Amendment of Revenue Laws Act, 2019 (Act No. 32 of 2019),	15 January 2020
Tax Administration Laws Amendment Act, 2019 (Act No. 33 of 2019)	15 January 2020
Taxation Laws Amendment Act, 2019 (Act No. 34 of 2019),	15 January 2020

Corporate Legal Services

Corporate Legal Services (CLS) provides a non-tax, in-house, legal service to the organisation, protecting its commercial interests, ensuring organisational legal compliance, assessment of legal risks, as well as advising on sound corporate governance principles.

CLS provides legal advice and opinions to SARS business units, and its key deliverables, including the provision of high-level and complex legal opinions to SARS, are managing damages claims, non-tax litigation, risks and dispute resolution, negotiating, drafting and managing all aspects of SARS' leases and Memoranda of Understanding (MOU), managing SARS' intellectual property portfolio and legal aspects of supply chain management, ensuring SARS' contracts meet business needs and manage risks, managing corporate and commercial litigation on non-tax matters, and administering Promotion of Access to Information Act, 2000 (PAIA) and Promotion of Administrative Justice Act, 2000 (PAJA) requests.

Legal Advisory Services

SARS continues to provide clarity and certainty to taxpayers on the interpretation of tax legislation and other laws administered by SARS. Various interpretation notes and brochures on new and contentious areas of legislation were published, and interpretative tax policy documents were updated timeously. Binding private and class rulings on future transactions and non-binding rulings on PIT and CIT legislation were also issued.

Table of Rulings

287 Binding rulings	37 Company Income Tax
	205 Value-Added Tax
621 Non-binding Opinions	99 Company Income Tax
	522 Personal Income Tax

Legal Delivery and Dispute Resolution

SARS resolves appeal cases on a fair and reasonable basis. This is done through the alternative dispute resolution (ADR) process where suitable, the Tax Board process where applicable, or the litigation process. Governance support is also provided to regional and head office committees.

SARS finalised 7 981 cases through the ADR process. These cases dealt with are as follows: 1 322 cases were withdrawn by taxpayers, 112 cases were referred to be dealt with through the Tax Court process, 90 cases were referred back to the Tax Board, 33 cases were referred back to branches, 75 Customs and Excise cases were terminated, 556 cases were settled, and 5 793 cases were conceded (of which 601 were partially conceded).

116 cases were finalised through the Tax Board process, 9 of which were upheld, 6 were conceded, 16 withdrawn, 37 referred for further appeal to Head Office, 28 dismissed and 20 settled.

Of the appeals that proceeded to Tax Court litigation, 52 judgments were in SARS' favour, while 12 judgments were not. SARS' evolving litigation strategy is to ultimately promote voluntary compliance, through seeking clarity in uncertain areas, defending SARS' position if a clear position exists, actively litigating when enforcement is the objective, and resolving disputes when this is appropriate. In this period, 38 litigation cases were resolved without proceeding to court.

International Tax and Customs Agreements

An agreement was reached at an official level with other jurisdictions in respect of the below state four international tax and customs agreements, to improve the international treaty network and co-operation between Tax and Customs administrations:

- Customs Mutual Administrative Assistance Agreement with Malawi.
- Protocol amending Customs Mutual Administrative Assistance Agreement with Zambia.
- Arrangement on the automatic exchange of customs information with Lesotho.
- Protocol amending the Double Taxation Agreement with Kuwait.

An agreement was reached at an official level on:

- Synthesised texts, merging existing Double Taxation Agreements with partner jurisdictions' positions and South Africa's un-ratified positions on the Multilateral Convention, to Implement Tax Treaty Related Measures to Prevent Base Erosion and Profit Shifting, with Australia, Mauritius, Singapore and Switzerland.

SARS Social Responsibility

The Social Responsibility (SR) Unit is the custodian of SARS' social responsibility initiatives, which enables SARS to provide assistance to disadvantaged members of society through social initiatives, with the aim of making an impactful difference in the lives of vulnerable people.

The SARS 2019/20 SR initiatives primarily focussed on the donation of decommissioned assets, through its partnerships with the Department of Education and the Department of Social Development, to mainly Government schools (non-fee paying) and a few Non-Government Organisations (NGOs). SARS donated a total of 7 888 decommissioned IT and office furniture assets to 269 primary and high schools in all nine provinces in South Africa.

SARS SR programmes seek to promote volunteerism/community activism, which includes the donation programme and an element of tax awareness. There are currently over 100 active SARS volunteer champions who are adding value to their communities. Together with the Taxpayer Education Division, SR invests in future taxpayers through the provision of tax education at donor schools.

Mandela Day

SARS Mandela Day volunteerism under the theme "Action against poverty" with sub themes of "Take Action. Inspire Change" and "Make Every Day a Mandela Day" incorporated some of the following initiatives:

Tadimane Secondary School (Elias Motsoaledi Local Municipality)

The Mandela Day Career Guidance Programme's objective was to see at least 15 learners, not only to hear from them but to use the knowledge that would be shared on the day to advance their careers and ultimately eliminate skills shortage on the continent.

TLC Children's Home (Johannesburg South)

This home provides family care to abandoned babies. SARS' nursery drive saw the beneficiaries receiving supplies of baby formula, diapers, baby food and toiletries.

Tafta Home for the Aged (Durban central)

The KZN team treated the senior citizens to a pamper day which included hand massages, manicures and a tea party. A donation of various items was also handed over to the home.

Generaal Nicolaas Smit Primary School (Pretoria)

The theme for the event was "Let Your Light Shine", and included a fun filled day of games and other entertainment.

Western Cape CBD

The blanket drive, which included the distribution of coffee and sandwiches in the Cape Town CBD, saw SARS personnel showing care and concern to persons in need.

The Bookery

SARS staff helped cover books at this NGO that builds libraries for disadvantaged schools in Cape Town. Each book covered costs R10, and this will go towards the sustainability of the libraries.

Makgatlhanong Primary School (Winterveldt)

The SR team led a delegation to the school where the day was spent interacting with Principal Ndlovu, his staff and the scholars. The day ended with the donation of school shoes and socks to pupils.

Child Welfare's (Sunnyside)

The day saw SARS staff and the Commissioner engage in household and play area repairs, painting the classrooms, and a touch of gardening, preparing and sharing a meal with the donors, and fun and games on the soccer field.

Report of the Audit and Risk Committee

Introduction

The Audit and Risk Committee ("the Committee") is established as an independent statutory committee in terms of the PFMA. The committee functions within approved terms of reference, which are reviewed at least annually to ensure their continued relevance) and complies with relevant legislation, regulation and governance codes.

The Committee is pleased to present this report for the year ended 31 March 2020, as required by the Treasury Regulations 3.1.9 and 3.1.13 (b) and (c) issued in terms of sections 38 (1) (a)(i) and 76(4)(e) of the PFMA.

The Committee is required to report amongst others on the effectiveness of the internal controls, the quality of the management reports submitted in terms of the Division of Revenue Act as well as its evaluation of the annual financial statements.

The 2020 Covid-19 pandemic has set the Committee on an oversight journey for which there is no roadmap or guidance. The Covid-19 pandemic is a perfect example of an emerging risk that came from left field and resulted in the Committee having had to perform oversight of and adequately discharge its responsibility, particularly as the Committee had to consider the adequacy of the risk management frameworks to adequately build in an ability to respond to such 'Black Swan' events – and the interconnectivity of risks under these circumstances. In discharging this responsibility, the Committee focused its attention on:

- Health, Safety and Human Resources Considerations;
- Governance Implications;
- Strategic and Economic Implications;
- Operational Resilience, which includes Technology Implications;
- Financial Reporting Implications;
- The Impact on the Lines of Defence; and
- Regulatory Implications.

Audit and Risk Committee Members and Attendance

The composition of the Audit & Risk Committee members is such that all Treasury Regulations requirements are met in terms of financial literacy and independence. The Audit & Risk Committee consists of three external members and is chaired by Mr Sathie Gounden.

The Commissioner, Chief Financial Officer and Internal and External Auditors have a standing invitation to all meetings of the Committee. The Committee is required to meet at least four times per annum as per its approved terms of reference. Four (4) meetings were held for the reported financial period ended 31 March 2020.

Audit and Risk Committee Members				
Meeting Dates	**26 July 2019**	**30 Aug 2019**	**15 Nov 2019**	**21 Feb 2020**
Sathie Gounden: **Designations:** Chartered Accountant (SA) Chartered Director (SA)® **Qualifications:** B Compt (Unisa) Higher Diploma in Accountancy (University of Durban-Westville) Certificate in Forensic Accounting & Fraud Examination (University of Pretoria) Executive Leadership Development Institute Programme (Harvard Business School & NABA) Certificate of Mediator Accreditation (Conflict Dynamics)	√	√	√	√
Thabiso Gerald Ramasike: **Designation:** CAIB (SA) – (Institute of Bankers of SA) **Qualifications:** BComm (UJ) Senior Executive Development Programme (GIBS) Global International Executive Development Programme – (University of Toronto and York University, Canada)	√	√	√	√
Doris Dondur **Designations:** Chartered Accountant (SA) Chartered Director (SA)® **Qualifications:** Bachelor of Accounting (Stellenbosch) Honours B Compt (Unisa) Global International Executive Development Programme (Wits & London Business School) International Executive Development Programme (University of Reno) Honours in Business Administration (Stellenbosch Business School) Masters in Business Administration (Stellenbosch Business School) Post Graduate Certificate in Labour Relations (Unisa) (Cum Laude)	√	√	√	√

Audit and Risk Committee Responsibilities

The Committee is satisfied that it has complied with its responsibilities as outlined in Section 38(1) (a) of the PFMA and Treasury Regulation 3.1. The Audit Committee also reports that it has adopted and reviewed formal terms of reference as its Audit Committee charter, and has discharged all its responsibilities as contained therein.

The Committee was, during the year under review, unable to meet with the Executive Authority and raise issues of concern which impact on the organisational performance and the overall internal control environment as well as future financial reporting due to the lack of funding to implement the required imminent Accounting Standards (GRAP).

The Effectiveness of Internal Control

The system of internal controls is designed to provide cost effective assurance that assets are safeguarded and that liabilities and working capital are efficiently managed. From the various reports issued by the Internal Audit function, the External Audit Report on the Annual Financial Statements and management letters of the Auditor-General, it was noted that no significant or material non-compliance with prescribed policies and procedures has been reported. However, the internal control environment had regressed during the year under review. Management has given the Audit and Risk Committee the assurance that processes are put in place to improve the system of internal control.

In line with the PFMA and the King IV Report on Corporate Governance, the Internal Audit function provided the Committee and management with assurance that the internal controls are appropriate and effective. This is achieved by means of the risk management process, as well as the identification of corrective actions and suggested enhancements to the controls and processes. The Committee's review of the findings of the Internal Audit work revealed certain shortcomings in mitigating the enterprise risk.

Through the Committee's analysis of the audit reports and engagement with the SARS management team, the Committee reports that the system of internal controls for the financial year under review was not entirely adequate and effective in improving the control environment in order to reduce risk to an acceptable level.

The Quality Of The Quarterly Management Reports

The Audit and Risk Committee have reviewed the quarterly management reports and is satisfied with the quality thereof.

Internal Audit Function

The Internal Audit function is responsible for reviewing and providing assurance on the adequacy and effectiveness of the internal control environment across all of the significant areas of SARS and its operations.

The Committee is responsible for ensuring that the internal audit function is independent and has the necessary resources, skills, standing and authority within SARS to enable it to discharge its responsibilities effectively. The Internal Auditors have unrestricted access to the Committee.

The Committee reviews and approves the Internal Audit Plan annually. Internal audit's activities are measured against the approved internal audit plan and the Head: Internal Audit tables progress reports in this regard to the Committee.

The Internal Audit Function worked as an independent, objective assurance and consulting function designed to add value and improve SARS' operations. It helped SARS to accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

The Head of Internal Audit is responsible for the delivery of an annual audit opinion. The annual opinion concludes on the overall adequacy and effectiveness of the organisation's governance, risk management and control. In giving this opinion, assurance can never be absolute and therefore, only reasonable assurance can be provided that there are no major weaknesses in the processes reviewed. The Head of Internal Audit is satisfied that sufficient assurance work has been carried out to allow Internal Audit to form a reasonable conclusion on the adequacy and effectiveness of SARS's internal control environment.

This opinion is based on:

- written reports on all internal audit work completed during the course of the year 2019-2020 (assurance & consultancy/advisory);
- results of any follow-up exercises undertaken to address previously reported control gaps;
- the results of work of other review bodies (AGSA, Tax Ombudsman, etc.) where appropriate;
- the extent of resources available to deliver the internal audit work;
- the quality and performance of the internal audit service and the extent of compliance with the IIA professional standards; and
- the proportion of the Committee requirements that had been covered within the financial year under review.

Internal audit furthermore wishes to highlight the following key observations based on the various reports issued from the evaluation of the control environment:

- There are several initiatives and activities to improve governance processes within SARS which are linked to the nine strategic objectives. In addition, organisational rearrangements based on the approved strategic plans, some of which respond to the governance challenges, are still underway and the progress to date has been continuously reported to the Committee. Examples of governance related weaknesses such as inadequate controls to mitigate the risk of implementing workforce plans, and information technology (IT) resource constraints, that internal audit identified have been addressed or will be address by some of the initiatives from the strategic plans. Continuous leadership conversations are held to enforce stewardship culture within SARS.

- Several initiatives have been embarked on; to refine the processes of risk management; to ensure that they are embedded in daily operations and are effective.

- Compliance review of the Public Finance Management Act (PFMA) at Head Office indicated that the controls are adequate.

- The results of the legislative compliance review at Head Office concluded that there was a lack of key controls in areas such as contract management, irregular expenditure, and deviations in procurement, Management action plans to address these gaps include plans to review the procurement unit, a process for monitoring and managing the risk of irregular expenditure.

- Significant findings (integrity and completeness of the tax registry data) have been identified in the area of performance information, which require improvement in order for the Committee to be assured of the accuracy and reliability of the information reported on the achievement of the Annual Performance Plan (APP). Currently, there are numerous initiatives to address the completeness and data integrity of the SARS tax register.

- In addition, areas required improvements in outsourced debtor management, enterprise budget management processes, corporate real estate, customs and excise case selection, system change management (RAF), tactical interventions, and business continuity management. Management has committed to implementing corrective measures.

- During the Internal Audit review (Conducted during November 2019), there were gaps on the VAT product strategy as it did not have a focused approached on minimising the risk of invalid/fraudulent VAT refunds across the VAT value chain. The current organisational design provides for the dedicated VAT product owner who oversees the VAT value chain.

- Understatement penalties, non-core taxes and the quality assurance process are some of the areas that were identified for area of improvement to minimise the negative impact on debtors' book. There are initiatives, dedicated to focus on the analysis and management of the debt book.

- Reviews of key programs (NCAP and GRAP) within SARS have highlighted major risks that could result in failure to deliver or delays or project scope reduction. Budget and human resource constraints challenges have resulted in project steering committees rethinking and streamlining project plans, resource capacity and capabilities to ensure that projects meet the targets set.

Internal Audit reviews were performed in accordance with the approved Internal Audit plan which outlined the specific areas of review. The 2019/20 internal audit plan, was informed by previous strategic risks, divisional risk and Internal Audit's assessment of risk in consultation with management to ensure it aligned to key risks facing the organisation. The plan has remained fluid throughout the year to maintain an effective and relevant focus.

The results of the review have already been discussed with management and provided insight to the overall audit opinion outlined above.

Internal Audit wishes to highlight that there are several audit projects still being finalised in relation to the 2019/20 audit cycle.

Listed below are such projects:
1. SARS: Audit of Performance Objectives (AOPO) 2020 – 2021;
2. Whistle-blower system;
3. IT Security Strategy and Policy Review;
4. IT Third Party/Vendor Management Review; and
5. Debt Value Chain: Dispute Resolution Process;
6. Covid-19 Related Reviews:
   a. System Changes Review supporting Tax Relief Measures;
   b. Health and Safety Compliance review (Covid-19);
   c. Productivity Review (Service deliver turnaround times during Covid-19 period); and
   d. IT Help Desk Review (Assessing effective support for end-user during remote working arrangements).

The Audit and Risk Committee is satisfied that Internal Audit had properly discharged its functions and responsibilities in the year under review. Internal audit has undertaken a Quality Assessment (QAR) Review by the Institute of Internal Auditors South Africa and has achieved a Generally Conforms rating to the International Standards for The Professional Practice of Internal Auditing. A Generally Conforms rating is a milestone of meeting the professional standards required of internal auditors, and gives assurance of the sound internal audit function.

Enterprise Risk Management (ERM)

The Enterprise Risk Management function has in consultation with the Committee, embarked on multi-year journey to implement a new risk approach, adapting the key learnings from King IV and the ISO 31000. The Executive Committee held a risk workshop during the year where the strategic profile was identified.

A new risk governance framework has been developed and this has introduced Divisional Risk Management Committees (DRMC) where each division hosts a quarterly risk workshop to determine their respective high-end operational risk profile. The revised divisional and strategic risk profiles have been submitted to the Committee for oversight and commentary to improve both the process and the profiles. These policy documents comply with the National Treasury Framework for managing risks.

The Committee is satisfied with scope and direction taken by ERM to ensure SARS develops and implements an appropriate risk management approach consistent with needs and aspirations of the organisation and designed to strengthen decision making capabilities at all levels of the organisation.

As part of integrated reporting and to compliment and improve risk management, the organisation has adopted a Combined Assurance Model with the objective of providing a basis for identifying areas of potential assurance gaps by bringing identified specific level of assurances to ensure that all risk gaps are dealt with accordingly.

Better co-ordination of assurance providers' activities which in turn will:

- Reduce the risk of assurance "fatigue";
- Highlight areas of duplication; and
- Create opportunities for cost savings.

This will provide the Committee with an improved basis for exercising its oversight. The final risk monitoring report reflected a static improvement in mitigating action plans and the Committee concluded that management must take risk management more seriously to ensure that the strategic objectives of SARS are achieved.

Evaluation of Financial Statements

The Committee has:

a. Reviewed and discussed the audited Annual Financial Statements, to be included in the annual report, with the Auditor-General and the Accounting Officer and is satisfied that the accounting policies used are appropriate. The Annual Financial Statements were reviewed with the following focus:

- Significant financial reporting judgements and estimates contained in the financial statements
- Clarity and completeness of disclosure and whether disclosures made have been set properly in context;
- Changes in the Accounting Policies and Practices;
- Significant adjustments resulting from the Audit;
- Compliance with accounting standards and legal requirements;
- Explanation for the accounting treatment adopted;and
- Reasons for significant year-on-year fluctuations

b. Reviewed the Auditor-General's management letters and management's responses thereto.

c. External Audit: Auditor-General South Africa

The Committee, in consultation with the Accounting Officer, agreed to the terms of the Auditor-General South Africa's engagement letter, audit strategy and audit fees in respect of the 2019/2020 financial year.

The Committee also monitored the implementation of the action plans to address matters arising from the Management Report issued by the Auditor-General South Africa for the 2018/9 Financial Year.

The Committee have reviewed SARS' implementation plan for audit issues raised in the previous year and concluded that such plan is partially effective as many of the audit findings have not been adequately resolved.

The Committee concurs and accepts the conclusions of the Auditor-General on the annual financial statements and is of the opinion that the audited annual financial statements be accepted and read together with the report of the Auditor-General South Africa.

Finance Function

The Committee has reviewed the effectiveness of the CFO and the Finance Function at SARS and is satisfied with outcome.

General

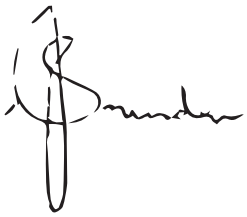
The Audit Committee strongly recommends that SARS prioritise the adequate and effective implementation and frequent monitoring of the audit action plans for both internal and external audit in order to achieve the required effectiveness in governance, accountability and clean administration.

The Committee furthermore strongly recommends interaction between the Committee and the Executive Authority to discuss and agree on the way forward on the implementation plan for an improved internal control environment within SARS.

Conclusion

The Committee wishes to extend its appreciation to the, Accounting Officer and Management, Internal Auditors and Auditor-General South Africa for their tireless efforts, commitment and support throughout the year.

Signed on behalf of the Committee by:



Sathie Gounden
Chairperson of the Audit and Risk Committee
26 October 2020

5 PART FIVE
HUMAN CAPITAL AND DEVELOPMENT

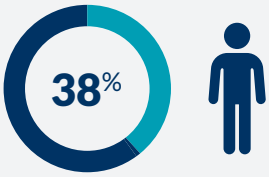
Human Capital and Development

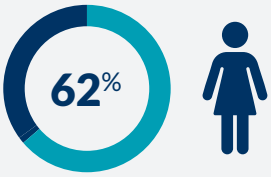
Headcount

12 146
2019/20

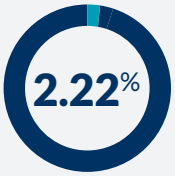
12 744
2018/19

Gender Representation



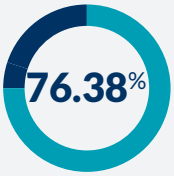


Employment Equity Representation



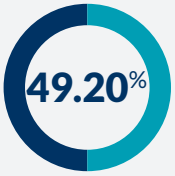
Disability

2.24% Target



Race

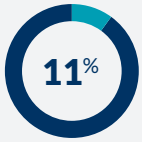
79.4% Target



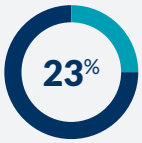
Female representation at management level

50.92% Target

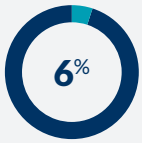
African



Coloured



White



Indian

SARS People Management

SARS employees are the driving force to ensure that the various Acts that govern the Tax, Customs and Excise environment are implemented. The Human Capital and Development (HC&D) strategic framework focuses on maintaining a capable and capacitated workforce. SARS employees are attracted, recruited, deployed and developed in areas of strategic business importance. This is to enable the organisation to ensure tax and customs compliance and customer service to all taxpayers and traders. During the financial year under review, the staff establishment declined due to funding constraints, resulting in being recruitment being halted. The optimisation of existing staff was required to enable SARS to execute its mandate.

Enterprise Capacity Management

During the past year, SARS continued with the integrated approach in performance management, capacity and workforce planning by empowering the organisation to leverage on opportunities from its resources, while driving higher levels of efficiency and effectiveness through the:

- Identification of inefficiencies and non-value adding activities affecting productivity, and recommending remedial actions where applicable.
- Proposal of process improvements to ensure operational efficiencies.
- Identification of resource constraints and capability gaps within the organisation.
- Assessment of workforce needs.

This included the identification of key performance measurement opportunities in support of the long range planning of "doing more with less", while ensuring organisational processes have the required capacity and capabilities to fulfil SARS' mandate. SARS continues to evaluate and prioritise demand to inform the five HC&D strategies (buy, build, borrow, bounce and bind).

The bi-annual publication of the Medium Term Capacity Framework (SARS Workforce Plan) provides detailed diagnostics across the value chain in process, people and technology streams that impact on the performance of the organisation, and plays an integral role in assisting the organisation to obtain a balance between supply and demand.

Monthly resource performance, analysis and planning reports were institutionalised in the organisation at various levels, and productivity measurement was improved from a monthly view to a daily view.

SARS staffing decisions are based on the Capacity Plan and available staff budget. The allocation of available funding to recruit for priority vacant positions, as per the Capacity Plan, is granted by the Enterprise Vacancy Advisory Committee (EVAC) on a quarterly basis. However the EVAC halted all recruitment as a result of staff funding constraints, and only two new appointments were made from external, and only five internal employees were appointed into other positions in the organisation.

It should, however, be noted that this financial shortfall has impacted on the fulfilment of SARS' capacity requirements for the financial year under review, which also resulted in a decline in the permanent headcount figure by 558, from 12 491 to 11 933.

Employee Engagement

SARS is well aware that an engaged workforce has a direct correlation to productivity, and measures staff engagement levels as and when required. Although a decision was made not to conduct an employee engagement survey this financial year, initiatives continued in keeping with the objective to develop a high-performing, diverse, agile and engaged workforce towards high value knowledge and service work.

The Commissioner has committed to ensure a positive work experience at SARS. This is done by ensuring that employees:

- Enjoy their work
- Understand the impact of their work
- Know what they need to do to be successful
- Have regular feedback on their performance
- Enjoy a positive employee value proposition (fair deal)

These five principles of the Employee Rights Charter have been widely communicated to staff to ensure alignment across the workforce. The next steps will focus on enabling support and providing coaching to line managers for effective leadership of employees, for optimal engagement and talent retention.

Management has been spending time clarifying the SARS Vision 2024. A number of organisational effectiveness interventions were rolled out to improve team dynamics and help create synergy in teams around set organisational strategic goals, thereby enhancing team cohesion and collaboration.

To enable effective strategy delivery, a number of leadership alignment initiatives were conducted, as well as providing advisory services to leaders and managers on sponsoring and driving change. The current leadership and management development training programmes help develop a leadership cadre that is equipped to deal with planned and unplanned changes. Building the change management capability in managers and ensuring change agility across all spheres of the organisation is critical to the development of a smart and modern SARS, in anticipation of the impact of the Fourth Industrial Revolution and post COVID-19 agile business operations.

Leadership engagement

The SARS Commissioner has spearheaded all key organisational communication. He has engaged with staff on all levels across SARS. The SARS strategic objectives, expected behaviours and performance standards were clarified to all staff.

Employee Wellness

The Employee Wellness Unit has partnered with key areas within the organisation to effectively manage employee wellbeing and support. Team dynamics challenges were addressed collaboratively though conflict management and other techniques aimed at improving individual and interpersonal relationships, and improving the overall work-life balance.

Learning and Development

The development of employees remains an important aspect for SARS. This is to ensure that employees are capable and competent at all times to perform effectively. For the year under review, 12 707 people attended training sessions. This resulted in a total number of 64 986 days utilised for training purposes, with an average of 5.11 training days per employee. Training delivery focused on core capability building, such as taxation, enforcement, customs, excise, and information technology.

Training Overview	Total
Total employees that attended a training intervention	12 707
Total training days utilised	64 986
Average training days per employee that attended training	5.11 days
Average training intervention per employee that attended training	7.86

Leadership and Management Development

Leadership and management development are considered a crucial element in ensuring that employees in management and leadership positions can effectively manage successful teams. In line with the SARS Leadership and Management Development Framework, a total of 497 employees were enrolled on various leadership and management programmes.

Programme	No. of Attendees
Executive Management Development Programme	42
Senior Management Development Programme	82
Women in Leadership Programme	22
Management Development Programme	87
Operations Management Development Programme	264
Total	**497**

Leadership Effectiveness

The SARS Leadership Effectiveness Index (LEI) 360-degree evaluation (SARS LE 360) was used for a number of purposes, including the following:

- Served as an indicator of leadership strength for the Minister of Finance's report.
- Provided individual strengths and developmental areas that guide individual development.
- Provided a leadership measure for talent identification and management purposes.
- Provided organisational leadership strengths and development areas that informed the strategic focus of SARS Leadership Development programmes.
- Leadership Effectiveness pre- and post- measures were used for impact evaluation of leadership development interventions.
- Team leadership strengths and developmental areas were used, in some cases, to optimise team effectiveness.

Towards the end of 2019, the Commissioner introduced a new leadership philosophy, based on Steward Leadership, to take the organisation forward on its journey of improvement. This philosophy is significantly different from the previous SARS leadership philosophy, and since the SARS LE 360 was aligned to the previous philosophy, it was thus not a valid instrument to measure leadership strength, inform individual development areas and inform the strategic focus for Leadership Development Programmes. A new measurement model needed to be developed aligned to the new SARS leadership philosophy.

A decision was therefore taken not to proceed with the (now technically invalid) SARS LE 360 for the 2019/20 financial year, but to rather develop a new measurement model aligned with the new SARS leadership philosophy to report on leadership strength. This process was initiated, and will be completed in the 2020/21 financial year.

Skills Pipeline and Youth Development

The SARS Graduate Development Programme allows SARS not only to contribute to the youth development and employment in South Africa, but to also ensure that capacitated and developed workforce is incorporated at the lower entry levels in the organisation. These available entry level opportunities in the organisation are created as a result of existing employees moving up to higher operational levels in the organisation. The graduates also progress in their careers as a result of development received and experience gained, becoming ready to fill available opportunities at higher specialist positions. Due to the fact that no funded vacant positions were available to absorb graduate trainees, as a result of the moratorium on recruitment, various graduate trainees have been placed on short-term contracts in view of possible permanent placements if opportunities arise in the new financial year.

Youth Development		
Programme	**Description**	**No of Students**
Graduate Development Programme	A graduate programme provides a combination of learning and workplace experience, and is meant for individuals who are in possession of a tertiary qualification.	39
Learnership	A learnership is a work-based learning programme that combines a structural learning component with practical work experience, and leads to a nationally recognised qualification directly related to an occupation, and registered on the National Qualification Framework (NQF).	0
Chartered Accountants	The CA (SA) Programme is a structured learning programme aimed at graduates who wish to become Chartered Accountants.	18

Employment Equity and Workplace Diversity

SARS is making good progress being reflective of the demographics of South Africa. Although some of the steep set targets have not been met in specific areas due to a freeze in recruitment and replacement of attrition, improvements were experienced compared to the previous financial year.

- Black representation improved from 76.03% to 76.38%.
- African representation increased from 58.80% to 58.89%.
- Coloured representation increased from 11.03% to 11.15%.
- Disability representation improved from 2.13 % to 2.22%.
- Gender representation on management levels improved from 49.08% to 49.20%.
- White representation declined from 23.65% to 23.29%.
- Indian representation improved from 6.19% to 6.34%

SARS employment equity distribution per occupational level

Occupational Levels	Designated							Non Designated			Total	% Representation
	Male			Female				White Male	Foreign Nationals			
	A	C	I	A	C	I	W		M	F		
Top management	1	1									2	0.02%
Senior management	130	22	41	95	11	25	53	80		3	460	3.79%
Professionally qualified and experienced specialists and mid-management	935	169	158	886	157	155	536	418	16	6	3 436	28.29%
Skilled technical and academically qualified workers, junior management, supervisors, foremen, and superintendents	1 665	277	125	2 734	589	240	1 229	323	6	7	7 195	59.24%
Semi-skilled and discretionary decision making	215	37	9	459	88	17	171	16	2		1 014	8.35%
Unskilled and defined decision making	7	1		26	2			3			39	0.32%
Total Permanent	**2 953**	**507**	**333**	**4 200**	**847**	**437**	**1 989**	**840**	**24**	**16**	**12 146**	

Description of Occupational Levels

Occupational Levels	
Top Management	Grade 9B – 10 represents SARS Commissioner and Chief Officers
Senior Management	Grade 8A – 9A represents managerial positions with the following job titles: Group Executives, Executives, Senior Managers, Managers and Specialists
Professional Qualified	Grade 6 and 7 Professionally Qualified and Experienced Specialists and Middle Management
Skilled and Junior	Grade 4A – 5B represents Functional Operators
Semi-Skilled	Grade 2 – 3B including graduates 2GA, 2GT and 2LI
Unskilled	Grade 1 represents General Assistants

Employee Performance Management Framework

The Employee Performance Management (EPM) process is an extension of the overall enterprise performance management framework, and applies to all SARS employees. Its purpose, amongst others, is to create a clear understanding amongst employees of the organisational priorities. It comprises planning, contracting, measuring and monitoring, coaching and reviewing of employee performance, as well as identifying incidents that require consequence management.

Process effectiveness is measured by way of the EPM Compliance Index, which indicates a year-on-year improvement of 7 percentage points (from 74% to 81%) for the past financial year.

Whilst the planning and monitoring phases are integrated with the business planning and Operational Management System, contracting data shows that management maintained an average monthly scorecard approval rate of 95% throughout the financial year, and improved their year-on-year average scorecard approval turnaround time within the expected due date with 58% (from 13 to 5 days overdue).

Performance review data reveals that, on average, 94% of documented assessments were submitted within the prescribed timeframe, that staff members were reviewed four times during the course of the financial year and that the performance is on a downward trajectory. Whilst the year-on-year performance level decreased with 2.7% (from 84.3% to 81.7%), it is 14% higher than the expected average of 68%.

The downward trend in performance scores is due to a deliberate strategy to stretch employees' performance by setting more challenging performance targets.

Regarding the management of poor work performance, action was taken on 70% (2 104 of 2 993) of incidents and incapacity cases registered for 18% (110 of 629).

Safety, Health and Wellness

Safety, Health and Wellness offerings are a support structure for employees, managers and the organisation as a whole. By offering support to employees, SARS not only highlights its duty to care for employees, but also ensures a bottom-line effect through increased productivity and engagement.

The medical condition of our employees is a proirity, and medical screening was offered to employees on a voluntary basis throughout the financial year. Of the 3 221 employees that were screened on scheduled wellness days, the top three health risks identified were:

- High Body Mass Index (BMI)
- High blood pressure
- Raised glucose levels

In line with the preventative approach adopted, the Safety, Health and Wellness Unit rolled out on-going awareness drives and interventions such as the wellness policy education and awareness in respect of substance abuse, extended sick leave, sexual harassment, HIV/AIDS and TB. Interventions involved emotional impact, trauma diffusion, mental health, stress management, team dynamics, emotional intelligence, building healthy relations and resilience.

Extended support was also provided across the organisation, with the advocacy of the gender-based violence. This follows a directive from the Commissioner to support the national plea to fight against gender-based violence.

Awareness on health days that include the World Aids Day event, which took place in KZN, Cancer and Mental Health Day.

With respect to occupational health, high-risk hazardous areas were identified, most of which were in the customs environment such as ports of entry, branch operations and contact centres.

The Unit had three service providers which commenced in 2019 in six regions, which are: Western Cape KwaZulu-Natal, Free State Eastern Cape, Northern Cape and Gauteng.

Medical surveillance and immunisation were conducted by the three service providers. Flu vaccinations were administered in all branch offices within these regions. A total of 1 571 medical surveillances were conducted, which is 83.5% of the targeted headcount of 1 885. Capacity building on medical surveillance, injury On Duty (IOD), HIV and TB policy and chronic disease management were conducted in the Gauteng, Limpopo, North West and KZN offices.

- Health and Safety capacity building efforts with the training of 2 174 employees.
- First Aid.
- Evacuation Drills on Injury on Duty (IOD).
- Safety, Health and Environment (SHE) representatives.
- General training for managers on managing issues of Health and Safety.

Compliance Risk Assessments were conducted in major ports of entry, including a baseline risk assessment which was done at the OR Tambo International Airport as a response to the COVID-19 pandemic.

Policy Development

Within an established HR policy governance process, SARS reviews and amends HR policies to ensure legislative compliance, as well as alignment in support of business imperatives and productivity improvement.

The SARS Conditions of Service Policy was amended following negotiations with the recognised trade unions. These amendments also covered statutory amendments due to the promulgated Labour Laws Amendment Act, 2018 which took effect in 2020.

Highlights and Achievements

- Review and compilation of the new SARS leadership capabilities aligned to the adopted Steward Leadership Model.
- Development and implementation of the HR service model phase 1 towards the implementation of a complete self-help portal as a one-stop service and access to HR policies and related information for managers and employees.
- Conclusion of a successful wage negotiation process with the recognised unions.

Challenges

- Financial constraints that result in a shortage of staff capacity had an impact on meeting the overall business objectives.
- Attrition of staff in critical areas of business left a capacity and capability gap.
- Attrition of skilled staff with no opportunity to replace them due to funding constraints.
- Financial constraints prohibited the implementation of HC&D system enhancements.

Future Plans and Goals

In terms of SARS' Vision 2024 one of the specific objective is to develop a high-performing, diverse, agile, engaged and evolved workforce, with focus on delivering the following:

- Capability model to evolve the workforce for future work.
- Capability to ensure SARS can respond to current and future work environment demands.
- Mentorship and on-the-job training programme, as a mechanism to develop leaders.

SARS will provide the services to ensure that the organisation is capacitated and capable to deliver on its mandate. These services will include the constant improvement of recruitment, deployment, development and retention practices. These services incorporate the constant review and update of the necessary policies, procedures and internal processes to govern these practices.

SARS will also empower management and employees with the implementation and further enhancement of the human resources self-service model.

SARS must be ready for the future world of work, and has therefore set up a dedicated unit in the new functional model to specifically identify, develop and prepare the organisation from a capacity, capability and ways of work perspective. The output of this unit will go a long way to ensure that SARS is ready for the future.

Minimising Conflict of Interest

SARS has a system in place to manage conflict of interest that is accessible to all employees. Declarations of private interest are done on an annual basis (during April every year, or as and when personal circumstances change).

New employees are required to complete their Declaration of Private Interest submissions within the first 30 days of employment.

All SARS staff (excluding some of those employees on extended sick leave or suspension) declared their private interests, thus achieving a compliance rate of 100% for the financial year under review.

Independent contractors are not covered by the Conflict of Interest policy.

Oversight Statistics

Average Cost to Company per Division

Division	Personnel Expenditure (CTC) (R'000)	% of personnel exp. to total personnel cost (CTC)	No. of employees	Average cost per employee (R'000)
Business and Individual Tax	2 065 831 592	29.77%	4 564	452 636
Customs and Excise	1 173 182 950	16.90%	2 254	520 489
Digital Information and Technology	526 873 464	7.59%	666	791 101
Enforcement	1 264 381 707	18.22%	2 028	623 462
Finance	491 211 579	7.08%	883	556 299
Government, International Relations, Strategy and Communications	503 906 112	7.26%	589	855 528
Human Capital and Development	381 683 500	5.50%	560	681 578
Internal Audit	60 977 594	0.88%	74	824 022
Legal Counsel	320 108 282	4.61%	355	901 713
Office of the Commissioner (including anti-corruption unit and direct reports)	90 887 215	1.31%	96	946 742
Tax Customs and Excise Institute	60 993 424	0.88%	77	792 122
Grand Total	**6 940 037 421**		**12 146**	**571 385**

Average Cost to Company per Occupational Level

Occupational Levels	Personnel Expenditure (CTC) (R'000)	% of personnel exp. to total personnel cost (CTC)	No. of employees	Average cost per employee (R'000)
Top Management	9 389 535	0.14%	2	4 694 767
Senior Management	768 506 091	11.07%	460	1 670 665
Professionally qualified, experienced specialists and mid-management	2 995 029 319	43.16%	3 436	871 662
Skilled technical and academically qualified workers, junior management, supervisors, foremen, superintendents	2 887 371 014	41.60%	7 195	401 302
Semi-skilled and discretionary decision making	271 032 343	3.91%	1 014	267 290
Unskilled and defined decision making	8 709 119	0.13%	39	223 311
Total	**6 940 037 421**	**-**	**12 146**	**571 385**

Staff Movement

Occupational Levels	Employment at beginning of period	Employment at end of the period	Change in Headcount
Top Management	5	2	-3
Senior Management	482	460	-22
Professional Qualified	3 555	3 436	-119
Skilled	7 428	7 195	-233
Semi-skilled	1 204	1 014	-190
Unskilled	70	39	-31
Total	**12 744**	**12 146**	**-598**

Appointments

Occupational Levels	External Appointments	Internal Appointments	% Internal Appointments
Top Management	1		0.00%
Senior Management	1	2	66.67%
Professional Qualified	3	-	0.00%
Skilled	*273	3	1.09%
Semi-skilled	15	-	0.00%
Unskilled	0	-	0.00%
Total	**293**	**5**	

**Re-Instatement included*

Termination Reasons

Reason	Number	% of total no. of staff leaving
Death	38	4.26%
Resignation	315	35.35%
Retirement	162	18.18%
Termination ER	50	5.61%
Other*	326	36.59%
Total	**891**	**-**

**Other: Attrition of non-permanent employees i.e. Seasonal workers, contract workers and graduate/trainees*

Description of Occupational Levels

Occupational Levels	
Top Management	Grade 9B – 10 represents SARS Commissioner and Chief Officers
Senior Management	Grade 8A – 9A represents managerial positions with the following job titles: Group Executives, Executives, Senior Managers, Managers and Specialists
Professional Qualified	Grade 6 and 7 Professionally Qualified and Experienced Specialists and Middle Management
Skilled and Junior	Grade 4A – 5B represents Functional Operators
Semi-Skilled	Grade 2 – 3B including graduates 2GA, 2GT and 2LI
Unskilled	Grade 1 represents General Assistants

6 PART SIX FINANCIAL INFORMATION

Annual Financial Statements Own-Accounts for the Year Ended 31 March 2020

Contents

The following supplementary information does not form part of the financial statements and is unaudited:

The financial statements set out on pages 141 to 197, which have been prepared on the going concern basis, were approved and signed by:

Edward Chr Kieswetter
SARS COMMISSIONER
28 October 2020

Report of the Auditor-General to Parliament on the South African Revenue Service: Own Accounts

Report on the audit of the consolidated and separate financial statements

Opinion

1. I have audited the consolidated and separate financial statements of South African Revenue Service (SARS) and its subsidiary set out on pages 141 to 197, which comprise the consolidated and separate statement of financial position as at 31 March 2020, consolidated and separate statement of financial performance, statement of changes in net assets, cash flow statement and statement of comparison of budget and actual amounts for the year then ended, as well as the notes to the consolidated and separate financial statements, including a summary of significant accounting policies.

2. In my opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of the South African Revenue Service as at 31 March 2020, and their financial performance and cash flows for the year then ended in accordance with the South African Standards of Generally Recognised Accounting Practice (SA Standards of GRAP) and the requirements of the Public Finance Management Act of South Africa, 1999 (Act No. 1 of 1999) (PFMA).

Basis for opinion

3. I conducted my audit in accordance with the International Standards on Auditing (ISAs). My responsibilities under those standards are further described in the auditor-general's responsibilities for the audit of the consolidated and separate financial statements section of this auditor's report.

4. I am independent of the South African Revenue Service in accordance with sections 290 and 291 of the Code of ethics for professional accountants and parts 1 and 3 of the International Code of Ethics for Professional Accountants (including International Independence Standards) of the International Ethics Standards Board for Accountants (IESBA codes) as well as the ethical requirements that are relevant to my audit in South Africa. I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA codes.

5. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Other matter

6. I draw attention to the matter below. My opinion is not modified in respect of this matter.

Unaudited supplementary information

7. The supplementary information set out on pages 198 to 201 does not form part of the financial statements and is presented as additional information. I have not audited this schedule and, accordingly, I do not express an opinion on it.

Responsibilities of the accounting authority for the consolidated and separate financial statements

8. The accounting authority is responsible for the preparation and fair presentation of the consolidated and separate financial statements in accordance with the SA Standards of GRAP and the requirements of the PFMA, and for such internal control as the accounting authority determines is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

9. In preparing the consolidated and separate financial statements, the accounting authority is responsible for assessing the public entity's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the appropriate governance structure either intends to liquidate the public entity or to cease operations, or has no realistic alternative but to do so.

Auditor-General's responsibilities for the audit of the consolidated and separate financial statements

10. My objectives are to obtain reasonable assurance about whether the consolidated and separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with the ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated and separate financial statements.

11. A further description of my responsibilities for the audit of the consolidated and separate financial statements is included in the annexure to this auditor's report.

Report on the audit of the annual performance report

Introduction and scope

12. In accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA) and the general notice issued in terms thereof, I have a responsibility to report on the usefulness and reliability of the reported performance information against predetermined objectives for selected strategic outcomes presented in the annual performance report. I performed procedures to identify material findings but not to gather evidence to express assurance.

13. My procedures address the usefulness and reliability of the reported performance information, which must be based on the approved performance planning documents of the public entity. I have not evaluated the completeness and appropriateness of the performance measures included in the planning documents. My procedures do not examine whether the actions taken by the public entity enabled service delivery. My procedures also do not extend to any disclosures or assertions relating to planned performance strategies and information in respect of future periods that may be included as part of the reported performance information. Accordingly, my findings do not extend to these matters.

14. I evaluated the usefulness and reliability of the reported performance information in accordance with the criteria developed from the performance management and reporting framework, as defined in the general notice, for the following selected strategic outcome presented in the annual performance report of the SARS for the year ended 31 March 2020:

Strategic outcome	Pages in the annual performance report
Strategic outcome 3 – increased ease and fairness of doing business with SARS	52 – 53

15. I performed procedures to determine whether the reported performance information was properly presented and whether performance was consistent with the approved performance planning documents. I performed further procedures to determine whether the indicators and related targets were measurable and relevant, and assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.

16. I did not identify any material findings on the usefulness and reliability of the reported performance information for this strategic outcome:

    - Strategic outcome 3 – increased ease and fairness of doing business with SARS

Other matter

17. I draw attention to the matter below.

Achievement of planned targets

18. Refer to the annual performance report on pages 29 to 32; 39 to 47; 52 to 53; 70 and 76 to 79 for information on the achievement of planned targets for the year and explanations provided for the under/over achievement of a number of targets.

Report on the audit of compliance with legislation

Introduction and scope

19. In accordance with the PAA and the general notice issued in terms thereof, I have a responsibility to report material findings on the SARS's compliance with specific matters in key legislation. I performed procedures to identify findings but not to gather evidence to express assurance.

20. The material findings on compliance with specific matters in key legislation are as follows:

Expenditure management

21. Effective and appropriate steps were not taken to prevent irregular expenditure of R12 492 000, as disclosed in note 42 to the financial statements, as required by section 51(1)(b)(ii) of the PFMA. The irregular expenditure was due to failure by management to adhere to procurement prescripts.

22. Effective steps were not taken to prevent fruitless and wasteful expenditure of R3 856 000, as disclosed in note 41 to the financial statements, as required by section 51(1)(b)(ii) of the PFMA. The fruitless and wasteful expenditure was caused by lease payments made for premises that have not been used.

Other information

23. The accounting authority is responsible for the other information. The other information comprises the information included in the annual report, which includes the commissioner's report and the audit committee's report. The other information does not include the consolidated and separate financial statements, the auditor's report and the selected strategic outcome presented in the annual performance report that has been specifically reported in this auditor's report.

24. My opinion on the financial statements and findings on the reported performance information and compliance with legislation do not cover the other information and I do not express an audit opinion or any form of assurance conclusion thereon.

25. In connection with my audit, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate financial statements and the selected strategic outcome presented in the annual performance report, or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

26. I have nothing to report in this regard.

Internal control deficiencies

27. I considered internal control relevant to my audit of the consolidated and separate financial statements, reported performance information and compliance with applicable legislation; however, my objective was not to express any form of assurance on it. The matters reported below are limited to the significant internal control deficiencies that resulted in the findings on compliance with legislation included in this report.

28. Management was unable to prevent a recurrence of irregular expenditure as it did not ensure adherence to SCM Regulations. Goods and services were procured without following proper procurement prescripts, a recurrence from the previous financial year. Management was also unable to prevent a recurrence of fruitless and wasteful expenditure as it did not put adequate measures in place to prevent such recurrence. The significant deficiencies identified in the compliance environment led to a stagnation in the overall audit outcome of the SARS.

Other reports

29. I draw attention to the following engagements conducted by various parties which had, or could have, an impact on the matters reported in the public entity's financial statements, reported performance information, compliance with applicable legislation and other related matters. These reports did not form part of my opinion on the financial statements or my findings on the reported performance information or compliance with legislation.

Public protector report

30. The public protector issued a report on 24 May 2019, relating to allegations of irregularity in the approval of the early retirement of an erstwhile deputy commissioner, with full pension benefits and subsequent retention by the SARS. The SARS approached the high court for relief to stay the implementation of the remedial action pending a court review. These proceedings were still in progress at the date of this report.

31. The public protector also issued a report on 5 July 2019. Included in the report are allegations of maladministration, corruption and improper conduct by the SARS. The controlling entity's former employees who were adversely impacted by the public protector report succeeded before the North Gauteng High Court, Pretoria, in interdicting the implementation of the public protector's remedial action and/or the report. The public protector challenged the court's decision and the review application was argued on 6 and 7 August 2020, in the Gauteng High Court, Pretoria. Judgment has been reserved.

Auditor-General

Pretoria
29 October 2020

AUDITOR-GENERAL
SOUTH AFRICA

Auditing to build public confidence

Report by the SARS Accounting Authority

Introduction

The Accounting Authority presents this Report that forms part of the Annual Financial Statements of the South African Revenue Service (SARS) Finance Own Accounts for the year ended 31 March 2020. Where applicable, specific reference has been made to Administered Revenue Accounts, otherwise all other statistics quoted in this report are solely for Own Accounts.

SARS was established in terms of the South African Revenue Service Act, 1997 (Act No. 34 of 1997) "SARS Act" as an organ of the state within the public administration, but as an institution outside the public service. It is listed as a national public entity in schedule 3A of the Public Finance Management Act, 1999, (PFMA).

In terms of the SARS Act, the Commissioner for SARS is the Chief Executive Officer and Accounting Authority of the entity.

1. Executive Committee Members

The Executive Committee (EXCO) is an oversight committee of SARS and is accountable to the Commissioner. Its powers and terms of reference are delegated and approved by the Commissioner. Prof EC Kieswetter was appointed as Commissioner for SARS and commenced duties on 1 May 2019; upon his arrival he paused the EXCO for the remainder of the financial year. The EXCO for the month of April 2019 consist of the following members:

Mark Kingon	Acting Commissioner for SARS and EXCO Chairperson
Dan Zulu	Acting Chief Officer: Business and Individual Taxes
Beyers Theron	Acting Chief Officer: Customs and Excise
Intikhab Shaik	Acting Chief Officer: Digital Information Services and Technology
Viwe Mlenzana	Acting Chief Officer: Enforcement
Johnstone Makhubu	Chief Officer: Finance
Hlengani Mathebula	Chief Officer: Governance, International Relations, Strategy and Communications
Teboho Mokoena	Chief Officer: Human Capital and Development
Narcizio Makwakwa	Acting Chief Officer: Large Business Centre
Makungu Mthebule	Acting Chief Officer: Legal Counsel

2. Organisational Structure

The organisational structure of SARS is reviewed as and when the need arises to ensure alignment to the approved SARS Strategic Plan to enable it to fulfil its obligations towards Parliament and the Constitution of the Republic of South Africa.

3. Principal Activities

The SARS Act provides the entity with the mandate to perform the following tasks:

- Collect all revenues that are due.
- Ensure maximum compliance with tax and customs legislation.
- Provide a customs service that will maximise revenue collection, protect our borders and facilitate trade.

4. Revenue Accounts (amounts disclosed in R'000)

Revenue collected for the year amounted to R1 430 427 284 (2019: R1 358 258760) which represents a 5.05% increase from the previous year. Administered Revenue Accounts do not retain funds within SARS as taxes collected are transferred to the National Revenue Fund on a daily basis.

Revenue in respect of Administered Revenue Accounts comprises of all the taxes, levies, duties, fees and other monies collected during the year. The operating expenditure for Revenue Accounts is provided for in the Finance Own Accounts budget.

Revenue collected is informed by the prevailing economic conditions, their effect on the South African economy and the overall level of compliance to revenue laws.

5. Review Of Operations And Results (amounts disclosed in R'000)

The SARS Own Accounts Expenditure Budget for the year was made up as follows:

	% change	2020	2019
Operating revenue	**(4.55)%**	**9 542 052**	**9 996 698**
- Transfers from Government	(4.56)%	9 529 031	9 984 460
- Rendering of services	6.40%	13 021	12 238
Other revenue	**(26.96)%**	**528 698**	**723 825**
- Interest received	(54.44)%	80 328	176 319
- Other income	(18.14)%	448 198	547 506
- Gain on disposal of assets	100%	172	0
	(6.06%)	**10 070 750**	**10 720 523**

The grant from National Treasury decreased in line with the approvals obtained through the Medium Term Expenditure Framework (MTEF).

Other revenue consists mainly of commissions earned from acting as the agent for the Department of Labour in collecting Unemployment Insurance Fund (UIF) contributions in terms of the Unemployment Insurance Contributions Act, 2002, and Skills Development Levies (SDL) in terms of the Skills Development Levies Act, 1999.

The interest received fluctuated in line with interest rates and represent interest earned on the SARS current account.

The Budget surplus for the year was as follows:

	2020	2019
Balance accumulated surplus at 1 April as previously reported	2 516 906	2 674 614
Prior year adjustments	447 067	474 304
Restated balance 1 April	**2 963 973**	**3 148 918**
Net (deficit) for the year	(847 817)	(184 945)
Balance accumulated surplus at 31 March	**2 116 156**	**2 963 973**

The net deficit for the year represents expenditure or capital investments made in the year under review from funds received in the prior financial years.

6. Review Of The Financial Position

Total net assets:
Total net assets consist of the asset revaluation reserve and accumulated surpluses.

Assets
For the period under review SARS has continued to invest in selected categories of assets to achieve its strategic objectives. Investments were mainly in the IT equipment and software development categories.

7. Surrender Of Surplus Funds

SARS made a submission as per National Treasury Instruction No. 6 of 2017/18 pertaining to retention of surpluses but declared that SARS had no surpluses to declare and surrender.

8. Judicial Proceedings

SARS has been mandated by the provisions of, amongst others, the SARS Act of 1997; Income Tax Act, 1962; Value Added Tax Act, 1964; Customs and Excise Act, 1964; Tax Administration Act, 2011 and Employment Tax Incentives Act, 2013 to perform legal acts, or institute or defend any legal action in its own name. By virtue of its mandate, SARS is involved in litigation on a continuous basis.

9. Public/Private Partnerships

There currently are no Public/Private Partnerships in operation or under consideration.

10. Events Subsequent To The Balance Sheet Date

In September 2018 the controlling entity entered into a lease agreement for a suitable premise to deploy the Mobile Scanner procured for City Deep. Subsequently the deployment strategy for the scanner was revised and a decision taken to move it to Beit Bridge to replace the old Cargo Scanner deployed at Beit Bridge, which was decommissioned due to increasing maintenance and down time. For this reason, the City Deep premises was no longer required and the lease was terminated on 3 September 2020.

11. Addresses

The entity's business, postal and registered addresses are:

Business address	Postal address	Registered address
299 Bronkhorst Street Nieuw Muckleneuk 0181	Private bag X923 Pretoria 0001	299 Bronkhorst Street Nieuw Muckleneuk 0181

Addresses for SARS' other offices are available from SARS upon request or can be found on the SARS website www.sars.gov.za.

Regards

Edward Chr Kieswetter
SARS COMMISSIONER
26 October 2020

Statement of Financial Position as at 31 March 2020

	Note(s)	Economic entity		Controlling entity	
		2020 R'000	2019 Restated* R'000	2020 R'000	2019 Restated* R'000
Assets					
Current Assets					
Inventories	25	21 512	27 799	21 512	27 799
Current tax receivable	9	1 153	1 457	-	-
Receivables from exchange transactions	3	109 600	107 773	110 002	104 885
Prepayments	24	160 708	196 206	157 994	194 111
Cash and cash equivalents	4	478 783	1 170 421	436 743	1 096 693
		771 756	**1 503 656**	**726 251**	**1 423 488**
Non-Current Assets					
Property, plant and equipment	5	2 060 486	2 425 753	2 053 465	2 420 919
Intangible assets	6	633 634	748 117	1 298 786	1 344 331
Investments in controlled entity	7	-	-	-	-
Loan to controlled entity	8	-	-	11 732	28 451
		2 694 120	**3 173 870**	**3 363 983**	**3 793 701**
Total Assets		**3 465 876**	**4 677 526**	**4 090 234**	**5 217 189**
Liabilities					
Current Liabilities					
Finance lease obligation	10	4 326	9 679	4 326	9 658
Trade and other payables	11	509 201	614 547	530 705	618 833
VAT payable		3 064	949	-	-
Deferred income	12	59	70	59	70
Provisions	13	106 747	301 999	102 471	294 877
		623 397	**927 244**	**637 561**	**923 438**
Non-Current Liabilities					
Finance lease obligation	10	65	4 344	65	4 344
Operating lease liability		81 086	89 597	80 630	89 353
Deferred income	12	77	77	77	77
Deferred tax	22	4 544	5 237	-	-
Employee benefits	26 & 27	340 522	318 255	340 522	318 255
		426 294	**417 510**	**421 294**	**412 029**
Total Liabilities		**1 049 691**	**1 344 754**	**1 058 855**	**1 335 467**
Net Assets		**2 416 185**	**3 332 772**	**3 031 379**	**3 881 722**
Net Assets					
Asset revaluation reserve	14	300 027	368 799	300 027	368 799
Accumulated surplus		2 116 158	2 963 973	2 731 352	3 512 923
Net Assets		**2 416 185**	**3 332 772**	**3 031 379**	**3 881 722**

Statement of Financial Performance as at 31 March 2020

	Note(s)	Economic entity 2020 R'000	Economic entity 2019 Restated* R'000	Controlling entity 2020 R'000	Controlling entity 2019 Restated* R'000
Revenue					
Revenue from exchange transactions					
Rendering of services	15	13 021	12 238	-	-
Other income	16	448 198	547 506	448 515	547 796
Interest received		80 328	176 319	81 539	178 382
Gain on disposal of assets		172	-	193	-
Total revenue from exchange transactions		**541 719**	**736 063**	**530 247**	**726 178**
Revenue from non-exchange transactions					
Transfers from National Treasury	15	9 529 031	9 984 460	9 529 031	9 984 460
Total revenue		**10 070 750**	**10 720 523**	**10 059 278**	**10 710 638**
Expenditure					
Employee cost		(7 630 158)	(7 642 874)	(7 532 369)	(7 536 326)
Depreciation and amortisation	5&6	(562 774)	(617 208)	(552 441)	(607 311)
Impairment loss	17	(179 257)	(14 123)	(181 037)	(14 814)
Finance costs	18	(3 027)	(4 223)	(3 026)	(4 218)
Operating leases	30	(555 672)	(537 644)	(552 510)	(535 461)
Other expenses		(18 301)	(19 313)	(18 692)	(19 190)
Administrative expenses		(860 041)	(968 497)	(857 240)	(965 446)
Loss on disposal of assets		-	(2 525)	-	(2 482)
Inventories		(16 578)	(13 674)	(16 578)	(13 675)
Professional and special services		(1 092 756)	(1 075 552)	(1 126 957)	(1 093 369)
Total expenditure		**(10 918 564)**	**(10 895 633)**	**(10 840 850)**	**(10 792 292)**
Deficit before taxation		**(847 814)**	**(175 110)**	**(781 572)**	**(81 654)**
Taxation	19	(3)	(9 837)	-	-
Deficit for the year		**(847 817)**	**(184 947)**	**(781 572)**	**(81 654)**

Statement of Changes in Net Assets as at 31 March 2020

	Asset revaluation reserve	Asset accumulated surplus	Total net assets
	R'000	R'000	R'000
Economic entity			
Opening balance as previously reported	324 624	2 674 614	2 999 238
Prior year adjustments *	-	474 304	474 304
Balance at 01 April 2018 as restated*	**324 624**	**3 148 918**	**3 473 542**
Changes in net assets			
Deficit for the year	-	(184 947)	(184 947)
Surplus in revaluation of land and buildings	57 776	-	57 776
Depreciation on revalued portion of assets	(13 601)	-	(13 601)
Total changes	**44 175**	**(184 947)**	**(140 772)**
Opening balance as previously reported	368 799	2 991 213	3 360 012
Prior year adjustments *	-	(27 240)	(27 240)
Balance at 01 April 2019 as restated*	**368 799**	**2 963 973**	**3 332 772**
Changes in net assets			
Deficit for the year	-	(847 817)	(847 817)
Deficit in revaluation of land and buildings	(57 536)	-	(57 536)
Depreciation on revalued portion of assets	(11 236)	-	(11 236)
Total changes	(68 772)	(847 817)	(916 589)
Balance at 31 March 2020	**300 027**	**2 116 156**	**2 416 183**
Note(s)	14		

Controlling entity			
Opening balance as previously reported	324 624	3 120 272	3 444 896
Prior year adjustments	-	474 304	474 304
Balance at 01 April 2018 as restated*	**324 624**	**3 594 576**	**3 919 200**
Changes in net assets			
Surplus in revaluation of land and buildings	57 776	-	57 776
Depreciation on revalued portion of assets	(13 601)	-	(13 601)
(Deficit) for the year	-	(81 653)	(81 653)
Total changes	**44 175**	**(81 653)**	**(37 478)**
Opening balance as previously reported	368 799	3 540 162	3 908 961
Prior year adjustments	-	(27 240)	(27 240)
Balance at 01 April 2019 as restated*	**368 799**	**3 512 922**	**3 881 721**
Changes in net assets			
Deficit in revaluation of land and buildings	(57 536)	-	(57 536)
Depreciation on revalued portion of assets	(11 236)	-	(11 236)
Deficit for the year	-	(781 572)	(781 572)
Total changes	(68 772)	(781 572)	(850 344)
Balance at 31 March 2020	**300 027**	**2 731 350**	**3 031 377**
Note(s)	14		

* See Note 36

Cash Flow Statement for the year ended 31 March 2020

	Note(s)	Economic entity 2020 R'000	Economic entity 2019 Restated* R'000	Controlling entity 2020 R'000	Controlling entity 2019 Restated* R'000
Cash flows from operating activities					
Receipts					
Rendering of services		16 028	9 144	-	-
Transfers from National Treasury		9 529 031	9 007 217	9 529 031	9 007 217
Interest received		81 538	178 409	77 688	173 547
Other income		371 246	533 221	371 246	533 221
		9 997 843	**9 727 991**	**9 977 965**	**9 713 985**
Payments					
Employee cost		(7 772 555)	(7 766 286)	(7 675 284)	(7 660 480)
Suppliers		(2 637 633)	(2 694 480)	(2 645 232)	(2 711 186)
VAT paid		2 115	(340)	-	-
Tax paid	9	(392)	(12 179)	-	-
		(10 408 465)	**(10 473 285)**	**(10 320 516)**	**(10 371 666)**
Net cash flows from operating activities	20	**(410 622)**	**(745 294)**	**(342 551)**	**(657 681)**
Cash flows from investing activities					
Acquisition of property, plant and equipment	5	(94 717)	(422 905)	(90 722)	(419 772)
Proceeds from sale of property, plant & equipment		1 188	523	1 188	523
Acquisition of intangible assets	6	(174 828)	(188 902)	(235 228)	(306 427)
Net cash flows from investing activities		**(268 357)**	**(611 284)**	**(324 762)**	**(725 676)**
Cash flows from financing activities					
Repayment of loan by controlled entity		-	-	20 000	20 000
Finance lease and interest payments		(12 659)	(16 601)	(12 637)	(16 557)
Net cash flows from financing activities		**(12 659)**	**(16 601)**	**7 363**	**3 443**
Net decrease in cash and cash equivalents		**(691 638)**	**(1 373 179)**	**(659 950)**	**(1 379 914)**
Cash and cash equivalents at the beginning of the year		1 170 421	2 543 600	1 096 693	2 476 607
Cash and cash equivalents at the end of the year	4	**478 783**	**1 170 421**	**436 743**	**1 096 693**

* See Note 36

Statement of Comparison of Budget and Actual Amounts

	Approved Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
	R'000	R'000	R'000	
Controlling entity				
Statement of Financial Performance				
Revenue				
Revenue from exchange transactions				
Other income	312 187	448 515	136 328	Note 1
Interest received	-	81 539	81 539	Note 2
Gains on disposal assets	-	193	193	
Total revenue from exchange transactions	**312 187**	**530 247**	**218 060**	
Revenue from non-exchange transactions				
Transfers from National Treasury	9 529 031	9 529 031	-	
Total revenue	**9 841 218**	**10 059 278**	**218 060**	
Expenditure				
Employee cost	(7 895 589)	(7 532 369)	363 220	Note 3
Depreciation and amortisation	(551 981)	(552 441)	(460)	
Impairment loss	-	(181 037)	(181 037)	Note 4
Finance costs	-	(3 026)	(3 026)	
Operating leases	(537 266)	(552 510)	(15 244)	Note 5
Other expenses	(14 032)	(18 692)	(4 660)	
Administrative expenses	(1 051 341)	(857 240)	194 101	Note 6
Inventories	(10 987)	(16 578)	(5 591)	
Professional and special services	(1 140 295)	(1 126 957)	13 338	Note 6
Total expenditure	**(11 201 491)**	**(10 840 850)**	**360 641**	
Surplus/(Deficit)	**(1 360 273)**	**(781 572)**	**578 701**	

Reference

Timing difference

Hardware and software purchased from IBM at a discounted rate was recognised at fair value. The discount of R63 million in the statement of Financial Performance is the reason for the variance. Commission income from collection of UIF on behalf of the Department of Labour was higher than planned.	Note 1
The accumulation of interest income in the current year is mainly due to normal business delays in projects and capital expenditure and therefore interest earned on the positive bank balance.	Note 2
The variance is mainly as a result of the continuous moratorium on existing vacancies as well as attrition that occurred during the year. All savings realised were utilised to fund the budget deficit.	Note 3
The loss mainly consists of impairments for Property Plant & Equipment and Intangible Assets. Main factors were the SARS owned building valuations conducted by independent valuators, which caused an impairment loss (R97 million) in the statement of financial performance & assets impaired based on the principles of GRAP21 (R69 million).	Note 4
The variance is due to the budgeted amount providing for planned lease payments, and the actual amount represents the straight-line of lease payments as per GRAP 13. As a result of funding shortages, the full lease budget requirement could not be fulfilled from commencement of the financial year, but only through reprioritisation of funds during the financial year under review.	Note 5
The variance is mainly due to savings realised during the financial year in administrative related costs, as a result of stricter budget management and cost containment.	Note 6

Statement of Comparison of Budget and Actual Amounts

	Approved Budget	Actual amounts on comparable basis	Difference between final budget and actuals
	R'000	R'000	R'000
Controlling entity			
Statement of Financial Position			
Assets			
Current Assets			
Inventories	38 330	21 512	(16 818)
Receivables from exchange transactions	85 309	110 002	24 693
Prepayments	180 213	157 994	(22 219)
Cash and cash equivalents	-	436 743	436 743
	303 852	**726 251**	**422 399**
Non-Current Assets			
Property, plant and equipment	2 019 678	2 053 465	33 787
Intangible assets	967 987	1 298 786	330 799
Loan to controlled entity	2 217	11 732	9 515
	2 989 882	**3 363 983**	**374 101**
Total Assets	**3 293 734**	**4 090 234**	**796 500**
Liabilities			
Current Liabilities			
Finance lease obligation	4 153	4 326	(173)
Trade and other payables	572 386	530 705	41 681
Deferred income	-	59	(59)
Provisions	6 257	102 471	(96 214)
Bank overdraft	762 318	-	762 318
	1 345 114	**637 561**	**707 553**
Non-Current Liabilities			
Finance lease obligation	-	65	(65)
Operating lease liability	131 517	80 630	50 887
Deferred income	-	77	(77)
Employee benefits	261 275	340 522	(79 247)
	392 792	**421 294**	**(28 502)**
Total Liabilities	**1 737 906**	**1 058 855**	**(679 051)**
Net Assets	**1 555 828**	**3 031 379**	**1 475 551**
Net Assets			
Asset revaluation reserve	326 287	300 027	(26 260)
Accumulated surplus	1 229 541	2 731 352	1 501 811
Net Assets	**1 555 828**	**3 031 379**	**1 475 551**

Statement of Comparison of Budget and Actual Amounts

	Approved Budget	Actual amounts on comparable basis	Difference between final budget and actuals	Reference
	R'000	R'000	R'000	
Controlling entity				
Cash Flow Statement				
Cash flows from operating activities				
Receipts				
Transfer from National Treasury	9 529 031	9 529 031	-	
Interest received	-	77 688	77 688	Note 1
Other income	312 187	371 246	59 059	Note 2
	9 841 218	**9 977 965**	**136 747**	
Payments				
Employee costs	7 895 589	7 675 284	220 305	Note 3
Suppliers	2 791 156	2 645 232	145 924	Note 4
	10 686 745	**10 320 516**	**366 229**	
Net cash flows from operating activities	**(845 527)**	**(342 551)**	**502 976**	
Cash flows from investing activities				
Acquisition of property, plant and equipment	-	(90 722)	(90 722)	
Proceeds from sale of property, plant and equipment	-	1 188	1 188	
Acquisition of intangible assets	-	(235 228)	(235 228)	
Net cash flows from investing activities	**-**	**(324 762)**	**(324 762)**	Note 5
Cash flows from financing activities				
Repayment of controlled entity loan	-	20 000	20 000	
Finance lease and interest payments	(9 599)	(12 637)	(3 038)	
Net cash flows from financing activities	**(9 599)**	**7 363**	**16 962**	
Net increase/(decrease) in cash and cash equivalents	(855 126)	(659 950)	195 176	
Cash and cash equivalents at the beginning of the year	92 808	1 096 693	1 003 885	
Cash and cash equivalents at the end of the year	**(762 318)**	**436 743**	**1 199 061**	

Reference

The accumulation of interest income in the current year is mainly due to normal business delays in projects and capital expenditure and therefore interest earned on the positive bank balance.	Note 1
The variance is mainly due to commission income from the collection of UIF on behalf of the Department of Labour that was higher than planned.	Note 2
The variance is mainly as a result of the continuous moratorium on existing vacancies as well as attrition that occurred during the year. All savings realised were utilised to fund the budget deficit.	Note 3
The variance is mainly due to savings realised during the financial year in administrative related costs as a result of stricter budget management and cost containment.	Note 4
SARS did not budget for capital expenditure due to funding constraints. Capital acquisitions were made through reprioritisation of funds during the financial year, as well as approved commitments retained from the previous year.	Note 5

Accounting Policies

1. Presentation of financial statements

The reporting activity of the South African Revenue Service (SARS) is divided into Revenue Accounts and Own Accounts. Revenue Accounts report on assets, liabilities and revenue that are controlled by National Government and managed by SARS on behalf of National Government. Own Accounts report on assets, liabilities, revenue and expenses associated with the administration and collection of taxes and duties. These activities are funded by transfers from National Treasury.

The Annual Financial Statements have been prepared in accordance with the effective Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 91(1) of the Public Finance Management Act (Act 1 of 1999).

These Annual Financial Statements have been prepared on an accrual basis of accounting, and are in accordance with historical cost convention, unless specified otherwise. They are presented in South African Rand.

A summary of the significant accounting policies, which have been consistently applied in the preparation of these financial statements, are disclosed below.

These accounting policies are consistent with the previous period.

1.1 Going concern assumptions

These financial statements have been prepared based on the expectation that the economic entity will continue to operate as a going concern for at least the next 12 months.

1.2 Consolidation

Basis of consolidation

The economic entity's Annual Financial Statements include those of the controlling entity and its controlled entity.

Control exists when the controlling entity has the power to govern the financial and operating policies of another entity, so as to obtain benefits from its activities.

The results of the controlled entity are included in the consolidated annual financial statements from the effective date of acquisition, or date when control commences to the effective date of disposal or date when control ceases.

The Annual Financial Statements of the controlling entity and its controlled entity used in the preparation of the consolidated annual financial statements are prepared as of the same reporting date.

All intra-entity transactions, balances, revenues and expenses are eliminated in full on consolidation, except for VAT on inter-company transactions. This is due to the fact that the controlling entity is not a registered VAT vendor.

1.3 Significant judgements and sources of estimation uncertainty

In preparing the financial statements, management is required to make estimates and assumptions that affect the amounts represented in the financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates, which may be material to the financial statements. Significant judgments and estimates include:

Loans and receivables

The economic entity assesses its loans and receivables for impairment at the end of each reporting period. Write-offs are made according to the economic entity's write-off policy.

Fair value estimation

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the applicable interest rates that are available to the economic entity for similar financial instruments.

Impairment testing

The recoverable amounts of cash-generating units have been determined based on the higher of value-in-use calculations and fair value less cost to sell. These calculations require the use of estimates and assumptions. It is reasonably possible that the key assumption may change, which may then impact the entity's estimations and may then require a material adjustment to the carrying value of the cash-generating assets.

Where there is an indication of impairment of a financial asset, an estimation of the reduction in the recorded carrying value to reflect the best estimate of the amount of the future economic benefits expected to be received from that asset is recorded in the notes to the financial statement.

The economic entity also reviews and tests the carrying value of property, plant & equipment and intangible assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. The event is defined as the inability to verify an asset for a period of two years, upon which the carrying value is impaired to zero. If the asset remains unverified, it will be written-off on the subsequent reporting date.

Provisions

Provisions were raised and management was prudent in determining estimates based on the information available. Additional disclosure of these estimates of provisions are included in note 13 - Provisions.

Taxation - controlled entity

This policy is not applicable to the controlling entity, as it is exempt from the payment of income tax in terms of section 10(1)(cA) of the Income Tax Act of 1962. In respect of the controlled entity, judgement is required in determining the provision for income taxes due to the complexity of legislation. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The controlled entity recognises liabilities for anticipated tax audit issues, based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

1.3 Significant judgements and sources of estimation uncertainty (continued)

The controlled entity recognises the net future tax benefit related to deferred income tax assets to the extent that it is probable that the temporary differences will reverse in the foreseeable future. Assessing the recoverability of deferred income tax assets requires the controlled entity to make significant estimates relating to expectations of future taxable income. Estimates of future taxable income are based on forecast cash flows from operations and the application of tax laws. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the controlled entity to realise the net deferred tax assets recorded at the end of the reporting period could be impacted.

Provision for doubtful debt

On trade and other receivables, an impairment loss is recognised in surplus and deficit, when there is objective evidence that it is impaired. The impairment is measured as the difference between the trade and other receivables carrying amount, and the present value of estimated future cash flows discounted at the applicable ministerial rate, computed at initial recognition.

In the assessment for impairment, the following methodologies are used at the end of each financial year:

- 100% of the out of service debt (excluding credit balances) is classified as impaired; and
- any additional debts that may be deemed irrecoverable.

Useful lives and residual value of assets

As described in the accounting policy below, the economic entity reviews the estimated useful lives and residual values of property, plant and equipment and intangible assets at the end of each reporting period.

Cash generating assets

Judgements made by management in applying the criteria to designate assets as cash-generating assets or non-cash-generating assets, are as follows:

- Cash generating assets are identified by Management as assets used with the objective of generating a commercial return. Commercial return means that positive cash flows are expected to be significantly higher than the cost of the asset. Assets in the controlling entity do not generate any cash inflows, therefore only assets in the controlled entity are considered to be cash generating assets. Management considers non-cash generating assets, as assets other than cash generating assets.

Valuation of land and buildings

The outbreak of the Novel Coronavirus (COVID-19), declared by the World Health Organisation as a "Global Pandemic" on 11 March 2020, has impacted global financial markets.

Market activity has been impacted in many sectors. As at 31 March 2020, professional valuers Mills Fitchet was of the view that less weight could be attached to previous market evidence for comparison purposes, to inform opinions of value. The current response to COVID-19 means that professional valuers are faced with an unprecedented set of circumstances on which to base a judgement.

1.3 Significant judgements and sources of estimation uncertainty (continued)

Their valuation is therefore reported based on 'material valuation uncertainty' as per VPS 3 and VPGA 10 of the RICS Red Book Global. Consequently, less certainty – and a higher degree of caution – should be attached to their valuation than would normally be the case. Given the unknown future impact that COVID-19 might have on the real estate market, they recommend that the economic entity keep the valuation of properties under frequent review.

1.4 Property, plant and equipment

Property, plant and equipment is initially measured at cost.

Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at date of acquisition. If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

Items such as spare parts, standby equipment and servicing equipment are recognised when they meet the definition of property, plant and equipment.

Property, plant and equipment is carried at cost less accumulated depreciation, and any impairment losses except for land and buildings, which is carried at revalued amounts being the fair value at the date of revaluation, less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Revaluations are made with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is not eliminated against the gross carrying amount of the asset and the net amount restated to the revalued amount of the asset. The cost price will reflect the grossed up value instead of the revalued amount. This does not have any effect on the values as per the statement of the financial position.

Any increase in an asset's carrying amount, as a result of a revaluation, is credited directly to a revaluation surplus. The increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

Any decrease in an asset's carrying amount, as a result of a revaluation, is recognised in surplus or deficit in the current period. The decrease is debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

The revaluation surplus in equity related to a specific item of property, plant and equipment is transferred directly to retained earnings as the asset is used. The amount transferred is equal to the difference between depreciation based on the revalued carrying amount, and depreciation based on the original cost of the asset.

1.4 Property, plant and equipment (continued)

The useful lives of items of property, plant and equipment for the controlling entity have been assessed as follows:

Item	Average useful life
Land	Unlimited useful life
Buildings	15 to 50 years
Plant and equipment	8 to 10 years
Furniture, fittings and office equipment	4 to 13 years
Land and water vehicles	5 to 8 years
Information technology equipment	5 to 10 years
Leasehold improvements	15 years
Generators	10 years
Security equipment	6 to 10 years
Assets under construction	No useful life as assets are not available and/or ready for use

The depreciable amount of an asset is allocated on a systematic basis over its useful life.

The economic entity assesses at each reporting date whether there is any indication that the economic entity's expectations about the residual value and the useful life of an asset have changed since the preceding reporting date. If any such indication exists, the economic entity revises the expected useful life and/or residual value accordingly. The change is accounted for as a change in an accounting estimate.

The economic entity separately discloses expenditure to repair and maintain property, plant and equipment in the notes to the financial statements (see note 5).

1.5 Intangible assets

Intangible assets are initially recorded in the notes to the financial statements at cost. Subsequently, intangible assets are measured at cost less any accumulated amortisation and impairment losses.

Where an intangible asset is acquired through a non-exchange transaction, its initial cost at the date of acquisition is measured at its fair value as at that date.

Cost on research (or on the research phase of an internal project) is recognised as an expense when it is incurred. An intangible asset arising from development (or from the development phase of an initial project) is recognised when:

- it is technically feasible to complete the asset so that it will be available for use or sale;
- there is an intention to complete and use or sell it;
- there is an ability to use or sell it;
- it will generate probable future economic benefits or service potential;
- there are available technical, financial and other resources to complete the development, and to use or sell the asset and
- the expenditure attributable to the asset during its development can be measured reliably.

The amortisation period, residual value and the amortisation method for intangible assets are reviewed at each reporting date.

1.5 Intangible assets (continued)

Amortisation for the controlling entity, is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

Item	Useful life
Intellectual property and other rights (controlled entity)	10 years
Information technology software	8 to 13 years
Software under development	No useful life as assets are not available and/or ready for use

The economic entity discloses relevant information relating to assets under construction, in the notes to the financial statements (see note 6).

1.6 Investments in controlled entities

Economic entity financial statements

Investment in controlled entity is consolidated in the economic entity financial statements. Refer to the accounting policy on consolidations (Note 1.2).

Controlling entity financial statements

In the controlling entity's separate financial statements, investments in controlled entities are carried at cost less any accumulated impairment.

Investment in a controlled entity that is accounted for in accordance with the accounting policy on financial instruments in the consolidated financial statements, is accounted for in the same way as in the controlling entity's separate financial statements.

1.7 Financial instruments

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation, using the effective interest rate method of any difference between that initial amount and the maturity amount, and minus any reduction for impairment or un-collectability.

The controlled entity's concessionary loan is a loan granted on terms that are not market related.

Classification

The entity has the following types of financial assets (classes and categories) as reflected in the statement of financial position or in the notes thereto:

Class	Measurement method
Loan to controlled entity	Financial asset measured at amortised cost
Receivables from exchange transactions	Financial asset measured at amortised cost
Cash and cash equivalents	Financial asset measured at fair value

1.7 Financial instruments (continued)

The entity has the following types of financial liabilities (classes and categories) as reflected in the statement of financial position or in the notes thereto:

Class	Measurement method
Finance lease obligation	Financial asset measured at amortised cost
Trade and other payables	Financial asset measured at amortised cost
Employee benefits	Financial asset measured at fair value

Initial recognition

The entity recognises a financial asset or a financial liability in its statement of financial position when the entity becomes a party to the contractual provisions of the instrument.

The entity recognises financial assets using trade date accounting (transaction date).

Initial measurement of financial assets and financial liabilities

The entity measures a financial asset and financial liability initially at its fair value plus transaction cost, that is directly attributable to the acquisition or issue of the financial asset or financial liability.

Subsequent measurement of financial assets and financial liabilities

The entity measures all financial assets and financial liabilities after initial recognition using the following categories:

- financial instruments at fair value, and
- financial instruments at amortised cost.

All financial assets measured at amortised cost are subject to an impairment review.

Fair value measurement considerations

The best evidence of fair value is quoted prices in an active market. If the market for a financial instrument is not active, the entity establishes fair value by using a recognised valuation technique. The objective of using a recognised valuation technique is to establish what the transaction price would have been on the measurement date in an arm's length exchange, motivated by normal operating considerations.

Impairment of financial assets

The entity assesses at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets should be impaired.

Financial assets measured at amortised cost

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced directly. The amount of the loss is recognised in surplus or deficit.

1.7 Financial instruments (continued)

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed directly. The reversal does not result in a carrying amount of the financial asset that exceeds what the amortised cost model would have been, had the impairment not been recognised at the date the impairment is reversed. The balance of the reversal amount is recognised in surplus or deficit.

Derecognition

Financial assets

The entity derecognises a financial asset only when the contractual rights to the cash flows from the financial asset expire, are settled, waived or when the entity transfers to another party substantially all of the risks and rewards of ownership of the financial asset.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received is recognised in surplus or deficit using trade date accounting (transaction date).

Financial liabilities

The entity removes a financial liability (or a part of a financial liability) from its statement of financial position upon settlement.

Recognition

Interest relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Losses and gains relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

A financial asset and a financial liability are only offset and the net amount presented in the statement of financial position when the entity currently has a legally enforceable right to set off the recognised amounts, and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

1.8 Tax - controlled entity

Current tax assets and liabilities

Current tax for current and prior periods is, to the extent unpaid, recognised as a liability. If the amount already paid in respect of current and prior periods exceeds the amount due for those periods, the excess is recognised as an asset.

Tax liabilities or assets for the current and prior periods are measured at the amount expected to be paid to/or recovered from the tax authority, using the tax rates and tax laws that have been enacted by the end of the reporting period.

1.8 Tax - controlled entity (continued)

Deferred tax assets and liabilities

A deferred tax liability is recognised for all taxable temporary differences, except to the extent that the deferred tax liability arises from the initial recognition of an asset or liability in a transaction, which at the time of the transaction, affects neither accounting surplus nor taxable profit or tax loss.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates and laws that have been enacted or substantively enacted by the end of the reporting period.

Tax expense

Current and deferred taxes are recognised as an income or an expense and included in surplus or deficit for the period.

1.9 Leases

Finance leases

A lease is classified as a finance lease if it meets the finance lease criteria as per GRAP 13.

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property, or if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease.

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term to produce a constant periodic rate on the remaining balance of the liability.

Operating leases

Operating lease payments are recognised as expenses on a straight-line basis over the lease term. The difference between the amounts recognised as expenses and the contractual payments are recognised as an operating lease liability.

1.10 Inventories

Inventories are initially measured at cost.

Inventories are measured at the lower of cost and current replacement cost where they are held for distribution at no charge.

Current replacement cost is the cost the economic entity incurs to acquire the inventories on the reporting date.

1.10 Inventories (continued)

The cost of inventories comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventories is assigned using the weighted average cost formula. The same cost formula is used for all inventories having a similar nature and use for the economic entity.

1.11 Impairment of cash-generating assets- controlled entity

The economic entity assesses at each reporting date whether there is any indication that a cash-generating asset may be impaired. If any such indication exists, the entity estimates the recoverable amount of the asset.

1.12 Impairment of non-cash-generating assets

Identification

When the carrying amount of a non-cash-generating asset exceeds its recoverable service amount, it is impaired.

The economic entity assesses at each reporting date whether there is any indication that a non-cash-generating asset may be impaired. If any such indication exists, the economic entity estimates the recoverable service amount of the asset.

1.13 Share capital/contributed capital

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities.

Ordinary shares as well as the loan received from the controlling entity is classified in the controlled entity's equity.

1.14 Employee benefits

The value of each major class of employee benefit obligation is disclosed in the employee benefits note. Refer to note 23.

1.15 Provisions and contingencies

Provisions are recognised when there is a present legal or constructive obligation to forfeit economic benefits as a result of events in the past and it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation, and a reliable estimate of the obligation can be made. The provision is measured as the best estimate of the funds required to settle the present obligation at the reporting date.

Contingent assets and contingent liabilities are not recognised but are disclosed in note 32.

1.16 Commitments

Items are classified as commitments when an entity has committed itself to future transactions that will normally result in the outflow of cash.

1.16 Commitments (continued)

Disclosures are required in respect of unrecognised contractual commitments.

Commitments for which disclosure is necessary to achieve a fair presentation should be disclosed in a note to the financial statements, if both the following criteria are met:

- Contractual commitments should be non-cancellable or only cancellable at significant cost; and
- Contractual commitments relate to all project related cost approved and executed as per the Annual Performance Plan (APP) as well as capital expenditure.

Contractual commitments exclude operational expenditure which is routine in nature.

Disclosure in note 31

1.17 Revenue from exchange transactions

Revenue from exchange transactions comprises of the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets.

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the criteria per GRAP 9 are met.

1.18 Revenue from non-exchange transactions

Revenue from non-exchange transactions comprises of the increases in economic benefits relating to contributions received from National Treasury.

In a non-exchange transaction, an entity either receives value from another entity without directly giving approximately equal value in exchange, or gives value to another entity without directly receiving approximately equal value in exchange.

Recognition

An inflow of resources from a non-exchange transaction recognised as an asset is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

Measurement

Revenue from a non-exchange transaction is measured at the amount of the increase in net assets recognised by the entity.

1.18 Revenue from non-exchange transactions (continued)

When, as a result of a non-exchange transaction, the entity recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised, it will be measured as the best estimate of the amount required to settle the obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability is recognised as revenue.

Donations

Donations, including goods in kind, are recognised as assets and revenue when it is probable that the future economic benefits or service potential will flow to the entity, and the fair value of the assets can be measured reliably.

1.19 Government grant

SARS' main source of income is an annual grant appropriated by Parliament and distributed by National Treasury to execute its mandate in terms of the SARS Act (No.34 of 1997).

1.20 Translation of foreign currencies

Foreign currency transactions

A foreign currency transaction is recorded on initial recognition in Rand, by applying to the foreign currency amount, the spot exchange rate between the functional currency and the foreign currency at the date of the transaction.

At each reporting date, foreign currency monetary items are translated using the closing rate.

Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition during the period, or in previous financial statements, are recognised in surplus or deficit in the period in which they arise.
Cash flows arising from transactions in a foreign currency is recorded in South African Rand by applying to the foreign currency amount the exchange rate between the Rand and the foreign currency at the date of the cash flow.

1.21 Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

1.22 Fruitless and wasteful expenditure

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.23 Irregular expenditure

Irregular expenditure that was incurred and identified during the current financial year, and which was condoned before year end and/or before finalisation of the financial statements, must be recorded appropriately in the irregular expenditure register. In such an instance, no further action is required with the exception of updating the note to the financial statements.

Irregular expenditure that was incurred and identified during the current financial year, and for which condonement is being awaited at year end, is recorded in the irregular expenditure register. No further action is required with the exception of updating the note to the financial statements.

Where irregular expenditure was incurred in the previous financial year and is only condoned in the following financial year, the register and the disclosure note to the financial statements must be updated with the amount condoned.

Irregular expenditure incurred and identified during the current financial year, not condoned by National Treasury or the relevant authority, is recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debt account is created if such a person is liable in law. Immediate steps are taken to recover the amount from the person concerned. If recovery is not possible, the accounting officer or accounting authority may write off the amount as debt impairment and disclose such in the relevant note to the financial statements. The irregular expenditure register is updated accordingly. If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto must remain against the relevant programme/expenditure item, be disclosed as such in the note to the financial statements, and updated accordingly in the irregular expenditure register.

1.24 Research and development expenditure

Cost on research is recognised as an expense when it is incurred.

An asset arising from development is recognised when:

- it is technically feasible to complete the asset so that it will be available for use or sale;
- there is an intention to complete and use or sell it;
- there is an ability to use or sell it;
- it will generate probable future economic benefits or service potential;
- there are available technical, financial and other resources to complete the development and to use or sell the asset; and
- the expenditure attributable to the asset during its development can be measured reliably.

1.25 Budget information

The controlling entity is subject to appropriations of budgetary limits, which are given effect to, through authorising legislation.

General purpose financial reporting by the economic entity shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

The approved budget is prepared on an accrual basis and presented by economic classification linked to performance outcome objectives.

1.25 Budget information (continued)

The approved budget covers the fiscal period from 2019/04/01 to 2020/03/31.

This accounting policy applies only to the approved budget of the controlling entity.

The financial statements and the budget are on the same basis of accounting, therefore a comparison with the budgeted amounts for the reporting period has been included in the statement of comparison of budget and actual amounts.

Comparative information is not required.

1.26 Related parties

The controlling entity has early adopted the standard on related parties as recommended by the ASB. The standard has been prospectively applied from 1 April 2016 in line with GRAP 3 - accounting policies, changes in accounting estimates and errors.

The controlling entity operates in an economic sector currently dominated by entities directly or indirectly owned by the South African Government. As a consequence of the constitutional independence of the three spheres of government in South Africa, only entities within the national sphere of government are considered to be related parties.

Only transactions with related parties not at arm's length or not in the ordinary course of business are disclosed.

Management, regarded as members of the executive committee, are those persons responsible for planning, directing and controlling the activities of the economic entity, including those charged with the governance of the economic entity in accordance with legislation, in instances where they are required to perform such functions.

Close family members of a person considered to be a member of management are those family members, including spouses and individuals who live together as spouses, who may be expected to influence, or be influenced by each other in their dealings with the controlling entity.

1.27 Events after reporting date

Events after the reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

The economic entity will adjust the amount recognised in the financial statements to reflect adjusting events after the reporting date once the event occurred.

The economic entity will disclose the nature of the event and an estimate of its financial effect, or a statement that such estimate cannot be made in respect of all material non-adjusting events, where non-disclosure could influence the economic decisions of users taken on the basis of the financial statements.

1.28 Transitional provisions

Transitional provision for Statutory Receivables

The economic entity adopted GRAP 108 - Statutory Receivables during the current period under review. The change in the accounting policy is made in accordance with its transitional provision as per Directive 2 of the GRAP Reporting Framework.

Until such time as the measurement period expires and relating items are recognised and measured in accordance with the requirements of the associated Standard of GRAP, the economic entity need not comply with the Standards of GRAP on Statutory Receivables.

1.29 Basis of preparation

The financial statements have been prepared in accordance with the effective Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board on a basis consistent with the prior year.

2. New standards and interpretations

2.1 Standards and interpretations effective and adopted in the current year

In the current year, the economic entity has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
Directive 7 (revised): The Application of Deemed Cost	01 April 2019	The impact of this directive is material, but only applicable to certain transactions.
GRAP 108: Statutory Receivables	01 April 2019	The change in accounting policy is made in accordance with its transitional provision as per Directive 2 of the GRAP Reporting Framework. Until such time as the measurement period expires and relating items are recognised and measured in accordance with the requirements of the associated Standard of GRAP, the economic entity need not comply with the Standards of GRAP on Statutory Receivables.

2.2 Standards and interpretations not yet effective

The following standards and interpretations have been approved, and are mandatory for the economic entity's accounting periods beginning on, or after 01 April 2020 but are not yet effective:

Standard/Interpretation:	Effective date: Year beginning on or after	Expected impact
GRAP 110 (as amended 2016): Living and Non-living Resources	01 April 2020	The impact of this currently being assessed.

	Economic entity		Controlling entity	
	2020	2019	2020	2019
	R'000	R'000	R'000	R'000

3. Receivables from exchange transactions

Government departments	98 171	81 994	98 171	81 994
Staff accounts receivable	5 577	15 194	5 577	15 194
Refundable deposits	3 979	4 029	3 964	3 968
Interest receivable	596	1 806	596	1 806
Sundry receivables	913	770	1 330	1 132
Advanced Tax Rulings (ATR) debtors	364	791	364	791
Trade debtors	-	3 189	-	-
	109 600	**107 773**	**110 002**	**104 885**

Fair value of receivables from exchange transactions

Trade and other receivables	109 600	107 773	110 002	104 885

Receivables from exchange transactions past due but not impaired

At 31 March 2020, R6 867 585 (2019: R3 769 436) was past due but not impaired.

The ageing of amounts past due but not impaired is as follows:

1 month past due	10	253	10	253
2 months past due	25	2 143	25	17
3 months past due	6 832	1 373	6 817	1 373

Receivables from exchange transactions impaired

As of 31 March 2020, receivables from exchange transactions of R4 499 259 (2019: R4 676 858) were impaired and provided for.

The ageing of these receivables from exchange transactions is as follows:

0 to 3 months	380	383	380	383
Over 3 months	4 119	4 294	4 119	4 294

During the current financial year, the dispute, based on possible contractual non-compliance, between the controlling entity and the Nigel landlord was resolved. The value of the expenses incurred by the controlling entity was recouped with the work performed by the landlord, with the renewal of the lease agreement post 2015. The debt relating to the Nigel tenant installation repayment of R501 000 (2019: R501 000), which was provided for in the prior financial year, was therefore reversed.

Included in Government department debtors is an amount of R1.251 million relating to tenant installation, owed by the landlord of the new Large Business Centre building in Woodmead, South Africa.

	Economic entity		Controlling entity	
	2020	2019	2020	2019
	R'000	R'000	R'000	R'000

3. Receivables from exchange transactions (continued)

The amount relating to the tenant installation for Ashley Gardens is still included in the provision for impairment as the investigation into the recovery of the outstanding amount of R583 000 (2019:R583 000) is still ongoing.

Lastly, the controlling entity included in the provision for impairment an amount of R854 000 (2019: R943 000) for external bursaries. These bursaries were awarded to university students by the controlling entity as a means to build a skills pipeline, to advance the provisions of the National Youth Policy (2015-2020) and the organisation's strategy on development based on its Workforce Plans. As per the controlling entity's bursary policy, the full amount of financial assistance paid to the institution during the academic year must be refunded in the event where the student prematurely terminates studies. The financial assistance award will be terminated where the student postpones their studies. During the 2018 financial year, external bursary debt to the amount of R1.1 million was taken on for students that either postponed or prematurely terminated their studies. As these bursaries were allocated to students who did not complete their studies, a decision was made to provide for a possible impairment of debt as the probability that these students, who might currently not be employed and/or not be able to pay back the debt, was considered to be high.

Reconciliation of provision for impairment of receivables from exchange transactions

Opening balance	4 677	2 793	4 677	2 793
Provision for impairment	(131)	2 120	(131)	2 120
Amounts written off as uncollectable	(47)	(236)	(47)	(236)
	4 499	**4 677**	**4 499**	**4 677**

4. Cash and cash equivalents

Cash and cash equivalents consist of:

Bank balance	478 419	1 169 858	436 385	1 096 133
Cash on hand	364	563	358	560
	478 783	**1 170 421**	**436 743**	**1 096 693**

5. Property, plant and equipment (continued)

Figures in Rand thousand (R'000)						
Economic entity	**2020**			**2019**		
	Cost/Valuation	**Movement**	**Carrying Value**	**Cost/Valuation**	**Movement**	**Carrying**
Land	175 564	-	175 564	180 385	-	180 385
Buildings	673 793	(163 017)	510 776	810 807	(136 104)	674 703
Plant and equipment	133 511	(45 769)	87 742	155 878	(47 830)	108 048
Furniture, fittings and office equipment	427 999	(293 258)	134 741	431 917	(274 478)	157 439
Land and water vehicles	235 036	(168 463)	66 573	237 767	(149 041)	88 726
IT equipment	1 815 410	(1 162 019)	653 391	1 764 231	(1 022 316)	741 915
Leasehold improvements	779 691	(408 058)	371 633	772 877	(378 315)	394 562
Generators	79 312	(57 645)	21 667	79 499	(52 955)	26 544
Security equipment	199 459	(161 892)	37 567	198 972	(154 478)	44 494
Assets under construction	832	-	832	8 937	-	8 937
Total	**4 520 607**	**(2 460 121)**	**2 060 486**	**4 641 270**	**(2 215 517)**	**2 425 753**

Figures in Rand thousand (R'000)						
Controlling entity	**2020**			**2019**		
	Cost/Valuation	**Movement**	**Carrying Value**	**Cost/Valuation**	**Movement**	**Carrying**
Land	175 564	-	175 564	180 385	-	180 385
Buildings	673 793	(163 017)	510 776	810 807	(136 104)	674 703
Plant and equipment	133 511	(45 769)	87 742	155 878	(47 830)	108 048
Furniture, fittings and office equipment	426 377	(292 277)	134 100	430 754	(273 580)	157 174
Land and water vehicles	235 036	(168 463)	66 573	237 767	(149 041)	88 726
IT equipment	1 798 819	(1 150 333)	648 486	1 749 606	(1 012 085)	737 521
Leasehold improvements	773 670	(403 500)	370 170	768 314	(373 915)	394 399
Generators	79 108	(57 452)	21 656	79 295	(52 762)	26 533
Security equipment	199 439	(161 873)	37 566	198 952	(154 459)	44 493
Assets under construction	832	-	832	8 937	-	8 937
Total	**4 496 149**	**(2 442 684)**	**2 053 465**	**4 620 695**	**(2 199 776)**	**2 420 919**

5. Property, plant & equipment (continued)

Reconciliation of the carrying amount of property, plant and equipment - Economic entity - 2020

Figures in Rand thousand (R'000)											
	Opening balance	Additions	Compensation for replacement assets	Disposals	Negotiated discount	Transfers	Revaluations	Depreciation	Impairment loss/scrapping	Impairment reversal	Total
Land	180 385	-	-	-	-	-	74	-	(4 895)	-	175 564
Buildings	674 703	12 287	-	-	-	-	(68 846)	(15 625)	(91 743)	-	510 776
Plant and equipment	108 048	185	-	(773)	-	-	-	(12 763)	(6 955)	-	87 742
Furniture, fitting and office equipment	157 439	7 837	-	(14)	-	-	-	(29 612)	(916)	7	134 741
Land and water vehicles	88 726	129	-	(200)	-	-	-	(21 758)	(324)	-	66 573
IT equipment	741 915	56 815	8	(28)	3 396	16 725	-	(156 709)	(8 756)	25	653 391
Leasehold improvements	394 562	12 318	-	(1)	-	4 007	-	(35 838)	(3 415)	-	371 633
Generators	26 544	23	-	-	-	-	-	(4 713)	(187)	-	21 667
Security equipment	44 494	955	-	-	-	-	-	(7 423)	(459)	-	37 567
Assets under construction	8 937	4 168	-	-	-	(12 273)	-	-	-	-	832
	2 425 753	**94 717**	**8**	**(1 016)**	**3 396**	**8 459**	**(68 772)**	**(284 441)**	**(117 650)**	**32**	**2 060 486**

Net transfers between property, plant and equipment and intangible assets as per note 6 contra each other.

The opening balances of some classes have been restated in line with Note 36 - Prior period error 27.

Reconciliation of the carrying amount of property, plant and equipment - Controlling entity - 2020

Figures in Rand thousand (R'000)											
	Opening balance	Additions	Compensation for replacement assets	Disposals	Negotiated discount	Transfers	Revaluations	Depreciation	Impairment loss/scrapping	Impairment reversal	Total
Land	180 385	-	-	-	-	-	74	-	(4 895)	-	175 564
Buildings	674 703	12 287	-	-	-	-	(68 846)	(15 625)	(91 743)	-	510 776
Plant and equipment	108 048	185	-	(773)	-	-	-	(12 763)	(6 955)	-	87 742
Furniture, fitting and office equipment	157 174	7 378	-	(14)	-	-	-	(29 529)	(916)	7	134 100
Land and water vehicles	88 726	129	-	(200)	-	-	-	(21 758)	(324)	-	66 573
IT equipment	737 521	54 730	8	(7)	3 396	16 725	-	(155 156)	(8 756)	25	648 486
Leasehold improvements	394 399	10 860	-	(1)	-	4 007	-	(35 680)	(3 415)	-	370 170
Generators	26 533	23	-	-	-	-	-	(4 713)	(187)	-	21 656
Security equipment	44 493	955	-	-	-	-	-	(7 423)	(459)	-	37 566
Assets under construction	8 937	4 168	-	-	-	(12 273)	-	-	-	-	832
	2 420 919	**90 715**	**8**	**(995)**	**3 396**	**8 459**	**(68 772)**	**(282 647)**	**(117 650)**	**32**	**2 053 465**

Net transfers between property, plant and equipment and intangible assets as per note 6 contra each other.

The opening balances of some classes have been restated in line with Note 36 - Prior period error 27.

5. Property, plant & equipment (continued)

Reconciliation of the carrying amount of property, plant and equipment - Economic entity – 2019

Figures in Rand thousand (R'000)										
	Opening balance	Additions	Compensation for replacement assets	Disposals	Transfers	Revaluations	Depreciation	Impairment loss/scrapping	Impairment reversal	Total
Land	164 660	-	-	-	-	15 752	-	(27)	-	180 385
Buildings	655 203	13 649	-	-	-	28 424	(15 559)	(7 014)	-	674 703
Plant and equipment	98 564	20 876	-	-	-	-	(11 392)	-	-	108 048
Furniture, fitting and office equipment	166 526	28 140	-	(12)	-	-	(36 700)	(530)	15	157 439
Land and water vehicles	105 071	6 561	-	(894)	-	-	(22 012)	-	-	88 726
IT equipment	649 384	279 011	26	(2 142)	4 612	-	(188 505)	(474)	3	741 915
Leasehold improvements	362 577	55 782	-	-	-	-	(21 335)	(2 462)	-	394 562
Generators	28 981	4 263	-	-	-	-	(6 700)	-	-	26 544
Security equipment	50 148	5 686	-	-	-	-	(11 337)	(3)	-	44 494
Assets under construction	-	8 937	-	-	-	-	-	-	-	8 937
	2 281 114	**422 905**	**26**	**(3 048)**	**4 612**	**44 176**	**(313 540)**	**(10 510)**	**18**	**2 425 753**

Net transfers between property, plant and equipment and intangible assets as per note 6 contra each other.

The opening balances of some classes have been restated in line with Note 36 - Prior period error 27.

Reconciliation of the carrying amount of property, plant and equipment – Controlling entity – 2019

Figures in Rand thousand (R'000)										
	Opening balance	Additions	Compensation for replacement assets	Disposals	Transfers	Revaluations	Depreciation	Impairment loss/scrapping	Impairment reversal	Total
Land	164 660	-	-	-	-	15 752	-	(27)	-	180 385
Buildings	655 203	13 649	-	-	-	28 424	(15 559)	(7 014)	-	674 703
Plant and equipment	98 564	20 876	-	-	-	-	(11 392)	-	-	108 048
Furniture, fitting and office equipment	166 126	28 125	-	(11)	-	-	(36 551)	(530)	15	157 174
Land and water vehicles	105 071	6 561	-	(894)	-	-	(22 012)	-	-	88 726
IT equipment	646 676	275 890	26	(2 100)	4 612	-	(187 112)	(474)	3	737 521
Leasehold improvements	362 280	55 783	-	-	-	-	(21 202)	(2 462)	-	394 399
Generators	28 970	4 263	-	-	-	-	(6 700)	-	-	26 533
Security equipment	50 147	5 686	-	-	-	-	(11 337)	(3)	-	44 493
Assets under construction	-	8 937	-	-	-	-	-	-	-	8 937
	2 277 697	**419 770**	**26**	**(3 005)**	**4 612**	**44 176**	**(311 865)**	**(10 510)**	**18**	**2 420 919**

Net transfers between property, plant and equipment and intangible assets as per note 6 contra each other.

The opening balances of some classes have been restated in line with Note 36 - Prior period error 27.

	Economic entity		Controlling Entity	
	2020	2019	2020	2019
	R'000	R'000	R'000	R'000

5. Property, plant & equipment (continued)

Assets subject to finance lease (net carrying amount)

Furniture, fittings and office equipment	11 801	13 961	11 801	13 942

Revaluations

The effective date of the revaluations was 31 March 2020. Revaluations were performed by independent professional valuer, Mr. WJ Hewitt [NDPV, MIEA, FIVSA, RICS] and independent professional valuer Mr. PL Niesing [MSc Real Estate, B Art et Scientia (Planning) SAIV, SACPVP] of Mills Fitchet Valuations (Pty) Ltd. Mills Fitchet Valuations (Pty) Ltd is not connected to the economic entity.

The outbreak of the Novel Coronavirus (COVID-19), declared by the World Health Organisation as a "Global Pandemic" on 11 March 2020, has impacted global financial markets.

As at the valuation date, Mills Fitchet Valuations (Pty) Ltd considered that less weight could be attached to previous market evidence for comparison purposes, to inform opinions of value. The current response to COVID-19 means that valuators are faced with an unprecedented set of circumstances on which to base their judgement.

The valuation is therefore reported based on 'material valuation uncertainty' as per VPS 3 and VPGA 10 of the RICS Red Book Global. Consequently, less certainty, and a higher degree of caution, should be attached to the valuation than would normally be the case. Given the unknown future impact that COVID-19 might have on the real estate market, they recommend that the valuation should be kept under frequent review.

The valuation of Lehae la SARS (Erf 419, 281 Bronkhorst Street, Nieuw Muckleneuk, 0180) and Alberton South Campus (Erf 1087, New Redruth Extension 6, McKinnon Crescent, Alberton, 1449) was performed using the capitalisation of net annual income method. This method determines the market values of income producing properties such as shopping centres, offices and industrial or commercial properties where the buildings have earning potential.

The valuation of the Ficksburg and Fouriesburg houses were performed using the direct comparable method. This method determines the market value of vacant land or residential properties, as this method employs the direct comparison of comparable properties recently sold.

Expenditure incurred to repair and maintain Property, Plant and Equipment and Intangible Assets

Expenditure included in Statement of Financial Performance

Contracted services	614 906	526 187	614 906	526 187
General expenses	13 522	73 769	12 446	72 968
	628 428	**599 956**	**627 352**	**599 155**

6. Intangible assets

Figures in Rand thousand (R'000)						
Economic entity	2020			2019		
	Cost/ valuation	Movement	Carrying value	Cost/ valuation	Movement	Carrying value
Intellectual property and other rights	73 583	(48 719)	24 864	73 583	(41 361)	32 222
IT software	3 503 862	(2 911 176)	592 686	3 296 527	(2 640 576)	655 951
Software under development	16 084	-	16 084	59 944	-	59 944
Total	**3 593 529**	**(2 959 895)**	**633 634**	**3 430 054**	**(2 681 937)**	**784 117**

Figures in Rand thousand (R'000)						
Controlling entity	2020			2019		
	Cost/ valuation	Movement	Carrying value	Cost/ valuation	Movement	Carrying value
IT software	4 107 436	(2 906 077)	1 201 359	3 691 745	(2 636 658)	1 055 087
Software under development	97 427	-	97 427	289 244	-	289 244
Total	**4 204 863**	**(2 906 077)**	**1 298 786**	**3 980 989**	**(2 636 658)**	**1 344 331**

Reconciliation of the carrying amount of intangible assets – Economic entity – 2020

Figures in Rand thousand (R'000)							
	Opening balance	Additions	Negotiated discount	Transfers	Amortisation	Impairment loss/scrapping	Total
Intellectual property and other rights	32 222	-	-	-	(7 358)	-	24 864
IT software	655 951	31 332	59 254	146 081	(270 975)	(28 957)	592 686
Software under development	59 944	143 496	-	(154 539)	-	(32 817)	16 084
	748 117	**174 828**	**59 254**	**(8 458)**	**(278 333)**	**(61 774)**	**633 634**

Net transfers between property, plant and equipment and intangible assets as per note 5 contra each other.
The opening balances of some classes have been restated in line with Note 36 - Prior period error 27.

Reconciliation of the carrying amount of intangible assets – Economic entity – 2019

Figures in Rand thousand (R'000)						
	Opening balance	Additions	Transfers	Amortisation	Impairment loss/ scrapping	Total
Intellectual property and other rights	39 581	-	-	(7 359)	-	32 222
IT software	819 689	19 677	112 894	(296 309)	-	655 951
Software under development	11 374	169 225	(117 505)	-	(3 150)	59 944
	870 644	**188 902**	**(4 611)**	**(303 668)**	**(3 150)**	**748 117**

Net transfers between property, plant and equipment and intangible assets as per note 5 contra each other.
The opening balances of some classes have been restated in line with Note 36 - Prior period error 27.

	Economic entity		Controlling entity	
	2020	2019	2020	2019
	R'000	R'000	R'000	R'000

6. Intangible assets (continued)

Reconciliation of the carrying amount of intangible assets – Controlling entity – 2020

Figures in Rand thousand (R'000)							
	Opening balance	Additions	Negotiated discount	Transfers	Amortisation	Impairment loss/scrapping	Total
IT software	1 055 087	73 826	59 254	311 944	(269 794)	(28 958)	1 201 359
Software under development	289 244	161 402	-	(320 402)	-	(32 817)	97 427
	1 344 331	**235 228**	**59 254**	**(8 458)**	**(269 794)**	**(61 775)**	**1 298 786**

Net transfers between property, plant and equipment and intangible assets as per note 5 contra each other. The opening balances of some classes have been restated in line with Note 36 - Prior period error 27.

Reconciliation of the carrying amount of intangible assets – Controlling entity – 2019

Figures in Rand thousand (R'000)						
	Opening balance	Additions	Transfers	Amortisation	Impairment loss/ scrapping	Total
IT software	1 128 281	62 304	159 948	(295 446)	-	1 055 087
Software under development	212 830	244 123	(164 559)	-	(3 150)	289 244
	1 341 111	**306 427**	**(4 611)**	**(295 446)**	**(3 150)**	**1 344 331**

Net transfers between property, plant and equipment and intangible assets as per note 5 contra each other. The opening balances of some classes have been restated in line with Note 36 - Prior period error 27.

Intangible assets in the process of being constructed or developed that have been dereprioritised/delayed as a result of other emerging priorities in the year under review

New Customs Act Programme (NCAP)	752	-	17 976	-

Although the first declaration processing tactical release is in production, the New Customs Act Programme (NCAP) is delayed due to traders not being able to use the system, as the data elements, which are mandatory in law, are not available at time of clearance for export, rendering the solution impractical. Consequently, a decision was taken to delay the pilot and submit the requirement to review the law. The review of the law is subject to the outcome of the WCO Peer Review. These dependencies have necessitated that the project and its subsequent deliveries be put on hold.

QRadar	-	1 182	-	1 185

The QRadar project was completed during the 2019/2020 period under review

Filing Season 2017 with HTML5	-	570	-	570

The Filing Season 2017 with the HTML5 project was completed during the 2019/2020 period under review.

	752	1 752	17 976	1 755

	Economic entity		Controlling entity	
	2020	2019	2020	2019
	R'000	R'000	R'000	R'000

6. Intangible assets (continued)

Carrying value of Intangible assets where construction or development has been halted either during the current or prior reporting period(s)

New Pier Durban State Warehouse	37 049	-	37 049	-

The project has been delayed due to non-performance of the service provider and an ongoing dispute.

OR Tambo Cargo Scanner	28 112	-	28 112	-

The OR Tambo Cargo Scanner project was planned for completion on 31 March 2020, but due to the nationwide lockdown which started on 27 March 2020, the project could not be completed. The project will now be completed during the 2020/21 financial year.

Integrated Account and Revenue Management (IARM)	-	28 393	-	28 393

The IARM project was impaired during the 2019/2020 period under review, as per the requirements of GRAP 21.

Debt Management	-	995	-	995

The Debt Management project was impaired during the 2019/2020 period under review, as per the requirements of GRAP 21.

eFiling Gateway Payment Reform	-	495	-	495

The eFiling Gateway Payment Reform project was impaired during the 2019/2020 period under review, as per the requirements of GRAP 21.

	65 161	**29 883**	**65 161**	**29 883**

7. Investments in controlled entity

Name of company	Held by	% holding 2020	% holding 2019	Carrying amount 2020	Carrying amount 2019
International Frontier Technologies SOC Ltd	South African Revenue Service	100%	100%	-	-

The carrying amount of the controlled entity is shown net of impairment loss. The controlled entity has a share capital of R1 (One Rand).

	Economic entity		Controlling entity	
	2020	2019	2020	2019
	R'000	R'000	R'000	R'000

8. Loan to the controlled entity

Interfront	-	-	12 596	32 596
Provision for impairment of loan to controlled entity	-	-	(864)	(4 145)
	-	**-**	**11 732**	**28 451**

A decision was made to incorporate Interfront into SARS. This decision is however subject to approval by the Minister of Finance, as the Executive Authority, as required by section 54(2)(d) of the PFMA.

The loan has no agreed upon repayment terms, does not bear interest, and is therefore not at market comparable terms and needs to be tested for impairments. In order to test for impairments, the fair value must be determined as described below.

The loan is recognised at amortised cost, which is calculated by assessing the level of impairment necessary weighing the probability of repayment appropriately. A weighted average effective interest rate as at 31 March 2020 was calculated as 9.81%, resulting in the implied interest income to be recognised in the Statement of Financial Performance.

The loan is recognised at amortised cost, and therefore any gain from the excess of the fair value over the carrying amount cannot be recognised (fair value is limited to the original carrying amount). However, an increase in the fair value may be recognised through the reversal of a previously recognised impairment charge, up to the total amount advanced still outstanding.

As per GRAP 104, the controlling entity is required to disclose the fair value of the loan, as well as the amortised cost at which it is recognised.

The controlled entity made a loan repayment of R20 million (2019: R20 million) during the current financial year under review.

Fair value of the loan to the controlled entity

Loans to economic entity	-	-	12 018	29 078

In order to determine the expected future cash free cash flows of the controlled entity, the valuators obtained management's forecasts for the five-year period from 1 April 2020 to 31 March 2025. Midpoint discounting was used to determine the fair value through discounting the estimated repayments, following the industry standard assumption that cash flows are earned evenly throughout each period.

Impairment of the loan to the controlled entity

As of 31 March 2020, the loan to the controlled entity of R12 595 853 (2019: R32 595 853) was impaired by R864 232 (2019: R4 144 993).

	Economic entity		Controlling entity	
	2020	2019	2020	2019
	R'000	R'000	R'000	R'000

8. Loan to the controlled entity (continued)

The ageing of the loan, although not past due, is as follows:

3 to 6 months	-	-	12 596	32 596

Reconciliation of the provision for impairment of loan to the controlled entity

Opening balance	-	-	4 145	10 378
Provision for impairment	-	-	1 780	691
Deemed interest income	-	-	(5 061)	(6 924)
	-	**-**	**864**	**4 145**

The net movement in the provision for impairment of the loan to the controlled entity has been included in operating expenses in the statement of financial performance (note 17).

9. Tax receivable - Controlled entity

Balance at beginning of the year	1 457	825	-	-
Current tax recognised in surplus	(696)	(11 547)	-	-
Balance at end of the reporting period	(1 153)	(1 457)	-	-
	(392)	**(12 179)**	**-**	**-**

10. Finance lease obligation

Office equipment				
Minimum lease payments due				
- within one year	5 491	12 667	5 491	12 645
- in second to fifth year inclusive	82	5 502	82	5 502
	5 573	**18 169**	**5 573**	**18 147**
less: future finance charges	(1 182)	(4 146)	(1 182)	(4 145)
Present value of minimum lease payments	**4 391**	**14 023**	**4 391**	**14 002**

Non-current liabilities	65	4 344	65	4 344
Current liabilities	4 326	9 679	4 326	9 658
	4 391	**14 023**	**4 391**	**14 002**

Office equipment

Photocopiers under lease were capitalised and the corresponding finance lease liability raised in accordance with GRAP 13. The leases are payable in monthly instalments over 36-60 months.

	Economic entity		Controlling entity	
	2020	2019	2020	2019
	R'000	R'000	R'000	R'000

11. Trade and other payables

Trade accounts payable and accruals	224 247	356 855	248 925	364 750
Accruals for salary related expenses	283 335	257 217	281 352	253 608
Other payables	1 619	475	428	475
	509 201	**614 547**	**530 705**	**618 833**

12. Deferred income

Receipts comprise of:

Tower rentals	59	70	59	70
Deferred income	77	77	77	77
	136	**147**	**136**	**147**

Current liabilities	59	70	59	70
Non-current liabilities	77	77	77	77
	136	**147**	**136**	**147**

Tower rentals are charged annually in advance for the installation and operation of electronic communication equipment.

13. Provisions

Reconciliation of provisions - Economic entity – 2020

Figures in Rand thousand (R'000)					
	Opening balance	Accumulation	Utilised during the year	Adjustments during the year	Closing balance
Performance bonuses	294 173	100 139	(286 105)	(7 797)	100 410
Provision for building rentals	6 373	2 344	(1 277)	(2 203)	5 237
Provision for insurance	1 453	1 100	(816)	(637)	1 100
	301 999	**103 583**	**(288 198)**	**(10 637)**	**106 747**

Reconciliation of provisions - Economic entity – 2019

Figures in Rand thousand (R'000)					
	Opening balance	Accumulation	Utilised during the year	Adjustments during the year	Closing balance
Provision for building rentals	4 656	4 948	(2 766)	(465)	6 373
Salary related provisions	2 425	-	(199)	(2 226)	-
Performance bonuses	446 721	293 573	(432 743)	(13 378)	294 173
Provision for insurance	1 288	1 286	(464)	(657)	1 453
	455 090	**299 807**	**(436 172)**	**(16 726)**	**301 999**

13. Provisions (continued)

Reconciliation of provisions - Controlling entity – 2020

Figures in Rand thousand (R'000)					
	Opening balance	Accumulation	Utilised during the year	Adjustments during the year	Closing balance
Performance bonuses	287 051	96 134	(282 434)	(4 617)	96 134
Provision for building rentals	6 373	2 344	(1 277)	(2 203)	5 237
Provision for insurance	1 453	1 100	(816)	(637)	1 100
	294 877	**99 578**	**(284 527)**	**(7 457)**	**102 471**

Reconciliation of provisions - Controlling entity - 2019

Figures in Rand thousand (R'000)					
	Opening balance	Accumulation	Utilised during the year	Adjustments during the year	Closing balance
Performance bonuses	440 969	286 451	(427 622)	(12 747)	287 051
Provision for building rentals	4 656	4 948	(2 766)	(465)	6 373
Salary related provisions	2 425	-	(199)	(2 226)	-
Provision for insurance	1 288	1 286	(464)	(657)	1 453
	449 338	**292 685**	**(431 051)**	**(16 095)**	**294 877**

Performance bonuses

Performance bonuses represent the provision for annual performance bonuses payable to employees in terms of performance agreements. The final quantum of the performance bonus payable is uncertain.

Provision for building rentals

A provision for building rental escalations was raised on contracts that could not be included in the straight line calculations for operating leases for the financial year 2019/20 pending conclusion of new lease agreements. The calculations were based on the escalation rates as per the latest concluded contracts.

Salary related provisions

In 2015, a salary provision, and in 2016 interest on salary and leave provision, arose from claims by employees in the controlling entity's service to repay salary recoveries made after 1994. These employees formed part of employees from the former Public Service Department in TBVC States that were awarded irregular salary increases and job titles.

The controlling entity started with the recovery of these salary overpayments in 1999, but was not part of the Public Service Administration at that time. Payments to the amount of R199 000 were made in 2019. All payments have been made to employees who could be traced, and the remainder of the employees' claims for refunds have prescribed. The balance of the provision (R2.2 million) has therefore been transferred to unclaimed monies in the statement of financial performance.

	Economic entity		Controlling entity	
	2020	2019	2020	2019
	R'000	R'000	R'000	R'000

13. Provisions (continued)

Provision for insurance

A provision for fleet related repairs and maintenance was raised on incidents that were reported by the controlling entity's employees for the controlling entity's fleet assets that were involved in accidents or other related incidents for which the controlling entity has not yet received a quote or invoice for the repairs. The calculations were based on the estimated cost per incident, as provided by the SARS insurance service provider. The final cost of the repairs are uncertain.

14. Asset revaluation reserve

Opening balance	368 799	324 624	368 799	324 624
Current year revaluation	(57 536)	57 776	(57 536)	57 776
Depreciation on the revalued portion of assets	(11 236)	(13 601)	(11 236)	(13 601)
	300 027	**368 799**	**300 027**	**368 799**

15. Revenue

The amount included in revenue arising from exchanges of goods or services are as follows:

Rendering of services	13 021	12 238	-	-

The amount included in revenue arising from non-exchange transactions is as follows:

Transfer from National Treasury	9 529 031	9 984 460	9 529 031	9 984 460

16. Other income

Commission received	349 855	335 350	349 855	335 350
Negotiated discount	62 658	-	62 658	-
Sundry receipts	25 942	208 083	26 259	208 373
SDL training grant	9 735	4 047	9 735	4 047
Compensation for replacement assets	8	26	8	26
	448 198	**547 506**	**448 515**	**547 796**

17. Impairment loss

Property, plant and equipment	179 392	13 641	179 392	13 641
Loan to the controlled entity	-	-	1 780	691
Net reversal inventories	(135)	482	(135)	482
	179 257	**14 123**	**181 037**	**14 814**

	Economic entity		Controlling entity	
	2020	2019	2020	2019
	R'000	R'000	R'000	R'000

17. Impairment of assets (continued)

According to GRAP 17 and GRAP 21, the economic entity reviews and tests the carrying value of property, plant and equipment when events or changes in circumstances suggest that the carrying amount may not be recoverable. In the economic entity's asset policy, an event is defined as the inability to verify an asset for a period of two years upon which the carrying value is impaired to zero. If the asset remains unverified, it will be written-off at the subsequent reporting date. In 2020, assets to the value of R68.6 million (2019: R3.2 million) were impaired in line with GRAP 21 and R9.62 million (2019: R285 000) in line with the SARS policy.

Impairment of land and buildings represent adjustments in terms of valuations performed (refer to note 5).

Included in the impairment loss amount is the loss made on the disposal of assets R4.53 million (2019: R3.18 million).

Impairments of R96.64 million (2019: R7.04 million) were processed for 2020.

The loan to Interfront was measured at amortised cost. This resulted in an impairment in the current financial year.

According to GRAP 12, inventories are measured at the lower of cost and current replacement cost where they are held for distribution at no charge. Current replacement cost is the cost the economic entity incurs to acquire the inventories on the reporting date. The cost of inventories is assigned using the weighted average cost formula. The same cost formula is used for all inventories having a similar nature and use to the economic entity. In 2020, inventories to the value of (2019: R482 000) were impaired.

18. Finance costs

Finance leases	3 027	4 223	3 026	4 218

19. Taxation - Controlled entity

Major components of the tax expense

Current

Local income tax - current period	696	11 596	-	-
Local income tax - recognised in current tax for prior periods	-	(49)	-	-
	696	**11 547**	**-**	**-**

Deferred

Deferred tax movement current year	(693)	(1 710)	-	-
	3	**9 837**	**-**	**-**

	Economic entity		Controlling entity	
	2020	2019	2020	2019
	R'000	R'000	R'000	R'000

19. Taxation - controlled entity (continued)

Reconciliation of the tax expense

Reconciliation between applicable tax rate and average effective tax rate.

Applicable tax rate	28%	28%	-%	-%
Accounting (deficit) profit subject to tax	**(2 358)**	**32 963**	**-**	**-**
Tax at 28%	(660)	9 230	-	-
Originating temporary differences	693	1 710	-	-
Non-deductable expenses	663	656	-	-
Over provision of tax in the prior year	-	(49)	-	-
	696	**11 547**	**-**	**-**

The controlling entity is exempt from the payment of income tax in terms of section 10(1)(cA) of the Income Tax Act of 1962.

20. Cash used in operations

Deficit	(847 817)	(184 947)	(781 572)	(81 654)
Adjustments for:				
Depreciation and amortisation	562 774	617 208	552 441	607 311
(Profit)/Loss on sale of assets	(172)	2 525	(193)	2 482
Compensation for replacement assets	(8)	(26)	(8)	(26)
Negotiated discount	(62 649)	-	(62 649)	-
Finance costs	3 027	4 223	3 026	4 218
Impairment loss	179 257	14 125	181 037	14 816
Movement in operating lease liabilities	(8 511)	(42 318)	(8 723)	(42 164)
Movement in employee benefits	22 267	60 482	22 267	60 482
Movement in provisions	(195 252)	(153 091)	(192 406)	(154 461)
Movement in tax receivable	304	(632)	-	-
Annual charge for deferred tax	(693)	(1 710)	-	-
Interest income intercompany loan	-	-	(5 061)	(6 924)
Changes in working capital:				
Inventories	6 422	10 049	6 422	10 049
Receivables from exchange transactions	(1 827)	(23 424)	(5 117)	(21 741)
Prepayments	35 498	(18 260)	36 117	(16 898)
Trade and other payables	(105 346)	(51 798)	(88 121)	(55 811)
VAT	2 115	(340)	-	-
Deferred income	(11)	(977 360)	(11)	(977 360)
	(410 622)	**(745 294)**	**(342 551)**	**(657 681)**

	Economic entity		Controlling entity	
	2020	2019	2020	2019
	R'000	R'000	R'000	R'000

21. Financial assets by category

The accounting policies for financial instruments have been applied to the line items below:

Receivables from exchange transactions at amortised cost	109 600	107 773	110 002	104 885
Cash and cash equivalents at fair value	478 783	1 170 421	436 743	1 096 693
Loan to controlled entity at amortised cost	-	-	11 732	28 451
	588 383	**1 278 194**	**558 477**	**1 230 029**

22. Deferred tax

Deferred tax liability	(4 544)	(5 237)	-	-

Reconciliation of deferred tax liability

At beginning of year	(5 237)	(6 947)	-	-
Temporary difference on intellectual property	1 441	1 441		-
Temporary difference on property, plant and equipment	(136)	(136)	-	-
Reversing temporary difference on finance lease	(6)	(11)	-	-
(Reversing)/originating temporary difference on operating lease	91	(43)	-	-
Temporary difference on prepayments	(12)	(53)	-	-
Movement in provision and accruals	(685)	512	-	-
	(4 544)	**(5 237)**	**-**	**-**

23. Employee benefit obligations

Defined contribution retirement fund

Entitlement to retirement benefits is governed by the rules of the pension fund. The economic entity has no legal or constructive obligation to pay for future benefits, this responsibility vests with the pension fund.

The total economic entity contribution to such schemes	521 623	507 215	515 639	501 644

24. Prepayments

Prepaid expenses	132 592	169 961	129 878	167 866
Leave taken in advance	28 116	26 245	28 116	26 245
	160 708	**196 206**	**157 994**	**194 111**

25. Inventories

Corporate and customs uniforms	13 791	20 875	13 791	20 875
Combat uniforms	7 420	6 382	7 420	6 382
Uniforms personal protective equipment	301	542	301	542
	21 512	**27 799**	**21 512**	**27 799**

	Economic entity		Controlling entity	
	2020	2019	2020	2019
	R'000	R'000	R'000	R'000

26. Employee benefits - leave accumulated prior 1999

Leave pay represents the entitlements of amounts due to personnel for leave accumulated prior to 1999.

Opening balance	9 019	9 320	9 019	9 320
Actuarial gain	(1 371)	(911)	(1 371)	(911)
Benefits paid	(1 237)	(547)	(1 237)	(547)
Other movement	(134)	(364)	(134)	(364)
Interest cost	659	610	659	610
	8 307	**9 019**	**8 307**	**9 019**

The valuation has been performed on a member by member basis using the projected unit credit method as specified by the Statement on Employee Benefits (GRAP25). This valuation method determines the obligation that has accrued at the date of valuation, allowing for salary escalations, the probability of benefits being paid and the time value for money.

A long-term gap of 1% was assumed for salary inflation, except over the period 1 April 2020 to 31 March 2021, for employees graded 1 to 6. These employees' salary increases were specified to be 6.4%, and were effective from April 2020 and CPI plus 2% for the financial year 2021 (equivalent to the valuation discount rate for the financial year 2021). Salary inflation for employees graded 7 and above was set at an effective salary increase of 0% as at 1 July.

Interest cost is the increase during the period in the present value of the leave obligation which arises because the leave benefits are one period closer to settlement.

27. Employee benefits - accumulated leave

Accumulated annual leave is the portion of 5 working days per annum that may be accumulated up to a maximum of 20 working days.

Opening balance	309 237	248 452	309 237	248 452
Actuarial (gain) / loss	(2 820)	42 643	(2 820)	42 643
Benefits paid	(18 079)	(17 723)	(18 079)	(17 723)
Other movements	15 259	60 366	15 259	60 366
Interest cost	25 798	18 142	25 798	18 142
	332 215	**309 237**	**332 215**	**309 237**

The valuation has been performed on a member by member basis using the projected unit credit method as specified by the Statement on Employee Benefits (GRAP25). This valuation method determines the obligation that has accrued at the date of valuation, allowing for salary escalations, the probability of benefits being paid and the time value for money.

	Economic entity		Controlling entity	
	2020	2019	2020	2019
	R'000	R'000	R'000	R'000

27. Employee benefits - accumulated leave (continued)

A long-term gap of 1%, was assumed for salary inflation, except over the period 1 April 2020 to 31 March 2021, for employees graded 1 to 6. These employees' salary increases were specified to be 6.4% and were effective from April 2020 and CPI plus 2% for the financial year 2021 (equivalent to the valuation discount rate for the financial year 2021). Salary inflation for employees graded 7 and above was set at an effective salary increase of 0% as at 1 July.

Interest cost is the increase during the period in the present value of the leave obligation, which arises because the leave benefits are one period closer to settlement.

28. Financial liabilities by category

Finance lease obligation at amortised cost	4 391	14 023	4 391	14 002
Trade and other payables at amortised cost	225 866	357 330	249 353	365 225
Employee benefits at fair value	340 522	318 255	340 522	318 255
	570 779	**689 608**	**594 266**	**697 482**

29. Auditors' remuneration

Audit fees	37 189	36 840	36 481	36 062

30. Operating leases

Building and related rentals on straight-line basis	554 856	537 644	552 510	535 461

Contractual building and related rentals	563 138	579 727	561 233	577 626

Clauses pertaining to renewal or purchasing options are evaluated on a case by case basis. The escalation rates vary between 0% and 9% per annum.

Minimum future lease payments

Economic entity 2020	Less than 1 year	Between 2 and 5 years	Beyond 5 years	Total
Building and related rentals	356 964	666 867	56 677	1 080 508

Economic entity 2019	Less than 1 year	Between 2 and 5 years	Beyond 5 years	Total
Building and related rentals	366 768	407 638	2 002	776 408

Controlling entity 2020	Less than 1 year	Between 2 and 5 years	Beyond 5 years	Total
Building and related rentals	352 993	662 527	44 928	1 060 448

Controlling entity 2020	Less than 1 year	Between 2 and 5 years	Beyond 5 years	Total
Building and related rentals	364 639	407 638	2 002	774 279

	Economic entity		Controlling entity	
	2020	2019	2020	2019
	R'000	R'000	R'000	R'000

31. Commitments

Authorised capital expenditure

Already contracted for

Intangible assets	43 185	196 335	43 185	196 335
Property, plant and equipment	111 544	63 533	111 544	63 533
	154 729	**259 868**	**154 729**	**259 868**

Authorised but not yet contracted for

Intangible assets	1 733 613	2 424 225	1 733 613	2 424 225
Property, plant and equipment	116 772	1 050 207	116 772	1 050 207
	1 850 385	**3 474 432**	**1 850 385**	**3 474 432**

Total capital commitments

Already contracted for	154 729	259 868	154 729	259 868
Authorised but not yet contracted for	1 850 385	3 474 432	1 850 385	3 474 432
	2 005 114	**3 734 300**	**2 005 114**	**3 734 300**

Authorised operational expenditure

Already contracted for	19 366	10 971	19 271	8 836

Authorised but not yet contracted for	171 001	47 449	171 001	47 449

Total operational commitments

Already contracted for	19 366	10 971	19 271	8 836
Authorised but not yet contracted for	171 001	47 449	171 001	47 449
	190 367	**58 420**	**190 272**	**56 285**

Total commitments

Authorised capital expenditure	2 005 114	3 734 300	2 005 114	3 734 300
Authorised operational expenditure	190 367	58 420	190 272	56 285
	2 195 481	**3 792 720**	**2 195 386**	**3 790 585**

Some of the projects disclosed as authorised but not yet approved for, relate to multiyear projects such as the Generally Recognised Accounting Practice (GRAP) project as well as the New Customs Act project (NCAP).

32. Contingencies

Contingencies exclude any matters arising as a result of tax and customs related activities.

Contingent liabilities

Employee related

In 2018, the controlling entity received a letter of demand from an employee of the organisation in respect of damages following a grievance against the employer. The matter is still ongoing and the employee's claim for legal fees and medical costs to the value of R43 000 still stands.

Directors and officers

The organisation is facing a potential claim for legal cost assistance of approximately R10 million by former SARS officials, pursuant to the rejection of the insurance cover by SARS' professional liability insurer. The organisation does not agree with the insurer's decision and is accordingly engaging the insurer.

Contingent assets

Trade vendors

Arbitration in the matter reported during the 2018/19 financial year regarding the successful bidder's failure to deliver in accordance with the tender specifications, was finalised during the current year under review. The April 2016 agreement between the parties was cancelled by the Arbitrator in this case. The controlling entity is entitled to R10 581 656 with interest, for the payment of equipment which did not meet the specifications of the tender. The bidder is appealing the outcome.

Ex-SARS official

Recovery of legal fees to the value of R720 179, found to be in the ex-official's own personal interest, is in progress. Refer to Events after Reporting date note 40 and Fruitless & Wasteful note 41.

	Controlling entity	
	2020	2019
	R'000	R'000

33. Related parties

Related parties	
Interfront	Refer to note 7
Key members of the controlled entity's management who are employed by the controlling entity	Mr. B Theron - Non-Executive Director Ms. Y van der Merwe - Non-Executive Director Mr. VC Ntlhabyane - Non-Executive Director (appointed 10 October 2019) Mr. H Smith - Non-Executive Director (appointed 10 October 2019) Ms. LJM Makhekhe-Mokhuane - Non-Executive Director (removed 11 March 2020) Ms. R Mokoena - Non-Executive director (resigned 15 November 2019)
Close family members of the executive committee member of the controlling entity **Executive committee member** Acting CO: Customs and Excise CO: Governance, International Relations, Strategy and Communication CO: Human Capital and Delopment	**Close family member** Ms. AR Theron Ms. JMB Dunkuru Mr. M Mokoena

SARS is a Schedule 3A Public Entity in terms of the PFMA. Related parties include other state owned entities, government departments, and all other entities within the spheres of Government.

The Government provided SARS with a grant for its operating expenditure and to fund specific projects.

Only transactions with related parties, where the transactions are not concluded within the normal operating policies and procedures or on terms that are not more or less favourable than the terms it would use to conclude transactions with another entity or person, are disclosed.

Related party balances - Controlling entity

Loan accounts - owing by related parties		
Interfront	11 732	28 451
Amounts included in trade and other payables		
Interfront	26 363	10 684

Related party transactions - Controlling entity

Rendering of services to related parties		
Department of Home Affairs	60 963	53 266
Rendering of services by related parties		
Interfront	99 515	141 749

	Controlling entity	
	2020	2019
	R'000	R'000

33. Related parties (continued)

The controlling entity continues to assist the DHA in maintaining the enhanced Movement Control System (eMCS), as well as assisting in the enhancements and maintenance of the Live Capture system (in branches) and eHomeAffairs (online) that processes ID cards, passports and certificates. The implementation and maintenance of the eVisa is currently ongoing.

Compensation to close family members of executive committee members of the controlling entity

Figures in Rand thousand (R'000)		
Mr. AJ Magongoa	-	835
Ms. JMB Dankuru (1 month)	31	361
Ms. ML Lebelo	-	103
Ms. M Mokoena (1 month)	32	382
Ms. A Theron (1 month)	50	521
	113	**2 202**

Disclosure of close family members is aligned to the period of disclosure in Note 34 of the Executive Committee members.

34. Executive remuneration

2020

Figures in Rand thousand (R'000)					
	Salaries	Allowances including leave payments	Contributions medical and pension	Acting allowance paid	Total
Commissioner for SARS	5 976	120	93	-	6 189
Commissioner (Acting)*	179	6	22	58	265
CO: Business and Individual Taxes (Acting)*	249	5	22	24	300
CO: Customs and Excise (Acting)*	189	4	3	47	243
CO: Digital Information and Services Technologies (Acting)*	233	3	4	22	262
CO: Enforcement (Acting)*	133	11	15	44	203
CO: Finance *	222	7	25	-	254
CO: Governance, International Relations, Strategy and Communications*	293	4	39	-	336
CO: Human Capital and Development *	251	3	31	-	285
CO: Large Business (Acting)*	141	4	15	44	204
CO: Legal Counsel*	207	3	3	44	257
	8 073	**170**	**272**	**283**	**8 798**

**For the month of April 2019 only.*

Mr. EC Kieswetter was appointed by the President of the Republic of South Africa as the new Commissioner for SARS, and his 5 year term commenced on 1 May 2019.

34. Executive remuneration (continued)

Upon arrival of the newly appointed Commissioner, the controlling entity's Executive Committee was put on hold, therefore disclosures for this Committee only relate to April 2019.

The SARS Chief Officer Governance, International Relations, Strategy and Communication, Mr. HC Mathebula, was suspended on 31 July 2019, based on recommendations made in the Nugent Report (2019), and resigned on 31 August 2019.

The SARS Chief Digital Information and Services Technologies, Ms. LJM Makhekhe-Mokhuane, was suspended on 21 August 2019, and resigned on 1 October 2019, following a disciplinary inquiry into allegations of misconduct.

The SARS Chief Officer Human Capital and Development, Mr. TMI Mokoena, was suspended on 31 July 2019, based on recommendations made in the Nugent Report (2019), and resigned on 11 October 2019.

The SARS Chief Legal Officer, Ms. R Mokoena, was suspended on 20 September 2018 and her services terminated on 16 November 2019, following a disciplinary inquiry into allegations of misconduct.

2019

Figures in Rand thousand (R'000)						
	Salaries	Bonus paid	Allowances including leave payments	Contributions medical and pension	Acting allowance paid/payable	Total
Commissioner for SARS (7 months)	2 178	-	36	292	-	2 506
Commissioner (Acting)	2 262	-	125	254	351	2 992
CO: Business and Individual Taxes (Acting)	2 596	443	97	33	280	3 449
CO: Customs and Excise (3 months)	724	-	10	88	-	822
CO: Customs & Excise (Acting) (9 months)	1 481	254	59	20	214	2 028
CO: Digital Information and Services Technologies	3 100	-	148	335	-	3 583
CO: Digital Information and Services Technologies (Acting) (4.5 months)	1 255	-	393	20	92	1 760
Chief Officer: Enforcement (9 months)	2 514	-	130	255	-	2 899
Chief Officer: Enforcement (Acting) (3.5 months)	572	-	87	55	76	790
CO: Finance (7 months)	1 555	-	82	172	-	1 809
CO: Finance (Acting) (4 months)	842	-	25	91	78	1 036
CO: Governance, International Relations, Strategy and Communications	3 745	-	42	460	-	4 247
CO: Human Capital and Development (9 months)	2 457	-	32	279	-	2 768
CO: Human Capital and Development (Acting) (3 months)	574	-	19	58	39	690
CO: Large Business (Acting) (4 months)	566	-	59	58	88	771
CO: Legal Counsel	3 055	-	66	380	-	3 501
CO: Legal Counsel (Acting) (5 months)	1 048	-	54	17	112	1 231
	30 524	**697**	**1 464**	**2 867**	**1 330**	**36 882**

The SARS Chief Officer Finance, Mr. NJ Makhubu, was appointed on 1 September 2018.

The SARS Chief Legal Officer, Ms R Mokoena was suspended in September 2018 following allegations of misconduct on her part.

	Economic entity		Controlling entity	
	2019	2018	2019	2018
	R'000	R'000	R'000	R'000

34. Executive remuneration (continued)

The SARS Chief Digital Information and Services Technologies, Ms LJM Makhekhe-Mokhuane, was placed on discretionary leave in October 2018, following allegations of misconduct against her.

On 1 November 2018, the erstwhile Commissioner for SARS, Mr. TS Moyane's contract, was terminated by the President of the Republic of South Africa following the recommendation made by retired Judge Robert Nugent in the Nugent Commission report.

The SARS Chief Officer Enforcement, Ms. MT Makola, resigned on 31 December 2018.

Refer to Note 42 on payment of performance bonuses for the SARS Executive Committee members.

35. Change in estimate

Property, plant and equipment

Management assesses the useful lives of assets annually. In the current period, the estimated useful lives of the below classes were revised. The revision had the following impact on depreciation charges for the current period:

Figures in Rand thousand (R'000)			
Controlling entity	**Prior estimate**	**Current estimate**	**Decrease in depreciation charge**
IT data storage equipment	5 years	6 years	21 231
Leased equipment	3 years	4 years	3 421
Security networks	5 years	6 years	1 845
Software personal computers	8 years	9 years	9 731
			36 228

36. Prior period error

The adjustments pertaining to 2019 resulted in the following R'000:

Figures in Rand thousand (R'000)		
Statement of Financial Position	**Economic Entity 2019**	**Controlling Entity 2019**
Property, plant and equipment	383 806	383 806
Intangible assets	63 258	63 258
Accumulated surplus	27 240	27 240
Opening accumulated surplus	**(474 304)**	**(474 304)**
Statement of Financial Performance		
Depreciation and amortisation	27 240	27 240

36. Prior period error (continued)

During the 2019/2020 financial year under review, the economic entity revised the interpretation of the assessment of useful lives of certain asset classes and in line with GRAP 3 disclosed the change in interpretation as a prior year error as some of the Property, Plant & Equipment balances (R384 million) and Intangible Assets (R63 million) had to be restated as at 1 April 2019, refer Note 5, Property, Plant & Equipment as well as Note 6, Intangible assets. Property, Plant & Equipment (R 26 million) classes and Intangible classes (R10 million) were revised prospectively in line with GRAP 3, refer Note 35, Change in estimate.

37. Comparative figures

An expenditure relating to a foreign exchange loss was incorrectly classified under other income. The loss has been reclassified in the Statement of Financial Performance under other expenses.

The effects of the reclassification are as follows:

Figures in Rand thousand (R'000)			
Economic entity			
Statement of Financial Performance - extract			
	Comparative figures previously reported	**Reclassification**	**After reclassification**
Other income	546 411	1 095	547 506
Other expenses	(18 218)	(1 095)	(19 313)
	528 193	**-**	**528 193**

Figures in Rand thousand (R'000)			
Controlling entity			
Statement of Financial Performance - extract			
	Comparative figures previously reported	**Reclassification**	**After reclassification**
Other income	546 701	1 095	547 796
Other expenses	(18 095)	(1 095)	(19 190)
	528 606	**-**	**528 606**

38. Risk management

Capital risk management - Controlled entity

The entity's objectives when managing capital are to ensure the entity's ability to continue as a going concern.

The controlled entity is geared mainly with a shareholders loan. To mitigate the risk associated with this type of financing the loan is interest free and has no fixed term of repayment.

The entity monitors capital on the basis of the debt:equity ratio.

There have been no changes to what the entity manages as capital, the strategy for capital maintenance or externally imposed capital requirements from the previous year.

38. Risk management (continued)

Financial risk management

The economic entity's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk and cash flow interest rate risk), credit risk and liquidity risk.

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in raising funds to meet ongoing planned operations associated with financial instruments.

The economic entity's risk to liquidity is a shortfall in funds available to cover commitments. The economic entity manages liquidity risk through strict budget management and maintaining sufficient cash and cash equivalents.

The controlling entity's chief source of income is an annual grant from National Treasury for funding of its operational and capital requirements. This grant is allocated in accordance with the provisions governing the Medium Term Expenditure Framework (MTEF). The economic entity follows an extensive planning and governance process to determine its operational and capital requirements.

The table below analyses the economic entity's financial liabilities and net-settled derivative financial liabilities into relevant maturity groupings based on the remaining period calculated from the date of the statement of financial position to the contractual maturity date.

Economic entity

At 31 March 2020

Figures in Rand thousand (R'000)				
	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Total
Trade and other payables	225 866	-	-	225 866
Employee benefits	-	-	340 522	340 522
Finance lease obligations	4 326	65	-	4 391

At 31 March 2019

Figures in Rand thousand (R'000)				
	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Total
Trade and other payables	357 330	-	-	357 330
Employee benefits	-	-	318 255	318 255
Finance lease obligations	9 679	4 344	-	14 024

Controlling entity

At 31 March 2020

Figures in Rand thousand (R'000)				
	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Total
Trade and other payables	249 353	-	-	249 353
Employee benefits	-	-	340 522	340 522
Finance lease obligations	4 326	65	-	4 391

38. Risk management (continued)

At 31 March 2019

Figures in Rand thousand (R'000)				
	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Total
Trade and other payables	365 225	-	-	365 227
Employee benefits	-	-	318 255	318 255
Finance lease obligations	9 658	4 344	-	14 002

It is worth noting that the table above includes employee benefits at fair value for:

- Leave accumulated prior to 1999. At the reporting date, the fair value of this liability is estimated to be R8 306 580 (2019: R9 018 658) in comparison to a nominal value of R9 065 772 (2019: R9 838 980).
- Accumulated annual leave. At the reporting date, the fair value of this liability is estimated to be R332 215 715 (2019: R309 236 654) in comparison to a nominal value of R363 921 467 (2019: R336 858 276).

Over and above the amounts disclosed in the table, the controlling entity also has housing guarantees that are recovered from the employee's salary and/or pension when the guarantees are claimed. The full liquidity risk associated with these guarantees as at 31 March 2020 was R322 780 (2019: R322 780).

Interest rate risk

Exposure to interest rate risk on financial assets and liabilities is monitored on a continuous and proactive basis.

The economic entity's exposure to interest rate risk is limited. Interest rates implicit to the finance leases are not varied over the term of the lease contracts.

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The economic entity is exposed to credit-related losses in the event of non-performance by counter-parties to financial instruments.

The economic entity only deposits cash with major banks with high quality credit standing, and limits exposure to any one counter-party.

Staff debts are recovered directly from the employee's salary and/or pension in terms of the applicable policies and procedures.

Management has evaluated the probability of non-repayment of the loan by the subsidiary, and has determined that in the case of default, the loan could be restructured or converted into equity.

Foreign exchange risk

Currency risk is the risk that the value of a financial instrument will fluctuate because of changes in foreign exchange rates. The controlled entity provides services to one international customer and is exposed to foreign exchange risk arising from currency exposures, primarily with respect to the EURO. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities.

The economic entity does not currently hedge foreign exchange fluctuations.

39. Going concern

The financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations, and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

A major portion of the controlled entity's revenue is currently attributable to the controlling entity. This is expected to continue in the near future.

40. Events after the reporting date

The Nugent Commission found that legal costs incurred by Mr. TS Moyane relating to the book titled "Rogue" was in his own personal interest, and recommended the recovery of the expenditure from him. A letter of demand requesting repayment of the cost was sent to his legal representation on 14 July 2020. Refer to Contingent Assets note 32 and Fruitless & Wasteful note 41.

On 3 September 2020 one of the controlling entity's landlords approved the early termination of one of the entity's leases. The cancellation is subject to the controlling entity paying one month's rental in lieu of the June 2019 notice period. The controlling entity agreed to the condition as stated. Refer to Trade and other Payables note 11, Operating leases note 30 and Fruitless & Wasteful note 41.

41. Fruitless and wasteful expenditure

	Economic entity		Controlling entity	
	2020	2019	2020	2019
	R'000	R'000	R'000	R'000
Opening balance as previously reported	**14 088**	**-**	**14 088**	**-**
Remuneration for personal assistants in the absence of attachés relating to the current year	2 759	-	2 759	-
Travel to Belgium incurred for a cancelled meeting relating to the current year	68	-	68	-
Lease payments and fit out expenses incurred for City Deep Scanner Site relating to the current year	1 103	4 748	1 103	4 748
Lease payments made for Kobe State Warehouse	2 753	3 449	2 753	3 449
Lease payment and fit out expenses incurred for Colenso	-	3 966	-	3 966
Interest incurred on late payments to service providers	7	52	7	52
Penalty settlement claim for Alberton Campus	-	580	-	580
Consulting fees incurred - Mashiane Moodley Monama	853	1 293	853	1 293
Prior Commissioner of SARS travel to Russia	74	-	74	-
Consulting fees removed	(1 461)	-	(1 461)	-
	20 244	**14 088**	**20 244**	**14 088**

The fruitless and wasteful expenditure relates to administrative inefficiencies such as interest and penalties that will be addressed in the 2020/21 financial year, with appropriate consequence management.

Kobe State Warehouse has not been utilised since the inception of the lease due to a lack in water and electricity connection; no Certificate of Compliance being issued, the site not being usable due to delayed security upgrades, delayed completion of the New Pier State warehouse, and the continued use of the site by the lessor. Transnet Ports Authority has agreed to termination on condition that rentals for the six months' notice period be settled in full. SARS has requested the waiver of outstanding rentals and is awaiting feedback on the matter.

41. Fruitless and wasteful expenditure (continued)

The controlling entity entered into a lease agreement from September 2018 for a suitable premise to deploy the Mobile Scanner procured for City Deep. Subsequently, the deployment strategy for the scanner was revised and a decision taken to move it to Beit Bridge to replace the old Cargo Scanner deployed at Beit Bridge, which was decommissioned due to increasing maintenance and downtime. For this reason the City Deep premises was no longer required and the lease was terminated on 3 September 2020, the rental cost incurred to date is regarded as fruitless and wasteful as no value from the cost incurred was derived. An investigation into this matter is ongoing with the intent to recoup lease payments made. Refer to Events after reporting date note 40.

The position of SARS Attaches for Washington, Beijing and Brussels had remained vacant during 2019/20. Locally recruited personnel (LRP) from the respective countries for which SARS incurred the cost of employment occupied these positions. SARS decided not to fill these attaché positions and informed DIRCO accordingly. Termination of contracts and severance of the SARS foreign national LRPs were concluded post 31 March 2020.

A SARS employee travelled on a business trip to Belgium for a World Customs Organisation (WCO) meeting that was cancelled. The approval of the trip was based on the WCO council approved meeting calendar. The responsibility was with the traveller to comply with the online registration process for the event, which was not done. International Relations division also did not confirm with the event organisers that the meeting will still take place. An investigation concluded by the Anti-Corruption Unit reported that the findings were inconclusive with regards to identifying the root cause. Further work will be done to conclude this transaction appropriately.

The Russia trip undertook by the former SARS Commissioner was investigated and found to be Fruitless and Wasteful, and a decision taken to recover the cost from the former SARS Commissioner. Recovery steps have commenced, and the transaction will be removed as it is deemed to having been appropriately dealt with.

Prior year

The SARS Institute of Learning (SIOL) was relocated to the Colenso campus effective 1 July 2017 for a 7 month period, which was further extended for 24 months (1/2/2018 - 31/1/2020) pending the construction of long-term facilities. During this period, it was established that these premises were underutilised as SIOL's operational requirements had changed. A decision was taken to terminate the lease early, and to write off any remaining fit out expenses of R1.7 million. The early termination was approved in November 2018. An internal investigation on this matter was conducted by Internal Audit and concluded in November 2019, and the recommendations are in progress of being implemented.

The consultation fees paid pertaining to the Rogue Unit book and the Maputo Book are in the process of being recovered from the former SARS Commissioner. As a result of the ambiguity regarding the application and/or interpretation of section 18(3) SARS Act, a review of the provision is warranted, and will form part of the SARS Act review discussion between SARS and National Treasury. The consulting fees pertaining to these transactions are therefore appropriately dealt with, and will be removed. The balance of the consulting fees to the amount of R759 000 is still under investigation and will be closed out in the 2020/21 financial year.

42. Irregular expenditure

	Economic entity		Controlling entity	
	2020	2019	2020	2019
	R'000	R'000	R'000	R'000
Opening balance	356 722	102 411	356 722	102 411
Irregular expenditure relating to goods and services from contracts found to be irregular in the prior years	316 166	-	316 166	-
Irregular expenditure relating to goods and services in the current year	12 931	78 752	12 492	78 752
Irregular expenditure relating to goods and services relating to prior years	3 390	-	2 426	-
Consulting fees incurred - Bain & Company Inc. relating to prior years	-	187 160	-	187 160
Consulting fees incurred - Bain & Company Inc. relating to prior years	-	(187 160)	-	(187 160)
Consulting fees refunded - Gartner Inc. relating to prior years	-	156 976	-	156 976
Consulting fees incurred - Grant Thornton Inc relating to prior years	-	12 482	-	12 482
Executive remuneration relating to prior years	-	18 626	-	18 626
Irregular expenditure condoned and to be removed	(665 600)	(5 173)	(665 600)	(5 173)
Irregular expenditure relating to performance bonus to be removed	-	(7 352)	-	(7 352)
Closing balance	**23 609**	**356 722**	**22 206**	**356 722**

If irregular expenditure was known in the prior year, it is disclosed in that year. If only discovered in the current year, relating to the prior year, it is disclosed in the current year relating to prior year expenses.

In the 2018/19 financial year, the controlling entity disclosed a number of transactions under irregular expenditure that related to the Nugent Commission findings and recommendations. The disclosure further included the Auditor-General findings raised, pertaining to Supply Chain Management. The controlling entity submitted a request to National Treasury to condone the transactions as per the Irregular Expenditure Framework that came into effect on 17 May 2019 in terms of Treasury Instruction 02 of 2019/20. National Treasury, however, did not approve the request and recommended that the controlling entity consider the removal of the irregular expenditure through the process referenced in paragraph .58 and .59 of the Framework. Paragraph .57 indicates that the Accounting Authority may condone irregular expenditure if the relevant Treasury did not approve, and paragraph .58 and .59 outlines the process to follow. The SARS Commissioner as the Accounting Authority condoned the transactions of R315.6 million (2019: R256.3 million).

Expenditure for goods and services in the 2019/20 financial year to the value of R12.5 million (2019: R78.8 million) was incurred, and relating to the prior financial years to the value of R2.4 million (2019: R Nil).

Further transactions to the value of R93.7 million (2019: R5.2 million) was condoned or removed after investigation, and did not meet the criteria of irregular expenditure as at 31 March 2020.

SARS varied a contract above the legislated threshold without prior written approval from National Treasury. This was as a result of a misinterpretation of the legislation, as the contract was varied at 14% (R27.7 million) of the total contract value and not at the lower of R15 million or 15%. The actual expenditure (R4.8 million) above the R15 million is regarded as irregular, and a request for condonation will be submitted to National Treasury as prescribed by the Irregular Expenditure Framework.

The contract with the VAT Refund Administrator (VRA) that renders VAT Export Incentive Services (VEIS) expired in 2010, and was never renewed/replaced through an appropriate procurement process. A new procurement process is in progress.

43. Other matters

Public Protector Reports

On 24 May 2019, the Public Protector (PP) issued an investigative report into allegations of misadministration and impropriety in the approval of Mr Ivan Pillay's early retirement, with full pension benefits, and his subsequent retention by the controlling entity. The PP directed that the controlling entity provide it with an implementation plan for the remedial actions within 30 (thirty) days from date of the report. On 19 June 2019, the controlling entity wrote to the PP requesting it to suspend its directive to implement the remedial action, pending the determination of the court review. Due to the PP's failure to respond, the controlling entity approached the High Court for a relief to stay the implementation of the remedial action pending the court review. The PP advised on 28 June 2019 that it is not opposing on the basis that the controlling entity file the review application within 30 days thereof, which the controlling entity has done. The review application is enrolled for arguments before the North Gauteng High Court, Pretoria on 28, 29 and 30 September 2020.

On 5 July 2019, the PP issued an investigative report into allegations of contravening the Executive Ethics Code violation by Mr Pravin Gordhan, MP. Included in the report are allegations of misadministration, corruption and improper conduct by the controlling entity. The controlling entity's former employees adversely impacted by the PP's report succeeded before the North Gauteng High Court, Pretoria in interdicting the implementation of the PP's remedial action and/or the report. The PP is challenging the Court's decision, and the review application is enrolled for arguments on 6 and 7 August 2020. Judgement has been reserved.

Tatis International (Pty) Ltd

Tatis International (Pty) Ltd, with whom the economic entity is contracted through a sale of business agreement, was placed on liquidation on 19 April 2018. The liquidators convened an insolvency inquiry into the affairs of Tatis International (Pty) Ltd, for the purpose of, inter alia, identifying possible claims and following up, inter alia, on the agreements to which the controlled entity was also a party. Following the Liquidation Inquiry conducted on 2 December 2019, no claims have been lodged against the controlled entity or its board. The controlled entity's legal representation is of the view that the controlled entity is not exposed to any liability. Accordingly, no provision or contingency has been included in these financial statements.

Labour Relations

A number of internal labour relations related issues are ongoing. These matters will be reported as they are concluded, if required.

44. Fraudulent activities

Management is committed to the process, and continues to investigate and report all fraudulent activities identified, which will incorporate Nugent Commission-related investigations and outcomes.

45. Commission of Inquiry

The President of the Republic of South Africa has under section 84(2)(f) of the Constitution of the Republic of South Africa, 1996, and in terms of Government Notice 17 of 2018 published in Government Gazette No 41652 of 24 May 2018, appointed a Commission of Inquiry into tax administration and governance by the South African Revenue Service ("Commission").

The President appointed the former judge of the Supreme Court of Appeal, who has been discharged from active service, Honourable Mr Justice Robert Nugent, as Commissioner, assisted by Mr Michael Katz, Advocate Mabongi Masilo and Mr Vuyo Dominic Kahla.

The course of the inquiry, amongst other, included interviews (of which some were held in public) with employees and former employees. Relevant documents were identified and studied, institutions referred to in the terms of reference were consulted, and submissions were invited and received from various organisations as well as employees and members of the public.

The transactions in the period under review that were revealed to have been affected, and have been disclosed as irregular relate to the following entities:

1. Bain & Company Inc.
2. Gartner Inc.
3. Grant Thornton Inc., and
4. Mashiane Moodley Monama Inc.

The irregularities resulted from both process related violations as well as the utilisation of service providers to further interests that were narrow and not serving the organisation. Further investigations will be launched in line with the provisions of the PFMA and the Treasury Regulations on Irregular Expenditure, where fraud is suspected, or involved matters have been referred to the law enforcement agencies for further investigations. SARS continues to work with Internal Audit as well as National Treasury's Office of the Chief Procurement Officer to ensure that controls are heightened within the supply chain management processes. It is to be noted that all costs incurred in relation to BAIN and Company Inc. transactions have been recovered in full, inclusive of interest.

The governance related violations included the appointment of the class of employees that is regarded as management, in line with the SARS Act (1997) as amended, section 18(3), without obtaining the requisite Ministerial approvals, which also led to non-compliance. Section 18 of the SARS Act is currently under review to clarify the Minister's authority in relation to SARS' level of autonomy in this regard.

The controlling entity has concluded the successful re-integration of all previous unplaced staff members into meaningful roles within the organisation.

Refer to the notes on Fruitless and Wasteful Expenditure (Note 41) and Irregular Expenditure (Note 42) for further disclosures where applicable.

Annexure 1

Tax Computation - Controlled entity

Net loss per income statement	(2 358 187)
Non-deductable/Non- taxable items	
Depreciation on leasehold improvements	157 746
Amortisation permanent difference portion	2 210 563
	2 368 309
Temporary differences	
Wear and tear March 2020	(3 313 391)
Depreciation	2 818 056
Actual payments of operating leases	(2 729 386)
Straight lining of operating leases - Office premises	3 054 616
Amortisation temporary difference portion	5 147 700
Provision on leave pay – March 2019	(2 603 932)
Provision on leave pay – March 2020	3 003 233
Provision for bonuses – March 2019	(7 122 065)
Provision for bonuses – March 2020	4 275 945
Prepayments – March 2019	309 765
Prepayments – March 2020	(353 589)
Finance cost on finance leases	746
Finance lease payments	(21 879)
Scrapping allowance	9 242
	2 475 061
Taxable income	**2 485 183**
Tax thereon @ 28%	695 851
Tax liability	
Amount prepaid at the beginning of year	(1 456 912)

Tax owing/(prepaid) for the current year	
Normal tax	
Per calculation	695 851
2nd provisional payment	(878 275)
Other receipts	485 551
	303 127
Amount prepaid at the end of year	**(1 153 785)**

The supplementary information presented does not form part of the financial statements and is unaudited

	Controlling entity	
	2020	2019
	R'000	R'000

Annexure 2

Donations in kind – controlling entity

Particulars of each donation or bequest accepted by SARS must be disclosed in accordance with section 24 (2) (b) of the South African Revenue Service Act (Act no. 34 of 1997).

1. World Customs Organisation (WCO)	454	1 634
Travel and accommodation to attend various WCO meetings / workshops on INAMA project risk management, Global experience-sharing, Gender Equality, Official mission, training to Mozambique Customs of the CCP, Regional workshop for ESA- Ghana, Thailand, Gambia, Belgium, Zambia , Mozambique and Mauritius (2020). Travel and accommodation to attend various WCO training interventions, events, regional workshops and meetings to Swaziland, Lesotho, Zimbabwe, Zambia, Uganda, Kenya, Belgium, Malaysia, Vietnam, Mozambique, Korea, Senegal, Ethiopia, Namibia (2019).		
2. United Nations Development Programme (UNDP)	204	-
Travel, accommodation and subsistence to attend 2nd mission providing assistance in the mining industry to Zimbabwe Revenue Authority (ZIMRA) & Zambia Revenue Authority (ZRA), (2020).		
3. Kenya Revenue Authority (KRA)	167	168
Travel, accommodation and subsistence to provide technical assistance to KRA regarding implementation of warehouse and business process re-engineering support -Nairobi, Kenya (2020).Travel, accommodation and subsistence to provide technical assistance with KRA operations (2019).		
4. African Tax Administration Forum (ATAF)	158	27
Travel, accommodation and subsistence to attend the African Tax Outlook (ATO) Validation & consultation workshop, ATAF ICTA Conference, capacity building for 2020 edition of the ATO Publication and repeat Tax Administration Diagnostic Assessment tool (TADAT) Assessment Nigeria, Uganda, Benin, Rwanda, and Namibia- (2020).Travel, accommodation and subsistence to attend the 3rd Technical Committee and 1st African Forum on Trade Facilitation meetings (2019).		
5. South Africa European Union Dialogue Fund (SA-EU)	97	-
Travel, accommodation and subsistence to attend the SA-EU Partnership project: Dialogue on Revenue Analysis forecasting & reporting-Bratislava, Slovakia (2020).		
6. Korean Customs Service-Customs Border Control Training Institution (CBCTI)	89	48
Travel, accommodation and subsistence to attend CBCTI seminar in Cheonan (2020).Travel, accommodation and subsistence to attend the CBTI seminar on Customs (2019).		
7. United Nations (UN)	71	-
Travel, accommodation and subsistence to attend UN sub-committee on Taxation of the Extraction, UN trade meeting, UN Sub-Committee on Taxation meeting -United Kingdom, Ethiopia and Kenya (2020).		
8. Namibia Revenue Agency (NAMRA)	64	-
Travel, accommodation and subsistence to attend the panel interview for eligible candidates-Windhoek, Namibia (2020).		
9. African Union Commission (AUC)	56	40
Travel, accommodation and subsistence to attend the African Union Commission workshop on interconnectivity in Mauritius (2020). Travel, accommodation and subsistence to attend the African Union Commission workshop on Corruption Risk Mapping and the Transit Management System (2019).		
10. Brazil, Russia, India, China and South Africa (BRICS)	52	-
Travel, accommodation and subsistence to attend BRICS Technical Event on Investigation of undisclosed foreign assets in India (2020).		
11. South African National Defence Force (SANDF)	52	-
Travel, accommodation and subsistence to attend meeting for preparations for loading donations to Mozambique (2020).		

	Controlling entity	
	2020	2019
	R'000	R'000
12. Inland Revenue Board of Malaysia (IRBM)	46	-
Travel, accommodation and subsistence to attend the IRBM and IBFD Regional Training on the Taxation of the digital Economy -Kuala Lumpur, Malaysia (2020).		
13. African Continental Free Trade Agreement (AFCFTA)	42	97
Travel, accommodation and subsistence to attend the AFCFTA negotiations forum meeting in Addis Ababa, Ethiopia (2020). Travel, accommodation and subsistence to attend the AFCFTA Technical Working Group Rules of Origin workshop (2019).		
14. The Central Bank of Angola (BNA))	37	-
Travel, accommodation and subsistence to attend of the impact of VAT on the banking sector conference -Luanda, Angola (2020).		
15. Zambia Revenue Authority	29	97
Travel, accommodation and subsistence to attend advisory support mission to ZRA- Lusaka, Zambia (2020).Travel, accommodation and subsistence to provide advisory support and audit assistance on the mining industry and TIWB program (2019).		
16. Government of the United Kingdom	28	-
Travel, accommodation and subsistence to attend the ISACU M&E in Botswana (2020).		
17. Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ)	25	33
Travel, accommodation and subsistence to attend OECD train the trainer programme in Nairobi. (2020). Travel, accommodation and subsistence to attend the Internet government Forum (IGF) AGM meeting (2019).		
18. Pan African Programme (PAS)	22	-
Travel, accommodation and subsistence to attend the UN STASA 2 specialized technical group meeting-Kigali, Rwanda (2020).		
19. United Nations Office On Drugs and Crime (UNOCD)	20	-
Travel, accommodation and subsistence to attend UNOCD cash smuggling workshop-Dar es Salaam, Tanzania (2020).		
20. The World Bank Group	12	-
Travel, accommodation and subsistence to attend AEO conference- Sao Paulo, Brazil (2020).		
21. General Administration of China Customs (GACC)	-	113
Travel, accommodation and subsistence to attend advanced training on Modern Customs Management (2019).		
22. Organisation for Economic Co-operation and Development (OECD)	-	113
Travel, accommodation and subsistence to attend the 3rd OECD Africa Revenue Statistics conference and attendance of a working party meeting (2019).		
23. African Regional Technical Assistance Centre (AFRITAC)	-	76
Travel and accommodation to attend various workshops and seminars on the Administration of Excise and IMF / AFRITACT workshop (2019).		
24. The United Nations University World Institute for Development Economics (Unu-Wider)	-	57
Travel, accommodation and subsistence to attend the Doctoral Course on Public Economics, the Wider Development Conference and the Think Development workshop (2019).		
25. Australian Border Force (ABF)	-	49
Travel, accommodation and subsistence to attend the India Ocean Small Craft Intel and Targeting training and the Counter Terrorism workshop (2019).		
26. Department of the State's Bureau of International Security and Non-proliferation, Office of Export Control Cooperation (ISN/ECC)	-	49
Travel, accommodation and subsistence to attend the strategic workshop on Trade Control & International Sanctions (2019).		
27. Campaign for Tobacco Free Kids (CTFK)	-	48

	Controlling entity	
	2020	2019
	R'000	R'000
Travel, accommodation and subsistence to attend the CTFK meeting (2019).		
28. South African Development Community (SADC)	-	42
Travel, accommodation and subsistence to attend SADC meetings on High level Customs Policy Dialogue and the development of E-certificate of Origin (2019).		
29. Southern Africa Customs Union (SACU)	-	42
Travel, accommodation and subsistence to attend the SACU and SACU Commissioners meeting (2019).		
30. INTERPOL	-	33
Travel, accommodation and subsistence to attend the Counter Transactional Organized Crime training session (2019).		
31. Endangered Wildlife Trust	-	27
Travel, accommodation and subsistence to attend the Endangered wildlife Trust workshop (2019).		
32. Organisation for the Prohibition of Chemical Weapons (OPCW)	-	20
Travel, accommodation and subsistence to attend the sixteenth regional meeting of national states in Africa Marrakesh, Morocco (2019).		
33. International Bureau of Fiscal Documentation (IBFD)	-	16
Travel, accommodation and subsistence to attend the 4th IBFD fiscal meeting (2019).		
34. Cross Border Taxation (CBT)	-	10
Travel, accommodation and subsistence to attend the 12th CBT meeting (2019).		
35. Uganda Revenue Authority	-	8
Travel, accommodation and subsistence to attend the TADAT Assessments meeting (2019).		
Grand Total	**1 725**	**2 825**

Abbreviations and Acronyms

ACSA	Airports Company South Africa
ACTT	Anti-Corruption Task Team
ACU	Anti-Corruption Unit
ADR	Alternative Dispute Resolution
AEO	Authorised Economic Operator
AGSA	Auditor-General South Africa
AIDS	Acquired Immunodeficiency Syndrome
AIP	Advance Import Payments
APP	Annual Performance Plan
ASB	Accounting Standards Board
ATAF	African Tax Administration Forum
AUC	African Union Commission
BAIT	Business and Individual Taxes
BASA	Banking Association of South Africa
BAU	Business as Usual
BBC	Black Business Council
BCM	Business Continuity Management
BELN	Botswana, eSwatini, Lesotho and Namibia
BLSA	Business Leadership Southern Africa
BMF	Black Management Forum
BMI	Body Mass Index
BPC	Budget Planning Consolidation
BRICS	Brazil, Russia, India, China and South Africa
BRS	Business Requirement Specification
BURS	Botswana Unified Revenue Service
BUSA	Business Unity South Africa
BWO	Black Women Owned
CA	Chartered Accountant
CAPEX	Capital Expenditure
CBD	Central Business District
CBIC	Central Board of Indirect Taxes
CD	Constitutional Development
CET	Customs and Excise Taxes
CI	Criminal Investigations
CIDB	Construction Industry Development Board
CIPC	Companies and Intellectual Property Commission

CIT	Company Income Tax
CITES	Convention on International Trade in Endangered Species
CLS	Corporate Legal Services
CMAA	Customs Mutual Administrative Agreements
CMO	Chief Marketing Officer
CO	Chief Officer
COBD	Change of Banking details
DAFF	Department of Forestry and Fisheries
DDOS	Distributed Denial of Service
DG	Director General
DHA	Department of Home Affairs
DI	Document Inspector
DIRCO	Department of International Relations and Co-operation
DIST	Digital Information Services and Technology
DLP	Data Loss Prevention
DoJ	Department of Justice
DOT	Department of Transport
DPCI	Directorate for Priority Crime Investigation
DPME	Department of Planning, Monitoring and Evaluation
DPP	Director of Public Prosecutions
DPS	Declaration Processing System
DRC	Democratic Republic of the Congo
DRMC	Divisional Risk Management Committee
DT	Dividends Tax
DTC	Davis Tax Committee
DTIC	Department of Trade, Industry and Competition
EDW	Enterprise Data Warehouse
EE	Employment Equity
EMDP	Executive Management Development Programme
EMEs	Exempted Micro Enterprises
EPM	Employee Performance Management
EPMO	Enterprise Project Management Office
ER	Employee Relations
ERM	Enterprise Risk Management
ERMC	Enterprise Risk Management Committee

ESIEID	Economic Sector, Investment, Employment and Infrastructure Development
EU	European Union
EUS	Extended Update Services
EVAC	Enterprise Vacancy Advisory Committee
EXCO	Executive Committee
FATCA	Foreign Account Tax Compliance Act
FATF	Financial Action Task Force
FCS	Federal Customs Service
FIATA	International Federation of Freight Forwarders Associations
FIC	Financial Intelligence Centre
FOSAD	Forum for South African Directors General
FTA	Forum for Tax Administrations
FY	Financial Year
GACC	General Administration of China Customs
GCAC	Global and Continental Affairs Committee
GDP	Gross Domestic Product
GE	Group Executives
GFTEI	Global Forum on Transparency and Exchange of Information
GRAP	Generally Recognised Accounting Practice
GSCID	Governance State Capacity and Institutional Development
HC&D	Human Capital and Development
HC&D	Human Capital and Development
HIV	Human Immunodeficiency Virus
HNWIs	High Net-Worth Individuals
HR	Human Resources
HVAC	Heating, Ventilation and Air Conditioning
IATA	International Air Transport Association
iCBS	Interfront Customs and Border Management Solution
ICT	Information Communication Technology
ICTA	International Conference on Tax in Africa
ICTS	International Co-operation, Trade and Security
IGA	Inter-Governmental Agreement
IIA	Institute of Internal Auditors
IIRF	International Integrated Report Framework
IMF	International Monetary Fund
IOD	Incident on Duty
IODSA	Institute of Directors of SA

IPU	Integrity Promotion Unit
IPWG	Investment Prioritisation Working Group
IRMSA	Institute of Risk Management of South Africa
ISG	InfoSec Governance
IT	Information Technology
ITM	Interference in Tax Matters
IVS	Import Verification System
JCPS	Justice, Crime Prevention and Security
KPI	Key Performance Indicator
LBC	Large Business Centre
LBI	Large Business and Individuals
LEI	Leadership Effectiveness Index
LRA	Lesotho Revenue Authority
MCAA	Model Competent Authority Agreement
MCC	Manual Case Creation
MDP	Management Development Programme
MoF	Minister of Finance
MOHC	Master of the High Court
MOU	Memorandum of Understanding
MPRR	Mineral and Petroleum Resource Royalties
MRA	Mutual Recognition Arrangement
MTBPS	Medium Term Budget Policy Statement
MTEF	Medium Term Expenditure Framework
MTU	Mobile Tax Unit
MWP	Megawatt Park
NACS	National Anti-Corruption Strategy
NCAP	New Customs Act Programme
NDPP	National Director of Public Prosecutions
NGOs	Non- Government Organisations
NPA	National Prosecution Authority
NQF	National Qualification Framework
NSFAS	National Student Financial Aid Scheme
NT	National Treasury
OECD	Organisation of Economic Co-operation and Development
OEM	Original Equipment Manufacturer
OGAs	Other Government Agencies
OKR	Objections and Key Results
OMDP	Operations Management Development Programme
ORTIA	OR Tambo International Airport

OTO	Office of the Tax Ombud
PAIA	Promotion of Access to Information Act
PAJA	Promotion of Administrative Justice Act
PAYE	Pay-As-You-Earn
PCA	Post Clearance Audit
PFMA	Public Finance Management Act
PGMs	Platinum Group Metals
PH	Profile Hijacking
PIT	Personal Income Tax
POPI	Protection of Personal Information
PPMS	Project and Portfolio Management System
PY	Prior Year
QSEs	Qualifying Small Enterprises
RAF	Road Accident Fund
RCBs	Recognised Controlling Bodies
RCG	Reporting of Conveyances and Goods
RE	Revised Estimate
RLA	Registration, Licensing and Accreditation
RMT	Risk Mitigation Team
ROCB	Regional Office for Capacity Building
RSN	Report of Suspected Non-compliance
SA	South Africa
SAAFF	South African Association of Freight Forwarders
SABRIC	South African Banking Risk Information Centre
SACU	South African Customs Union
SADC	Southern African Development Community
SAIS	South African Institute of Stockbrokers
SAPS	South African Police Service
SARB	South African Reserve Bank
SARS	South African Revenue Service
SASL	South African Sign Language
SCOF	Standing Committee of Finance
SDL	Skills Development Levy
SECOF	Selected Committee of Finance
SEDA	Small Enterprise Development Agency
SHE	Safety, Health and Environment
SIOL	SARS Institute of Learning
SITA	State Information Technology Agency
SIU	Special Investigations Unit

SLA	Service Level Agreement
SMART	Specific, Measurable, Achievable, Realistic and Time-bound
SMDP	Senior Management Development Programme
SMMEs	Small, Medium and Micro-sized Enterprises
SMS	Short Message Service
SOA	Statement of Applicability
SOE	State Owned Entities
SOP	Standard Operating Procedure
SQL	Domain Specific Language
SR	Social Responsibility
SRA	eSwatini Revenue Authority
SRM	Supplier Relationship Management
STC	Secondary Tax on Companies
SVDP	Special Voluntary Disclosure Programme
TB	Tuberculosis
TCC	Tax Clearance Certificate
TCS	Tax Compliance Status
TFA	Trade Facilitation Agreement
TIA	Technology Innovation Agency
TIU	Tactical Interventions Unit
TIWB	Tax Inspection without Borders
TOR	Terms of Reference
TPE	Taxpayer Engagement
TPS	Taxpayer Services
TRA	Tanzania Revenue Authority
UAT	User Acceptance Testing
UIF	Unemployment Insurance Fund
UNDP	United Nations Development Programme
USA	United States of America
USB	Universal Serial Bus
VAT	Value-Added Tax
VDP	Voluntary Disclosure Programme
VRA	VAT Refund Administration
WCO	World Custom Organisation
WEO	World Economic Outlook
WLP	Women in Leadership Programme
YoY	Year-on-Year
YTD	Year-to-Date
ZIMRA	Zimbabwe Revenue Authority