ANNUAL REPORT

South African Revenue Service **2020/21**

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SARS
South African Revenue Service

Message from the Minister of Finance

Following a very challenging year, dominated by the impact of the COVID-19 pandemic, government worked hard to balance the safety of our nation, whilst trying to keep the wheels of the economy turning. We can be proud of how we were able to maintain the fiscal capability and sovereignty that our government has been able to achieve over the past 27 years.

We have acknowledged that countering the scourge and crime of maladministration builds trust in government and contributes to stabilising and restoring declining levels of compliance. This also applies to tax compliance. There has been a clear demonstration of our commitment to respond to allegations of corruption and maladministration, without fear or favour.

Leveraging taxation as a key enabler for poverty alleviation means that a sustained effort will be required 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 remain confident that we potentially have a winning formula in South Africa. By increasing the compliance culture, 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 as well as service to the public, we are building a foundation for sustainable fiscal capability.

As a nation, we should however realise that unless we collectively make a firm commitment to development and the accompanying commitment to pay taxes, build good corporate citizenship, strengthen integrity, maintain sound ethics among professionals and make tax and customs duty evasion as well as aggressive tax avoidance a social and moral crime, we will undermine our progress. We view the South African Revenue Service (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 yet another eventful year for SARS under the leadership of Commissioner Edward Kieswetter. The rebuilding of SARS continued to gain momentum, despite the challenges of a very difficult collection climate, exacerbated by the impact of the COVID-19 pandemic. I am pleased with the progress made to rebuild SARS and the achievements over the past year.

During the year under review, SARS collected revenue of R1 249.7 billion, which represents a positive variance of R37.5 billion against the final estimate. In addition, SARS diligently tracked the revenue collected from their direct compliance activity, which amounted to R171.97 billion, against a target of R93.73 billion. This represents on over-achievement of R78.24 billion.

There are however, challenges to address as SARS forges ahead towards achieving its vision under difficult conditions. Low compliance behaviours remain a concern and will require more focus.

I acknowledge the loyal staff members who embraced the challenges of the past year and congratulate them for the achievements under the leadership of the Commissioner. I also express my sincere appreciation to compliant taxpayers, traders, and intermediaries for their contribution to making South Africa great.

Mr Enoch Godongwana, MP
MINISTER OF FINANCE

Commissioner's Overview

I cannot believe that two years have passed since my appointment as SARS Commissioner. It has been unimaginably eventful, extraordinarily tough, but also exceptionally rewarding. We always knew that rebuilding SARS would present a huge mountain to climb. We were aware that apart from a very tough economic environment, declining levels of revenue performance and compliance, there were serious fault lines in our society as well as the stubborn residue of poverty, inequality, and unemployment. Little did we know that we would also have to deal with the unprecedented impact of the COVID-19 global pandemic. The composite factors created a multidimensional and highly complex environment within which our work is located.

The central role played by SARS meant that we simply had to dig deep to find the most appropriate response. We remain inspired by our strong higher purpose ethos rooted in our conviction that the work of SARS has transformative impact on society. Our work provides most of the financial resources needed by government to ensure the material, social and emotional wellbeing of all South Africans.

The process to rebuild SARS is hard work, ongoing and will take time. We were well on our way making progress when the COVID-19 pandemic threatened to disrupt our work. Our response was to use this existential crisis as a catalyst towards progress. It enabled us to bring forward some of the modernisation deliverables towards achieving our vision. We entered uncharted waters in 2020/21 and were forced to review how we do things. Most importantly, we had to balance the health and the wellbeing of our employees and taxpayers, while executing the important mandate of SARS. More than ever before, our revenue collection mattered and we did not want to lose the early gains in our compliance programme.

SARS plays a pivotal role in enabling Government to fund the National Development Plan. As a country, we also faced unprecedented demand for short term funding to provide healthcare, shield the impact on businesses and the economy, and protect its citizens against the devastating effect of the coronavirus, including procuring tens of millions of vaccine dosages for the people of South Africa. The devastating impact of the pandemic has firmly placed the spotlight on our work.

In the 2020/21 financial year, the Printed Estimate Revenue target, based on 0.9% Gross Domestic Product (GDP) growth, was set at R1 425.4 billion in the February 2020 Budget. At the time of the Medium Term Budget Policy Statement (MTBPS) Review by the Minister of Finance in October 2020, the worst outlook estimated a revenue shortfall against the February 2020 Printed Estimate of around R314 billion. Due to a slightly improved economic recovery towards the latter half of the fiscal year, as well as the early gains from our revenue recovery programme, the estimate was then revised to R1 212.2 billion in the February 2021 Budget Review (Revised Estimate). Revenue collections for 2020/21 amounted to R1 249.7 billion, which was R37.5 billion above the revised estimate target. Revenue collection was driven by the state of the economy, the fiscal policy choices, legislation, administrative efficiency, taxpayer compliance, tax morality and sentiment. The gross amount collected was R1 550.3 billion, which was offset by refunds of R300.6 billion, resulting in the net collections of R1 249.7 billion. This represents a decline of 7.8% compared to the 2019/20 financial year. The COVID-19 pandemic hit us when South Africa was already in a weak fiscal position. In April 2020, government introduced tax relief measures to provide temporary assistance to businesses and households.

Total revenue collections is a combination of revenue received (through business as usual activities) and revenue collected (through compliance activities). Compliance revenue, that yielded cash results, is defined as amounts collected through SARS bank accounts. Compliance revenue, that yielded non-cash results, is defined as refund leakage that was prevented from being paid out. We have set a rule of thumb estimate of 7.5%, or R107 billion, of the Printed Estimate (R1 425 billion). This translates to 8.8% of the Revised Estimate (R1 212.2 billion). Notwithstanding many challenges, at 31 March 2021, we reported compliance revenue collections amounted to R172.0 billion. The compliance revenue for the 2020/21 financial year comprises cash compliance revenue of R113.5 billion, and refund savings of R58.5 billion. This is encouraging since it begins to demonstrate the early impact of focused revenue recovery efforts by SARS.

Notwithstanding the challenges presented by a struggling economy and the impact of the COVID-19 pandemic, SARS commenced with the implementation of its strategic plan in the 2020/21 financial year, including rebuilding its capacity.

Some of the key highlights for this year includes:

- Uptake of taxpayers using the video and telephonic appointment options resulted in 778 590 e-booking appointments being made, and 689 587 appointments handled.
- The success rate of verification cases selected by the risk engine improved from 35.1% to 47.8%
- The success rate pertaining to the 24 cases prosecuted was 96.0%. Cases in which the taxpayers were found guilty relate to bribery, fraud, and theft regarding the Income Tax Act, Value Added Tax Act and Customs and Excise Act.
- Digital platforms for taxpayers and traders were available 99.8% of the planned up-time.
- SARS has met its commitments in relation to the Exchange of Information (EOI), with partner jurisdictions.

We had to step up our efforts to enable more taxpayers to engage with us on our digital platforms and to administer the tax relief measures, while protecting employees and taxpayers from infection. Despite recent progress with vaccines and treatment, there will be a long-term knock-on effect to the economy.

Significant progress was made in the roll out of SARS' new organisational arrangements. This operational arrangement was specifically designed to align with the new SARS strategic intent, to develop a tax and customs system based on voluntary compliance, and where appropriate enforce responsibly and decisively. The new regional and segmented operations assign end-to-end accountability for engaging, serving taxpayers, and resolving all related aspects within a region or segment. In addition, we follow the provincial model of customised engagement based on taxpayer segmentation, as well as compliance behaviour. This new arrangement is intended to break-down functional silos and foster collaboration. The leadership structure is deliberately flatter to reduce unnecessary bureaucracy, facilitate decision-making and hold executives accountable for delivery.

Leadership is a key defining aspect for setting the desired organisational ethos, clarifying the strategic intent, and inspiring positive action. During the year, working with the top 65 executive leaders, we finalised the development of our SARS Leadership Model. The ongoing strengthening of the leadership system of SARS remain an important priority. I am committed to a competent and transformed leadership team with high professional integrity. The executive search and recruitment process continued throughout the 2020/21 financial year to fill executive positions, as well as roles where interim placements were made. An interim EXCO was announced in April, effective from 1 April 2020. During the course of the year, various roles and responsibilities were defined and more appointments and placements were made. In November, the "Committee of Chairs" was finalised and assigned to perform the role of the Executive Committee. In April 2021, permanent appointments were made to serve as the SARS EXCO.

SARS made some major changes to its filing season this financial year. Despite the challenges posed by the COVID-19 pandemic, SARS had to ensure that a seamless and effortless service is provided to taxpayers, while keeping our employees and the taxpayers safe from infection by the coronavirus. This year, SARS placed renewed emphasis on the role of employers' filing Pay As You Earn (PAYE) reconciliations ahead of the individual taxpayer's filing season. Compliant employers ensure that complete and accurate third party information is available for the individual filing season. SARS issued over 2.8 million auto assessments from 1 August 2020, which enable the individual taxpayer to view and accept the proposed assessment, or edit and submit their tax returns from the comfort of their home or place of work using eFiling or the SARS MobiApp. This process minimises traffic at the branches in the interest of minimising the health risk, but also simplifies compliance for taxpayers and encourages the migration to the usage of our digital channels.

The exciting journey of rebuilding our organisation is already yielding some positive results. During this year, our efforts to build capacity and capability in specialised skills, technology and data analysis, as well as audit and investigations started to reap some benefits and will help to close the compliance gaps. Data analytics and machine learning proved to make us more effective at identifying higher-risk taxpayers, and complement our forensic audit and investigative skills to go after aggressive tax avoidance and evasion.

I personally wish to thank each employee who is committed to building a better South Africa, and for the diligent work you carry out. I salute the resilience demonstrated by our employees to continue to serve during a time of such instability. What makes our achievements so notable this year is that they were accomplished in a financial year that was characterised by many highs and lows. It is unlikely that anyone who lived through this year will soon forget this strange and traumatic period. The COVID-19 pandemic exposed the vulnerability of human life, the insecurity of livelihoods and the massive impact on business and trade. Above all, the pandemic has taught us the importance of recognising the true purpose of our lives, our professions, businesses and economies, namely, to serve human need and ensure social progress. This fits together closely with SARS' Higher Purpose to strive to make a tangible impact in the lives of South Africans.

I would also like to express my appreciation to the former Minister of Finance Mr Tito Mboweni, the Deputy Minister of Finance Dr David Masondo, for their guidance. My appreciation goes to the Parliamentary Committees for their oversight and support. Thank you to colleagues, the DG in National Treasury, Dondo Mogajane, his team as well as colleagues in broader government. In conclusion, I welcome the newly appointed Minster of Finance, Mr Enoch Godongwane, and thank him for already showing a keen interest in SARS, since his appointment.

I express the wish that we all stay safe!

Edward Chr Kieswetter
SARS COMMISSIONER

Contents

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 2020/21 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 2020/21 to 2024/25 Strategic Plan, and its 2020/21 Annual Performance Plan. The Annual Financial Statements (Own Accounts) for the year ended 31 March 2021 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 Reporting 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.

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 2021.

Edward Chr Kieswetter

SARS COMMISSIONER

1 PART ONE GENERAL INFORMATION

Vision:

It is our vision to build a smart, modern SARS with unquestionable integrity that is trusted and admired.

Strategic Intent:

To give effect to our mandate, our strategic intent is to develop and administer a tax and customs system of voluntary compliance, and where appropriate, enforce responsibly and decisively.

Strategic Objectives:

Strategic Objective 1:

Provide CLARITY and CERTAINTY for taxpayers and traders of their obligations

Strategic Objective 2:

Make it EASY for taxpayers and traders to comply with their obligations

Strategic Objective 3:

DETECT taxpayers and traders who do not comply and make non-compliance HARD and COSTLY

Strategic Objective 4:

Develop a HIGH performing, DIVERSE, AGILE, ENGAGED and EVOLVED workforce

Strategic Objective 5:

Increase and expand the use of DATA within a comprehensive knowledge management framework to ensure integrity, derive insight and improve outcomes

Strategic Objective 6:

Modernise our systems to provide DIGITAL and STREAMLINED online services

Strategic Objective 7:

Demonstrate Effective resource stewardship to ensure efficiency and effectiveness in delivering quality outcomes and performance excellence

Strategic Objective 8:

Work with and through Stakeholders to improve the tax ecosystem

Strategic Objective 9:

Build PUBLIC TRUST and CONFIDENCE in the tax administration system

Who We Are

SARS was established in terms of the South African Revenue Service Act (1997) 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 and Mission

Our mission is derived from our legal mandate that is crafted in the SARS Act (1997). 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 and facilitating legitimate trade.

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

To become 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 and mandate, we hold the following values dear:

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

SARS Organogram

In positioning SARS for implementation and execution of its vision, strategic intent and 9 objectives, SARS has adjusted its organisational arrangements to support its strategic intent. This took place over a transitional period and in phases, from 1 January 2020 to 30 June 2020 and on 1 July 2020, SARS launched its new organisational arrangements, organised into four clusters. During the transition period an interim EXCO was established and a permanent EXCO was appointed on 1 April 2021. More details on the members of EXCO can be found on page 75.

Commissioner

Taxpayer Engagement Cluster

To ensure effective implementation that is centered on serving the taxpayer, we established 12 fully enabled and empowered taxpayer engagement units.

This consist of nine (9) geographic-based regions and three (3) segment-based regions. This represents a fundamental paradigm shift to a flatter structure, with empowered regions.

Enterprise Design & Enablement Cluster

Product-process owners are responsible for engineering the end-to-end processes, policies, and standard operating procedures for the administration of each of the following tax types: PAYE, VAT, CIT, Customs, Excise, and other taxes.

Segment owners are responsible for enabling a greater focus approach to serve the respective segments of: Individual Taxes: Standard & Provisional, Business Taxes: Small & Medium, Government, SOEs, Estates, Exempt, and Embassies.

Enabling functions, which will provide the enabling environment in People, Data and Technology capability and capacity.

Enterprise Services & Support Cluster

This cluster manages the allocation of resources for operational and capital investments and provides commercial business services, ensures the appropriate governance, assurance and risk.

Corporate Cluster

The following functions are located in the Corporate Cluster:

- Office of The Commissioner
- Technology & Innovation
- Corporate Secretariat
- Gender Equality and People with Disabilities
- Enterprise Strategy and Planning
- Stakeholder Relations
- Anti-Corruption & Integrity
- Performance and Productivity Management
- Communications and Media
- International Cooperation
- Internal Audit
- Liaison Desk
- Enterprise Service Charter
- Capital Investment

Highlights: Positioning our Progress Towards Achieving Vision 2024

SO1: Provide **CLARITY** and **CERTAINTY** for taxpayers and traders of their obligations

- **76.2%** of Taxpayers & Traders are clear on obligations
- **Advance Pricing Agreement** discussion paper published
- **931 Rulings and Opinions** issued

SO2: Make it **EASY** for taxpayers and traders to comply with their obligations

- **86.3%** of SARS interactions done through **Virtual Channels**
- **83.2%** of standard taxpayers were **Auto Assessed**
- **AEO** Programme launched and **14 new clients** signed up
- **5.6 million Customs declarations** processed >95% under 10 seconds

SO3: DETECT taxpayers and traders who do not comply and make non-compliance **HARD** and **COSTLY**

- **R58.5 billion** in **Refund Savings**
- **Customs Seizures** to the value of **R2.7 billion**
- **R147 million** recovered from PPE fraud
- **96% Conviction Rate** through NPA

STRATEGIC INTENT

R1.25 trillion Collected
(R38 billion more than Revised Estimate)

Refunds of R300.6 billion paid
(R20 billion more than 2019/20)

R172.0 billion Compliance Revenue collected through **Compliance Interventions**

R38.9 billion COVID-19 relief granted

Facilitated Trade to the value of **R2.6 trillion**

SO4: Develop a **HIGH** performing, **DIVERSE, AGILE, ENGAGED** and **EVOLVED** workforce

- **Employee Engagement** participation rate of **76%**
- **Runner-up Employer** of the year award
- **SARS leadership model** conceptualised
- **280 staff** members concluded the **Management Development** Programmes

SO5: Increase and expand the use of **DATA**

- **3.6 million** taxpayers identified for **Auto Assessment**
- **Machine Learning** models deployed, **26 000** individuals identified to **register for tax**
- **Automated Risk Engine** yield improved by **20%**

SO6: Modernise our systems to provide **DIGITAL** and **STREAMLINED** online services

- **>30 Application enhancements** deployed during the **first 100 days** of lockdown
- **99.76%** Systems Availability
- **Zero ITC security breaches** from known risks
- **>76%** of SARS **Services** accessible through **virtual channels**

SO7: Demonstrate Effective resource stewardship to ensure efficiency and effectiveness in delivering quality outcomes and performance excellence

- **2.22% reduction** in non-people cost savings after absorbing **COVID-19 related cost**
- **Space reduction** and related cost savings of **R43 million**
- **2.90%** increase in **ICT spending**
- **Other operational** expenditure reduced from **7.39%** to **4.33%** of total budget

SO8: Work with and through Stakeholders to improve the tax ecosystem

- **Full compliance** to OECD AEOI standards, info used to **identify** > 200 instances of "unexplained" **offshore wealth**
- **Extensive Engagements** with stakeholders across different sectors

SO9: Build PUBLIC TRUST and CONFIDENCE in the tax administration system

- **Public Opinion Survey** on attitude to tax compliance yields **74.5%** against target of **70%**

Revenue Collected

Gross — Revenue Collected: **R1 550.3 billion**

R1 655.0 billion
2019/20

Paid — Refunds: **R300.6 billion**

R299.2 billion
2019/20

Net — Revenue Collected: **R1 249.7 billion**
Revised Estimate
R1 212.2 billion

R1 355.8 billion
2019/20

Breakdown of Revenue Collected 2020/21

PIT	CIT	VAT	Fuel Levy	Customs	DT/STC	Excise	Other	Taxes on property
39.1%	16.4%	26.5%	6.0%	3.8%	2.0%	2.6%	2.4%	1.3%

Active Register

	2020/21	19/20
PAYE	681 478	582 289
Individual Income Tax	23 850 668	22 919 701
VAT	880 553	831 821
Trusts	367 540	363 860
Company Income Tax	3 112 509	2 548 975
Customs	357 653	622 150

The Volumes we Processed

Tax Volumes	2020/21	2019/20	2018/19
New Registrations	**1.6 million**	1.4 million	1.6 million
Tax Returns Submitted	**19.1 million**	17.3 million	17.2 million
Taxpayers Served in Branches	**1.3 million**	5.0 million	6.5 million
Payments Processed	**16.4 million**	17.2 million	19.1 million
Complaints Received	**34 327**	31 445	38 218
Audits and Verifications Conducted	**1.5 million**	1.4 million	1.9 million
Rulings Issued	**268 Binding rulings 666 Non-binding opinions**	287 Binding rulings 621 Non-binding opinions	315 Binding rulings 658 Non-binding opinions
Appeals Finalised	**8 931**	7 981	7 042
Tax Compliance Status Requests	**1.2 million**	1.2 million	1.2 million
Inbound Calls	**3.7 million**	3.7 million	4.6 million
Outbound Calls	**4.0 million**	1.4 million	3.7 million

Customs Volumes	2020/21	2019/20	2018/19
New Importers	**6 532**	9 821	9 934
New Exporters	**5 122**	8 701	8 637
Licensed Clearing Agents	**170**	212	147
New Accredited Clients (AEO launched 2020/21)	**14**	(Preferred Trader) 28	(Preferred Trader) 35
Import Declarations	**2.7 million**	3.4 million	3.3 million
Export Declarations	**2.8 million**	3.8 million	3.7 million
Customs Inspections	**194 000**	673 408	629 031
Customs Seizures	**4 978**	5 832	6 828
Post Clearance Audits	**1 343**	1 758	2 449

2 PART TWO PERFORMANCE INFORMATION

Situational Analysis

Global Economic Environment

SARS rolled out its strategic plans in the 2020/21 financial year in the context of the most unprecedented health pandemic in living memory. As South Africa is an open economy with strong vertical and horizontal linkages with the rest of the world, the pandemic soon reached our shores and the subsequent health crisis caused economic contractions, severe external demand shocks, dramatic tightening in global financial conditions and rising debt levels. Despite recent progress with vaccines and treatment, there will be lasting legacies through lower investment, erosion of human capital through lost work and schooling, fragmentation of global trade and supply linkages, widespread falling living standards and incomes per capita, human suffering and pain, devastated food and security systems, elevated unemployment, disinvestment and deindustrialisation.

As the year unfolded, The International Monetary Fund (IMF), World Bank and the Organisation for Economic Co-operation and Development (OECD) were unanimous in issuing sobering views of the reality of the impact of the pandemic.

In the April 2020 World Economic Outlook report, the IMF marked down its global economic projection by a huge 6.0 percentage points to -3.0% before rebounding to well above trend in 2021 at 5.8% mainly because of the low 2020 base. In comparison to 2010, global growth rebounded to 5.4% from -0.1% in 2009. Most economies were forecast by the IMF to contract in 2020, including the United States (US) (-5.9%), Japan (-5.2%), the United Kingdom (UK) (-6.5%), Germany (-7.0%), France (-7.2%), Italy (-9.1%), and Spain (-8.0%). The global economy experienced a historic contraction of 3.3% in 2020 and recessions materialised in all the major economies mentioned above. Globally, the cumulative loss in output relative to the pre-pandemic projected path is projected to grow from US$11 trillion over 2020–21 to US$28 trillion over 2020–25, a severe setback in average living standards across all country groups.

The global recession and economic policy responses triggered a surge in debt levels in emerging market and developing economies. Unprecedented fiscal stimulus by governments to replace private sector income lost to the disruptions via wage subsidies, enhanced unemployment benefits, and other income transfers caused a rise in debt levels. Coming on top of a surge in global debt since 2010, this created new risks. Several countries defaulted on their debt, and a number of other countries, particularly low-income countries, are at high risk of debt distress.

Vaccine approvals and roll-outs helped to improve sentiments and confidence despite widespread second waves of infections. The race between mutating viruses and vaccines to end the pandemic began. The positive effects of the onset of vaccinations in some countries, additional policy support at the end of 2020 in key economies such as the United States and Japan also helped to shore up global trade and demand. Almost all commodity prices recovered in the late 2020 following steep declines during the early part of the year.

Exposure to cross country spill over remained a concern highlighting the dangers of vaccine nationalism and diplomacy. However, the 2020/21 financial year ended with the world in a better state of treating and responding to outbreaks given faster tests for detecting infections and more knowledge on the settings that favour transmission.

Domestic Economic Environment

Prior to the COVID-19 pandemic the South African economy was in a technical recession, recording two consecutive quarters of decline in Q4-2019 (-1.4) and Q3-2019 (-0.8). The COVID-19 economic shock led to a 7.0% contraction in GDP growth in 2020 after a marginal increase of only 0.2% in 2019. The impact of the COVID-19 pandemic on the domestic economy has been severe and, in comparison to the global financial crisis, the contraction in 2020 was about five times larger than the contraction of 1.5% in 2009. The slowdown in output growth was broad-based as growth decelerated sharply in the primary (except in the agricultural sector), secondary and tertiary sectors.

The following economic developments impacted on the performance of key sectors that drive the economy and the sectors' tax performance in 2020:

- The agricultural sector was one of only two sectors where real output increased in 2020. This reflected the relatively smaller impact that the COVID-19 pandemic restrictions had on the sector.
- Government also grew marginally in the year.
- All other industries contracted. The construction industry recorded its fourth consecutive year of economic decline, as the protraction of low infrastructure investment impeded growth in the sector.
- Despite a strong recovery in the second half of the year, mining and manufacturing production contracted for the entire year, mostly due to work stoppages in the second quarter and a decline in domestic and global demand.
- The Finance sector's contraction reflected slower growth in monetary institutions and auxiliary financial intermediation activities as well as business interruption as a result of the COVID-19 pandemic, due to the close linkages the sector has with other struggling sectors in the economy.

Revenue collections over the past year were also severely impacted by the COVID-19 pandemic lockdown and an already struggling economy. Job losses and decreases in wages had a negative impact on Personal Income Tax (PIT). Domestic

VAT collections were negatively impacted by a reduction in consumption and weak imports led to a reduction in Customs revenue. However, as lockdown restrictions eased, there was a rebound in tax revenue supported by Domestic VAT and higher than expected Corporate Income Tax (CIT) provisional payments.

The tax-to-GDP ratio in the 2020/21 fiscal year is estimated to be less than the long-term average of 24.3% due to the contraction in nominal GDP. In contrast the buoyancy ratio, which is an indication of tax revenue growth in relation to GDP growth, increased from 1.14 in 2019/20 to an estimated 1.79 in 2020/21.

While partial economic recovery of the domestic economy is expected in 2021 as it is in most countries and regions, risks to the outlook are on the downside as there is still heightened uncertainty regarding the duration, intensity, and the associated macroeconomic impact of the COVID-19 pandemic. Other key risks to economic growth and revenue remain job losses due to retrenchments, low consumption demand, strained company profitability following the hard lockdown, long-standing domestic structural and legislative challenges and an uncertain global environment.

Policy Developments

Growth in wages, consumption and business profitability has stagnated in recent years, lowering tax receipts from PIT, VAT and CIT that contribute on average more than 80% to total tax revenue. In this context the 2020 Budget stated that substantial tax increases are unlikely to be effective and that South Africa already has a relatively high tax-to-GDP ratio compared with other countries at a similar level of development. The decision taken was that new tax increases could harm the economy's ability to recover and consequently government decided not to raise additional revenue from tax proposals for 2020/21.

South Africa's fiscal position was already weak at the onset of the COVID-19 pandemic. The 2020 Supplementary Budget restated Government's commitment to achieving fiscal sustainability, measured as stabilisation of the debt-to-GDP ratio, and narrowing the budget deficit. This was projected to require large spending reductions and moderate tax increases in the medium-term expenditure framework which was published in the October 2020 MTBPS.

By this time it was clear that the economic contraction due to COVID-19 pandemic would severely impact South Africa's public finances and that the impact would be long lasting. Although the economy has begun to recover from the initial impact of the pandemic, it was projected that tax revenue in 2020/21 could be R8.7 billion lower than the June 2020 estimate.

In April 2020, government introduced tax relief measures to provide temporary assistance to businesses and households during the lockdown. These interventions offered a combination of cash-flow relief through tax deferrals, and direct support through increased incentives to retain lower income employees and reductions in payroll taxes. Improved tax collection and administration an important element in achieving fiscal consolidation. To this end, SARS continues to rebuild its capacity and capability following several years of mismanagement.

Near-term objectives included:

- Finalising the tax gap study in December 2020 to quantify the difference between how much tax should be collected and how much is actually collected.
- Remaining focused on international taxes, particularly aggressive tax planning using transfer pricing.
- Increasing enforcement to eliminate syndicated fraud and tax crimes.
- Continuing to use third-party data to find non-compliant taxpayers.
- Collecting PAYE and VAT debt, and ensuring that outstanding returns are filed and liabilities paid.

Performance Information

Auditor-General Report on the Audit of Predetermined Objectives

Introduction and scope

12. In accordance with the Public Audit Act 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 objectives 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 public entity's approved performance planning documents. I have not evaluated the completeness and appropriateness of the performance indicators included in the planning documents. My procedures do not examine whether the actions taken by the public entity enabled service delivery. My procedures do not extend to any disclosures or assertions relating to the extent of achievements in the current year or 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 objectives presented in the public entity's annual performance report for the year ended 31 March 2021:

Strategic objectives	Pages in the annual performance report
Strategic objective 1 – provide clarity and certainty for taxpayers and traders of their obligations	35-38
Strategic objective 2 – make it easy for taxpayers and traders to comply with their obligations	39-42
Strategic objective 3 – detect taxpayers and traders who do not comply and make non-compliance hard and costly	43-46
Strategic objective 6 – modernise our systems to provide digital and streamlined online services	58-60

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 these objectives:

- **Strategic objective 1 -** provide clarity and certainty for taxpayers and traders of their obligations
- **Strategic objective 2 -** make it easy for taxpayers and traders to comply with their obligations
- **Strategic objective 3 -** detect taxpayers and traders who do not comply and make noncompliance hard and costly
- **Strategic objective 6 -** modernis e our systems to provide digital and streamlined online services.

Other matter

17. I draw attention to the matter below.

Achievement of planned targets

18. Refer to the annual performance report on pages 20 to 68 for information on the achievement of planned targets for the year and management's explanations provided for the under/over achievement of targets.

Explanatory note:

SARS redefined its strategic direction and intent when it conceptualised Vision 2024 and the contents of its Strategic Plan 2020/21 – 2024/25. SARS' intent is underpinned by nine strategic objectives and part of this strategic endeavour was to define new measures. Measures were chosen because they support the strategic intent, but will have to mature over time and be refined in the context of our commitment as a learning organisation. Consequently, not all the measures described in our Annual Performance Plan contained definitions and formulae that are perfectly aligned to achieve optimal effectiveness in how we measured our progress against each strategic objective. In addition, the data in support of the measures and underlies the subsequent dashboard, have to be incorporated into our overall electronic data management system in order to allow for the seamless recording, analysing and reporting at the level of maturing integrity.

It is also important to note that SARS wants to encourage a culture of experimentation, innovation, and "failing forward". We come from a culture of fear, intimidation and formative compliance. The desired culture implies an environment that cannot be "cast in stone", but allows for a degree of failure with clear learning, and continuously improving outcomes, whilst ensuring that the organisation remains true to its strategic intent and that all material and substantive risks are well managed.

SARS however, in the spirit of complying with the Annual Report Guide for Schedule 3A and 3C Public Entities, attempted to provide sufficient transparency on how we arrived at the calculated results such that the objective to present both negative and positive information in an understandable and concise manner is maintained.

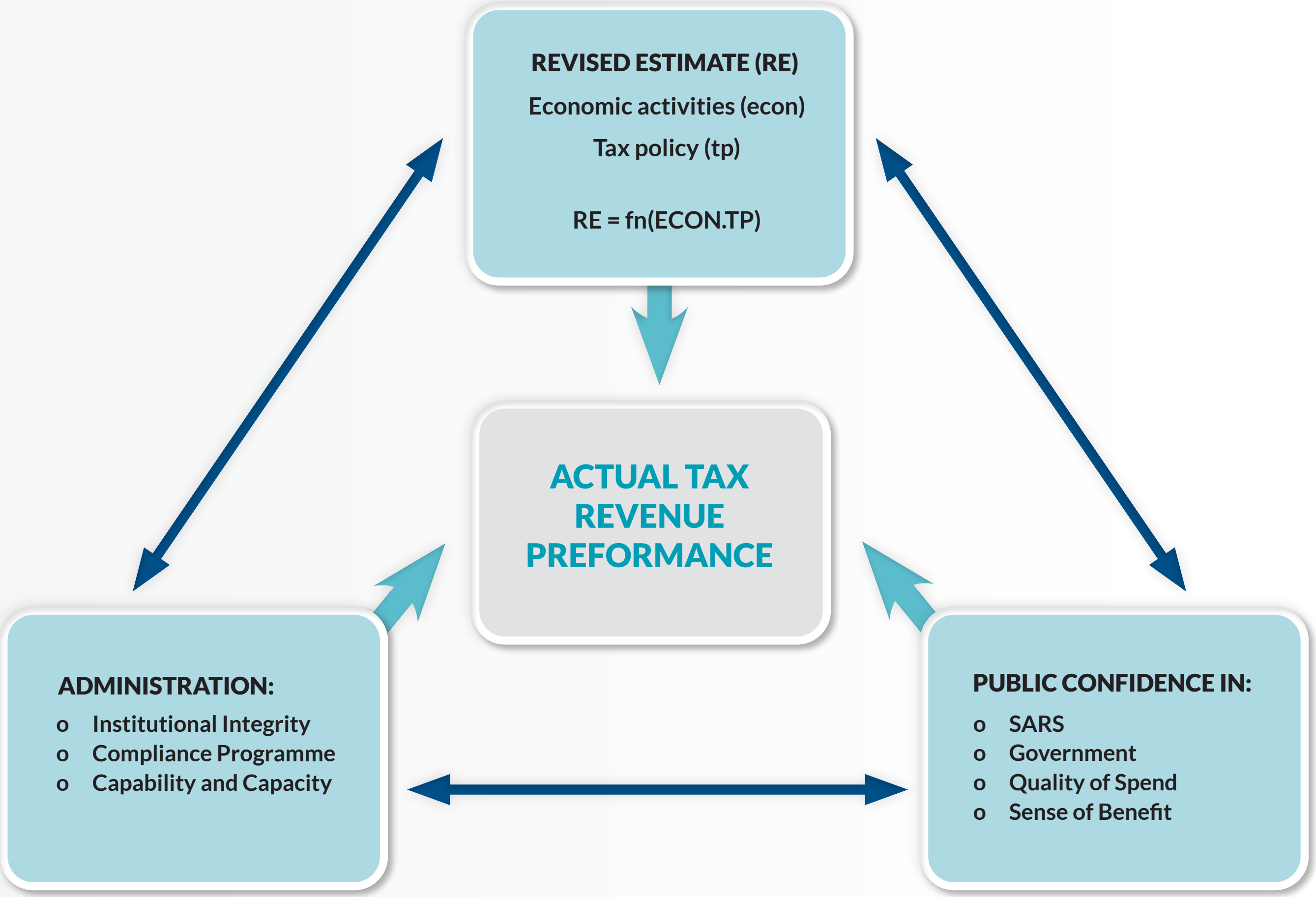
Strategic Intent

SARS' strategic intent is to develp a tax and customs system based on voluntary compliance, which is achieved when society fulfils their obligations with minimal prompting by SARS.

SARS Tax and Customs Management and Revenue performance

Revenue collection is mainly the result of three interrelated factors, namely:

- The state of the economy, which sets the tone for the general collection climate as well as the Tax and Customs policy framework, which informs the parameters of collection e.g. tax rates for specific tax types, customs duties for specific products, rebates and relief measures.
- Public confidence and trust in Government and SARS, from both the collections and spending perspective, which influences compliance behaviour of taxpayers and traders – compliance is normally directly proportionate to trust and public confidence.
- Efficacy of tax administration, which represents the institutional integrity and ability to collect revenues due to the State through the effective execution of its Compliance programme.



Key Results:

Printed revenue estimates are met and/or exceeded	Actual 2019/20	Target 2020/21	Actual 2020/21	Deviation 2020/21
	R1 355.77 billion	R1 212.21 billion As agreed with the Minister	R1 249.71 billion	R37.50 billion

Summary:

Full year revenue collections of R1 249.71 billion recorded a surplus of R37.50 billion against the Revised Estimate (RE) due to the following tax types showing positive results against their respective revised estimates:

PIT full year collections continue to show signs of strain versus the Prior Year (PY) following high unemployment levels. This is despite PAYE growth recovering from a contraction of -16.0% in June 2020 to -0.02% in March 2021. The required annual growth to reach the RE was -6.7%. The current improvement in the growth is likely to be temporary as payments are boosted by PAYE on retrenchment packages. However, as retrenched employees are removed from the employment base, it is expected that monthly PAYE payments will shrink in the near future.

CIT collections yielded a positive variance of R12.2 billion against the RE. This follows the exceptional performance during the significant collection months of February and March 2021. The stellar performance was on the back of a recent quarterly GDP growth of 6.3% in Q3-2020, following an upward revision of 67.3% in Q3-2020 due to the lag effect and the easing of the lockdown restrictions, with the government allowing more economic activity to resume.

Domestic VAT collections amounted to R392.9 billion, this was R6.4 billion (1.6%) below PY collections of R399.3 billion. The contraction was mainly as a result of significant contractions in April 2020 (-R1.4 billion, -4.3%), May 2020 (-R9.2 billion, -27.9%) and June 2020 (-R4.1 billion, -13.2%). May 2020 collections pertained to the April 2020 tax period, the first full month of the National lockdown, when the country was placed on level 5 restrictions. However, March 2021 collections were strong, reflecting an above inflation growth of R2.8 billion (8.4%) following a much welcomed recovery from the earlier lockdown levels.

Customs collections for the full 2020/21 financial year amounted to R213.9 billion, reflecting a year-on-year (Y/Y) decline of R22.4 billion (9.5%), despite exceeding the RE by R14.0 billion (7.0%). This surplus against RE was underpinned by a record 13th deferment statement total of R15.3 billion, which resulted in March 2021 exceeding the RE by a significant R10.3 billion (44.2%), as well as becoming the fourth month in the last five months of 2020/21 to register a positive Y/Y growth rate (15.7%). Each of the first seven months of 2020/21 registered negative Y/Y growth rates in Customs collections, at an average of -21.8%.

Specific Excise collections started to improve as declaration values reflected signs of recovery. The ban on the sales of alcohol resulted in weakening production and deferred payments. Specific Excise revenue for March 2021 were higher by R6.1 billion than the expected RE. Deferred payments for beer to the amount of R1.4 billion that were approved to be paid in April 2021, were paid earlier in March 2021.

Full year Fuel Levy collections improved as all COVID-19 relief deferment payments were paid in full. Diesel refunds (included in Fuel Levy) were lower compared to the PY.

VAT refunds for 2020/21 amounted to R228.2 billion, contracting against the PY by R4.3 billion (1.9%). However, payouts exceeded the 2020/21 RE by R8.0 billion (3.6%). Seven of the 12 months recorded a contraction against the PY, this included months where the country was under hard lockdown restrictions.

OUR HIGHER PURPOSE

Enabling Government to build a capable democratic state for the wellbeing of all South Africans

Detailed Overall Revenue Performance in 2020/21

For the 2020/21 financial year the tax revenue estimate (Printed Estimate (PE)), based on 0.9% GDP growth, was set at R1 425.4 billion as per the 2020 Budget Review. The estimate was then revised to R1 212.2 billion in the 2021 Budget Review Revised Estimate, owing to deteriorating economic conditions due to the negative impact of the COVID-19 pandemic. The 2020/21 financial year's revenue collection amounted to R1 249.7 billion, which was R37.5 billion above the revised target.

Revenue collection is driven by the state of the economy, the fiscal policy choices, legislation, administrative efficiency, taxpayer compliance, tax morality and sentiment The gross amount collected amounted to R1 550.3 billion, which was offset by refunds of R300.6 billion, resulting in net collections of R1 249.7 billion. This represents a decline of R106.1 billion (7.8%) compared to the 2019/20 financial year.

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

Revenue estimates for the next three years and the medium term, are set or adjusted on three occasions during the financial year. For the 2020/21 financial year, estimates were announced in the February 2020 budget (generally referred to as the Printed Estimate (PE)), in October 2020 in the MTBPS, and in the February 2021 budget (RE). For the 2020/21 financial year due to the COVID-19 pandemic a special supplementary budget estimate was announced in June 2020. Revenue estimates are predicted using various statistical models. They take into account prevailing and forecasted economic conditions, and provide detailed estimates of the likely performance of the different tax types.

Estimate description	Date announced	2019/20 Estimate	Date announced	2020/21 Estimate
		R million		R million
Printed Estimate	20 February 2019	1 422 208	26 February 2020	1 425 418
Special Budget			24 June 2020	1 121 327
Medium Term Budget Policy Statement (MTBPS) Estimate	30 October 2019	1 369 678	28 October 2020	1 112 579
Revised Estimate	26 February 2020	1 358 935	24 February 2021	1 212 206

The table shows the contribution of tax revenue and non-tax revenue to 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, Department of Higher Education and the Road Accident Fund (RAF) on behalf of the Department of Transport.

Tax type	Printed estimate Feb 2020	Revised estimate Feb 2021	Actual result	Surplus/ Deficit on Printed estimate	Surplus/ Deficit on Revised estimate
	R million	R million	R million	R million	R million
Tax revenue	1 425 418	1 212 206	1 249 711	-175 706	37 505
Non-tax revenue	35 973	51 975	45 169	9 195	-6 806
Mineral and Petroleum Resource Royalties	*12 697*	*14 343*	*14 228*	*1 531*	*-116*
Mining leases and ownership	*90*	-	*-106*	*-196*	*-106*
Other non-tax revenue and extraordinary receipts	*23 186*	*37 632*	*31 047*	*7 861*	*-6 585*
Less: SACU payments	-63 395	-63 395	-63 395	-	-
Total budget revenue	**1 397 996**	**1 200 786**	**1 231 485**	**-166 511**	**30 699**

Performance of Key Taxes against Estimate and Prior Year

Tax Type	Printed Estimate Feb 2020	Revised Estimate Feb 2021	Actual result	Surplus/ Deficit on Printed Estimate	Surplus/ Deficit on Revised Estimate
	R million	R million	R million	R million	R million
Personal Income Tax (PIT)	548 719	484 368	488 446	-60 273	4 078
Company Income Tax (CIT)	233 061	192 226	204 399	-28 662	12 173
Dividends Tax (DT)/Secondary Tax on Companies (STC)	31 169	22 980	24 845	-6 324	1 865
Value-Added Tax (VAT)	360 555	324 554	331 197	-29 358	6 643
Domestic VAT	*421 651*	*390 430*	*392 936*	*-28 715*	*2 505*
Import VAT	*192 963*	*154 294*	*166 454*	*-26 508*	*12 161*
VAT refunds	*-254 059*	*-220 170*	*-228 193*	*25 866*	*-8 024*
Fuel levy	83 441	75 236	75 503	-7 938	267
Customs duties	59 500	45 218	47 290	-12 210	2 072
Specific excise duties	48 836	24 694	32 273	-16 563	7 579
Taxes on property	17 510	15 480	15 947	-1 563	466
Skills development levy	19 413	10 175	12 250	-7 163	2 076
Other taxes and duties	23 214	17 275	17 561	-5 652	286
Total tax revenue	**1 425 418**	**1 212 206**	**1 249 711**	**-175 706**	**37 505**

PIT collections for the full 2020/21 financial year amounted to R488.4 billion which were R4.1 billion (0.8%) higher than the RE of R484.4billion, mainly due to higher PAYE (R6.4 billion, 1.3%) and PIT Provisional payments (R1.7 billion, 6.7%), which were partially offset by higher PIT Refunds (R2.7 billion, 8.3%). PIT revenue against the Printed Estimate (PE) ended in a shortfall of R60.3 billion (11.0%) mainly from a contraction in PAYE. Collections were R40.7 billion (-7.7%) less than the prior year following contractions from mainly PAYE and provisional tax against higher PIT refunds and Employment Tax Incentive (ETI) payments.

PAYE collections were under strain prior to the pandemic but more so specifically during the lockdown period. PAYE contracted by -5.9% in April 2020 and to as high as -16.0% in June 2020 before slowly starting to recover to a contraction of -5.5% in March 2021. During the reporting period PAYE collections contracted, mainly driven by the Finance, Manufacturing and Wholesale sectors. As unemployment levels continued to rise, which is evident in increasing retrenchments, PAYE collections remained under pressure.

CIT started the year on a positive sentiment with a Printed Estimate (PE) of R233.1 billion for the 2020/21 fiscal year. The dire impact of the COVID-19 virus to the economy necessitated a drastic downward revision of the estimate during the October 2020 MTBPS to R163.7 billion. A number of tax relief measures were implemented to assist the taxpayers as coping mechanisms. CIT collections for the 2020/21 financial year were significantly less compared to the 2019/20 financial year by R10.6 billion (-4.9%). The contraction was on the back of lower CIT provisional tax payments (a major contributor to CIT), during the significant collections months of June, August and September 2020 with contributions of R14.8 billion (26.7%), R5.2 billion (23.4%) and R6.1 billion (26.0%) respectively.

The shortfalls emanated from the poor performance experienced by the major contributing sectors (the Finance, Manufacturing, as well as the Community, Social and Personal Services). These sectors were severely impacted on by a number of factors, the prevalent being the lockdown measures implemented to curb the spread of the COVID-19 virus.

However, this shortfall was reduced by the December 2020, February 2021 as well as March 2021 collections as revenue performance took a better turn, particularly for these three highest collection months. The December 2020, February 2021 and March 2021 CIT provisional tax collections grew on an annual basis by R9.6 billion (16.8%), R3.1 billion (10.4%) and R3.6 billion (17.3%) respectively.

The Mining sector improved significantly during December 2020 on the back of significant increases to the US Dollar prices of the Platinum Group Metals (PGMs) basket and Iron Ore during the course of the 2020/21 fiscal year. The weaker rand against the US Dollar for a significant period of the fiscal year also contributed to the Mining sectors positive gains. The Mining sector has thus far recorded annual growth of R15.5 billion (57.1%) up until 31 March 2021. Thus during the 2021 Budget, CIT collections were then revised upwards to a RE of R192.2 billion citing these improvements from the Mining sector.

The February 2021 performance was on the back of a significant improvement from the Small, Medium and Micro-sized Enterprises (SMMEs) segment. Furthermore, this was also driven by positive sentiments from all sectors with the exception of the Construction sector, which was on a downward spiral. Whilst for March 2021 a magnificent performance stemmed from the Paragraph 19(3) payments, which grew significantly when compared to 2019/20.

Dividends Tax/Secondary Tax on Companies (DT/STC) collections of R24.8 billion were lower against 2019/20 by R3.1 billion (11.0%), mainly driven by contractions in the finance sector (a major contributor to DT/STC). The downgrading of South

African economy by the Credit Rating Agencies to below investment grade citing high and rising government debt exacerbated by economic shock triggered by the COVID-19 pandemic also contributed to the negative growth. Additionally, due to uncertainty in the economy, companies opted to maintain their reserves instead of paying dividends with others opting to suspend, defer or cancel dividend payments to their shareholders. This has weighed heavily on companies and has put more strain to DT/STC collections even in the near future until stability both globally and domestically is restored.

Domestic VAT collections for 2020/21 amounted to R392.9 billion; exceeding the RE by R2.5 billion (0.6%). Collections were boosted by the rebound in Q3-2020 real Households' Final Consumption Expenditure (HFCE), after the easing of the lockdown restrictions and the recovery of the economy. HFCE grew on a seasonally adjusted annualised (Saar) quarterly basis by 75.3% in Q3-2020, and by 7.5% in Q4-2020.

Domestic VAT collections were, however, below the 2019/20 collections of R399.3 billion by R6.4 billion (1.6%) and missed the Printed Estimate (PE) by R28.7 billion (6.8%). The poor performance was mainly due to the impact of the national lockdown restrictions in Q2-2020, which resulted in real HFCE contracting on a quarterly basis by a sharp 52.0%. The PE was set with the expectation that Gross Domestic Expenditure (GDE) would grow by a marginal 0.7% in 2020, with Real Final Household Consumption (RFHC) forecasted to expand by 1.1%. However, GDE contracted by 9.0%, while RFHC declined by 5.4% for the year 2020.

The trends in retail trade sales and Domestic VAT performance are closely correlated. In the 2020/21 financial year, retail trade sales plummeted on an annual basis by a significant 46.0% in April 2020, and the corresponding Domestic VAT collected in May 2020 registered an annual contraction of 27.9%. Growth in retail trade sales improved in the months of May 2020 to October 2020; and the corresponding Domestic VAT collections followed the same trend. For the rest of the year, Domestic VAT growth closely followed the retail trade sales trend.

Customs revenue collections of R213.9 billon in FY 2020/21 exceeded the RE by R14.0 billion (7.0%), mainly driven by higher-than-expected collections from Import VAT and Customs Duties, which exceeded their RE targets by R12.2 billion (7.9%) and R2.1 billion (4.6%) respectively.

However, Customs collections reflected a Y/Y decline of 9.5%, underpinned by nominal merchandise imports into the country during FY 2020/21 contracting by 10.0% Y/Y. This highlighted the disruptive impact of COVID-19 on the global manufacturing and trade sectors through the year, specifically on South Africa's key trade partners across Asia and Europe. The overall effect of the pandemic exacerbated an already subdued economic environment with passive levels of investment, domestic demand and household consumption. Levels of imports deteriorated in key contributing commodities namely vehicles, original equipment components, machinery, tobacco products, beverages, clothing and footwear.

Excise related revenue exceeded the RE by R8.3 billion (7.2%) and was largely driven by higher collections from mainly Specific Excise duties (beer, spirits and cigarettes).

Fuel levy registered a contraction of -5.8% in collections against the previous year, mainly as a result of decreased sales during the lockdown period resulting from the COVID-19 pandemic. The growth decreased from 14.7% for the 2015/16 financial year, and varied between growths of 12.9% to 6.4% in the following years. The fuel levy on imports was higher than expected in 2019/20 (growth of 33.6%) and 2020/21 (growth of 18.6%), 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%) in 2019/20 compared to the previous year. Refunds were higher in 2019/20 because of a drive to finalise, release older cases, and clear other cases on the credit book. Refunds decreased again by R1.6 billion (-19.1%) in 2020/21.

Breakdown of Tax Revenue Collections and Contribution to Tax Revenue

PIT, CIT and VAT remain the largest sources of tax revenue, and comprise approximately 80% of the total tax revenue collections. The table 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 18.1% in the 2015/16 financial year to 16.4% in 2020/21, while PIT increased from 36.4% to 39.1%, and VAT increased from 26.3% to 26.5% during this period.

The tax-to-GDP ratio has increased from 25.9% in the 2015/16 financial year to 26.3% in 2019/20 and then declined to 25.0% in the year under review.

Breakdown of Revenue Collected and Contribution to 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
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	4 924 029
2019/20	529 172	214 986	27 930	346 761	80 175	55 428	101 314	1 355 766	5 152 345
2020/21	**488 446**	**204 399**	**24 845**	**331 197**	**75 503**	**47 290**	**78 031**	**1 249 711**	**4 995 679**
	%	%	%	%	%	%	%	%	%
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%
2020/21	**39.1%**	**16.4%**	**2.0%**	**26.5%**	**6.0%**	**3.8%**	**6.2%**	**100.0%**	**25.0%**

Source: * Q1-2021 GDP, Statistics SA., released 8 June 2021..

Tax Policy Measures

Tax relief was last granted in 2014/15 to individuals and companies totalling 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 stemming from the PIT proposals. The one percentage point increase in the standard VAT rate from 1 April 2018 is 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).

The tax proposals announced in the 2020 Budget were aiming to support a recovery in economic growth, with some relief at the level of PIT. The introduction of the carbon tax levy and an increase in the plastic bag levy were estimated to counter the monetary relief granted to PIT.

Summary Effects of Tax Proposals

The following main tax proposals were announced for 2020/21:

- Personal income tax relief was granted by providing above-inflation increases to the income tax brackets and rebates.
- Corporate interest deductions were limited to combat base erosion and profit shifting. Furthermore, the ability of companies to fully offset assessed losses from previous years against taxable income were restricted. This proposal was deferred to 2021/22 due to the COVID-19 pandemic.
- Indirect taxes were adjusted for inflation with increases in the fuel levy by 25c/litre, (16c/litre for general fuel levy and 9c/litre for the RAF levy. The annual contribution limit to tax-free savings accounts was increased by R3 000 from 1 March 2020. Excise duties on alcohol and tobacco were increased by between 4.4% and 7.5%.

Year	Direct				Indirect				Other	Total relief / increases
	PIT	CIT	Other	Total	Excise	Fuel levy	Other	Total		
	R million				R million					R million
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
2020/21	**-2 000**	**-**	**-**	**-2 000**	**-**	**-**	**2 000**	**2 000**		**-**
Total	**30 176**	**500**	**6 724**	**37 401**	**9 415**	**17 207**	**27 810**	**54 432**	**456**	**92 289**

Maximum Marginal Tax Rate

During the past 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 from 15% to 20%. The standard VAT rate increased from 14% to 15%, effective 1 April 2018.

Period	PIT*	CIT	DT	VAT
	%	%	%	%
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%
01 Apr 2020 – 31 Mar 2021	**45.0%**	**28.0%**	**20.0%**	**15.0%**

Total compliance revenue collected – revenue collected from identified compliance initiatives	New Measure	Target 2020/21	Actual 2020/21	Deviation 2020/21
		R93.73 billion Compliance revenue collection = 7.5% of total revenue collections	R171.97 billion	R78.24 billion

In order to create focus, a new revenue management system was developed in the year under review. The revenue management system creates focus on two streams of revenue i.e. revenue receipted and revenue collected, with the revenue collected reflecting focused and measurable efforts implemented with successful revenue outcome whilst revenue receipted reflects revenue due to voluntary compliance. Whilst the organisation has always focused on the revenue generating efforts, the outcome of these efforts was not part of the Annual Performance Plan and was accordingly not externally reported in the previous periods.

Collected revenue is reflected as revenue, stemming from compliance activity. The defining factor is the nature of the activity, which must involve focused and deliberate efforts to improve compliance. As such, the current compliance revenue methodology has deliberately departed from prior approaches where only revenue collected from newly conceptualised initiatives could be attributed to a special revenue programme. With increased voluntary compliance, this part of revenue is expected to decrease. A desirable trend is a decreasing percentage of revenue from these compliance interventions.

As at 31 March 2021, compliance revenue collections amounted to R171.97 billion resulting in a surplus of R78.24 billion against what was planned of R93.73 billion.

Compliance revenue comprises cash revenue of R113.5 billion (PY: R74.2 billion) and refund savings of R58.5 billion (PY: R54.1 billion).

COVID-19 Impact and Tax Relief Granted

The COVID-19 pandemic will continue to cast a long shadow over the world's economies as the world economy experienced in 2020 the deepest and fastest recession since World War II. The COVID-19 shock in South Africa led to a 7.0% contraction in GDP growth in 2020. The significant impact of the pandemic adversely affected the collection of taxes. The total target revenue collection for 2020/21 has declined by 7.8% to R1 249.7 billion from R1 355.8 billion collected in the previous year.

Numerous COVID-19 tax relief measures were promulgated in order to reduce the impact on the economy, which reduced taxes paid and deferred tax payments.

The total amount estimated for tax relief measures at the special Supplementary Budget Review 2020 tabled in June 2020, amounted to R70.0 billion of which R26.0 billion was estimated to be actual revenue relief and R44.0 billion to be deferred revenue in respect of liquidity support for businesses. At the end of March 2021, the year-to-date tax relief measures totalled R38.9 billion of which R9.5 billion was actual revenue relief and the remaining R29.4 billion tax were deferred arrangements granted to taxpayers.

The revenue relief consisted of the following:

- Employment Tax Incentive (ETI) revenue refunded which reduced Pay As You Earn (PAYE) collections by R1.4 billion against an estimated relief of R15.0 billion.
- Skills Development Levy (SDL) tax holiday of R5.0 billion against an estimated relief of R6.0 billion.
- Customs rebate of close to R3.1 billion was granted on the importation of Personal Protective Equipment (PPE) and related goods.
- Amounts to the value of R28.5 billion were deferred for:
  - PAYE liabilities of R2.0 billion.
  - Provisional Tax of R0.2 billion.
  - Customs and Excise Duties of R24.3 billion.
  - Carbon Tax of R0.5 billion.
  - Deferral of tax payments for businesses with gross income above R100 million of R1.4 billion.

It is expected that the final total amount deferred will only be available after all the applications for deferrals and tax relief measures have been processed and finalised in 2021/22.

The fast tracking of refunds for two-monthly VAT filers to monthly totalled R0.9 billion.

COVID Relief	Estimate		COVID-19 tax relief granted	
	Liquidity/ Interest free load R'bn	Revenue cost R'bn	Liquidity/ Interest free loan R'bn	Revenue cost R'bn
Expansion of employment tax incentive to pay up to R750 to all employees with an income below R6 500 per month		15.00		1.38
Deferral of 35% of PAYE liability for four months for businesses with expected gross income of up to R100 million	19.00	2.00	1.97	
Deferral of 35% of provisional tax payments for six months for businesses and the self-employed with expected gross income of less than R100 million	12.00	3.00	0.24	
Skills development levy holiday for four months		6.00		4.98
Customs and excise duty deferred payments	6.00		24.33	
Three months deferral for filing and payment of carbon tax	2.00		0.53	
Case-by-case application	5.00			
Deferral of tax payments for businesses with gross income above R100 million			1.42	
Customs rebate on PPE (VAT on imports and customs only)				3.14
Fast track of VAT refunds by filing monthly instead of every two months			0.92	
Total	**44.00**	**26.00**	**29.40**	**9.50**
Grand Total		**70.00**		**38.91**

Receivables and Payables

The generally accepted term "receivables" is used to represent all taxpayer and trader obligations that are accounted for and which remain unpaid at 31 March 2021, irrespective whether the tax due date for paying these obligations has passed. This represents the balance on taxpayer and trader statements of account issued at the end of March. The term "debt" refers to those receivables for which the tax due date for paying these obligations has passed and are subject to enforceable collection actions. Taxpayer and trader accounts with credit balances (due to the taxpayer or trader) are disclosed separately as "payables". These definitions have been aligned to international best practice.

There has been a substantial increase in receivables and payables over the prior year. This has been driven primarily by the impact of the COVID-19 pandemic on an already depressed South African economy exacerbated by the national lockdown, which affected the continuity and effectiveness of collection processes.

Taxpayer and Trader Receivables and Payables

Taxpayer and Trader accounts	2020/21	% Change	2019/20
	R million		R million
Debit Accounts (Receivables)	276 253	31.5%	210 087
Accounts included in the above that are regarded as significant	*116 265*	*110.9%*	*55 131*
Credit Account (Payables)	-75 310	17.1%	-64 288

New Collection Approach

This upward spiral has necessitated a differentiated collection approach and an enhanced reporting framework.

We have added focus to upfront collection-based engagement strategies so that we respond earlier, and effectively. Taxpayers will be proactively engaged to ensure obligations are settled on time, or if financial difficulties are encountered, that an appropriate arrangement for payment is made ideally before accounts become overdue. These functions will be decentralised to regional operations to accommodate taxpayer visits, and related magisterial actions, and typically deal with accounts up to 90 days old.

This will be followed by consequence-based collection steps for those taxpayers that are unwilling to comply. This is where the majority of our debt management resources will be. These activities will be combined with our contact centre capability, will follow the whole collection process, and utilise all available legal remedies to secure payment. This centralised team will typically focus on accounts outstanding for no longer than 365 days.

This will be further overlaid by targeted enforcement. These are specialised collectors, focusing on specific segments and collection actions in areas such as international debt collection, business rescues and liquidations, as well as cases involving possible criminal sanction, and appeal cases enforcing the "Pay Now Argue Later" principles. The focus is on debt older than 365 days, as well as debt arising from specialised audit outcomes.

Enhanced Reporting Framework

Our reporting framework is being enhanced to support this new approach - to better represent the types of receivables we deal with, the associated collection risks, and the effectiveness of our response in managing these risks. These changes are also aligned to our commitment to apply, as far as it is practically possible, the principles of generally recognised accounting standards when implementing the SARS Vision 2024.

There are five distinctive segments that we report against. This will be refined as we become more sophisticated and improve our big data, predictive, and analytical capabilities.

- <u>Receivables not yet overdue.</u> This relates to returns and assessments received prior to year-end that have a payment due date after year-end, which allows us to identify and track obligations earlier.
- <u>Receivables subject to active recovery actions;</u> referred to as "debt in pursuit". This includes all normal overdue debts that are not subject to either a dispute or secured via a binding agreement.
- <u>Receivables whose settlement is subject to a binding agreement, which involve some form of payment deferral.</u> Examples include business rescues, liquidations, and compromises.
- <u>Receivables subject to an ongoing dispute.</u> This allows for an integrated view and treatment of disputes from a legal and collection perspective so we can better manage on-going financial risk during this process.
- <u>Receivables or assessments subject to possible criminal sanction.</u>

An impairment process will also be introduced during the course of the next financial year to determine the amount of receivables that is likely to be collected. The accounting treatment of revenue losses, which consist of temporary and permanent write-offs provided under the Tax Administration Act, will also be re-assessed. Whereas temporary write-offs are debts capable of recovery but which are uneconomical to pursue on grounds of value for money, permanent write-offs are debts that are deemed to be irrecoverable in law. The intention is to treat all revenue losses as an accounting write-off in the year it is approved.

Collection Performance: Overall View

Collections from overdue debt for the 2020/21 financial year was R66.2 billion (2019/20: R47 billion), an increase of 41% year-on-year.

Schedule of collections by tax type

Tax Type	Actual 31 March 2021	% Contribution
	R million	
Customs and Excise	23 054	35%
VAT	20 595	31%
PAYE	8 527	13%
PIT	6 329	9%
CIT	7 688	12%
Other	12	0%
Grand Total	**66 205**	**100%**

From a tax type perspective, the table shows that during the year under review Customs and Excise was the largest contributor (R23.1 billion, 35%) to the overall cash collections followed by Domestic VAT (R20.6 billion, 31%).

Although there was an improvement in cash collections, which is a significant achievement given the impact of COVID-19 on the economy and business processes, insufficient inroads were made in collecting long overdue debt. Only R21 billion of the R66.2 billion collected relates to prior year. The impact of this is that receivables continue to carry a significant proportion of long outstanding accounts, which will impact recoverability and future impairment provisions.

The age category that held the highest share in the overdue book on 31 March 2021 was 13-24 months (R48.6 billion), closely followed by >60 months (R42.2 billion), and 0-3 months (R35 billion). The highest Y/Y movements were recorded for the 13-24 months category (65%, R19.2 billion) followed by the 25-36 months category (51%, R10 billion).

Ageing of receivables

Taxpayer and Trader accounts	2020/21	2019/20	Growth	% Change
	R million	R million	R million	
Not yet overdue	**37 938**	**33 088**	**4 850**	**15%**
0 - 3 months	35 055	26 275	8 780	33%
4 – 6 months	15 317	13 083	2 233	17%
7 – 9 months	10 855	11 824	-969	-8%
10 – 12 months	20 796	14 660	6 137	42%
13 – 24 months	48 643	29 479	19 164	65%
25 – 36 months	29 652	19 653	10 000	51%
37 – 48 months	19 674	17 201	2 473	14%
49 – 60 months	16 149	12 429	3 719	30%
More than 60 months	42 174	32 395	9 779	30%
Overdue	**238 315**	**176 999**	**61 316**	**35%**
Total receivables	**276 253**	**210 087**	**66 166**	**31%**

Revenue losses for the 2020/21 financial year amounted to R41.7 billion, down 18% from the prior year.

This amount consists mainly of temporary write-offs (R38.8 billion, 93% of total write-offs), and to a lesser extent compromised debt (R1.9 billion). 27% of temporary write-offs relate to potential fraud cases with 73% deemed uneconomical to pursue.

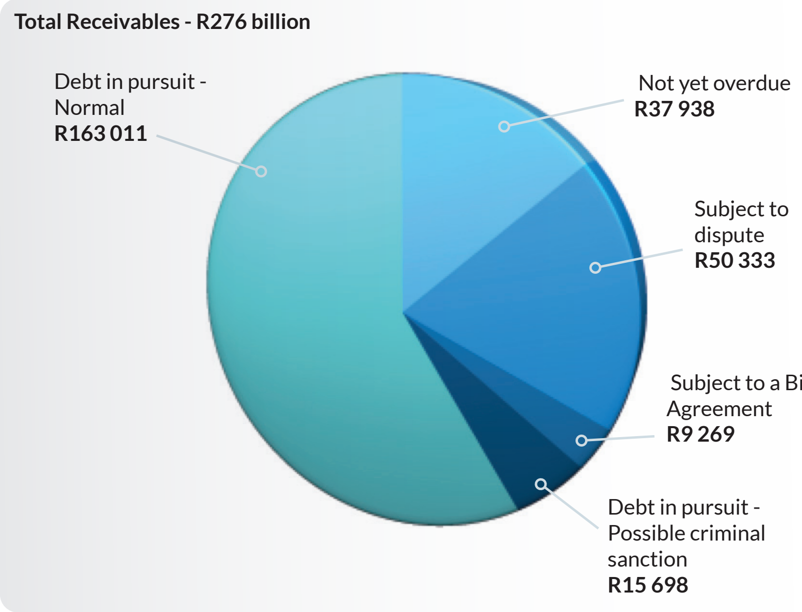
Schedule of Revenue Losses (Temporary and Permanent Write-offs)

Write-offs	2020/21	2019/20
	R million	R million
Temporary write-offs	38 821	49 749
Compromises	1 992	949
Permanent write-offs	839	1
Total	**41 652**	**50 699**

Compromised write-offs relate to agreements with taxpayers for SARS to forgo a portion of the tax debt provided. This would secure the highest net return from the recovery of the debt.

Collection Performance: by Receivable Category

The figure below shows total receivables according to the revised categorisation.



Receivables at the end of March 2021 was R276 billion, an increase of 31.5% over the prior year. The chart above shows the segmentation of the R276 billion, of which R38 billion was not yet overdue and R50 billion is subject to dispute. The balance of receivables is pursuable for collection purposes, of which R9 billion was secured or in the process of being secured by March (subject to a binding agreement).

Receivables not yet overdue have increased by 15% year-on-year (2020: R33 billion). Normally, these accounts should be settled within two months of year-end, however, more than R16 billion of this had still not been settled by 31 July 2021. This consists of income taxes (R9 billion) and VAT (R7 billion), and is one of the primary contributors to the growth in receivables after financial year end.

Receivables subject to dispute increased by 43% year-on-year.

Given historic performance indicators, this category of receivable will require a moderate to high impairment.

Taxpayer and Trader receivables subject to dispute

Subject to dispute	2020/21	%Change	2019/20
	R million		R million
Objections	24 291	56.9%	15 485
Appeals	26 042	31.9%	19 744
Total	**50 333**		**35 229**

Key statistics:

- R12.5 billion of March 2020 dispute balances was resolved during 2020/21.
- R5 billion of this was confirmed as due, of which R2.2 billion was collected.
- 2020/21 balances include R3.5 billion currently under investigation for criminal sanction, involving 96 disputed accounts.
- R10.7 billion of the March 2021 balance have been outstanding for longer than three years. Most of these cases are related to appeals, which have lengthy timeframes.

A binding agreement involving a deferral of payment (DoP) can be entered into in a number of ways, such as a voluntary instalment arrangement, a business rescue or compromise agreement, or any dispute settlement that involves a payment or series of payments as part of such agreement.

The statistics reflect the devastating impact of the COVID-19 pandemic on the economy and taxpayers' ability to meet their financial obligations.

Deferrals of payment increased year-on-year by R109 billion:

- 172 567 more DoP requests were received y/y (growth of 98%).
- Income Tax has 71 027 more requests to the value of R46 billion.
- Domestic VAT has 55 374 more requests to the value of R45 billion.
- PAYE has 46 166 more requests to the value of R19 billion.
- Payment non-adherence was prevalent in more than 70% of cases.

Debt in pursuit is made up of two categories. Accounts subject to possible criminal sanction and those that are subject to normal collection processes. The value currently under investigation for possible criminal prosecution amounts to R15.6 billion, of which R10.8 billion relates to additional taxes and penalties. The R15.6 billion is split between VAT (64% of value, 438 accounts) followed by Income Taxes (33% of value, 541 accounts). If grounds exist, these cases will be forwarded to the NPA for further action.

Due to their nature, and the composition of the debt, it is likely that these cases will be fully impaired.

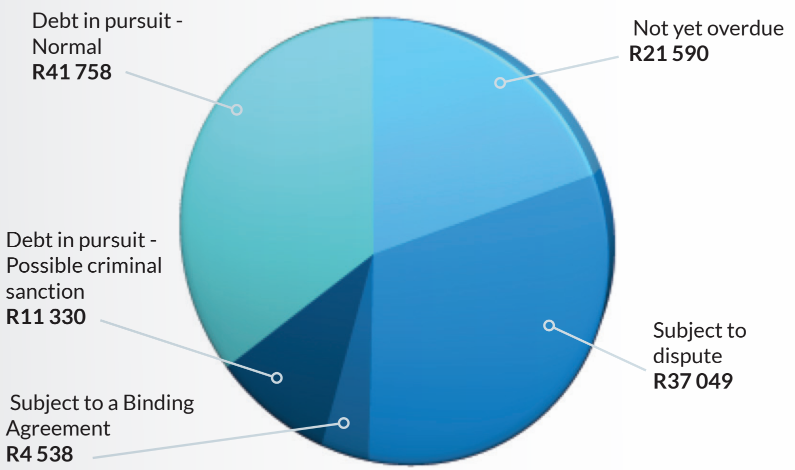
Normal debt in pursuit cases amount to R163 billion (or 59%) of total receivables, of which R41 billion (or 26%) is regarded as significant. This includes R38 billion relating to tax evasion cases where additional tax and penalties make up R20 billion (or 53%) of the balance. The focus of debt recovery actions during national lockdown was on increasing communication channels with the taxpayers and increasing follow-up actions such as final demands and Third Party Appointments (TPA). Electronic mail boxes were also utilised to enable taxpayers to apply for payment arrangements and for them to receive quicker feedback. The Debt Management team worked on a total of 1 701 910 cases during the 2020/21 financial year. A total of 513 262 calls were made to the taxpayers regarding debt and outstanding returns. The majority of taxpayer engagements were managed through e-mail boxes, which yielded a total of 349 114 requests that were received and finalised through the mailboxes during the reporting period.

Collection Performance: Significant Receivables

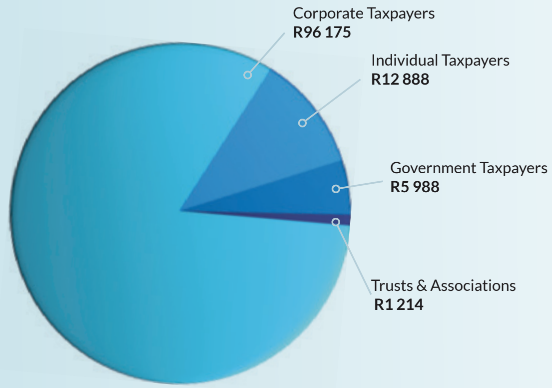
Significant receivables are taxpayers with a consolidated account balance of R50 million or more.

547 taxpayers fell in this category at the end of March 2021. These taxpayers represent R116 billion or 42% of total receivables. The figures provide a breakdown of the composition of significant receivables.

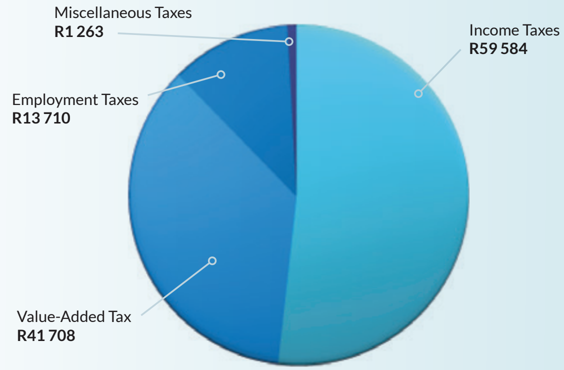
Significant Receivables - R116 billion



Composition of Significant Receivables - Entity Type



Composition of Significant Receivables - Tax Type



R57 billion of the R116 billion is regarded as pursuable for collection purposes. By year-end, R4 billion of the R57 billion had been secured or was in the process of being secured (subject to a binding agreement), whereas the unsecured balance was at varying stages in the collection cycle, comprising Debt in pursuit – Normal: R42 billion and Debt in pursuit – Possible Criminal Sanction: R11 billion. The R11 billion currently under investigation by SARS enforcement for possible criminal prosecution, has a low recoverability rate.

40% of the R57 billion relates to revised assessments. Compliance debt in proportion to total significant receivables varies across tax types: Income Tax (R8 billion, 31%), VAT (R13 billion, 50%) and Employment Taxes (R2 billion, 44%). The number and value of significant receivables this year is more than double that of the prior year. Comparatively, there were 296 taxpayers that fell into this category with a combined receivable balance of R54 billion at the end of March 2020. The impact of the economic slow-down and dire financial situation, resulted in key industry sectors more than doubling their tax liabilities.

Indications are that less than R70 billion of the R116 billion is likely to be collected. This equates to a potential impairment of at least 40%. This is a preliminary assessment, with potential losses expected in each of the receivable categories. Specific focus is being directed to reduce the level of these potential losses.

Voluntary compliance index developed – approved voluntary compliance index		Target 2020/21	Actual 2020/21	Deviation 2020/21
	New Measure	Methodology for compliance index using Employer and PAYE as a test case	Methodology for compliance index using Employer and PAYE as a test case	None

Approved Voluntary Compliance Index methodology developed using PAYE as a test case. SARS has embraced the philosophy of voluntary compliance wherein taxpayers and traders fulfil their obligations to register, file, report correctly and pay the tax due with minimal prompting by SARS. In order to determine whether voluntary compliance is improving, SARS is in the process of developing a credible Voluntary Compliance Index (VCI) methodology. The VCI is a composite measure intended to measure the level of voluntary compliance of taxpayers and traders.

We have started with PAYE employers, as a test case during the year under review. In 2020/21, the PAYE VCI was at 75.50%. We will, in 2021/22, develop and implement the VCI for PAYE, VAT and CIT, wherein we establish the baselines. Thereafter, the VCI will be introduced into formal reporting.

Improving voluntary compliance is an outcome that is dependent on multiple factors. We are cognisant that improving tax compliance is a function of a number of factors that we need to put in place, as per our 9 Strategic Objectives.

Tax gap study completed – approved tax gap study		Target 2020/21	Actual 2020/21	Deviation 2020/21
	New Measure	Tax gap methodology report completed and approved	Tax gap report completed	None

A tax gap study was completed; four reports were produced covering CIT/Base Erosion and Profit Shifting, Value Added Tax, High Wealth Individuals and Prosecution of tax crimes. The reports further included a bottom up micro study reports that points to specific compliance trends in industries and products. In each of the reports recommendations were made on closing the tax gap through SARS' focus on compliance interventions, collectively the reports provide specific areas of tax revenue opportunity to be pursued and SARS has in the year under review started to actively pursue revenue initiatives aligned to the recommendations. This forms part of the 2021/22 and beyond Compliance Programme and Annual Revenue Plan.

Tax Gap and Recovery Overview

In late 2019, the Commissioner for SARS instituted a "Tax Gap and Revenue Recovery Programme" as a continuation of the work of the Davis Tax Committee (DTC). The terms of reference required not "simply another Tax Gap Report" but an "actionable revenue recovery programme" that "will significantly increase South Africa's revenue performance of the short, medium and long term". The terms of reference include amongst others, "an analysis of the tax avoidance practices employed by multinational entitles in light of the BEPS 15 Action Items". Work done by DTC-SARS team culminated in the following findings and recommendations:

- As reported in the Nugent Commission report, SARS was severely impaired and numerous capability gaps were created, all of which require to be filled as a matter of urgency. These include the need to supplement the current Transfer Pricing (TP) team as well as the litigation arm of SARS with additional skills. The establishment of the High Wealth Individual Taxpayer Segment in February 2021 is a direct result of the work and recommendations by the Committee.
- The urgent need to upgrade SARS technology. In addition, the enhanced use of technology, together with greater integration with other key institutions such as the South African Reserve Bank (SARB), Financial Intelligence Centre (FIC) and Company and Intellectual Property Commission (CIPC) is urgently required as third party information is to be successfully utilised in efforts to close the tax gap.
- The Committee recommended that SARS focus on high return risk areas, such as corporates highlighted in the Nugent Report or other entities and individuals which have emerged from the State Capture Commission, other high profile litigation cases, as well as the largest companies (sum of 380). Furthermore, a priority must be made to strengthen the SARS Value Chain, particularly for VAT purposes. This includes the efficient processing from registration to return filling, assessment/self- assessment, objection/appeal/settlement (including Voluntary Disclosure Programme) and payment. This is aimed at streamlining all processes within the tax ecosystem to identify and root out fraudulent refund claims.
- Much attention has to be given as a matter priority to the SARS debt book which is in excess of R238 billion. Accounts are not up to date, statements have not been regularly sent to taxpayers, and there is inadequate follow up on outstanding debt. Consequently much of the current debt book is old and thus more difficult to collect. There also appears to be insufficient enforcement of the "Pay Now Argue Later" principle. There are insufficient debt collectors to be able to ensure the collection of this massive and burgeoning amount of money which is due to the fiscus.
- The Automatic Exchange of Information (AEOI) with other jurisdictions through the Common Reporting Standard (CRS) can be a game-changer, in that it is able to provide SARS with critical information about a cohort taxpayers who fall into high compliance risk category. It appears that information received from 87 jurisdictions has revealed that more than R430 billion is held offshore. An appropriate level of data analytical skills and risk profiling is needed to ensure a systematic exploitation of this vital data to establish where tax needs to be paid.
- Consideration should be given regarding the ongoing efficacy of the Special Voluntary Disclosure Programme (SVDP). SARS is bound to ensure that taxpayers who have successfully applied for SVDP must disclose all of their assets on pain of a penalty of 200% on the growth of assets as well as income earned. There findings indicate that there seems to be inadequate follow up in this regard.
- An overall theme conveyed to the DTC, throughout its investigation, is the need for the reconstitution of a social contract with the tax paying community (public confidence in SARS and total Government). A high level of tax morality and tax certainty is necessary to restore the integrity of SARS and to increase voluntary compliance by taxpayers. Within the scope of SARS, an investment must take place to improve service delivery, taxpayer education and dedicated and targeted enforcement intervention to ensure a perception of fairness and equity in the tax paying community. Obviously, SARS is not in a position to mend the social contract on its own, thus the adoption of the whole of government approach to regain the trust of the tax paying public will need to continue in order to assist this initiative.

Overview of the Project Work

Common Reporting Standard

The automatic exchange of information with other jurisdictions through the Common Reporting Standard can be a game-changer, in that it is able to provide SARS with critical information about a cohort of taxpayers who fall into the high-risk category that have foreign investments. The CRS project aims to engage taxpayers to ensure compliance in respect of offshore holdings using the Automatic Exchange of Information received from 87 jurisdictions for the years 2017-2019. Taxpayers were queried for the years 2015-2019 to provide details of offshore holdings, changes in balances, income earned and tax compliance considerations. To date the first tranche of 275 letters was issued on 4 December 2020 addressing taxpayers with the highest account balances. To date 92 responses have been received from taxpayers and more than 74 extensions granted. Work has already commenced on reviewing responses received. Where there are information disparities taxpayers will be subjected to verification procedures which may include engaging the offshore jurisdiction. Some VDP applications have been received and are being worked through.

Transfer Pricing – Intra Group Services (IGS)

The project was initiated to address transfer pricing risks posed by Multi National Enterprise (MNEs) to the SA tax base through abusive transfer pricing practices in respect of intra group services (annually approximately R200+billion is paid out in the form of services outflows from SA). The committee is concerned that the levels of extraction from SA may be too high (the payments may be excessive and not at arm's length and the taxes paid too low if at all). Transfer pricing training, accredited by SARS Institute of Learning (SIOL) was offered to 60 employees across SARS through a virtual experiential model covering theoretical foundations and experiential based learning on a live case study. This proved extremely successful in building transfer pricing capability at an intermediate level and enables the transfer pricing team to ramp up resources in the short term.

The Revenue Recovery Programme team have commenced risk reviews of documents received in response to the query letters issued which requested basic transfer pricing information, policies and contemporaneous documentation. The results indicate definitive transfer pricing risk in terms of the use of high risk jurisdictions (low/no tax jurisdictions and conduit jurisdictions); erratic payment amounts and types and high extraction levels. More than 200 letters were issued. To date 154 responses have been received. Multi-year optical analyses have already been conducted on all responses received to determine levels of risk and extraction. Further test queries have already been issued regarding taxpayers commercial and business rationale for the extent of outflows.

High royalty payments are currently being interrogated as are Cost Contribution Arrangements (CCAs) and guarantee payments. Base Erosion and Profit Shifting has been identified as a key risk. SARS has announced that it will offer Advance Pricing Agreements (APAs) to provide MNEs with certainty in a few years. It is recommended that the unit is established to be able to deliver on this promise and thereby facilitate foreign direct investment in SA.

Project: Tax Gap Micro Study

The Study aimed to provide a compliance snapshot using a bottom up micro study that utilised the results of audit work. The intention was to provide a baseline for compliance measurement going forward and initiate strategies for the improvement thereof. To date compliance work undertaken and a report was drafted which highlighted a serious erosion in compliance and identified key areas for compliance improvement. In raising corporate compliance levels, the Committee recommends that there is a need to adopt a customised approach that addresses high risk features while also building requisite audit and technical capability to conduct robust verification work. There is a need to revise metrics to address results and not be driven by case completion. Current High Wealth Individuals Project work suggests the need to conduct capital reconciliations and lifestyle questionnaires using extensive third party information. Based on the current work executed, it appears that there is a greater compliance risk at the lower brackets. Effective Tax Rates indicate increased structuring with increasing income levels.

HWI Project

Following the Commissioner's instruction, a parallel HWI team was established in 2020 to explore a more effective approach to auditing HWIs that includes:

- The use of integrated multi-skilled teams.
- Consideration of taxpayers onshore and offshore holdings.
- Inclusion of related parties and linked entities.

The findings resulted in the establishment of the SARS High Wealth Individual Unit in February 2021.

Cost of compliance study completed – approved cost of compliance study	New Measure	Target 2020/21	Actual 2020/21	Deviation 2020/21
		Cost of compliance study methodology adopted and preliminary results reported	Cost of compliance study methodology adopted	None

Approved cost of compliance study methodology. Cost of compliance has a very close link to taxpayer compliance. In alignment with SARS' strategic intent, SARS must understand and monitor the cost of compliance for South African taxpayers and traders. SARS finalised an approved cost of compliance study methodology.

To comply with tax provisions, both businesses and individuals bear tax substantive costs and tax administrative costs. For both the taxpayer and SARS, tax compliance costs are a growing concern borne by both taxpayers as they seek to comply with tax obligations and SARS as it seeks to increase the efficiency of tax systems. The time and resources taxpayers allocate to ensure tax compliance could have otherwise been allocated to other productive core business activities that sustain their businesses.

Tax compliance costs are defined as all the costs borne by businesses and individuals for complying with tax regulations, excluding the costs of the taxes themselves. As tax system implementation is largely concerned with information processing, the bulk of the costs of tax compliance is caused by information obligations, for instance, record keeping, filing in tax returns with data.

There have been various studies done in South Africa to determine the cost of compliance. SARS has been collaborating with UNISA, wherein three PhD candidates from the Universities of Pretoria, UNISA and Nelson Mandela University are doing studies on the cost of compliance for SMMEs, Large Business (LB) as well as individual taxpayers. SARS had assisted the students with the potential respondents for the three studies. The approach followed by UNISA and the PhD students mirrors the three methodologies of the Internal Revenue Service (IRS) of the United States of America. These studies will continue in the 2021/22 financial year.

Strategic Objective 1:

Provide CLARITY and CERTAINTY for taxpayers and traders of their obligations

The overall taxpayer and trader experience is empowering and enabling. Taxpayers and traders must proactively receive clarity guidance, and where required, have additional, easily accessible 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.

Key Results:

1.1 The majority of taxpayers and traders surveyed perceive the guidance SARS provides to be clear, unambiguous and easy to follow - % of taxpayers and traders that are satisfied with the clarity and certainty of guidance provided by SARS		Target 2020/21	Actual 2020/21	Deviation 2020/21
	New Measure	Survey conducted	Survey conducted	None

A research survey was conducted to assess what percentage of taxpayers and traders are satisfied with the clarity and certainty of guidance provided by SARS. The survey was conducted in the form of an online questionnaire, which was sent to 8 000 sampled taxpayers and traders from the SARS database.

The survey sought to:

- o Understand how taxpayers and traders feel about the guidance provided by SARS in terms of clarity and certainty.
- o Derive perceptions from taxpayers and traders on whether they are satisfied with the guidance provided by SARS in order for them to comply with the tax legislations in specific areas. It also aimed to test whether 1) the taxpayers and traders understand the tax laws, whether the guides/guidelines are useful and are easy to use, 2) the taxpayers know what their tax obligations entail per tax type and 3) information is easily accessible concerning their tax affairs. 389 taxpayers and 117 traders responded. The results were analysed and a report on the findings and recommendations was produced, which enabled SARS to consider a number of improvements to its current product and service offerings.

Breakdown of results is as follow:

- o Approximately 76.19% of the taxpayers and traders are clear on their tax obligations.
- o 74.54% of taxpayers and traders are satisfied with the clarity and certainty SARS provides.
- o 76% of taxpayers and traders indicated that eFiling is the most preferred online system.

Two-thirds of respondents know what is expected of them when it comes to their tax types. Taxpayer and trader respondent are generally aware of when to file a return and what is required when filing a return. Almost half of the respondents indicated that filing a return is easy and the guidance received from SARS is primarily described as simple to understand. The majority of taxpayer and trader respondents were aware of the legal implications of non-compliance.

However, the ease of accessing SARS information is shown as an area in which SARS requires development. Only a third of respondents indicated that it is easy to access SARS' information. This result is further consolidated with 55% of respondents specifying that they were unaware of where to access SARS' guides and guidelines.

Central to assessing the satisfaction of taxpayers and traders with clarity and certainty, is considering respondents' interactions with SARS' guides and guidelines. It has been found that 60% of respondents are aware that it is SARS' duty to simplify tax laws. Of the taxpayers and traders that responded, 69% indicated that SARS' guides and guidelines were basic to understand. Almost 80% of respondents are clear on their tax obligations which can infer that the guidance received from SARS is sufficient.

The core question used to assess the percentage of taxpayers and traders who are satisfied with the clarity and certainty of guidance provided by SARS was: How likely is it that SARS guides and guidelines are improving the effectiveness of SARS for the benefit of taxpayers? This question speaks of the effectiveness of SARS' guidance that result in taxpayers and traders benefitting through increased clarity and certainty. Results show that 75.57% of taxpayer and trader respondents perceive that SARS is becoming more effective through the guidance provided.

The survey results identified key insights of taxpayer and trader perceptions on the guidance provided by SARS and suggestions which could help taxpayers and traders to comply with tax obligations. The survey also confirmed that taxpayers and traders are aware, clear and certain of their rights and obligations are more likely to comply voluntarily.

1.2 Leverage products introduced – Advance Pricing Agreement Programme introduced		Target 2020/21	Actual 2020/21	Deviation 2020/21
	New Measure	Discussion paper to inform legislation completed	Discussion paper to inform legislation completed	None

o Advance Pricing Agreement (APA) Programme

Transfer pricing legislation deals with the pricing of transactions between members of multinational enterprises (MNEs). One of the challenges MNEs face is that the process of setting transfer prices may be complex and require an element of judgement. Transfer pricing may thus be a significant source of uncertainty for MNEs. APA programmes allow MNEs to approach tax administrations to agree, in advance, on the criteria for setting transfer prices for specific transactions for a set period of time. Introducing an APA programme is a multi-year project, with annual milestones set out in the SARS strategic plan and cascaded to SARS' annual performance plans. As an initial milestone for 2020/21, the target of completing a discussion paper to inform legislation was set. The discussion paper was completed and released for public comment on November 2020. It is available at https://www.sars.gov.za/wp-content/uploads/Legal/DiscPapers/LPrep-DP-2020-02-Discussion-Paper-on-Advance-Pricing-Agreements.pdf. The public comment process has been concluded. The next phase entails the development of the APA model that will be published for public comment in 2021/22.

o Leveraged Legal Products

The Advance Tax Rulings (ATR) programme was introduced in 2006. It enables taxpayers with the ability to obtain binding rulings on proposed transactions providing clarity and certainty on the tax treatment of the transactions. Despite the impact of the COVID-19 pandemic on economic activity, 268 binding rulings and 666 non-binding opinions were issued. This represents a slight year-on-year reduction in the number of binding rulings and increase in the number of non-binding opinions. SARS extended a formal invitation to the general public in January 2021 to provide feedback on the service delivered by the ATR unit and the insightful feedback received has been taken into consideration on how SARS would improve its service for a better uptake. In addition, Leveraged Legal Products continued to issue interpretation notes and guides on a variety of new and updated legislation. Highlights include the development of material with respect to the relief measures contained in the Disaster Management Tax Relief and Administration Acts, 2020, for inclusion in SARS' outreach activities, the publication of an update to Interpretation Note 59 on the tax treatment of the receipt or accrual of government grants for public comment and the publication of the VAT Reference Guide for Foreign Donor Projects.

1.3 Uptake of AEO programme by traders - % uptake of AEO programme by active traders		Target 2020/21	Actual 2020/21	Deviation 2020/21
	New Measure	10.00% of targeted active traders	16.20%	6.20%

The uptake of the Authorised Economic Operator (AEO) Programme is voluntary. The percentage is calculated as per the number of applications received to partake in the AEO Programme, as well as those that are accredited (29 in total) against the total active traders (179). The increased uptake is due to the extensive marketing of the programme by SARS to trade. The AEO Programme offers benefits that assist with trade facilitation measures as per the World Customs Organisation's SAFE Framework of Standards as well as the World Trade Organisation's Trade Facilitation Agreement. The active marketing of the programme by SARS to trade, coupled with word of mouth, (i.e. positive experiences shared by Accredited Traders on various platforms), contributed to the number of applications received. Secondly, the accreditation of clients who have already completed the Compliance Improvement Programme also contribute to the increased uptake into the programme.

Engagements will continue in all sectors during the new financial year to ensure continued participation in the AEO programme.

An AEO is a party involved in the international movement of goods in whatever function approved by or on behalf of a national Customs administration as complying with World Customs Organisation's (WCO) or equivalent supply chain security standards and customs compliance. AEOs may include manufacturers, importers, exporters, brokers, carriers, consolidators, intermediaries, ports, airports, terminal operators, integrated operators, warehouses, distributors and freight forwarders. The programme is voluntary in line with the WCO SAFE Framework of Standards. A high-level overview of the WCO AEO programme on which SARS' programme is designed is reflected in the figure below.

The AEO Programme supports the SARS philosophy on Voluntary Compliance where society fulfils their tax and customs obligations with minimal prompting by SARS. We achieve this when we believe that most taxpayers and traders are honest and simply want to fulfil their obligations with the least amount of effort and cost. We therefore strive to promote a culture where compliance is a positive social contribution.

Overview of the AEO Programme

In non-technical language, the AEO Programme is an internationally endorsed risk management approach that seeks to collaborate with trade supply-chain entities who maintain high quality internal operational processes and have an appropriate record of compliance, who receive certain benefits to support these traders' businesses. The programme is voluntary and supports the SARS Compliance Philosophy, Compliance Model and the provision of leveraged products to compliant segments of traders.

To become accredited, traders voluntarily apply to become part of the programme by completing a compliance self-assessment questionnaire. SARS tests the self-assessment through a comprehensive risk profiling and audit testing process. An enterprise wide accreditation governance committee appointed by the Commissioner for SARS confers the certification after due process and on recommendation of the Audit, Risk, Accreditation and, in some cases the Large Business units.

Accreditation certification of traders based on the robust testing of their customs compliance and security standards implies that they:

- Have completed their own self-assessment of their compliance with the customs and security standards advocated by the World Customs Organisation's SAFE Framework of Standards.
- Receive guidance from SARS how to comply with customs legal requirements and international security standards using the results of SARS' risk profiling and verification audit. This is in support of SARS Strategic Objective 1, to promote voluntary compliance by making traders aware, clear and certain of their rights and obligations.
- Are contractually aware of their obligations and the benefits they will receive because of their accreditation status. Again, this is in support of SARS Strategic Objective 1.
- Have verifiable compliance levels, sustained through a contractual agreement and compliance-monitoring programme. This is in support of the SARS strategic intent and Strategic Objective 3, where a trader's compliance is consistently monitored to promote fairness and deter non-compliance.
- Have collaborated with SARS to improve voluntary compliance. This is in support of SARS Strategic Objective 8, where we promote effective and beneficial partnerships with all Stakeholders in the ecosystem and leverage each other's strengths to resolve tax administration challenges and improve voluntary tax compliance.

Strategic Objective 2:

Make it EASY for taxpayers and traders to comply with their obligations

Engagements by taxpayers and traders in the fulfilment 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 fulfilment 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.

Key Results:

2.1 Increase the number of taxpayers and traders using digital platforms - % of taxpayers and traders using digital platforms to interact with SARS	New Measure	Target 2020/21	Actual 2020/21	Deviation 2020/21
		75.00%	86.31%	11.31%

SARS embarked on a service offerings identification by means of consultation across the enterprise value chain. The process commenced with an initial analysis of available service offerings, segmented into online vs manual. With the current pandemic situation, more people opted to register and file returns via the online channels, being eFiling and the MobiApp. Of the total number of taxpayer and trader interactions 86.31% unique taxpayers and traders used the SARS digital platforms. SARS used unique taxpayers and traders for the purpose of the calculation to prevent double counting, where a single taxpayer or trader may have had more than one interaction with SARS. Of the total number of taxpayer and trader interactions (8 412 883), 7 260 857 unique taxpayers and traders used the SARS digital platforms.

2.2 Standard taxpayers are auto assessed by SARS - % of standard taxpayers returns auto assessed by SARS (individual taxpayers)	New Measure	Target 2020/21	Actual 2020/21	Deviation 2020/21
		80.00%	83.28%	3.28%

In line with SARS' strategic objectives to improve taxpayer experience and service delivery, enabled by the increased and expanded use of data as well as innovative technology solutions, SARS piloted with the auto assessment of tax returns in the 2019 filing season. The population of taxpayers who were auto assessed in the 2020 filing season was significantly expanded to just more than 3.6 million and these are taxpayers SARS refers to as "standard taxpayers". This category typically include taxpayers in formal employment and where SARS has all relevant third party data at its disposal to auto assess them and loosely defined as per our APP as "largely non provisional taxpayers", however, the purpose of the measure was clearly stated as being "to determine the extent to which SARS can use data and information to file and assess tax returns automatically..." Where taxpayers' circumstances changed throughout the year and are not reflected in the third party data, SARS would not have been aware of this and such taxpayers would then have to be removed from the auto assessment population, for the purpose of determining the targeted auto assessment population – the effect of this for the 2020/21 period was a recalculated targeted population of 3 437 994.

SARS informed the targeted population via SMS that they were eligible for automatic assessment, in line with the Government Gazette notice (Volume 661, no 43495, dated 3 July 2020), which stated: "A natural person is not required to submit an income tax return in terms of paragraph 2(f)(vii) if— (a) the person is notified by the Commissioner in writing that he or she is eligible for automatic assessment; and (b) the person's gross income, exemptions, deductions and rebates reflected in the records of the Commissioner are complete and correct as at the date— (i) of accepting automatic assessment; or (ii) specified in paragraph 4(b)(iii), irrespective of whether the return relates to a provisional taxpayer, if he or she does not respond to the notification by this date."

Taxpayers who were presented with an auto assessment had the opportunity to accept/reject the auto assessment presented to them by the published due dates set out in the Government Gazette. If a taxpayer had any additional income or expenses to declare, they had the opportunity to submit a return with additional tax information, however, some taxpayers (611 112) selected the "edit" button but did not change any of the information that informed the calculation of the auto assessment and as such they were included in the calculation of the auto assessed population. After the published due dates for return submission, SARS then effected estimated assessments to the remaining part (551 479) of the auto assessment population to conclude the process in line with the Government Gazette notice. A total of 2 863 311 out of a final auto assessment population of 3 437 994 (83.28%) of taxpayers who were categorised as standard taxpayers, were thus auto assessed by SARS, as no changes were made to the assessment presented to them. The formula used for calculation is thus the number of PIT returns auto assessed, divided by the auto assessment population, considering the context and explanation provided above.

The auto assessment feature made PIT return filing a seamless experience for standard taxpayers that could take on average, less than 5 minutes to complete.

2.3 SARS Taxpayer Service Charter review completed – approved Taxpayer Service Charter		Target 2020/21	Actual 2020/21	Deviation 2020/21
	New Measure	Achievement against current service charter and new service charter	Service charter reviewed	Service charter not approved

The SARS Service Charter was reviewed and a draft version was approved on 1 April 2021 for further refinement and public launch during the 2021/22 financial year.

2.4 Service Charter achievement index - % increase in service charter performance score	Actual 2019/20	Target 2020/21	Actual 2020/21	Deviation 2020/21
	71.88%	75.00%	54.88%	-20.12%

The year-on-year achievement of service charter performance showed a decline of 17 percentage points, from 71.88% in 2019/20 to 54.88% in 2020/21. The COVID-19 pandemic had a negative impact on SARS' operations and it took some time for SARS to enable all staff to work in a virtual context. A detailed table is included in Annexure 3 below to indicate which elements of the service charter were included in the calculation of the service charter achievement index and which are not.

Complaints

SARS committed, in its Service Charter, to respond to a query within 15 business days for Office of the tax Ombud (OTO) complaints and 21 business days for CMO complaints.

The total number of Complaints Management Office (CMO) complaints received for the year were 34 327 (9% more than in the previous year), of which 92% were finalised. For the financial year, 63% of cases finalised, were completed within the 21 days turnaround time and 80% of the cases completed were received in the same year. Two percent of the finalised cases were older than a year.

The impact of COVID-19 during the tax year, whereby taxpayers experienced financial difficulties, fed into the increase in complaints/escalations – especially requests for refunds to be released sooner. There was a focus on old inventory in the last quarter of the year to address outstanding complaints. The CMO is working closely with Regional Directors/Head of Sections to ensure adherence to turnaround times and end-to-end resolution of complaints.

SARS received 1 706 cases from the OTO. In some cases SARS awaits taxpayers to upload additional information and internal re-assignment delays contributed to the complaints being resolved only after 15 days for the OTO. Only 26% of the cases finalised were completed within the required turnaround time and this challenge is receiving urgent attention to ensure SARS adheres to the requirements set out in the Service Charter, and to deliver more effective client service. 74% of the cases completed were finalised in the same year they were received and 8% of the finalised cases were older than a year. The closing balance of OTO cases as at 31 March 2021 was 329.

Various initiatives were implemented to deliver effective client service and to improve the challenges experienced. Improved internal processes and communication, alignment of SARS' Service Charter with the required TAT/SLA and Memorandum of Understanding with the OTO and relevant business units, as well as automated reporting was implemented to enable all internal stakeholders to have a view of the CMO and OTO complaint cases.

Dispute Resolution

During 2020/21, the three separate litigation sections were amalgamated into a single Litigation Unit with a clear mandate to conduct and manage all litigation related to the administration of tax and customs. Specialist legal professionals manage litigation related to defending SARS' position in the Tax Court, initiating enforcement litigation, and opposing challenges to SARS' actions.

SARS attempts to resolve a matter without proceeding to court. However, at times, litigation is in the best interest of the fiscus, for instance, when it is necessary to obtain clarity, to protect the fiscus or to enforce compliance. During the year, SARS' litigation success rate in court was very high and we had matters decided in the Supreme Court of Appeal and in the Constitutional Court.

Schedule of cases finalised and success rate

	Win	Loss	Settled	Withdrawn	Success rate as a %
Centralised Litigation	49	4	1	2	90%
Customs and Excise Litigation	21	7	9	9	81%
Tax Dispute Litigation	23	2	38	36	92%

Internally, SARS resolves appeal cases on a fair and reasonable basis through the Alternative Dispute Resolution (ADR) process. Where applicable, external dispute resolution are engaged through the Tax Board process which entails an independent external presiding officer. Governance support is provided by duly delegated internal committees.

SARS finalised 8 931 appeals through the ADR process. Of the resolved cases, 1 683 were withdrawn by taxpayers, 60 were referred to the Tax Board, 138 were referred to the Tax Court, and the rest were resolved through the internal ADR process. Of the 356 Customs and Excise appeal cases, 293 were settled while 63 were conceded. Of the 60 cases referred to the Tax Board, 23 were withdrawn by taxpayers, two were upheld, four were referred to Head Office for specialised attention, nine were settled and 12 were conceded. Of all the appeals, 5 627 were conceded and 486 were partially conceded.

2.5 SMME engagement programme established – approved SMME engagement programme		Target 2020/21	Actual 2020/21	Deviation 2020/21
	New Measure	Proposal to enhance SMME service offering and compliance completed	The discussion paper was completed, premised on the outcome of research projects and key stakeholders were engaged	None

SARS undertook to conduct a Small, Medium and Micro Enterprises (SMME) engagement programme. The engagement programme will outline how SARS will achieve its strategic intent of building a Tax and Customs system that is premised on voluntary compliance. The engagement programme is required to be evidence based, thus based on research and empirical data. On page 19 of SARS' 2020/21 APP, SARS indicated that it would deliver a discussion paper emanating from its engagements with stakeholders.

During this reporting cycle, SARS conducted two research studies namely the Tax Education survey and SMME Tax Policy survey. The objective of both studies were to understand the challenges faced by SMMEs and to determine their level of tax awareness, either through education or awareness of tax policies that are designed for SMMEs. SARS have further determined their customer experience through the responses received from open-ended questions.

SARS solicited feedback from both studies, which comprised more than 12 000 responses. The research findings were shared with key internal stakeholders, as well as external stakeholders, which included the Department of Small Business, Registered Controlling Bodies and SMMEs. Key insights and recommendations on how to improve SARS' service and product offering to SMMEs were captured in a discussion paper.

In summary, SMMEs perceive the current SMME tax policy incentives to be ineffective and not useful. Those familiar with the SMME Tax Policy incentives, such as Turnover Tax, perceive them to be complicated and exclusionary in nature. SMMEs are interested in subscribing for SMME tax policy incentives if equitable, fair and designed for specific SMMEs needs e.g. understanding the SMME's cash flow cycle. SMMEs are generally not aware of their tax obligations or that SARS offers free tax education. They are not satisfied with the assistance and service offered by SARS and do not believe that SARS and the whole of Government is doing enough to understand and support SMMEs. They indicated that they would like to comply and require assistance from SARS through education and differentiated services that is convenient and reachable (proximity service).

The engagement program emerged from prioritised themes:

Education

- o Develop a specific training course for newly registered and non-compliant taxpayers to explain their tax obligations.
- o Introduce pre-registration and on-registration information packs to introduce taxpayers to their tax obligations.
- o Develop a system to measure the impact of education initiatives, rigorous evaluation that can shed light not only on which initiatives have a significant impact, but also how existing initiatives can be improved to enhance their effectiveness.

Policies

- o Simplification of legislation, specifically Turnover Tax, and tax administration to be customised for SMMEs.

Service

- o Offer differentiated service to SMMEs to improve their engagements with SARS.
- o Provision of equitable, easily accessible, professional and seamless service to SMMEs.

Detection

- o Optimum use of third-party data to detect taxpayers who are economically active but are non-compliant.
- o Develop sectorial compliance programmes designed to improve voluntary compliance of key sectors.

Internal stakeholder Management

- o Strengthen the interdependencies within the organisation to effective implement an engagement programme
- o Consultations, co-location and engagements to provide proximity service, exchange of data to engage with the unregistered SMMEs.

The next steps will be to implement the program.

Strategic Objective 3:

DETECT taxpayers and traders who do not comply and make non-compliance HARD and COSTLY

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 range from 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 cost of non-compliance will be high and severe.

Key Results:

3.1 Detection and selection methodology for non-compliance completed – approved methodology document		Target 2020/21	Actual 2020/21	Deviation 2020/21
	New Measure	New, improved methodology	New, improved methodology	None

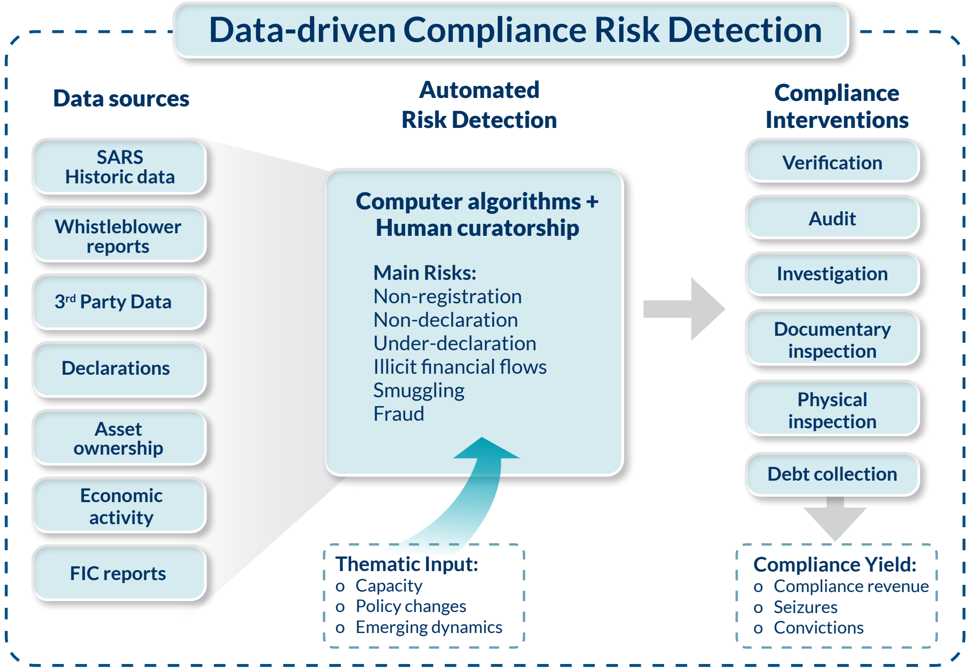
During the year under review, SARS reviewed its methodology to detect risk and select cases for instances where non-compliance was detected. The essence of the new methodology is reflected in the diagram and is as follows:

Firstly, it was premised on the increased and expanded use of data and technology to improve SARS' capability to detect and identify non-compliance and abuse of the tax system. SARS has significantly expanded the scope of detection, beyond data obtained through declarations, as well as the traditional third party data received which enabled the pre-filling of PIT returns, as well as auto assessments. Examples of such data sources include historic data on compliance behaviour as well as data regarding financial flows and assets held both locally and abroad.

Secondly, SARS implemented a number of machine learning models that leverage multiple asset and income stream data sources to detect non-, as well as under-declaration of tax liability.

Thirdly, thematic input is also considered to adequately reflect the impact of policy changes and relevant emerging dynamics in its risk detection process. Examples of this included abuse of donations in the context of COVID relief measures, fraud resulting from PPE tender contract awards as well as the flow of digital money.

Finally, a more rigorous feedback loop was introduced to ensure false positives are minimised and assurance work are focused to where the most prominent risks are.



The key insights we have gained in this regard include:

- Taxpayers with a lifestyle that significantly exceeds parameters that are reasonably possible considering the taxable income they declare.
- Taxpayers with offshore investments, who appear to have come from sources that were not declared as taxable income. SARS' participation in the OECD'S AEOI programme started to pay dividends and enabled SARS to identify more than 200 instances of unexplained wealth.
- Taxpayers who disposed of assets, without declaring Capital Gains Tax.
- Taxpayers with income-generating assets, such as rental properties who do not declare this income as taxable income.
- Citizens with significant economic activity and assets who should be registered for tax but are not registered – more than 26 000 instances of citizens who had economic activity exceeding more than R1 million was identified.
- Taxpayers who claimed VAT refunds, but failed to comply with CIT filing obligations or where a significant discrepancy of turnovers declared for different tax types were apparent.
- People who abuse the ease of registration for VAT and PIT with the deliberate intent to defraud the fiscus with refund claims.
- People who set up multiple fictitious entities to simulate business activity, and in so doing, attempt to disguise illicit economic activity.

The initial impact of the new methodology was as follows:

SARS managed to decrease the number of cases selected for PIT verifications, as well as improve the percentage of verifications completed with results. The use of third party data against taxpayer declarations contributed to the improved selection of cases, together with using the taxpayer' compliance status during the risk detection process.

With the improvement of the risk engine rules, the percentage cases selected for verification has decreased from 21.57% to 14.11%. This equates to a 35% reduction in cases selected for audit intervention. With reference to the adjustment rate of selected cases, SARS improved from 35.10% to 47.79%. Total yield from automated risk engine activities for the year ending March 2021 was R56.9 billion, which was R3.9 billion higher than the R53 billion estimate.

3.2 Responses developed for all instances of non-compliance – approved document		Target 2020/21	Actual 2020/21	Deviation 2020/21
	New Measure	Document published internally	Approved document published internally	None

The document was completed, approved, and circulated to the relevant units responsible for responses in all significant instances of non-compliance. Compliance dynamics are evolving in nature and SARS has to be agile in how it responds to all significant instances of non-compliance on a continuous basis, in line with the broader philosophy of Strategic Objective 3.

3.3 Review of capability to successfully respond to non-compliance – approved document		Target 2020/21	Actual 2020/21	Deviation 2020/21
	New Measure	Review conducted and report issued internally	Report issued internally	None

The review of SARS' capability to successfully respond to non-compliance was completed. The finalised report with observations, findings and recommendations to improve SARS' capability was delivered to the applicable enforcement areas and the Office of the Commissioner. This work informed some of the critical positions, which formed part of the recruitment drive.

Illicit economic activities continue to pose a serious threat to South Africa's growth, revenue base, prosperity and stability. Some taxpayers and traders endeavour to negligently, deliberately, aggressively, or criminally stay out of the tax system.

SARS launched a project to review the current SARS capabilities to respond to all forms of non-compliance. The review entailed findings and proposals to improve

SARS' capability to ensure succesful response to non-compliance. "As-Is" Process- and People Capability analyses were employed to identify gaps for improvement. These capabilities emphasise enhanced people capabilities in specialised knowledge (i.e. Specialised and Customs and Excise auditors, forensic and/or criminal investigators, legal debt collectors, data analytics and machine learning modellers) to enhance SARS' capability to facilitate tax compliance, and above all, address non-compliance.

Some of the high-level observations and findings were:

- Investment in the following broad skill-sets are required across the areas to support enforcement functions to address non-compliance and enhance capability.
- Multiple tax type analytical skills.
- Machine learning developers.
- Comprehensive auditing skills that can audit multiple entity, multiple-products, and multiple-risks.
- Legal collections.
- Documentary inspectors and auditors with Customs and Excise.
- Forensic auditing and digital investigation skills with multiple tax types experience.
- Forensic auditing, investigative audit and post clearance audit and inspections skills.
- Behavioural scientists.

SARS will become more pro-active in its response to non-compliance when it uses technologies and techniques that mine data in the public and private domain, to assist with machine learning predictive modelling. In the longer term, this will be leveraged to identify tax avoidance and evasion practices and reduce false positives. Training and development therefore, need to be enhanced to develop employees to competently utilise these technologies and requisite data optimally to respond to non-compliance.

3.4 Increase in Employer Filing Compliance - % increase in employer filing compliance	Actual 2019/20	Target 2020/21	Actual 2020/21	Deviation 2020/21
	57.38%	70.00%	54.55%	-15.45%

SARS stepped up its efforts to drive compliance, however, it must be acknowledged that some companies struggled with compliance due to the impact of COVID-19. SARS attempted to influence compliance behaviour by more pervasive media campaigns as well as direct engagements with employers and stakeholder groups, specifically those who were not compliant. SARS warned employers of its intention to ramp up the issuance of penalties for late and non-submission of returns and payments and started to initiate legal action against employers who withheld PAYE from employees but did not pay it over to SARS.

For the financial year, of the 7 187 471 legally required submissions, 3 920 848 were submitted by employers on or before the due date. This equates to an employer filing compliance of 54.55%, representing a decline in the employer filing compliance from 57.38% in 2019/20 to 54.55% in 2020/21.

Several operational activities to improve filing compliance in relation to the level of monthly PAYE returns were identified. Some of these were adopted as part of the 2021 PAYE Filing Season activities. These activities include the register clean up to establish a more accurate base, increased communication, enhanced enforcement activities, implementation of late submission penalties, education, and direct engagement amongst others. Further analysis into the root causes for non-compliance is ongoing.

A segmented approach was followed, which allowed us to focus on employers that should not be on the PAYE "active" register, employers who file late, those who do not file, others who file but do not pay, and those who do not declare fully and accurately.

An approved 2021 Filing Season plan, incorporating activities to improve filing compliance is in effect and underpinned by a change management plan. A newly developed "Employer Compliance Index", which measures a wider range of compliance related activities, will replace the current Annual Performance Plan with effect from 1 April 2021.

3.5 Compliance Programme milestones and targets achieved - % achievement of Compliance Programme milestones and targets	New Measure	Target 2020/21	Actual 2020/21	Deviation 2020/21
		60.00%	81.25%	21.25%

SARS manages compliance as part of discharging its legal mandate, as set out in page seven of its APP 2020/21; "In the fulfilment of our legislative mandate, the main work of SARS is to ensure taxpayer and trader compliance. This is expressed as the SARS Compliance Programme, which we review and prepare as part of our APP." SARS identified 16 measures contained in its APP, which are most relevant as a representation of its Compliance Programme as contained in the table. SARS achieved 13 out of the 16 measures, which represents the milestones of the Compliance Programme. A detailed table is included in Annexure 4.

Enforcement interventions

Strengthening the SARS enforcement system

SARS' strategic intent is to develop a tax and customs system based on voluntary compliance. SARS will achieve voluntary compliance when everyone is aware of their tax obligations (clarity and certainty), it is reasonably easy and less costly to meet these obligations (ease of compliance) and when there is a credible threat of detection and consequences for those who do not to comply with their obligations (detection and costly non-compliance). To deliver this, SARS needs to build administrative and institutional capability that has integrity and serves the public beyond reproach. In delivering against the Strategic Intent, SARS enforcement responds to all nine SARS Strategic Objectives. However, Strategic Objective 3 (detection and costly non-compliance), Strategic Objective 5 (Increase and expand the use of data) and Strategic Objective 8 (work with and through stakeholders) dominate implementation and performance measurement in enforcement.

South Africa's tax system is dependent on enforcement as much as on policy. The aim of the enforcement activity is to promote fairness and to deter non-compliance with tax law in terms of civil (tax) and criminal law (tax fraud). SARS' anti-tax fraud policy is premised on the understanding that tax fraud contributes to revenue loss, significant compliance and administrative costs for SARS and taxpayers, distortions to competition, tax inequity and subsidies to organised crime. It accordingly, aligns to the rule of law principles that, firstly, SARS' discretion should not be allowed to undermine the purposes of deterring and punishing tax fraud and, secondly, no one should be punishable or lawfully made to suffer in body or goods except for a distinct breach of law. SARS is acutely aware that selective tax enforcement that gives primacy to revenue maximisation and short-term efficiency gains, may fatally damage the neutrality and equity of our overall tax system. As such, it may result in a decrease in the long-term efficiency of the system and undermine the rule of law. Accordingly, SARS' anti-tax fraud policy seeks to balance optimally the suppression of fraud through deterrence and punishment and the administration of fraud to minimise the revenue costs of tax fraud or maximise revenue. The nature of the ensuing enforcement action must be proportional to the level of non-compliant behaviour.

SARS seeks to create an environment where any taxpayer is equally likely to be touched by SARS.

To that end, SARS typifies tax fraud as simple evasion and organised fraud. Simple evasion results from either informal or part-time crime, which SARS defines as the deliberate omission, concealment or misrepresentation of information to reduce tax liability. Organised fraud, on the other hand, involves co-ordinated and systematic actions, with varying levels of sophistication and national, regional and international (illicit) financial flows towards obtaining an unlawful financial advantage.

In the year under review, SARS established the Enforcement Cluster Committee (ECC) to enhance the effectiveness and efficiency of enforcement civilly and criminally by strengthening the integration of the enforcement value chain. The mandate of the ECC is to monitor and sustain the optimal balance the suppression of fraud through deterrence, punishment and the administration of fraud to minimise the revenue costs of tax fraud or maximise revenue. To that end, the ECC must have real time visibility of all enforcement functionalities in SARS, maintain a consensual, accurate, reliable, fact-based single version of the enforcement truth in SARS and, incrementally, deepen combined assurance within enforcement and between enforcement and the rest of SARS. The scope of the ECC spans the following functions: Inter-agency liaison; Criminal and Illicit Economic Activities; Criminal Investigation; Customs and Excise; Specialised Audit; Large Business and International; Debt; Litigation; and

Enterprise Data Management. In the year under review, the ECC focused mainly on understanding and formalising the nature, scope and depth of the functions constituting the enforcement value chain, the interrelationships between the functions, potential overlaps and understanding whether overlaps are duplications or overlays required to strengthen combined assurance. In addition to clarifying its role, the ECC oversaw and directed the start-up of the interagency PPE project (Fusion Centre) to investigate and, where appropriate, prosecute tender corruption associated with the provision of COVID PPE. The project is still under way. The ECC oversaw the initiation of the interagency Unexplained Wealth Order project, the preparation of the SARS FATF action plan, which slots into the national plan and the first draft SARS Strategy to combat the Illicit Trade in Tobacco. The challenge for the ECC is now to refocus its agenda strategically to define, clarify and strengthen the SARS enforcement system and sub-systems and connect them meaningfully to the emerging national finance intelligence chain.

Liaison

The liaison function focuses on translating the constitutional imperative of cooperative governance into practical operational arrangements with the law enforcement agencies, South African Reserve Bank (SARB), the Auditor-General (AG) and the Commissions of Inquiry regarding the investigation of state capture related matters. That includes lawfully exchanging information with those agencies and developing case suggestions proactively and reactively for referral to Criminal and Illicit Economic Activities (CIEA), Criminal Investigations (CI), Specialised Audit and Large Business and International (LBI). The principal risk facing the liaison function is to ensure the integrity of evidentiary information chains informing SARS investigations and audits as well as investigations of other law enforcement agencies. An important mitigation action in 2020/21 was the conclusion and implementation of an arrangement with the Investigating Directorate to operationalise the exchange of information in terms of the Prevention of Organised Crime Act (POCA).

SARS and the Investigating Directorate recognise the value and usefulness of the practical application of the "Al Capone" principle in the investigation and prosecution of state capture matters. The arrangement cuts back on unnecessary red tape and incentivises the respective agencies to co-operate and exchange information through ad hoc engagements, bilateral and multilateral agency project teams or joint enforcement actions depending on what the most suitable strategic arrangement will be to further a particular investigation. The operational agreement with the Investigating Directorate of the NPA enabled the creation of six priority state capture projects and the development of 18 additional case suggestions, which comprise multiple individuals and entities, which were referred to Criminal and Illicit Economic Activities for risk profiling and possible selection for investigation. Notwithstanding some progress, much remains to be done to deepen the technical co-ordination with the Investigating Directorate and roll out the arrangement to all the other units in the NPA as well as SAPS, SARB, the AG and fine tune arrangements with the Special Investigating Unit (SIU).

Verifications

SARS completed just more than 1.4 million verifications for the year. PIT represented 78% of all verifications, followed by VAT (17%) and PAYE (2%).

For the last filing season, we see a total yield emanating from all risk engine cases was R6.5 billion. This is inclusive of a deemed yield of R1.8 billion. Deemed yield measures changes in taxpayer behaviour. The measure considers taxpayers audited in the previous financial year, but were not flagged again for verification in the following financial year. The decline in assessment results on these cases is deemed to be due to the previous year's verification intervention.

Excise

For the 2020/21 financial year, 1 521 audits were completed. Diesel audits were the largest contributor towards excise audits completed (52%). The success rate achieved was 52% and 68% of cases was completed within the required turnaround time. Nationally, the Excise Audit team collected R802 million. The majority of the revenue collected originated from diesel products followed by tobacco and fuel.

Specialised Audit

Specialised Audit is responsible for conducting comprehensive in-depth civil audits of non-compliant taxpayers and traders. Its segment focus is individuals, businesses and related entities in the small and medium sector of the taxpayer/trader base operating within the licit economy. The key attributes of the environment is low volume and high impact audits involving significant and more complex tax risk. During 2020/21, the unit increased its focus on conducting integrated audits. These typically involved auditing more than one tax type per taxpayer. Integrated audits will remain a focus of the unit going forward and this will extend to interconnected transactional activity and themed risks involving multiple entities to ensure greater impact on non-compliance involving schemes.

The unit embarked on and contributed to several Enforcement projects during the year. As part of the Tax Gap study on CIT, randomly selected audits were conducted across various industry types, nationally, within the SMME sector to determine the level of tax compliance. PPE cases deemed to have risk that is more significant were audited. This formed part of the broader enforcement investigation into tender corruption. Lifestyle audits were conducted on several taxpayers where it was found that their lifestyles do not match their income declared for tax purposes. This focus will continue into the next year with even greater attention on those possessing luxury assets. Religious entities and connected individuals remained a focus of attention as in previous years. Liaison with the Tax Exemption Unit of SARS assisted in the regular review and correction of the tax exemption status of several entities. Due to the insufficient focus on PAYE during 2020/21, the unit intends to ensure greater compliance of employers through the structuring of dedicated PAYE audit teams in the next year. Increasing the capability of the auditors to conduct more complex audits is a key focus unit. Capability development work through the determination of appropriate competencies and training interventions was started in 2020/21. This will progress in line with the organisational strategic plans over the next few years. As part of improving the efficiency of audit work, an electronic audit working paper tool was procured for use by auditors. Preparations for its use within SARS has started in 2020/21 and implementation is expected in the next year. The unit also focussed on reducing its volume of aged cases in inventory to enable greater focus on more current risks and focus areas. This will allow improved focus on the Enforcement mandate.

Specialised Audit completed 5 106 full and limited scope audit cases for the year. In addition, 610 randomly selected CIT cases were completed for the tax gap study, and assistance provided to Compliance Verifications by completing 9 603 PIT and 6 416 VAT cases. The financial result for the 2021 financial year was R10.0 billion (including savings of R4.3 billion), compared to R15.5 billion (including savings of R10.9 billion) for the 2019/20 financial year. The reduced savings are due to less fraudulent refunds being reversed by the unit. Cases completed for the year achieved a success rate of 92% on full scope audits and 79% on limited scope audits.

Large Business and International

The 2020/21 financial year revenue collections for the LBI amounted to R378.4 billion against the revenue estimate of R369.1 billion, resulting in R9.3 billion surplus. 507 (2019/20: 573) audit cases were completed for the year, with a value of R18.2 billion (excluding objections) (2019/20: R18.5 billion). 431 cases to the value of R15.6 billion, related to full scope audits, and 76 to the value of R2.5 billion related to limited scope audits. This includes 45 BEPS cases to the value of R4.0 billion, and 75 HWI cases to the value of R410 million. The average filing rate for the three main tax types was 86%, with VAT and PAYE performing well with average rates of 94.7% and 94.6% respectively.

Criminal and Illicit Economic Activities

The Criminal and Illicit Economic Activities (CIEA) unit is responsible for investigating criminal and illicit organised and syndicated evasion schemes across all taxes in order to promote and ensure compliance. The division's efforts contribute towards detecting taxpayers and traders who do not comply and making sure that such non-compliance is hard and costly. Furthermore, the unit provides a unique capability that enables SARS to respond efficiently and effectively to domestic and international organised tax and customs schemes involving illicit economic activities (Illicit Financial Flows and Illicit Trade).

CIEA takes an interest in the illicit economic activities which continue to be a threat to the country in four broad, interrelated categories:

- Threat to society, which affects the lives, livelihood, and social welfare of citizens.
- Threat to the economy, which affects SA trade, the competitiveness of SA products, the SA interest in a stable worldwide financial system affecting SA sovereign position globally.
- Threat to security and stability, which affects the broader SA national security interest.
- Threat to the tax base, which affects potential growth of the tax base from which SARS collects revenue.

However, to do all of the above, it's also important to briefly reflect on how we work and how we are organised. We operate from what is called, in modern terms, a Platform Structure which is compromised of the following distinguishing yet complementary capabilities:

- An end-to-end approach when dealing across all tax, customs and excise products
- From the outset of our investigation, we take a "single view" of a taxpayer/or trader and a conceptual view of an industry
- Depending on the risks, our resources are deployed as multi-functional teams that can respond with agility and flexibility. This approach limits unnecessary hands-off and allows us to stay the course where there are pushbacks from taxpayers.
- We understand that we cannot do it alone; our success is in many cases is dependent on extending our reach across borders. To this end we actively foster co-operation, collaboration and liaison with other domestic and international law enforcement agencies (including Regulatory Authorities).

For the year under review the unit finalised 842 preliminary investigations. The focus areas included Fuel, Tobacco, Alcohol, Clothing and Textiles, Leather and Footwear, VAT Carousels – specifically relating to the Gold Sector, Phoenixism (where a company is liquidated only for it to re-emerge as a fresh entity), Abusive Liquidation and Business Rescue Practices, Illicit Financial Flows and Tax Evasion. In addition, 159 investigations were completed. Assessments (IT & VAT) were raised for R6.9 billion and Letters of Demand (Customs) were issued for R28.5 billion (2020/21) compared to R3.3 billion on 35 cases in 2019/20. Revenue recovery for the 2020/21 calendar year was R1.9 billion compared to R337.2 million for the previous year.

The inventory relating to the Illicit Economy cases stands at 31 projects, comprising of 573 active investigations, with an estimated prejudice value of R4.0 billion. The inventory relating to State Capture cases has a total of 7 projects, comprising of 85 civil and 58 criminal investigations. Seven civil and 32 criminal investigations were finalised and 27 matters were handed over to the NPA.

The following enforcement actions were executed by the unit: Nine preservation orders were obtained with an estimated asset value of R5.4 billion was seized. Five search and seizure operations were concluded and two tax inquiries were completed, for the Gold sector and Illicit Financial Flows.

The unit also conducted 1 661 Customs interventions for the year. These interventions resulted in revenue collection of R220.8 million. A further 1 028 detentions were made during this financial year, with cigarettes and illegal second hand motor vehicles featuring significantly.

Joint operations between CIEA and Customs resulted in 4 662 seizures with value of R2.2 billion for the year, with 424 seizures with the value of R176 million effected in February 2021 alone. The main products seized were:

- Cigarettes to the value of R201.8 million.
- Clothing and Textiles, Counterfeit Clothing and Footwear to the value of R706.7 million.
- Precious metals/stones to the value of R183.8 million.

Collaboration with the Inter-Agency Working Group on Illicit Trade yielded the following results:

- Clothing and Textiles – 662 seizures worth R434.2 million and 46 audits with assessments raised of R141.0 million.
- Scrap metals – 66 detentions, 14 containers seized with a value of R1.2 million and forfeiture of R32 million.
- Gold sector – SARS is investigating 17 criminal cases, with an estimated prejudice of R926.7 million. A further 42 cases, with an estimated prejudice of R8.6 billion, are being investigated by SAPS and NPA. This initiative also resulted in SARS saving R94.8 million in refund payments. A total of 44 civil investigations have been finalised, resulting in the raising of assessments of R6.3 billion, of which R424.0 million has been collected.

Criminal Investigations

In tax authorities world wide the Criminal Investigations (CI) unit is a niche function focussing on addressing the most egregious of tax and customs crimes. A criminal prosecution is resource intensive requiring highly trained staff and is dependent on external parties working seamlessly all stages.

In furtherance of strategic objective 3 Criminal Investigations investigates broad based themes of work geared to improve compliance levels.

The themes of work are categorised as follows:

- Serious tax offences which cover all tax and customs products administered by SARS.
- Procurement and tender fraud.
- Investigations flowing from criminal and illicit economic actions.
- Investigations flowing from state enforcement agencies, social media and commissions of enquiry.

Non-compliance trends inform our case suggestion processes:

- A spike in organised VAT and PAYE refund frauds with the sole aim of extracting taxpayer's money from SARS.
- A climate of graft and bribery in government tenders that threatens to undermine taxpayer's faith in the fairness of the system.

Faced with the above realities CI sharpened its focus to make the best use of limited resources to address current and future needs. Steps taken include:

- A focus on quality – a new quality assurance program geared to transfer best practices across all regions.
- Identifying and rewarding excellence – to build centres of excellence around our top investigators who will spearhead the investigation into priority cases
- Prioritising Cases – the number of investigations has been reduced to focus on those matters that make an impact.
- Improving external relationships – ongoing meetings are taking place with the NPA to align our supply chains and prioritise significant cases.

- Improving internal relationships – Initiatives, such as monthly meetings between Regional Managers and Regional Directors, have been launched to explain how CI can be of service and to redirect engagement that increases compliance levels.
- Improving SARS – CI has first-hand knowledge of the workings and tricks utilised by the criminal mind. In this regard, CI has ongoing engagements with other units in SARS on emerging threats, serial offenders and suggestions on how to improve the systems. CI has also been advocating the more extensive use of administrative and civil tools – reserving a criminal prosecution for those where it is the only option.

The total number of cases under investigation at the beginning of March 2020 was 914. A total of 515 new cases were allocated and 80 cases were reactivated from the cold case file for investigation, resulting in an inflow of 595 cases for the year. 127 investigations were abandoned (one case transferred to cold case file) during the year. 377 cases were finalised and handed over to the NPA to consider for prosecution, while 30 cases were administratively finalised in this year. The closing balance as at 31 March 2021 was 975 cases.

Criminal Prosecutions

The total number of cases referred to the National Prosecuting Authority (NPA) at the beginning of April 2020 was 1 726. A total of 231, and 5 cases were reactivated from the cold case file to consider prosecution, resulting in an inflow of 236 for the year. The prosecutor declined to prosecute 42 cases (Nolle Prosequi Certificate Issued), and withdrew four cases, while seven cases were deactivated to the cold case file during the financial year. During this year, 24 cases were finalised in court (23 cases with guilty convictions and one not guilty), which is a success rate of 96%. Cases in which the taxpayers were found guilty relate to bribery, fraud and theft regarding the contravention of the Income Tax Act, VAT Act and Customs and Excise Act. As at 31 March 2021, 1 885 cases were still work-in-progress with the NPA.

Customs Inspections

In order to ensure compliance with relevant legislative provisions, policies and directives, various interventions were carried out at a transactional level or post import through audit activities and control functions, particularly to detect illicit activities. The following is an analysis of frontline inspections undertaken for the 2020/21 financial year. More than 194 000 inspections were conducted. In comparison to the same period last year, there has been a substantial decrease in the number of inspections, due to the effects of the lockdown regulations during this financial year. The overall success rate for inspections was 25%.

The clothing textile, leather and footwear project team has achieved a substantially higher success rate in both inspections and post clearance audits (79% and 51% respectively), reflecting a notable impact in addressing non-compliance in this sector. Since the establishment of this focus team, SARS has seen an increase from 37% in 2019 to 95% by the end of March 2021 in clothing and textiles declarations declared above reference price on the 163 tariff headings.

Post Clearance Audits

Audit efforts since the beginning of the year have resulted in a collection of R1.0 billion. 1 343 cases were finalised in the 2020/21 financial year. The total reported revenue, collection included non-core audit revenue with the biggest part being quarterly adjustments in the Automotive Production and Development Programme accounts.

Specialised Customs Audits

A total revenue amount of R517.5 million was collected through 103 finalised specialised audits at the end of March 2021. The key focus areas for specialised audits were transfer pricing and advance import payments. The following industries were earmarked for attention in the 2020/21 financial year:

- Automotive
- Information technology, including cell phone
- Pharmaceutical
- Cosmetics
- Machinery

Seizures of Contrabands

The value of seizures in the 2020/21 financial year was R2.4 billion.

The following factors must be taken into account:

- Borders were closed for traveller movements for the first half of the financial year.
- The number of seizures year-to-date was 80% of what was recorded last year.
- Almost 43% of the value of what was seized in 2019/20 were counterfeit goods, as opposed to this year where counterfeit goods accounted for 28%.

Seizures

80% of narcotics seizures, valued at R172.1 million, were recorded at OR Tambo International Airport (ORTIA), including Cannabis, Cocaine, Crystal Meth, Ephedrine, Heroin, Khat, Magic Mushrooms, Mandrax and Methaqualone. Some of the concealment methods included lining of boxes, books, frames, documents, luggage, paper and soles of shoes/sandals. 51% of cigarette seizures, valued at R80.2 million, were recorded at the Beit Bridge Border Post. Concealment methods included luggage, light vehicles, cargo vehicles and South African Police Service (SAPS) and South African National Defence Force (SANDF) handovers. 77% of counterfeit goods seizures were reported at ORTIA (24% valued at R148.5 million) and the Lebombo Border Post (53% valued at R56.5 million). The goods were mostly clothing and footwear. There was a 15% overall decrease in seizures, compared to the previous financial year.

Precious Metal/Stones
4 busts valued at **R184 million**

Cigarettes
1 150 busts valued at **R221 million**

Clothing and Textiles
515 busts valued at **R320 721**

Counterfeit Goods
323 busts valued at **R663 million**

CITES
12 busts valued at **R236 million**

Medicaments
286 busts valued at **R449 million**

Narcotics
782 busts valued at **R342 million**

Litigation Unit

During this year the three functional litigation units were consolidated into a single unit, with a centralised mandate. The Litigation Unit defends SARS position in tax and customs disputes and utilises litigation initiatives for enforcement purposes.

Resolution of tax disputes

All incoming litigation cases are reviewed and where appropriate, allocated to ADR to attempt to resolve the case outside of litigation. During the year, 70% of tax appeals above R1 million and customs litigation cases were referred to ADR in order to attempt resolution while 12% were referred for litigation.

Even though an initial ADR process may have been unsuccessful, SARS dispute framework allows taxpayers and SARS the opportunity to resolve disputes without proceeding to court. During this period, 39 tax disputes representing a value of R1. 75 billion were resolved utilising the settlement provisions, while five customs/ excise disputes with a value of R53.5 million were resolved utilising the legislative settlement provisions.

Increase in litigation matters

There was an overall increase in the number of cases flowing into the Litigation Unit, mainly in contentious tax appeals (which reflected an 18% increase from 2019/20) and enforcement litigation (where there was a 32% increase in cases).

Success rate in court

Overall, SARS won 92% of all tax appeals that proceeded to court, and were successful in all matters before the Constitutional Court and Supreme Court of Appeal. This represents an increase in the success rate of prior years, where SARS was successful in 71% of Tax Court matters during 2019/20. Regarding customs and excise litigation, SARS were successful in 81% of matters, while in other contentious enforcement litigation, SARS was successful in 90% of cases.

Strategic Objective 4:

Develop a HIGH performing, DIVERSE, AGILE, ENGAGED and EVOLVED workforce

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.

Key Results:

		Target 2020/21	Actual 2020/21	Deviation 2020/21
4.1 Capability model to evolve workforce for future work environment developed – approved (model) document	New Measure	Methodology completed Model completed	Methodology completed and SARS capability model defined	Approach agreed, approval of model outstanding, which requires continuous refinement

In order to be ready for the new world of work, and also to support the realisation of SARS' strategies, a decision was taken to develop and implement a capability model that is unique to SARS, and that will address its need of having the necessary skills identified and transferred to staff as, and when required.

The methodology followed, to define a SARS capability model, was concluded through a desktop research of capability models and methodologies. The finding was that there is no capability model that can be implemented, and that a capability model needs to be defined to align and support the organisational strategic objectives and people philosophy of SARS. The model was defined through engagements with business owners and was ready to be submitted for approval by 31 March 2021. SARS confirmed that the essence of delivering on Strategic Objective 4, is better defined as an approach in how people, technology and data converges.

SARS did however use some of the early outcomes of this work to identify the critical roles for its future mode of work, which informed our recruitment drive. Similarly, as SARS offers more of its services on-line and disintermediate the need for some of its services, it duly considers the opportunities to re-direct certain roles into more meaningful work. An example would be to consider the effect of the implementation of auto assessments, which leveraged data to auto assess more than 2.8 million taxpayers through a technology enabled offering, with a significantly reduced dependency on human intervention by SARS staff. Consequently, the reduced cost of compliance and convenience for taxpayers should also be considered.

4.2 Capability to ensure we can respond to current and future work environment demands developed and implemented – approved document		Target 2020/21	Actual 2020/21	Deviation 2020/21
	New Measure	New capability model completed	SARS capability model defined and implementation plan drafted	Approach agreed, approval of document outstanding

In the process of designing a SARS capability model, it was necessary to review the existing human capital value chain – as explained in the narrative pertaining to the capability model, it comprises an approach in how people, technology and data converges. The outcome of the as-is analysis identified existing components that were utilised in defining the capability model, and the gaps identified were addressed in the design of the capability model. By year-end, the model was circulated for approval; the work originally envisaged, was fast tracked by the announcement of the national lockdown resultant from the pandemic – SARS had to prioritise the rapid release of more online offerings and enable more of its staff to work remotely, through technology enablement. SARS is leveraging the insights and experiences from the rapid shift to function in a virtual world to refine its future mode of operation. The rate of our efforts to build the appropriate capability and capacity is dependent on funding by National Treasury.

4.3 Mentorship and the job training programme as a mechanism to develop leaders implemented – approved programme documentation		Target 2020/21	Actual 2020/21	Deviation 2020/21
	New Measure	Mentorship Framework developed and implemented	Conceptual mentorship framework developed. Implementation guidance and plan designed	Roll out/ implementation delayed

Research was done on the 'mentorship of leaders' trends and methodologies. The SARS leadership mentorship programme framework was designed and conceptualised with all role players. The completed mentorship programme framework was approved by the end of the financial year, and engagement sessions are in progress. The programme implementation plan was drafted, and is planned to start in the 2021/22 financial year. and was planned to start in the 2021/22 financial year. Initial deliverables included the conceptualisation of the SARS Leadership Model, the Woman in Leadership Programme as well as decisions to appoint a SARS Junior Board as well to re-institute the recruitment of graduates.

4.4 Diversity and Employment Equity: - Racial Equity - Gender Equity - Disability Equity	Actual 2019/20	Target 2020/21	Actual 2020/21	Deviation 2020/21
	Racial Equity: 76.38% Gender Equity: 49.20% Disability Equity: 2.22%	Racial Equity: 80.37% Gender Equity: 51.37% Disability Equity: 2.66%	Racial Equity: 78.17% Gender Equity: 49.63% Disability Equity: 2.08%	Racial Equity: -2.20% Gender Equity: -1.74% Disability Equity: -0.58%

Limited recruitment opportunities, resultant from a 3-year freeze on vacancies made achievement of SARS' equity ratio against the set targets impossible.

SARS is making slow, but sustainable progress in transforming its workforce profile to be reflective of the demographics of the country. The attrition over recent years also proved not to change the employment equity profile of the organisation significantly from the previous reporting period – this is due to attrition not being more prominent in specific groups than others. However, the insourcing of 723 cleaning services employees contributed to the overall improved representation experienced in the black, an in particular, African designated group.

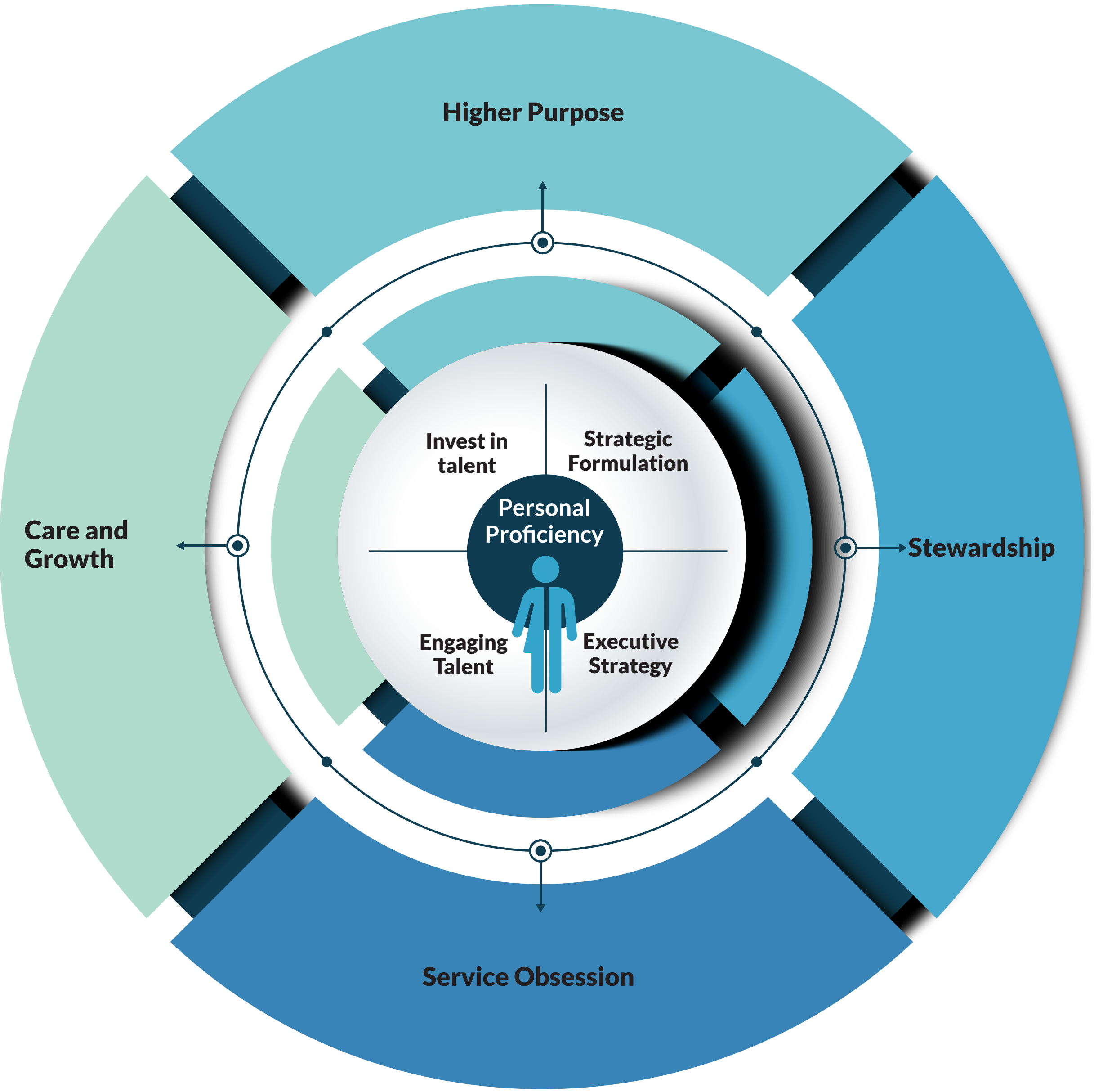
- Black representation improved from 76.38% to 78.17%.
- African representation increased from 58.89% to 61.31%.
- Gender representation on management levels improved from 49.20% to 49.63%.
- Coloured representation declined from 11.15% to 10.87%.
- Indian representation declined from 6.34% to 5.99%.
- White representation declined from 23.29% to 21.51%.
- Disability representation declined from 2.22 % to 2.08%.

The SARS Leadership Model

Integral to the work of rebuilding SARS and ensuring institutional integrity, is the development of an appropriate Leadership System. The SARS Leadership Competency and Brand must not only give effect to the legal mandate of SARS, but also build public confidence and trust. It must both exemplify and nurture the Higher Purpose ethos and orientation that is so central to the social good which is provided through the work we do. Led by the SARS Commissioner, we have embarked on a participative and inclusive process, working with the top 70 leaders of the organisation. We have followed a scholarly, yet action orientated approach with reference to well recognised resources and personified studies.

The SARS Leadership Model is premised on three principles, namely that every leader shall display personal proficiency, manage people and work, as well as to impact others positively.

Leadership attributes include a **Higher Purpose**, which places an ambition not for themselves, but for a worthy cause. **Stewardship**, accepting that leadership is an inordinate privilege and assuming a responsibility to hold in trust on behalf of others. A **Service Obsession**, that enables the delivery of impactful results against clear objectives. **Care and Growth**, which truly demonstrates the wellbeing of employees and inspire them to be the best version of themselves.



Strategic Objective 5:

Increase and expand the use of DATA within a comprehensive knowledge management framework to ensure integrity, derive insight and improve outcomes

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.

Key Results:

		Target 2020/21	Actual 2020/21	Deviation 2020/21
5.1 Completeness of data achieved	New Measure	Completeness of taxpayer register substantially achieved	Completeness of taxpayer register substantially achieved	None

SARS' Strategic Plan outlines our 5 year journey and aspiration to attain completeness of data. This journey is incremental and every year SARS will add new data sources to enable its work as well as to improve the integrity of its data. SARS already leverages a vast amount of data to enable its work in context of its 9 strategic objectives and examples thereof is covered in this report:

- o The prefilling of tax returns as well as the auto assessment of more than 2.8 million taxpayers, based on third party data.
- o Data enabled SARS to detect risk and instances of non-compliance, e.g. 26 000 citizens with economic activity exceeding R1 million who were not registered for tax, as well as 200 taxpayers who were flagged for unexplained wealth where information regarding offshore investments did not correlate to their tax liability declared.
- o The combined yield emanating from automated risk detection exceeded R56 billion.

During the year under review, SARS engaged in targeted campaigns with taxpayers and had to ensure they have updated contact information to ensure taxpayers were contactable. The tax register was enriched with the latest contact details sourced from Credit Bureaus contracted to SARS through processing of 45 files consisting more than 82 million records. Contact details for 14 million individuals and companies with no contact details, with a debt of R27 billion and 8 million outstanding returns were sourced and updated.

An improvement on the completeness of the active register, following the automated update of contact details, is depicted in the table as follows:

Product	% with no Contact Details Before	% with no Contact Details After	% Improvement
CIT	31%	12%	19%
PIT	57%	13%	43%

Substantial progress has been made in SARS' journey to achieve an accurate and complete tax register. The following key deliverables were achieved during this reporting period:

- An updated online reporting solution, that segments the register into the new operational units was developed and deployed to all the regional directors and segment leaders.
- The CIT register was verified and aligned with the CIPC register to identify companies that have deregistered with the CIPC. SARS enhanced its rules to facilitate automated register clean-up activities, and expanded the scope of these rules from 22 to 35. This resulted in 1 759 667 records being identified for deregistration, an improvement of 26.65%. A systemic approach will be followed to run this automated clean-up process on a quarterly basis in future, and duly consider the integrity and alignment of the various physical technology platforms that collectively represent the "taxpayer register".

SARS continued to work with stakeholders and data sharing partners, which includes local and international organisations in both private- and public sector to improve and expand the sharing of data.

5.2 Methodology and algorithms to improve case selection completed	New Measure	Target 2020/21	Actual 2020/21	Deviation 2020/21
		Capability framework delivered	Capability framework delivered	None

SARS' new risk detection methodology and improved algorithms informed the enhancement of rules contained in the SARS automated risk engines. This ensured improvement of detection rates and yields, while decreasing the rate of false positives as covered in key result 3.1.

To enable SARS' increased focus on data-driven risk detection as well as the utilisation of computer algorithms leveraging artificial Intelligence and machine learning, SARS reviewed its current capability in its Enterprise Data Management division. Subsequently, a capability framework to define the specific skills sets and competencies are that would be required to elevate data management and data science as strategic roles within SARS was delivered, which specifically included a training curriculum in machine learning and revised job profiles for data management.

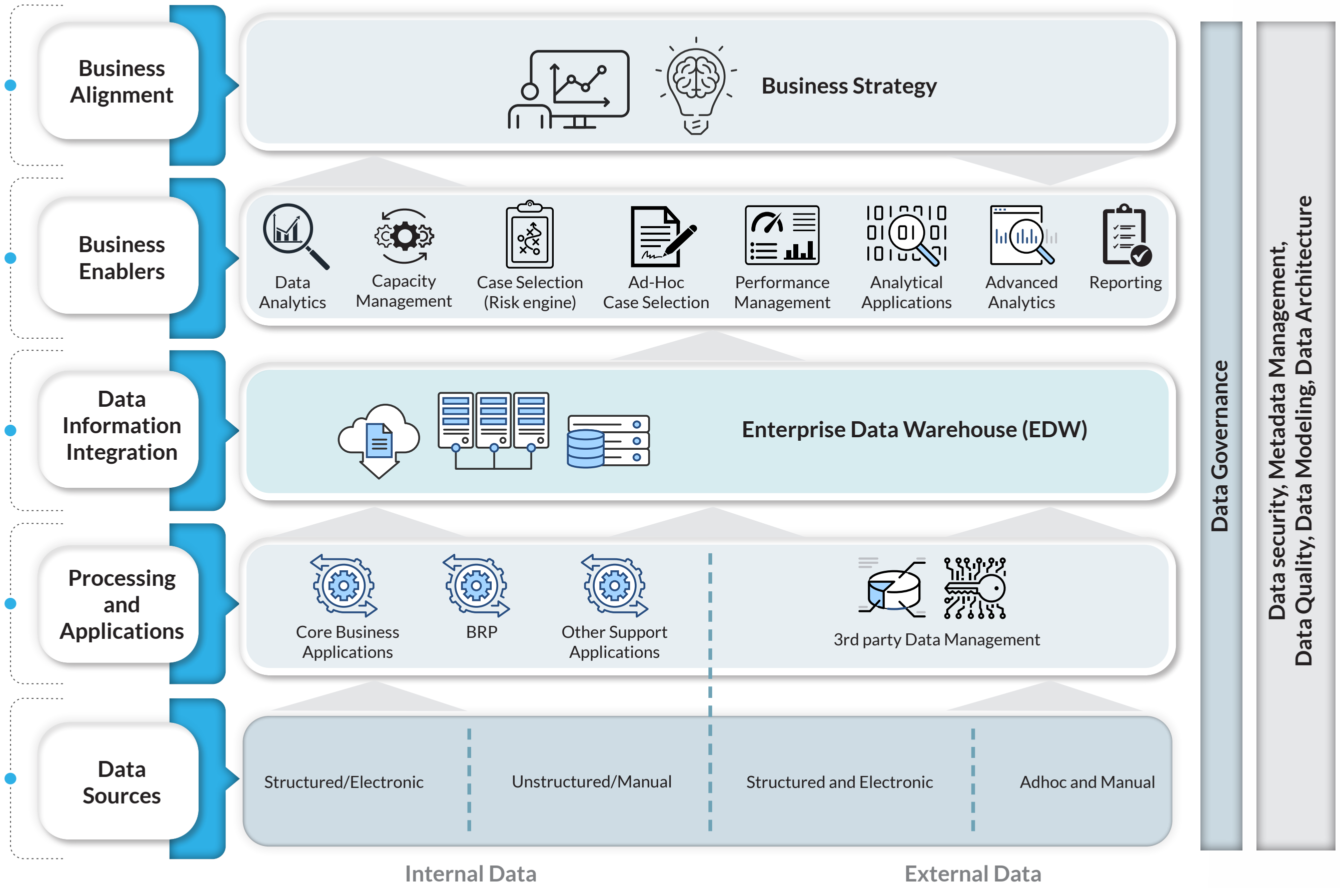
SARS Machine Learning models

SARS has developed Machine Learning models in respect of a range of themes to assist in detecting risk and enable compliance interventions.

- Revenue Forecasting
- Debt Propensity
- Under-declaration
- Eligible to File
- Refund Fraud Detection
- Gross Income Prediction

5.3 Data governance framework developed and implemented	New Measure	Target 2020/21	Actual 2020/21	Deviation 2020/21
		Updated data governance framework developed	Updated data governance framework developed	None

SARS' Data and Information Management Framework is outlined in the diagram below:



The diagram illustrates that SARS uses data to enable the achievement of its business strategy through data-driven enabling products, which requires a governance framework that spans the full spectrum of data and information management.

SARS reviewed and updated its Data Governance Framework (DGF), to enable the management of the end-to-end data life cycle across the organisation. The DGF represents the desired future-state, and provides a structure for the development, promotion and implementation of principles, controls, processes and technologies to govern and manage data, in order to deliver the right information at the right time, in the right format, to the right person, for the right reasons. The DGF was informed by research of industry practices and standards, legislative requirements, as well as benchmarking with public and private organisations.

The DGF acted as an enabler to achieve Protection of Personal Information Act (POPIA) compliance, facilitated by the appointment of Deputy Information Officers for SARS. This framework will be continuously enhanced to stay abreast and relevant in a global context.

The institutionalisation of the DGF is a multi-year project that has already kicked off with the publishing of the framework and an official communication was sent to all SARS employees.

Strategic Objective 6:

Modernise our systems to provide DIGITAL and STREAMLINED online services

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.

Key Results:

6.1 Digital platforms availability for taxpayers and traders - % of planned capacity to be available for mission critical systems	Actual 2019/20	Target 2020/21	Actual 2020/21	Deviation 2020/21
	99.44%	100.00%	99.76%	-0.24%

Mission critical systems encompass those digital platforms used by taxpayers and traders to fulfil their tax and customs obligations, which include, inter alia, filing of declarations, making payments and submitting supporting documents.

The targeted uptime for 100% availability was not achieved due to unplanned outages, or downtime on mission critical systems experienced during certain months of the year. In addition, certain months experienced planned downtimes, which exceeded the seven hours allowed. SARS is reliant on external network and hosting service providers for some of its systems and was negatively impacted, due to unplanned downtime on their side. SARS also released more digital offerings to minimise the impact of COVID on its ability to offer its services on line.

Note: The criteria used for determining the 2020/21 actual achievement differs from the criteria used in determining the baselines, i.e. the actual achievements for 2018/19 and 2019/20. The technical indicator descriptor was changed for the 2020/21 year to align with the e-channel method of calculation defined in the 2020/21 APP. The source data was also updated to include other systems.

6.2 Security of taxpayers and traders information and interactions via digital platforms - number of security breaches on digital platforms for known risks		Target 2020/21	Actual 2020/21	Deviation 2020/21
	New Measure	No security breaches from known risks	No security breaches from known risks	None

Known risks in the context of the APP deliverable are defined as any security risks for which SARS has security controls implemented - as is the case with a zero-day attack - in relation to the mission critical systems as defined. As new risks become known, SARS strives to adjust and implement responding controls in order to mitigate these risks and controls which include security patches that are available, updated functional software versions and monitoring and blocking of threats via the Security Operations Centre. Efforts are also made to do pre-emptive security testing during implementation phases of mission critical systems.

Security breaches are defined as unauthorised, malicious access to SARS mission critical systems from a known risk. Typically, this would occur if an intruder takes advantage of the lack of controls and is able to bypass existing security mechanisms/ controls already applied, which are insufficient.

SARS continues to ensure the diligent combatting of virus attacks, and informs its users of their responsibility in protecting SARS data and systems. The early warning process detects users with infected Universal Serial Bus (USB) devices or ransomware, and allows the team to notify and guide these users towards resolution.

Furthermore, SARS' server infrastructure was updated with relevant security updates, while the secure email gateway, firewalls and intrusion detection infrastructure managed to block a number of reconnaissance attempts, mostly conducted using SARS emails as credentials.

SARS experienced a large number of new phishing attacks, but was able to mitigate the risk with the additional controls that have been implemented to mitigate the increased personification phishing attacks.

Cyber Security Landscape: A number of vulnerabilities, affecting multiple products from various vendors were identified. Vendors released critical security updates in response. A notable trend in recent months has been the successful breaches of the very vendors and services providers that governments and companies depend on for their cybersecurity. The lesson being that if these well-equipped organisations became the victims of cyberattack, we need to be all the more alert to potential breaches in our defences, and wary of supply chain attack vectors.

Hacktivism and Cyber Terrorism: Hacktivism has escalated in recent years. Globally, reports regularly emerge of attacks, designed to destabilise IT systems and commit cyber sabotage. Such attacks are highly socio-politically motivated, and not as cyber criminals or for financial gain. In addition, state sponsored cyber disruption has been reported in cross border attacks.

Cyber Security Significant Patches/Fixes: Security updates for these vulnerabilities are being applied across the SARS infrastructure, and significant progress was made in establishing a renewed rhythm to apply patches on SARS workstations, despite experienced with remote working arrangements.

SARS Information Security Operations infrastructure continues to provide robust protection, through its systems, people and processes. Cyber security landscape trends indicate that attackers have shifted focus from direct corporate attack, to indirect means of accessing valuable information. Further galvanising these defences are initiatives, which prevent SARS data loss through email, USB and other means.

It remains imperative that the responsibility of protecting SARS information assets not only lie with Information Security Operations, but with the larger SARS community. Users who comprehend their obligations in protecting SARS' data on mobile devices, personal laptops and removable memory devices strengthen such efforts.

Regular and continuous infrastructure refresh cycles were sustained, within budgetary constraints, to ensure a reliable, responsive and high availability technology platform.

The majority of SARS staff were enabled to work remotely via SARS' virtual private network.

6.3 All SARS service offerings made available digitally - % of SARS taxpayer and trader service offerings made available online		Target 2020/21	Actual 2020/21	Deviation 2020/21
	New Measure	Identify and prioritise areas (products/ services) to develop digital offerings	Areas (products/services) to develop digital offerings, were identified and prioritised	None

Engagements to identify all service offerings segmented between online and manual were completed with product and segment owners. 320 service offerings, which were identified (244 online and 76 manual) and recommended for migration of services, have been migrated. This equates to a baseline percentage of 76.25%.

Engagements with product and segment owners to plan 68 manual services for migration over the next four years have been completed.

The following digitised functionalities were made available to taxpayers through the SARS website, without the requirements to be a registered e-Filer:

- Supporting documentation: the ability to submit solicited supporting documents via the SARS website. The functionality provides taxpayers with the ability to upload up to 10 documents, with each of these documents limited to 5MB in size.
- Submit a payment allocation: the ability to submit a payment allocation with the relevant supporting documentation.

- Retrieve tax number: the ability to retrieve a tax reference number, based on the matching of input taxpayer information to that which is stored at SARS.
- Further functional enhancements have been made to this online channel to enhance the data matching for the online retrieval of tax numbers. A new functionality has also been introduced to allow taxpayers to report new estate cases, and submit the required supporting documentation. This automatically creates a case for SARS employees to finalise in the Tax Estates Segment.
- Additional features have been made available, via the SARS website, to enable the assignment of a registered representative status. Individuals wishing to be set as the registered representative of an individual, company, trust or other organisation, can capture a request and submit the related supporting documents, including a selfie, for SARS to review.

Tax Directive Enhancements: Enhancements were made to the directives system to allow tax practitioners to request directives on behalf of their clients via eFiling and the MobiApp.

Customs Enhancements: In order to prevent delays that negatively impact trade facilitation, the number of SARS officials involved in the resolution of cases has been reduced. When supporting documents are received for a pended case, this case is routed back to the initiating SARS Customs inspector for finalisation, ensuring continuity and faster turnaround times. Phase 1 of the automated acquittal process was implemented, inclusive of enhancements to the risk engine and the decentralisation of the acquittal process to the border posts. Changes were implemented to enable seizure information to be captured and approved, with the associated printing of seizure notifications.

Social Media Complaint Handling Process: With the increased popularity of social media, improved complaint handling processes were introduced to streamline escalations, and ensure prompt resolution of query items.

Digital Platforms Enhanced

A number of enhancements and new features were implemented to improve SARS' digital offerings, and to align with COVID-19 social distancing protocols, to reduce foot traffic in SARS branches:

- Several **risk rules** were reviewed and amended to improve the hit rate, inclusive of PIT/CIT and VAT.
- **Remote (Quick) Income Tax Registration** was implemented to enable South African Citizens with a valid SA ID number to enter minimal information to enable entity registration and PIT subscription. Ongoing enhancements were made to the quick IT registration process to improve matching criteria and reduce duplicates.
- **Easily accessible icons** inclusive of My Compliance Status, Proof of Registration, My Registered Detail, and Statement of Account (individual) were implemented on the e-filing channel.
- **Improved taxpayer authentication:** SARS enables the retrieval of the Home Affairs National Identity System (HANIS) photo from the Department of Home Affairs, corresponding to the taxpayer supplied ID number. This provides for the triangulation of the data. The first implementation included Banking Details Verification, whereby the supporting documentation, inclusive of the taxpayer selfie, can be compared to the ID photo kept by the Department of Home Affairs.
- **Unsolicited email solution:** Extract emails sent to nominated SARS email addresses, and create a service manager case per email, to enable assignment to a SARS resource and the monitoring and tracking of it.
- **Tax Directive Changes:** New tax directives applications were enabled for both practitioners and individuals (IRP3B and IRP3C) via eFiling and the MobiApp.
- **Contact Centre Virtual Agent**: SARS addressed the immediate operational need for the SARS Contact Centre to transfer calls to agents working from home with no access to SARS systems, those with basic access to systems, or those with full systems access:
  - Phase 1 enabled a call to be transferred to an agent's cellular telephone to facilitate the basic request for advice queries to be answered.
  - Phase 2 extended the functionality to provide a web application for agents to set Computer Telephony Integration (CTI) statuses to set their availability, to transfer calls to another queue, and arrange a call back.
- **PPE Survey Tool:** An electronic PPE survey tool was implemented to facilitate the feedback from SARS building managers, in terms of their current and future PPE projections. The system caters for an eight-week forecast as well as current stock levels. This feedback then integrates with the data warehouse from where dashboard projects the PPE data visually across the different business units.
- **SARS Annual Leave forfeiture extension:** The SARS Annual Leave forfeiture was extended to 31 December 2020.
- **Directive on Health and Safety in the Workplace:** The Directive on Health and Safety in the Workplace form was enabled electronically for employees to complete on their laptops or cell phones before arriving at work. Once the temperature was scanned – this was added to the form and submitted to the employee and their manager for record keeping purposes.

- **Directives system conversion of the old ID number to the new ID number:** In order to prevent branch visits, system changes were made to convert the old ID number to the new ID number to ensure alignment with data stored on SARS' systems and that are submitted by third parties.
- **E-Booking System Enhancements:** SARS continuously enhances the e-booking system to facilitate both online and branch appointments with SARS staff, including the opening of booking slots 48 hours in advance and on Saturdays.
- **Mobile Virtual Platform (MVP):** The ability of SARS contact centre agents to work from home seamlessly. Phase 1, enable national taxpayer calls to be routed to SARS agent's cell phones at their homes. Phase 2 has enabled access to key screens in SARS' Service Manager System via a web application. Prioritised system functionality inclusive of the taxpayer dashboard and case history, has been deployed on this technical platform to date.
- **Improved Visibility on Refund and Audit Status via Dashboard Updates:** In an effort to reduce the volume of calls into SARS' contact centres SARS implemented dashboards to inform the taxpayer of the status of their audit/refund on the Service Manager, eFiling and MobiApp platforms. To date, PIT, VAT, Corporate Income Tax and Trust Tax types have been included. Communication has also been improved via frequent messages to the taxpayer on the progress of the audit/refund.
- **Technical Enhancements to facilitate the easy distribution of the Service Manager software:** Due to bandwidth constraints in the homes of SARS' staff, significant enhancements were made to reduce the size of the Service Manager Software distribution. These enhancements have reduced the size of the software distribution from 600MB to 23MB, which has resulted in substantially higher deployment success rates, as well as being more efficient on bandwidth utilisation.
- **Technical Optimisation and Monitoring:** Several technical enhancements were implemented to align to technological trends, to limit risk, and to ensure that the technology is fully supported by the original equipment manufacturer. Most notably, six PDf forms were migrated to the new, fully supported HTML5 platform. The Excise Duty and Levy Returns (EXD01) were also split into 16 individual forms, and successfully migrated from the unsupported Adobe platform to the fully supported HTML5 technology. System monitoring and proactive remediation occurs on an ongoing basis to protect the system availability. These monitoring activities are accelerated over the peak period of personal income tax filing season closure, in order to limit technical interruptions and taxpayer inconvenience.

Strategic Objective 7:

Demonstrate Effective resource stewardship to ensure efficiency and effectiveness in delivering quality outcomes and performance excellence

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.

Key Results:

Key result	Baseline	Target 2020/21	Actual 2020/21	Deviation 2020/21
7.1 Reconfigured SARS' cost structures to align with international peers – ICT investment as % of total grant	New Measure	Increase ICT investment by 2%	2.90%	0.90%

SARS has embarked on a cost reconfiguration journey to enable a more variable budget in the long term and optimal resource allocation and utilisation that support the Strategic intent and that will realise Vision 2024 and beyond. The ICT funding allocation is therefore a focus area for additional investment to align with international peers. This journey commenced in the 2020/21 financial year with an increased investment of 2.90% against the previous year, and will continue for the near future. This increased investment enabled, amongst others, the various ICT enhancements deployed to enable the continued service to taxpayers during the COVID-19 lockdown, and forms part of the enhancements to a smart and modern SARS.

Key result	Baseline	Target 2020/21	Actual 2020/21	Deviation 2020/21
7.2 Achieve 5% non-people cost savings	New Measure	5.00%	2.22%	-2.78%

The reduction per committed descriptors, which compares the reduction of non-people costs year-on-year, reflects a reduction of 2.22%. The efforts to reconfigure costs away from this category to ICT and other high priority costs were successful, as evidenced by the reduction. Costs incurred to respond to the COVID-19 epidemic such as PPEs, as well as cost to enable remote working for staff had an impact on the realisation of the planned and committed cost reduction. This category represents a 4.33% (2020: 7.39%) which is a reduction of 3.06% of the total budget compared to the prior year.

SARS is also, as part of the cost reconfiguration journey, in the process of re-evaluating its physical footprint from a need and optimal usage perspective in the SARS Head Office space as well as regional offices based on a needs assessment.

As at 31 March 2021, the SARS buildings footprint was 490 726m^2 (2020: 499 417m^2) and split as follows: 46% (2020: 47%) being private leases, 28% (2020: 28%) being State Owned Enterprises, 16% (2020: 15%) being National Department of Public Works and 10% (2020: 10%) being SARS owned buildings. Considering that private leases contribute 90% (75% in March 2020) of lease costs, there is an on-going drive towards space consolidation that would lead to cost reduction.

The following initiatives were undertaken:

- The Kroonstad branch office was reduced by 824m² of office space. The realised lease cost reduction was R561 099.50 for the duration of the lease.
- The lease for the Mthatha branch office was reduced by 401m² of office space, and 39 parking bays, were handed back to the landlord. The realised lease cost reduction was R3 121 456.16.
- The lease for the Walker Creek Office Park, measuring 7 466.30 m² office space and 362 parking bays was terminated on 31 March 2021. The realised lease cost reduction was R33 878 669.
- The leases for the River walk Office Park and Steven House in Brooklyn Bridge were also terminated, but the lease expiry is 31 May 2021, and will therefore be concluded in the 2021/22 financial year.
- It is anticipated that more space reduction initiatives will be executed during the 2021/22 financial period as part of the ongoing cost reduction initiative. Furthermore, 25 lease contracts were re-negotiated with an objective of achieving competitive rates and escalation terms. This resulted in rental savings of R43.0 million.

7.3 Revenue is collected at a level in line with comparable international peers' cost – Cost to Revenue Ratio	Actual 2019/20	Target 2020/21	Actual 2020/21	Deviation 2020/21
	0.80%	1.00%	0.85%	-0.15%

Cost to revenue for 2020/21 was 0.85% against the target of 1.00%, which is below the OECD benchmark for developing economies (1-2%). The 1% benchmark will be maintained, however, will be dependent on the National Treasury funding allocation. As long as SARS remains underfunded, the measure will remain unachieved. The increase in the ratio from the prior year is solely as a result of the impact of COVID-19 on the revenue collected.

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 would have been even lower at 0.81%.

SARS will continue with its cost configuration process to ensure all funding received is effectively and efficiently allocated, and utilised per strategic objective 7.

Cost of revenue collection	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21
	R million	R million	R million	R million	R million	R million
Tax revenue	1 069 983	1 144 081	1 216 464	1 287 690	1 355 766	1 249 711
Operating cost *	10 245	10 696	10 795	10 792	10 841	10 666
	%	%	%	%	%	%
Cost to tax revenue ratio	0.96%	0.93%	0.89%	0.84%	0.80%	0.85%

Note: * Controlling entity.

** 2018/19 Operating cost has been restated

7.4 Clean audit opinion is achieved from the Auditor-General	Actual 2019/20	Target 2020/21	Actual 2020/21	Deviation 2020/21
	Unqualified Audit Report with findings	Clean Audit (Unqualified with no findings impacting the audit report)	Unqualified Audit Report with findings	Findings raised impacting the audit report

The Auditor-General report for SARS Revenue Accounts was a clean audit report (unqualified with no findings) and for SARS Own Accounts was an unqualified audit report with findings. SARS remains committed to implement all recommendations from the AGSA.

Strategic Objective 8:

Work with and through Stakeholders to improve the tax ecosystem

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.

Key Result:

8.1 We have satisfied all our commitments in terms of EOI agreements (automatic Exchange of Information happens seamlessly in both/multi directions)		Target 2020/21	Actual 2020/21	Deviation 2020/21
	New Measure	Full compliance in terms of OECD rating	Full compliance in terms of OECD rating	None

SARS has met and satisfied its commitments in relation to the Exchange of Information (EOI) with partner jurisdictions.

South Africa's network of activated exchange relationships for CRS stands at 98 jurisdictions for incoming, and 70 jurisdictions for outgoing data. South Africa's network of activated exchange relationships for Country-by-Country Reporting (CbCR) stands at 77 jurisdictions for incoming, and 63 jurisdictions for outgoing data. The OECD Global Forum has circulated South Africa's draft report on the 2021 Peer Review of Action 13 – CbCR (fourth annual review) for approval by peers. The draft report has no recommendations against South Africa. It is anticipated that the approved final report will be distributed before the end of the first quarter of the 2022 financial year.

South Africa's Exchange of Information on Request (EOIR) assessment will be completed in two phases. Phase 1 is the review of the legal aspects, and was done on a desk-basis, while phase 2 is the review of the practical aspects and will be done once international travel is more broadly permitted, to allow the assessment team to visit South Africa. The final report with ratings for all elements and an overall rating will be given only at the time of the final report. For the phase 1 report, a determination on South Africa's legal framework will be assigned. The phase 1 report was released on 24 June 2021. South Africa was found to be largely compliant, with the need for improvement in availability of beneficial ownership information being underlined.

The Global Forum has published the 2020 Peer Review of the AEOI report. The overall determination on the legal framework for South Africa is that "South Africa's legal framework implementing the AEOI Standard is in place but needs improvement". These improvements/amendments were published on 9 October 2020, but will take effect from 1 June 2021.

Other activities completed in this regard include:

- SARS fulfilled the CRS outgoing data exchange obligations with all 70 partner jurisdictions.
- SARS completed and submitted the OECD Global Forum AEOI - 2020 exchanges questionnaire detailing whether South Africa met its obligations in terms of the AEOI legal framework for the year 2020.
- 92 out of 98 jurisdictions met their CRS data exchange obligations for 2020. We are currently in discussions with the remaining partner jurisdictions whose CRS transmissions are outstanding.
- The Common Transmission System (CTS) version 2.0 and OECD CRS version 2.0 schema and OECD CbCR version 2.0 system upgrades were developed and deployed into the production environment.
- Created authorised transmissions for 100 CRS and 77 CbCR partner jurisdictions in the CTS production system to enable the automatic exchange of information between the partners.

SARS Stakeholder Overview

SARS' relationships with its various stakeholders must be managed, developed and leveraged to ensure that SARS delivers on its mandate. These strategic relationships will also assist in rebuilding the SARS brand. Motivated by SARS' strategic intent to develop and administer a Tax and Customs system of voluntary compliance, SARS worked with, and through stakeholders who will enable and advance SARS to reach its objectives.

SARS groups stakeholders into three broad categories:

Public Sector	Includes those that directly affect SARS' mandate (e.g. the South African Parliament, National Treasury, South African Post Office, Department of Home Affairs and Department of Public Service and Administration), stakeholders that perform an oversight function (e.g. the AG and Parliamentary Committees) and those that can provide SARS with support to execute its mandate (e.g. the Department for Small Business Development and the Department of Trade, Industry and Competition).
Private Sector and Civil Society	Includes business and customs related associations, recognised controlling bodies and tax practitioners. The media includes all forms of print, radio, television and social media, as well as internal communications.
International Relations	Includes global and regional economic, trade, border management and regulatory bodies, which operate on a multilateral and bilateral basis. These include the OECD, World Trade Organisation (WTO), World Bank, African Tax Administration Forum, Southern African Development Community (SADC) and Brazil, Russia, India, China and South Africa (BRICS).

Public Sector Stakeholders

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. SARS 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 those 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

While the importance of stakeholder management remains the same for the private sector, the pressures and challenges facing public sector organisations are different. A key element of this is a greater emphasis on partnerships working in the public sector, especially with the challenges that were presented by the COVID-19 pandemic.

The COVID-19 crisis has underlined the importance of public sector capacity and capabilities to handle emergencies, and the particular capabilities required to solve societal challenges. Within central government, the current challenges have signalled a move towards a more cohesive government approach. Improved collaboration with other government departments is integral to successful, efficient government, and there is growing acknowledgement of a need to strengthen relations with both internal and external stakeholders.

In pursuance of this objective, SARS has worked closely with Other Government Agencies (OGAs) on unlocking the COVID relief payments to struggling artists during the pandemic, working with and through the relevant law and border enforcement agencies to ensure that legitimate medical goods and PPE were processed in an efficient and swift manner, and participating at various inter-departmental working groups on COVID related interventions.

For the year under review, efforts by SARS were aimed at ensuring that key external stakeholders were adequately informed, and provided the requisite support in optimising the necessary platforms for effective communications on key business initiatives.

This included:

- Leveraging on established networks within the inter-governmental space (standing meetings, forums, bi-laterals etc.) to ensure broad consultation and two way communications.
- Acting as a central liaison node between SARS and other government agencies.
- Facilitation of intergovernmental data and information exchange.
- Development and negotiation of key partnership instruments (internal and external stakeholders).
- Reviewing the current MOUs and LOUs to ensure alignment, and adaptation to key business and policy shifts.
- Utilising the official intergovernmental relations framework, as contained in the Cluster system, to ensure meaningful collaboration and participation.

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 participated in four Forum for South African Directors General (FOSAD) 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.

MoUs

SARS has direct engagements with several entities, and may enter into a MOU with such entities. SARS signed an annexure to the main MOU with the NPA. The annexure was signed with the Investigating Directorate on 17 August 2020, to advance the investigation and prosecution of serious, complex and high profile corruption matters referred to the Investigating Directorate through mutual co-operation and sharing of information.

Private Sector Stakeholder

The engagements with stakeholders are dynamic, and are influenced by SARS Strategic focus, together with domestic and/global/regional political and economic developments, hence the categorisation as noted above, is constantly monitored and adjusted as necessary. Over and above the engagements listed above, SARS also engages extensively through other platforms that were of strategic importance in enhancing relationships:

Commissioners Leadership Engagements

This year's engagements were an opportunity to share some of the operational changes that were effected to improve the integrity and efficiency of the institution, including SARS Vision 2024. SARS used these meetings as a platform to reinforce the value it attributes to the private sector, how it intends promoting partnerships and relationship building. SARS also shared the leadership strategic intent by introducing Vision 2024 to the Customs Trader audience, who attended for the first time. This allowed SARS to shape the Customs agenda under the new Commissioner. Organisational role clarity was also provided, and the new leadership introduced. All four sessions were constructive. All parties viewed the engagements with the Commissioner as honest and robust about the current state of SARS and its future vision.

Revenue Management Meetings

During 2020/21, SARS hosted a number of Revenue Management meetings with various associations, industry formations and companies, in order to understand the impact the COVID-19 pandemic had on their operations, profitability and revenue. SARS was particularly interested in knowing how the pandemic would affect the amount of tax revenue payable (CIT, VAT and PAYE) in the short, as well as medium term.

Virtual Awareness Sessions

As South Africa became familiar with the digital meeting platforms, SARS ensured that it adopted digital transformation unequivocally, so that it was able to provide service and keep its stakeholders informed. This was especially necessary with regards to the introduction of new tax products or processes. The Carbon Tax Virtual Awareness sessions were held from 5 to 24 August 2021. These engagements were a huge success as they ensured on boarding of Carbon Levy payers who would submit their first account and make payment by 29 October 2020. SARS also hosted a Registration Licencing and Accreditation Awareness Webinar post implementation of this new online platform, and African Continental Free Trade Agreement Virtual Awareness sessions ahead of the 1 January 2021 entry date.

International Stakeholders

Despite the initial effect of the global pandemic on international travel and face-to-face meetings with international counterparts, the international community adapted swiftly, and the use of virtual platforms for engagements were adopted bilaterally, regionally and beyond. One of the benefits arising from the move towards virtual platforms was the ability to expose more SARS officials to these engagements, training events and workshops. In the past, this would not have been possible due to budgetary constraints and limitations on delegation sizes. As a result, SARS made significant progress on the implementation of the International Relations-related recommendations by the Nugent Commission of Inquiry into Tax Administration and Governance by SARS, as well as against the strategic objectives as espoused in SARS' Vision 2024.

The year under review saw SARS assuming various leadership positions and roles, including that of Chair of the SACU and Commissioner Kieswetter's election to the Vice Chair positions within the Africa Initiative, the Global Forum on Transparency and Exchange of Information for Tax Purposes (Global Forum) the African Tax Administration Forum as well as his reconfirmation as Bureau member of the Forum on Tax Administration.

On the Customs front, the year saw significant positive developments in the implementation of SARS AEO Programme as well as SARS' Automatic Exchange of Customs Information network. SARS signed the arrangement for the automatic exchange of customs information with the then Namibia Customs and Excise (NCE), now Namibia Revenue Agency (NamRA). This achievement follows the signing of similar arrangements with the Botswana Unified Revenue Service, the Eswatini Revenue Authority and the Lesotho Revenue Authority. The signing of this Arrangement between SARS and NamRA completes SARS' network with its SACU counterparts and marks an important step towards the implementation of automatic exchange of customs information with our SACU partners.

SARS also benefitted from a review of the NCAP review, conducted by the IMF and WCO. The main goal of the review was to determine the level of compliance of South Africa's Customs Control Act No. 31 of 2014 and Customs Duty Act No. 30 of 2014 with the Revised Kyoto Convention (RKC) and World Trade Organisation's Trade Facilitation Agreement (TFA). Subject to special consideration, the review concluded that both Acts in their current forms are aligned largely with the RKC and TFA, adaptable to advances in technology, and allow for the use of modern technology in the various customs processes and procedures.

On the tax front, the ongoing international tax focus was supplemented by significant regional and international work on the impact of the pandemic on the operations of tax administrations. Co-operation in this area focused on the sharing of experiences and best practices. In addition, the year also saw significant progress in the work on Pillars 1 and 2 of the Taxation of the Digital Economy. Though the pandemic resulted in general delays on peer reviews SARS was undergoing or scheduled to undergo, progress was made in the Global Forum's Peer Reviews to assess South Africa's standard of EOIR, as well as the effectiveness of the implementation of the AEOI Standard.

SARS also saw an increased use of its customs exchange of information network to counter illicit activities and to ensure general customs compliance. SARS also benefitted through its participation in numerous training events, the OECD/United Nations Development Programme Tax Inspectors Without Borders initiative, as well as through the facilitation of the South Africa–European Union Revenue, Analysis, Forecasting and Reporting project, to name but a few.

Strategic Objective 9:

Build PUBLIC TRUST and CONFIDENCE in the tax administration system

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.

Key Result:

9.1 Public opinion survey results reflect high trust and confidence in SARS – score as per public opinion survey	Actual 2018/19	Target 2020/21	Actual 2020/21	Deviation 2020/21
	66.00%	70.00%	74.50%	4.50%

The achieved Public Opinion Score of 74.50% can be attributed to the positive opinions and attitudes toward tax compliance from the respondents.

As part of meeting one of our Strategic Objective of building public trust and confidence in the tax administration system, we undertook the Public Opinion Survey to gauge public opinion on tax compliance. The Public Opinion Survey to us is the voice of the taxpayers and traders. We gauge public opinion on the following drivers of tax compliance: Tax morality, operational efficiency, accessibility, trustworthiness, tax diligence, fiscal citizenship, fiscal responsibility, followership, stewardship, socio economic and affinity. We also use the data collected to develop the Attitude to Tax Compliance Index (or Public Opinion Score). For the 2020/21 financial year, we achieved the Attitude to Tax compliance index of 74.5% vs. 70.00% target. Tax morality came as the top driver of tax compliance from the 11 drivers of tax compliance identified and assessed.

The highlight of the study is that tax morality ranks higher on the drivers of tax compliance. Tax morality in South Africa is high; however, it is not translating into higher tax compliance. South Africans believe it is their responsibility to pay tax – directly or indirectly, knowingly or unknowingly. The highlights direct to SARS are the operational efficiency, accessibility and trustworthiness which are in the top five drivers of tax compliance from the study.

In response to the Public Opinion Survey, SARS is developing an action plan that will ensure it translates the high tax morality into actual tax compliance. SARS believes it will see improvement in the attitude to the Tax Compliance Index in the next version of the Public Opinion Survey in 2021/22.

Capital Investment

Infrastructure Projects

The physical infrastructure project expenditure for the 2020/21 financial year, were focused on compliance upgrades and scanner deployment. These projects were as follows:

Uitenhage HVAC upgrades: SARS upgraded the HVAC system at the Uitenhage office. This upgrade resulted in energy efficiency, ensuring business continuity, and providing a productive working environment for SARS staff.

Back-up power and water system projects: In an effort to ensure business continuity, SARS commenced with a programme to install back up water and power supply systems across its portfolio. SARS installed 2 new generators at the Trescon office as well as a generator and back-up water system at the Port Shepstone office.

Construction of the Scanner facility at Or Tambo Airport: SARS invested over R2.9 million in the year 2020/21 to provide appropriate infrastructure for the establishment of a scanner site, implementation of an air cargo scanner, and the integration of associated scanning software with SARS case management systems and software.

ICT Projects

Technology and Solutions Delivery endeavours to be a trusted delivery and enablement divisional partner within SARS, consisting of high-performance individuals and teams that enable digital progression, continuous delivery of high value technology solutions, safely-managed personal and corporate information to the benefit of SARS and the public, in accordance with SARS' legal mandate.

In doing this SARS must continue to refresh and update its technology platform. During the financial year ending 31 March 2021, SARS made investments of R1 billion in categories such as end user devices, network, security and monitoring, mainframe and related software and storage as well as branch ICT infrastructure.

The total Information Technology project spend was R113 million and included the following projects:

Africa Free Trade Agreement: R5 million

The African Continental Free Trade Area (AfCFTA) project is about the implementation of the AfCFTA Agreement, which was supposed to have come into force on 1 July 2020, but was postponed to 1 January 2021 due to COVID-19. The AfCFTA is a vehicle for Africa's economic transformation, and sets out an ambitious task to liberate the flow of goods, service, people and capital across the African Union's (AU) 55 member states.

Carbon Tax: R5 million

Carbon Tax has been introduced in South Africa as one of the policy instruments designed to fight climate change by promoting a low carbon economy. The aim of the project is to develop and enhance existing systems to enable SARS to implement the legislative and administrative requirements of the Carbon Tax Act. This is done in collaboration with external public entities such as the Department of Environment, Forestry and Fisheries (DEFF) and The Department of Mineral Resources and Energy (DMRE).

In addition to being one of the mitigation instruments aimed at moving the country along the path of reducing its Greenhouse Gas (GHG), Carbon tax provides an important opportunity for another revenue stream that will expand over time, and will contribute to the overall revenue collection of SARS. A carbon price can drive changes in producer and consumer behaviour, and in so doing, address climate change. In addition, carbon pricing will encourage a shift in production patterns towards low-carbon and more energy-efficient technologies by altering the relative prices of goods and services based on their emissions intensity, and by encouraging the uptake of cost effective, low carbon alternatives.

COVID-19 related Initiatives: R12 million

In line with Strategic Objective 2 of making it easy for Taxpayers to comply, combined with a need to increase social distancing (the deliberate increasing of the physical space between people) and limiting branch visitations, the COVID-19 pandemic has necessitated that the manner in which SARS conducts business is fundamen- tally altered. The aim of this project was to enhance digital platforms to empower taxpayers to easily comply with their tax obligations, thereby limiting the need for walk-ins in to the branches. The enhancement and development of channels resulted in a reduction of traffic in SARS branches. Taxpayers traditionally visited branches to obtain Tax directives, confirm banking details, do VAT- and PIT registration, or submit supporting documents and obtaining Tax reference numbers. Capabilities were added to the digital channels to ensure that those functions could be accessed and concluded remotely and easily by taxpayers.

Filing Season including Legal Changes: R29 million

SARS has the vision to build a modern, smart organisation by 2024. This will elevate the taxpayer experience by making it easy to comply through various interventions such as real-time usage of available data to reduce the taxpayer's administrative burden. 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: R5 million

SARS continued on the journey of converting all Adobe Flex-based SARS electronic forms to the HTML5 framework to enhance taxpayers experience, and to stay abreast of the latest technology developments.

The implementation of HTML5 ensures that taxpayer interactions with the forms are device independent and are supported by all browsers in future. HTML5 compatible web browsers have become the de facto standard and provide SARS with a platform that provides consistency across multiple browsers for rendering its digital channels.

The implementation of HTML5 forms has allowed SARS channels to improve the taxpayer service experience and made it easy for taxpayers to comply.

New Customs Act Programme (NCAP): R49 million

In July 2014, the Customs Control Act, 2014 and the Customs Duty Act, 2014 were promulgated into law, replacing the provisions of the previous Customs and Excise Act, 1964. The Customs Control Act 31 of 2014 aims to provide for customs control of all means of transport, as well as goods and persons entering or leaving the Republic of South Africa, and to facilitate the implementation of certain laws levying taxes on goods and of other legislation applicable to such goods and persons.

The aim of this programme is to provide business and system functionality in support of the Reporting of Conveyances and Goods (RCG), Registration, Licensing and Accreditation (RLA) and Declaration Processing (DPR), as part of the implementation of the Customs Control Act 31 of 2014. For the 2020/21 financial year of work continued on the Registration Licensing and Accreditation System (RLA) and the Reporting of Conveyances and Goods (RCG) System.

Customs and Excise is grappling with manual and paper-driven processes. There is a business need to prepare the operational environment by bringing forward the automation of manual and paper driven business processes in alignment to the new Act, thereby benefiting from business efficiencies, while providing an early start to internal and external change management and readiness.

Modern Customs Administrations are moving towards the principles of client self-management, advanced reporting, third party validations, differentiated declarations and treatment, central processing, automated workflows and risk management via electronic submissions.

The NCAP programme implementation will have a major impact on all these manual processes, and will ensure that SARS Customs evolve into a World Class Customs agency, realising improved effectiveness and efficiency for trade, thereby reducing the cost of doing business.

Linking Performance with Expenditure

(Note: SARS' work spans across all 9 strategic objectives, which are inter-related in nature)

Strategic Objectives	2020/21 R'000	2019/20 R'000
SO 1: Provide CLARITY and CERTAINTY for taxpayers and traders of their obligations	492 984	513 224
SO 2: Make it EASY for taxpayers and traders to comply with their obligations	3 754 388	3 908 527
SO 3: DETECT taxpayers and traders who do not comply and make non-compliance HARD and COSTLY	2 684 561	2 794 778
SO 4: Develop a HIGH performing, DIVERSE, AGILE, ENGAGED and EVOLVED workforce	489 559	509 658
SO 5: Increase and expand the use of DATA within a comprehensive knowledge management framework	545 971	568 386
SO 6: Modernise our systems to provide DIGITAL and STREAMLINED online services	*972 211	*1 012 125
SO 7: Demonstrate Effective resource stewardship to ensure efficiency and effectiveness	*1 496 561	*1 558 004
SO 8: Work with and through Stakeholders to improve the tax ecosystem	89 686	93 368
SO 9: Build PUBLIC TRUST and CONFIDENCE in the tax administration system	299 529	311 826
Total	****10 825 450**	**11 269 895**

*Note: ICT and property portfolio cost is centralised to SO 6 and SO 7.
**The amount of R10 825 450 represents operating expenditure excluding capital expenditure of R568 890 but inclusive of depreciation and amortisation of R409 737.

3 PART THREE GOVERNANCE AND RISK MANAGEMENT

Governance

Ethical and effective leadership is at the center of SARS' governance philosophy as it strives to rebuild the organisation. To this end, SARS has updated its values and Code of Conduct, and stepped up efforts to instill a culture of integrity amongst staff. The organisation has adopted an integrated and inclusive approach through the implementation of an updated operating model and flatter organisational structure to improve management and embed accountability across the organisation.

SARS recognises the importance of bolstering governance in the wake of the Nugent Commission of Inquiry into Tax Administration and Governance by SARS 2018 Report, which found, amongst others, that **"the conclusion we reach at the end of this inquiry is that there has been a massive failure of integrity and governance at SARS, and all else follows from that. What SARS was, and what it has become, is sufficient proof in itself that integrity and governance failed on a massive scale".** Clearly, notwithstanding the commendable pre-2014 levels of governance of and in SARS, SARS has to improve the overall resilience of governance to ensure that SARS will withstand future institutional stress testing irrespective of its nature. The Nugent Commission of Inquiry accordingly recommended a review of governance of and in SARS.

In 2019, National Treasury with the support of SARS, initiated the review of the governance of SARS. In parallel, the Commissioner initiated the review of governance in SARS and, to that end, committed SARS to the following governance goals:

Embed strategic clarity and direction

In 2019/20, SARS defined and developed the conceptual strategic framework top-down in support of SARS' strategic intent to develop a tax and customs system based on voluntary compliance. In the year under review, SARS focused on providing strategic clarity and direction through intensive alignment within and across business units. All business units developed organisational key results for the strategic objectives and linked performance causally to metrics, targets data sources and internal and external interdependencies. The effort culminated in a new generation Annual Performance Plan and operational plans aligned to the Strategic Plan. Strategic clarity informs the decentralised approach and supporting organisational structure, which manifests as the SARS Cluster Model, a flatter enterprise-wide structure of taxpayer engagement, enterprise design and enabling, enterprise service and support and corporate business committees that conjoins divisions and units into common purpose and interest partnerships. The organisational structure embeds an integrated and inclusive approach, enabling a broader range of senior management to lead and make decisions in SARS. The cluster structure creates the platform to catalyse system and design thinking in pursuit of systemic solutions enabled through standardisation, ongoing mutual adjustment and, where optimal, functional integration. SARS has thus enhanced its customer value proposition through a decentralised approach and a customer-centered stakeholder approach where stakeholders are appropriately engaged.

Strengthen culture of ethics derived from the impeccable integrity of individuals and align tone from the top

Strategy is meaningless without ethical implementation. In the year under review, the Commissioner continued to drive the initiative to update and embed the SARS values and the Code of Conduct and ethics as an integral pre-requisite to transform strategy into ethically-based delivery. To that end, the Commissioner led a series of leadership workshops designed to facilitate the sustained cascade of messaging and desired behaviours throughout the organisation. Awareness and practical consideration of ethical business practice is at the core of all cluster committee decision making.

Protect the sacrosanctity of taxpayer information

SARS believes in the sacrosanctity of taxpayer information and takes all reasonable steps to safeguard taxpayer confidentiality. In the spirit of co-operative governance, SARS will exchange information with interested government agencies but strictly within the parameter of the law. In 2020, SARS tested the parameters in relation to a request for taxpayer information by the Public Protector. The Constitutional Court in the matter of the ***Public Protector v SARS*** endorsed the principle that SARS is not compelled by law to release taxpayer information to the Public Protector. The Commissioner endorsed the judgment: "This case is about the fundamental principle that taxpayer information is confidential, and a sacrosanct pillar our quest to achieve Voluntary Compliance. Every taxpayer must have the confidence that SARS will fight to protect this right without fear, favour or prejudice." There is a strict duty on SARS to preserve and protect taxpayer confidentiality. "This case has never been about defying the Public Protector, nor about protecting the interest of any particular taxpayer. Every taxpayer is equal before the law, and SARS has the duty to protect taxpayer confidentiality irrespective of their position in society, and apply the law evenly regardless of the persons involved."

Embed risk-based governance as the basis for combined assurance

SARS aims to strengthen combined assurance in SARS, amongst others, by utilizing the cross-sectoral platforms created in the cluster structures, which SARS understands however that a well- functioning and mature risk management system is a pre-requisite to implement an effective efficient combined assurance. SARS has adopted the approach to strengthen its ERMS whilst exploiting opportunities to embed combined assurance in parallel. In 2020/21, SARS embraced the opportunities unleashed by the COVID pandemic to stress test and refine both its emerging risk methodology and the risk appetite and tolerance methodology. The Emerging Risk methodology aims to improve SARS' analytical ability in monitoring changes to the internal and external environment, which would influence the risk profile and assess the potential impact of the changes to the organisation. The methodologies set boundaries for the type of risk SARS is willing to take and how much risk SARS is prepared to accept. In addition, the Cluster Committees have started identifying areas of process and procedure overlaps driving the debate on whether overlaps are duplications leading to inefficiencies or necessary checks and balance in support of combined assurance. In addition, most risks associated with the implementation of the recommendations of the Nugent Commission of Inquiry were largely addressed. Various matters relating to the recovery of funds under disputed tenders or delivery are ongoing.

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

- Set governance standards in line with national and international best practice. This includes discreet reliance on the King IV Code, the OECD Principles for Good Tax Administration and the package of WCO Frameworks for Customs Administrations.
- Ensure a common understanding of, organisational buy-in into and implementation of such standards.
- Monitor compliance with governance standards across the organisation.
- Incrementally measure the outcomes of deepening combined assurance.

Parliamentary Engagement

Standing Committee on Finance (SCOF)	
Date of meeting	**Matters raised**
6 March 2020	2020 Fiscal Framework and Revenue Proposals: Budget submissions: National Treasury and SARS response
17 March 2020	Illicit financial flows: briefing by Inter-Agency Working Group
23 April 2020	Disaster Management Tax Relief & Administration Bills: National Treasury and SARS briefing
25 May 2020	National Treasury & SARS 2020/21 Annual Performance Plans; with Minister & Deputy Minister
09 June 2020	Digital Economy and Taxation Policy: National Treasury, PBO and SARS input
25 June 2020	2020 Supplementary Budget: Minister of Finance briefing
3 July 2020	2020 Revised Fiscal Framework: Treasury response to public submission
7 July 2020	Committee Report on 2020 Revised Fiscal Framework; National Treasury on Adjusted Budget & Revised APP; with Deputy Minister
22 July 2020	Disaster Management Tax Relief & Administration Bills: public hearings
28 July 2020	Disaster Management Tax Relief & Administration Bills: response to submissions
18 August 2020	Disaster Management Tax Relief & Administration Bills: proposed amendments
19 August 2020	Disaster Management Tax Relief & Administration Bills: finalisation; Draft Rates, Taxation Laws & Tax Administration Laws Amendment Bills: briefing
06 October 2020	National Treasury and SARS 2019/20 Preliminary Annual Reports; with Deputy Minister
13 October 2020	Tax Laws Amendment Bill (TLAB), Tax Administration Amendment Bill (TALAB) and Rates Bill: National Treasury and SARS responses to public submissions
29 October 2020	2020 MTBPS: National Treasury and SARS briefing; with Ministry
6 November 2020	2020 MTBPS: National Treasury and SARS response to public submissions
11 November 2020	TLAB, TALAB and Rates Bills: voting and Committee Reports
24 November 2020	Nugent Commission: National Treasury & SARS briefing; with Deputy Minister
25 February 2021	2021 Budget: Treasury briefing; with Minister and Deputy Minister
Select Committee on Finance (SECOF)	
Date of meeting	**Matters raised**
1 September 2020	Disaster Management Tax Relief and Administration Bills: briefing
9 September 2020	Disaster Management Tax Relief & Administration Bills: consideration of public submission
10 September 2020	Disaster Management Tax Relief & Administration Bills: Committee Reports
17 November 2020	2020 Tax Bills: briefing on key issues and amendments by National Treasury and SA Revenue Service
24 November 2020	TLAB, TALAB and Rates Bills: public hearings
26 November 2020	TLAB, TALAB and Rates Bill: National Treasury response to public submissions
1 December 2020	TLAB, TALAB and Rates Bill: National Treasury response to public submissions continued
2 December 2020	TLAB, TALAB and Rates Bill: adoption

Executive Authority Engagement

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 take place on a one-on-one basis between the Minister and Commissioner, as and when required.

Ministerial Meetings for 2020/21	
4 November 2020	Meeting led by the Deputy Minister
4 December 2020	Meeting led by the Deputy Minister
5 February 2021	Meeting led by the Deputy Minister

SARS Committees

Executive Committee

No. of meetings held	No. of members	Name of members	Designation
11 Meetings	**25**	Edward Kieswetter	Commissioner
21 April 2020		Jeanneé Padiachy	Chief of Staff
30 April 2020		Johnstone Makhubu	Chief Revenue Officer
15 May 2020		Herman Smith	Head: Operations Enabling
17 June 2020		Yolandé van der Merwe	Chief Financial Officer
29 July 2020		Intikhab Shaik	Head: Technology and Solution Delivery
9 September 2020		Marius Papenfus	Head: Enterprise Data Management
22 September 2020		Franz Tomasek	Head: Legislative Policy
11 November 2020		Firdous Sallie	Head: Digital Channels
27 January 2021		Vlok Symington	Product and Process Owner
10 February 2021		Dipuo Mvelazi	Segment Leader
10 March 2021		Sobantu Ndlangalavu	Head: Employee and Labour Relations
		Bongiwe Mabanga	Head: Governance and Risk
		Mandiza Mbekeni	Head: Gender Equality
		Dan Zulu	Standard Operations
		Narcizio Makwakwa	Business Segment
		Desrae Lawrence	Head: Specialised Audit
		Nathaniel Mabetwa	Regional Director: Gauteng North
		Siphithi Sibeko	Head: Communications and Media
		Rebone Gcabo	Head: Taxpayer and Trader Education
		Nirala Ramlall	Women in Leadership
		Habiba Logday	Head: Criminal Investigations
		Beyers Theron	Head: Border Operations
		Mark Kingon	Head: Stakeholder Relations
		Viwe Mlenzana	Head: Talent and Capacity Development
		Refiloe Ramaphakela (Invitee)	Head: Internal Audit

Enterprise Risk Management Committee

No. of meetings held	No. of members	Name of members	Designation
1 Meeting 5 February 2021	24	Edward Kieswetter	Commissioner
		Jeanneé Padiachy	Chief of Staff
		Johnstone Makhubu	Chief Revenue Officer
		Herman Smith	Head: Operations Enabling
		Nathaniel Mabetwa	Regional Director: Gauteng North
		Yolandé van der Merwe	Chief Financial Officer
		Intikhab Shaik	Head: Technology and Solutions Delivery
		Habiba Logday	Head: Criminal Investigations
		Beyers Theron	Head: Border Operations
		Mark Kingon	Head: Stakeholder Relations
		Viwe Mlenzana	Head: Talent and Capacity Development
		Narcizio Makwakwa	Business Segment
		Marius Papenfus	Head: Enterprise Data Management
		Franz Tomasek	Head: Legislative Policy
		Firdous Sallie	Head: Digital Channels
		Vlok Symington	Product and Process Owner
		Dipuo Mvelazi	Segment Leader
		Sobantu Ndlangalavu	Head: Employee and Labour Relations
		Siphithi Sibeko	Head: Communications and Media
		Bongiwe Mabanga	Head: Governance and Risk
		Rebone Gcabo	Head: Taxpayer and Trader Education
		Nirala Ramlall	Women in Leadership
		Mandiza Mbekeni	Head: Gender Equality
		Refiloe Ramaphakela	Head: Internal Audit

Audit and Risk Committee

No. of meetings held	No. of members	Name of members
7 Meetings 29 April 2020 (Special) 23 July 2020 30 July 2020 (Special) 28 Aug 2020 (IA and Risk Workshop) 26 October 2020 4 December 2020 12 March 2021	3	Mr Sathie Gounden (Term ended 31 March 2021) Mr Thabiso Ramasike Ms Doris Dondur Ms Rachel Nkgodi (Attended no meetings in 2020/21)

SARS Executive Committee

EXCO Member	Position	Permanent/Acting	Dates
Edward Kieswetter	Commissioner	Permanent	1 April 2020 – 31 March 2021
Jeanneé Padiachy	Chief of Staff	Interim	Interim: 1 April 2020 – 31 March 2021
Johnstone Makhubu	Chief Revenue Officer	Interim	Interim: 1 April 2020 – 31 March 2021
Herman Smith	Head: Operations Enabling	Interim	Interim: 1 April 2020 – 31 March 2021
Yolandé van der Merwe	Chief Financial Officer	Interim	Interim: 1 April 2020 – 31 March 2021
Intikhab Shaik	Head: Technology and Solutions Delivery	Interim	Interim: 1 April 2020 – 31 March 2021
Marius Papenfus	Head: Enterprise Data Management	Interim	Interim: 1 April 2020 – 31 March 2021
Franz Tomasek	Head: Legislative Policy	Interim	Interim: 1 April 2020 – 31 March 2021
Firdous Sallie	Head: Digital Channels	Interim	Interim: 1 April 2020 – 31 March 2021
Vlok Symington	Product and Process Owner	Interim	Interim: 1 April 2020 – 31 March 2021
Dipuo Mvelazi	Segment Leader	Interim	Interim: 1 April 2020 – 31 March 2021
Sobantu Ndlangalavu	Head: Employee and Labour Relations	Interim	Interim: 1 April 2020 – 31 March 2021
Bongiwe Mabanga	Head: Governance and Risk	Interim	Interim: 1 April 2020 – 31 March 2021
Mandiza Mbekeni	Head: Gender Equality	Interim	Interim: 1 April 2020 – 31 March 2021
Dan Zulu	Standard Operations	Interim	Interim: 1 April 2020 – 31 March 2021
Narcizio Makwakwa	Business Segment	Interim	Interim: 1 April 2020 – 31 March 2021
Desrae Lawrence	Head: Specialised Audit	Interim	Interim: 1 April 2020 – 30 Nov 2020
Nathaniel Mabetwa	Regional Director – Gauteng North	Interim	Interim extended: Nov 2020 – 31 March 2021
Siphithi Sibeko	Head: Communications and Media	Interim	Interim extended: Nov 2020 – 31 March 2021
Rebone Gcabo	Head: Taxpayer and Trader Education	Interim	Interim extended: Nov 2020 – 31 March 2021
Nirala Ramlall	Women in Leadership	Interim	Interim extended: Nov 2020 – 31 March 2021
Habiba Logday	Head: Criminal Investigations	Interim	Interim extended: Nov 2020 – 31 March 2021
Beyers Theron	Head: Border Operations	Interim	Interim extended: Nov 2020 – 31 March 2021
Mark Kingon	Head: Stakeholder Relations	Interim	Invitee: 1 April 2020 – Nov 2020 Interim extended: Nov 2020 – 31 March 2021
Viwe Mlenzana	Head Talent and Capacity Development	Interim	Interim extended: Nov 2020 –31 March 2021
Refiloe Ramaphakela	Head Internal Audit	Interim	Invitee: 1 April 2020 – 31 March 2021

Enterprise Risk Management

The purpose of an enterprise risk management function is to enable and support SARS in developing an effective risk management system, as well as to facilitate the identification, assessment and management of risks that may impede the organisation from achieving its mandate, strategic objectives, and key operational outcomes in a dynamic and challenging environment. This is achieved through the implementation of best practice approaches, strategies, frameworks, and awareness, coaching and mentoring across the enterprise.

The 2020/21 financial year commenced dramatically with the advent of the COVID-19 pandemic, resulting in a national lockdown and immediate implementation of remote working for majority of the staff.

The Commissioner introduced the Operational Key Result (OKR) framework to SARS, expanding on the key actions and deliverables aligned to the nine new strategic objectives formulated to reflect the path to rebuilding SARS. Engagements with the Commissioner and the SARS senior leadership resulted in the identification of a new Strategic Risk profile for SARS, with nine new Strategic Risks identified against the SARS mandate. The finalised and approved SARS Strategic Risk Profile was submitted to the Audit and Risk Committee. Each Strategic Risk has been assigned an accountable Risk Owner, and treatment actions were assigned an Action Owner. A critical risk was included in the Strategic Risk profile recognising the multiple impacts of the COVID-19 pandemic to SARS, revenue collection and business continuity. The new Strategic Risk Profile replaces the current Top Risks in the 2021/22 Annual Performance Plan and the updated Strategic Plan, and will be reported on in the new 2021/22 financial year. The operational risk registers were also updated to align with the new operating model that adopts a cluster and sub cluster approach. This resulted in the development of a new operational risk profile for SARS.

Amongst the key deliverables was the development of a SARS emerging risk methodology. The purpose of the methodology is to improve SARS' analytical ability in monitoring changes to the internal and external environment, which would influence the risk profile and assess the potential impact of the changes to the organisation. SARS' Risk appetite and tolerance methodology approach was also reviewed. The risk appetite and risk tolerance set boundaries for the type of risk SARS is willing to take, and how much risk SARS is prepared to accept.

SARS has developed a keen interest and working relationship with Enterprise Risk Management - Community of Interest (ERM-COI) at the OECD Forum for Tax Administration (FTA). The Commissioner addressed the ERM-COI in January 2021. SARS played a constructive role in the development of the OECD FTA ERM risk maturity model that has been published as a guide for all tax administrations who are members of the FTA.

The following table highlights the current SARS Top Risks as defined in the 2020/21 APP, key mitigating actions and progress to manage these risks. The risks listed below are in no particular order of ranking.

1. Cyber Security Threat
2. Loss of Public Trust and Credibility
3. Illicit Trade and Smuggling
4. Increasing Non-Compliance by Taxpayers and Traders
5. Business Interruption
6. Loss and Leakage of Data and Information
7. Non Achievement of Revenue Estimates due to Less than Expected Revenue Collections
8. Workforce Capacity and Allocated Staff Budget are not Aligned

Risk Title	Mitigating Actions
1. 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.	o SARS Technology and Solutions Delivery has implemented a number of enhancements to improve the SARS security posture, with initiatives to improve the current IT security controls. o During the last quarter of the financial year, SARS IT concluded the enhanced capabilities of the Security Operations Centre. There is a dedicated team in place that monitors the IT landscape for activities that may put SARS at risk. These are sent to the correct support teams for correction or remediation. o Over 4 500 employees have been tested on their proneness to be a victim of a phishing attack, and 26% employees still fail to initially identify these emails, with 4% actually replying to them (opening the link or attachment). Three new additional Information Security eLearning awareness training modules will be rolled out during Quarter1 of the 2021/22 year to address this.
2. Loss of Public Trust and Credibility Damage to the reputation of SARS due to: o Negative media reports; o Varying levels of service provided to customers and stakeholders; o SARS non-compliance to legislation and regulations, may lead to the projection of a negative perception of SARS and result in loss of public trust and credibility	o The Communication and Media unit is further developing a Reputation Framework, after discussions and inputs received, prior to submission to the Office of the Commissioner for approval. o The Service Charter document was reviewed, finalised and requires graphic design and content layout, together with a communication plan. These were delayed due to the COVID-19 impact on human resources. Approval and adoption should be finalised in Quarter 1 of 2021/22. o The Service Charter Financial Year End (FYE) Performance is below the APP target by 11.13%, as high aged inventory, working from home and regional resource alignment took some time to be addressed. Communication and awareness of the Charter is to be embarked on, and should improve value-chain handover and prioritisation of cases.
3. Illicit Trade and Smuggling Sub-optimal border control leads to smuggling (narcotics and counterfeit), illicit trade, trade mispricing and illicit financial flows, whose negative socio-economic impact threatens economic growth, undermines legitimate formal business activity, job security and creation. Poor risk profiling, technology and skills lead to the inability to detect non-compliance, enforce compliance, and to poor management of the risk posed by the illicit economy and the shadow economy.	o All operational plans within the dedicated Criminal and Illicit Economic Activities Division were reviewed and actions were aligned, to achieve maximum disruptive impact in the short term. The capacity is still heavily under resourced, but impactful actions over the past quarter bears testimony to the effectiveness. o Integrated capability focusing on illicit trade and illicit financial flows continues to detect and investigate instances of non-compliance. o A strategy on illicit trade has been formulated and implemented. Dedicated focused teams are addressing industries such as Tobacco, Fuel and Alcohol. o SARS continues to strive to collaborate and strengthen inter-agency partnerships with key law enforcement agencies in the fight against the illicit economy. o Joint enforcement initiatives have commenced to investigate PPE tender cases. o Impact of Customs enforcement on voluntary compliance is as follows: • As at the end of March 2021, the Key Industry Management report showed that an average of 95% of Clothing Textile Footware Leather (CTFL) import declarations were declared above the reference prices on imports monitored (on the 163 Tariff Headings and those with quantities above 100 units. • The proposal for the establishment of the SADC-wide illicit trade task team was approved by the Ministers of Finance forum held on 31 March 2021. This is an important milestone for the region as it will be the first of its kind in the region to integrate both Customs and Tax issues. It is through this collaboration that SARS will be able to fully address the challenges of illicit trade as a regional block.
4. 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.	o SARS has finalised and implemented the Annual 2020/21 Compliance Programme. o Data Analysis capability has been transferred to the Tactical Analyses and Investigations unit. 78 possible VAT fraud syndicates were identified through data analyses. o The Stopper 41 project, aimed at circumventing fraudulent VAT claims, yielded R389 million in prevented revenue losses. This brings the total fraudulent refund prevented and cash collections through data analyses and preliminary investigation to R1.115 billion for the year.

Risk Title	Mitigating Actions
5. 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	o The first National Operations Risk and Business Continuity Committee meeting is anticipated to commence in Quarter 1 of 2021/22. o The BCM policy, which provide governance and operations guidance to the organisation, has been drafted and subsequently approved by the Commissioner. o The Operations Enablement and Production Planning (OEPP) BCM team has commenced with the roll-out of the BCM plans within Operations. o The development of the BCM framework will be completed by the OEPP BCM team, in accordance with the policy.
6. Loss and Leakage of Data and Information The lack of a coordinated enterprise-wide approach to protecting and securing digital and physical information leads to fragmented and inefficient management and security controls, resulting in loss, theft, and exploitation of data and physical information.	o SARS Technology and Solutions Delivery (TSD) has implemented a number of enhancements to improve the SARS security posture. o During the last quarter of the financial year, SARS concluded the enhanced capabilities of the Security Operations Centre (SOC). A dedicated team is in place to monitor the internal and external IT landscape for activities that may put the organisation at risk. Integration between the existing Data Loss Prevention system and the SOC was successful, and a number of "use cases" developed to ensure improved monitoring. o The final draft of the Business Case for the Information Security Management System (ISMS) framework is being reviewed for submission to the approval authority during Quarter 1 of the 2021/22 financial year.
7. Non Achievement of Revenue Estimates due to Less than Expected Revenue Collections An 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 (sugar levies, carbon taxes), and national debt sustainability during different economic scenarios, and microeconomic factors including household debt sustainability, declining employment rates, and increasing business liquidations.	o For the 2020/21 fiscal year, SARS actual revenue collections amounted to R1 249.9 billion, being R37.7 billion or 3.1% above the Revised Estimate of R1 212.2 billion, albeit R105.8 billion or 7.8% less than the prior year's collections, consequent to the negative impact of the COVID-19 pandemic. o To supplement efforts required to successfully collect all revenue due to meet the estimates, SARS executed compliance activities aimed at improving the overall compliance levels across targeted taxpayer and trader segments. o For the 2020/21 fiscal year, Compliance (Collected) Revenue amounted to R171.97 billion, being R64.97 billion or 60.7% above the full year estimate of R107.0 billion, and 33.9% above the prior year's collections. Revenue from compliance activities came from two streams i.e.: • Cash: Defined as amounts collected through SARS bank accounts: R99.8 billion (34.4% up from R74.2 billion reported the prior year). • Non-cash: Defined as refund leakages that were prevented from being paid out: R72.2 billion (33.4% up from R54.1 billion reported the prior year).
8. 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 stretched, which impacts directly on revenue collection, delivery and the quality of SARS strategic outcomes and existing staff morale.	o The transition to the new organisational arrangement has been concluded. Enterprise Capacity Management published the recommended view of the organisation's future workforce requirements and relevant people, process, policy and/or technology strategies, based on engagements with business and enhanced data and predictive analysis modelling. o The list of priority positions has been shared with Talent and Capability Management to identify the critical skills/capabilities required, to enhance recruitment and retention strategies. The recruitment process has commenced to ensure that critical capacity shortages in the organisation are addressed. o Continuous work to refine the Enterprise Capacity model that informs the SARS Production Plan remained a focus area – the intended impact of this work is to inform the SARS production schedule, and ensure the optimal deployment of resources to the most value-yielding activity at any given time. Further enhancements include the consideration of events that influences the SARS seasonal calendar, and caters for cycles of peaks and troughs. The specific focus area was the verifications (Compliance Audits) in the PIT realm, as this directly relates to the majority of inbound calls and complaints.

Integrity Promotion

Integrity Capability Strengthening programme

In an effort to strengthen organisational capability to promote integrity, SARS aligned its values and code of ethical conduct with its strategic objectives. SARS also developed an integrity testing tool and the concept of an integrity barometer. The tools will be used to measure and monitor the levels of integrity at strategic, tactical and operational levels.

Integrated Integrity Promotion and Anti-Corruption Framework

An Integrated Integrity Promotion and Anti-Corruption framework was developed and approved. This plan will be implemented in the 2021/22 financial year.

SARS Values, Code of Conduct and Ethics

The revised values, together with the associate behaviours for each value and the code of ethical conduct were aligned with SARS' vision 2024. The seven SARS values of Fairness, Integrity, Trust, Honesty, Accountability, Respect and Transparency were integrated into four value statements, which are:

- Uncompromising regard for taxpayer confidentiality.
- Uncompromising integrity, professionalism and fairness.
- Exemplary public service.
- Incontestable insight from data and evidence.

The revised values serve as a guide for the development of policies and procedures. These values were also aligned to the fundamental principles of good governance as encoded by King IV. The values and the Code of Conduct and Ethics (CoCE) of SARS filter through all operational activities. A revised CoCE was approved, and all SARS staff members are required to adhere to a codified CoCE. The purpose of the CoCE is to express the set of values and acceptable behaviours expected of all SARS employees. As part of embedding these values and conduct, a number of policies, Standard Operating Procedures (SOP), Terms of References (ToR) including COVID-19 regulations were aligned with these revised values.

Integrity Capacity building programme

The process of embedding the revised values and the Code of Conduct and Ethics in the attitude and aptitude of all SARS employees was achieved through digital training and development sessions, and constant engagement with staff members to ensure that the values become part of the DNA of SARS and all its employees. For the year, 876 employees completed the course. In addition, we engaged with employees at national induction and focus group sessions through online platforms. SARS continues to raise awareness through screen savers and internal publications.

Tax Administration Diagnostic Assessment Tool

SARS participated in the TADAT for 2020/21, and the results were communicated to our leadership. SARS will work in the 2021/22 financial year to address the gaps identified by the assessment.

Ethics and Integrity Risk Mapping

Confidence in internal processes, systems and procedures were created through a simplified and effective ethics and corruption risk mapping exercise. The risks were identified at three customs impact areas, which are strategic, tactical and operational. The risks were also aligned with the findings of the gap analysis report done on the Arusha Declaration principle in the 2018/19 financial year. This exercise was conducted in order to gauge the level of SARS' compliance to the Arusha Declaration principles. Due to COVID-19, the recommendations could not be fully implemented in the 2020/21 financial year and will continue in the 2021/22 financial year.

SARS facilitation of WCO Integrity Perception Survey and Integrity Diagnostic Assessment

SARS played a vital role during the preparatory phase of the Customs Integrity Perception Survey, due to commence on 12 April 2021 and the Customs Integrity Diagnostic Assessment due to start on 13 May 2021. The detailed reports on these projects will be shared in the 2022/23 financial year.

Compliance with Laws and Regulations

A SARS Internal Regulatory Compliance Policy was approved and published internally. The main purpose of this policy is to ensure that SARS, through its employees and stakeholders, adheres to compliance obligations and implements internal controls in its day-to-day operations to manage the risk of non-compliance. The policy entails a compliance policy statement wherein the Commissioner, SARS leadership and management pledge their commitment to comply with both the spirit and letter of regulatory requirements applicable to SARS and to act with due skill, care and diligence. The policy depicts SARS' philosophy and approach to regulatory compliance. This was accompanied by the publication of SARS Compliance Risk Universe (CRU) and Compliance Risk Profile (CRP) internally. Regulatory compliance training will take place in the 2021/22 financial year, to socialise and institutionalise the principles of regulatory compliance across SARS, as entailed in these documents.

The 2020/21 year was spent rolling out the POPIA project in order to ensure that SARS had the necessary internal measures to meet the legislative requirements due on 30 June 2021.

SARS Records Management

In line with SARS' strategic objective seven - to drive greater resource stewardship to ensure the efficient use of resources and deliver quality outcomes and performance excellence, the SARS records management programme made significant progress in the area of governance, risk and compliance. SARS was selected by the Regulator for an inspection in terms of compliance to the National Archives and Records Service Act. SARS complied with the regulations and legislative mandate in the areas of training and awareness, file classification systems, disposal of records and governance, and risk controls. The compliance report was approved by the Commissioner on 8 February 2021 and issued to the Regulator.

B-BBEE Compliance

SARS achieved Level 7 discounted to Level 8 on its B-BBEE scorecard for the 2020 period.

The level achieved is directly linked to activities that require funding in order to obtain points for BEE. With all organs of state affected by budget cuts, SARS' B-BBEE scorecard was also affected negatively.

In terms of Management Control, SARS achieved 17.94 out of the possible 20.00 points for the 2020 financial period. This is 1.89 points higher than the previous year. Focus was clearly placed on recruitment and retention of black females on all levels.

On the Skills Development category, SARS scored 13.37 out of the possible 30 points. This is 2.03 point more than the 2019 period. All learners were absorbed from the previous year, which scored SARS some additional bonus points.

In the Enterprise and Supplier Development : Procurement category SARS achieved 24.80 plus 1.28 bonus points of the possible 32.00 points. This is an increase of 6.43 points from the 2019 verification. SARS scored very well on the procurement sub-element with the areas where SARS scored maximum points:

- Spend from empowering suppliers (5 points).
- 51% Black owned enterprises (11 points).
- 30% Black woman owned enterprises (5 points).

Element	Element Weighting	Score
Management Control	20.00	17.94
Skills Development	52.00	13.37
Supplier and Enterprise Development	50.00	28.32
Socio-Economic Development	5.00	0.00
Overall Score	**100.00**	**59.63**

Criteria	Response	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 – SARS is a schedule 3A entity not charged with the responsibility of issuing licenses, concessions or other authority in respect of economic activity
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 as it does not fall within the scope of SARS' mandate
Developing criteria for entering into partner-ships with the private sector?	No	None required within SARS' mandate
Determining criteria for the awarding of incentives, grants and investment schemes in support of Broad Based Black Economic Empowerment?	No	Not applicable in terms of SARS' mandate

Fraud and Corruption

SARS adopted a holistic approach in the promotion of integrity and the combating of internal fraud and corruption, through the benchmarked and approved Integrity and Anti-Corruption Framework. The Framework further guides the organisation to adopt a pro-active approach by focusing on promotion, prevention and early detection, in addition to investigation and resolution.

In pursuance of this, 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 prevention, detection, and investigation of internal fraud, theft, corruption and serious misconduct by SARS employees and/or third parties, as well as to pursue disciplinary and criminal action where appropriate. All allegations are extensively investigated and bi-annual reviews of the fraud and corruption threats against SARS are done. These thematic reports, guide SARS' activities in terms of focus areas.

For the 2020/21 financial year, 154 new cases were received for investigation. Most of these cases involved unauthorised interference in tax matters (62), as well as conflict of interest (28). Other allegations included ghost exports (8), fraud/misconduct in other customs processes (9), customs corruption (6) and information breaches (8). Thirty-two percent of these cases were identified through our data analytic initiative. SARS plans to enhance this capability to improve early detection of impropriety and wrongdoing.

SARS completed 241 investigations. A total of 64 cases were referred to the SAPS, 18 to the NPA and 45 were referred for internal disciplinary action. The NPA finalised four criminal trials relating to these cases and notable sentences were handed down. A further two external individuals and one SARS official were arrested on charges relating to corruption during the year. SARS also investigated cases where the SAPS arrested a Customs official for armed robbery, and another Customs official was arrested for defeating the ends of justice.

To further minimise revenue leakages, SARS assesses and blocks the payment of suspicious refunds. During the 2020/21 financial year dealt with 10 376 verification requests (up by 53%) relating to suspicious refunds, of which 9 862 were finalised. SARS managed to recover substantial refunds to the value of R212.8 million through this process. To further enhance the prevention and early detection of internal fraud and corruption, SARS finalised its Communication and Stakeholder Plans during the year, which guides the continued interactions and engagements with internal and external stakeholders. The aim is to increase awareness on fraud and corruption (including information security), reporting responsibilities and avenues, as well as improving investigation and resolution outcomes.

Mechanisms in place to report fraud and corruption

SARS has a Protected Disclosures (whistle-blower) Policy. There are several entry points which can be used to report suspicions/allegations of fraud and corruption:

- Inform line managers' managers where the disclosure implicates the employee's immediate line manager.
- Utilise the SARS Hotline number (0800 00 28 70).
- Utilise the SARS Anti-Corruption mailbox at Anti-Corruption@sars.gov.za.
- Inform any member of the Anti-Corruption 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 are submitted via a RSN form for analysis, evaluation and assignment to the relevant SARS unit. A case is registered, and all actions related to the case are recorded.

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. 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.

SARS Social Responsibility

The SARS 2020/21 Social Responsibility (SR) initiatives were severely impacted by the COVID-19 pandemic, however, the donation programme continued cautiously, whilst the regional Mandela Day initiatives had to be cancelled as the country experienced astronomical high COVID-19 infections at the time. The education and awareness sessions were conducted remotely, and only in areas where there was a critical need.

The 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).

The SR unit is the custodian of SARS' Social Responsibility initiatives, which enables SARS to provide a helping hand to disadvantaged members of society through social initiatives, with the aim of making a lasting difference in the lives of vulnerable people.

Donations Programme

During the 2020/21 financial year, SR donated 5 336 IT and non-IT assets to 198 schools and NGOs beneficiaries across the nine regions of South Africa.

Annual Nelson Mandela Day Initiatives

During SARS' Mandela Day volunteerism, under the theme "Take Action - Inspire Change - Make Every Day a Mandela Day", the Head Office collected the leftovers of milk, coffee, and sugar and donated it to a nearby registered NGO.

Solidarity Fund Contributions

The Solidarity Fund was established with a mandate to support the national response to the COVID-19 pandemic, contribute to humanitarian relief efforts and mobilise South Africans in the fight against it. SARS employees contributed R1.9 million to the Solidarity Fund from May 2020 until March 2021.

Internal Audit

Objective

Internal Audit helps the organisation accomplish its objectives by bringing a systematic, disciplined approach when evaluating and improving the effectiveness and efficiency 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 internal audit reports functionally to the Audit and Risk Committee and administratively to the Commissioner.

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.

The controls, subject to evaluation encompass, include the information systems environment, the reliability and integrity of financial and operational information, the effectiveness of operations, safeguarding of assets, and compliance with laws, regulations and controls. Internal Audit also assists the accounting authority in achieving the objectives of SARS by evaluating and developing recommendations for the enhancement or improvement of the processes through which objectives and values are established and communicated, the accomplishment of objectives is monitored, accountability is ensured, and corporate values are preserved.

Summary of work done for the 2020/21 financial year

An internal audit plan, based on Internal Audit's assessment of key areas of risk for SARS, having regard to current operations, the operations proposed in the Strategic Plan and Risk Management Strategy, was implemented as approved by the Audit and Risk Committee. This plan was reviewed during the year to incorporate the impact of COVID-19.

The audit projects executed were balanced to enable Internal Audit to have a fair view of the state of the control environment within SARS.

Role of the Audit and Risk Committee

The Audit and Risk 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 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.

Audit Committee Members	Designations:	Qualifications	Internal or External	Date Appointed	Date Resigned	No. of Meetings attended
Mr Sathie Gounden	Chartered Accountant (SA), Chartered Director (SA)®	o B Compt (Unisa) o Higher Diploma in Accountancy (University of Durban-Westville) o Certificate in Forensic Accounting & Fraud Examination (University of Pretoria) o Executive Leadership Development Institute Programme (Harvard Business School & NABA) o Certificate of Mediator Accreditation (Conflict Dynamics)	External	24 May 2012	31 March 2021	7
Ms Doris Dondur	Chartered Accountant (SA), Chartered Director (SA)®	o Bachelor of Accounting (Stellenbosch) o Honours B Compt (Unisa) o Global International Executive Development Programme (Wits & London Business School) o International Executive Development Programme (University of Reno) o Honours in Business Administration (Stellenbosch Business School) o Masters in Business Administration (Stellenbosch Business School) o Post Graduate Certificate in Labour Relations (Unisa) (Cum Laude)	External	02 August 2018	-	7
Mr Thabiso Ramasike	CAIB (SA) – (Institute of Bankers of SA)	o BComm (UJ) o Senior Executive Development Programme (GIBS) o Global International Executive Development Programme – (University of Toronto and York University, Canada)	External	14 July 2016	-	7
Ms Rachel Nkgodi	Chartered Accountant (SA)	o MMDP (Duke Corporation Education – Duke University) o Honours B Compt – Accounting Science/CTA (Unisa) o B.Com Accounting (University of Johannesburg)	External	10 March 2021	-	None attend-ed in 2020/21

Report of the Audit and Risk Committee

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 and complies with relevant legislation, regulation and governance codes.

The Committee submits this report for the financial year ended 31 March 2021, as required by the Treasury Regulations 27.1.7 and 27.1.10 (b) and (c) issued in terms of sections 51 (1)(a)(ii) and 76(4)(d) of the PFMA.

AUDIT AND RISK COMMITTEE MEMBERSHIP

The Committee consists of three Independent Members and is chaired by Ms Doris Dondur.

The Committee is required to meet at least four times per annum as per its approved terms of reference. Four ordinary (4) meetings and three (3) special meetings were held for the financial year ended 31 March 2021.

AUDIT AND RISK COMMITTEE RESPONSIBILITY

The Audit and Risk Committee is satisfied that it has complied with its responsibilities as outlined in Section 51 (1)(a)(ii) of the PFMA and Treasury Regulation 27.1.7. The 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 CONTROLS

The PFMA requires the Accounting Officer to ensure that the organisation has and maintains effective, efficient and transparent systems of financial, risk management and internal control, whilst it is the Committee's role to review the effectiveness of internal controls and oversee risk management. Reviews on the effectiveness of the internal controls were conducted and they covered financial, operational, compliance and risk assessment.

In line with the PFMA, Internal Audit provides the Committee and management with reasonable assurance that the internal controls are appropriate and effective. This is achieved by evaluating internal controls to determine their effectiveness and efficiency, and by developing recommendations for enhancement or improvement. Our review of the findings of the Internal Audit work, which was based on the enterprise risk assessments conducted, revealed certain short comings in mitigating those risks, which were brought to the attention of the SARS Management team.

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 period under review was not entirely adequate and effective in improving the control environment and to reduce the risk to an acceptable level.

THE QUALITY OF THE QUARTERLY MANAGEMENT REPORTS

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

ENTERPRISE RISK MANAGEMENT

The Enterprise Risk Management (ERM) function has in consultation with the Committee, embarked on a multi-year journey to implement a new risk approach, adapting the key learnings from the King IV Report on Corporate Governance™ for South Africa, 2016 and the ISO 31000 Standards.

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. These policy documents comply with the National Treasury Framework for managing risks.

The Committee is satisfied with the scope and direction taken by ERM to ensure SARS develops and implements an appropriate risk management approach, consistent with the needs 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.

THE EFFECTIVENESS OF INTERNAL AUDIT

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

The Committee is responsible for ensuring that the organisation's 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.

In the year under review, the Internal Audit Activity developed and implemented a risk based strategic and operational coverage plan in accordance with the IIA standards and the Internal Audit Methodology. The following internal audit work was completed during the year under review (2020/21):

- BCM Framework development- Consulting Review
- Debt Value Chain: Dispute Resolution Process
- IT Security Monitoring Review (Anti-virus/malware)
- VAT refunds into third party accounts
- Irregular expenditure determination tests
- Fruitless & Wasteful Expenditure determination tests
- Compliance Programme (Review of the Implementation of revised CP)
- Disaster Recovery Plan and Test
- Review of performance information
- Audit of Performance Objectives
- Tax Relief Measures Review
- COVID-19 Expenditure Review
- Inventory Management Review
- Procurement Open bids
- NCAP Review
- POPIA Review
- GRAP Review
- Compliance Evaluation and Monitoring Information System (CEMIS) system
- Pre Assessment Illicit Economy
- Adhoc-High Net Worth Safe Process
- Illicit Trade Inter Agency Group
- Occupational Health and Safety
- Dispute Resolution
- IT Third Party Management review
- Whistle Blower
- Credit Book Review
- Deregistration of inactive Tax Payers
- Data Governance framework review
- Insourcing of Cleaning Services Consulting Review
- Taxpayer Register review
- Financial Controls Review
- Criminal Cases Referral Process Review
- Information Technology (IT) Security Strategy and Policy review
- IT Help Desk Capacity Audit
- IT Source Code Management Review
- Enterprise Data Warehouse(EDW) application and Data management Review

For the financial year ended 31 March 2021; the Internal Audit function derived at their overall opinion based on the rating scale below:

Conclusion Ratings	Reporting Audit Results	Key Exposure Identified	Potential Impact of Exposure Identified
Good	Audit objectives are met and therefore the system of internal control is adequate and effective.	**No**	The system of internal controls is adequate and effective to provide reasonable assurance that the business objectives will be met.
Adequate	Audit objectives are met. However, immaterial incidents require correction. Therefore, the system of internal control is generally adequate and/or effective.	**Not Likely**	Except for immaterial incidents that need to be corrected, the system of internal control is adequate and effective to provide reasonable assurance that the business objectives will be met. These incidents are not likely to expose the organization to significant risk.
Partially Adequate/ Partially Effective	Audit objectives are only partly met, as there are material incidents that require correction. Therefore, the system of internal control is only partly adequate and/or effective.	**Yes**	Due to material incidents that need to be corrected, the system of internal control can only be partly relied upon to provide assurance that business objectives will be met. Alternatively, the system of internal control may be adequate, but will not provide reasonable assurance that business objectives will be met if material incidents are not corrected.
Weak	Audit objectives are not met and the system of internal controls is not adequate and/or effective	**Yes**	Because of the total breakdown of controls and/or the absence of a system of internal control, business objectives will not be met.

The table below summaries the internal audit overall opinion which was determined based on the audit results for the financial year under review:

No	Process	Opinion
1	Control Environment	Adequate and Partially Effective

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.

EVALUATION OF FINANCIAL STATEMENTS

The Committee reviewed the Annual Financial Statements of the organisation and is satisfied that they comply with the applicable Accounting Standards and that the accounting policies used are appropriate. The Annual Financial Statements were reviewed with the following focus:

- Significant financial reporting judgements and estimates
- 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;
- Reasons for year-on-year fluctuations;
- Asset valuations and revaluations; and
- Re-assessment of the useful life of the assets.

The review of Annual Financial Statements and the Annual Report for the 2020/21 Financial Year was done at the Committee's meeting held on 13 September 2021.

EXTERNAL AUDIT: AUDITOR-GENERAL OF SOUTH AFRICA

The Committee, in consultation with the Accounting Officer, noted to the terms of the Auditor-General of South Africa's engagement letter, audit strategy and audit fees in respect of the 2020/21 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 of South Africa for the 2019/20 Financial Year.

The Audit Committee has also had in committee meetings with the Auditor-General of South Africa and the Accounting Officer.

The Committee has 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 of South Africa.

GENERAL

The Committee strongly recommends that SARS prioritises 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 has reviewed the Auditor-General of South Africa's management and audit reports for the financial year ended 31 March 2021 and concurs with their conclusions. The Committee therefore accepts the audit opinion and conclusion expressed by the Auditor-General of South Africa on the annual financial statements, annual performance report and annual report.

Signed on behalf of the Audit and Risk Committee by:

Ms Doris Dondur

Chairman of the Audit and Risk Committee

Date: 13 September 2021

Ms Doris Dondur

Mr Thabiso Ramasike

Ms Rachel Nkgodi

4 PART FOUR
HUMAN CAPITAL AND DEVELOPMENT

Human Capital and Development

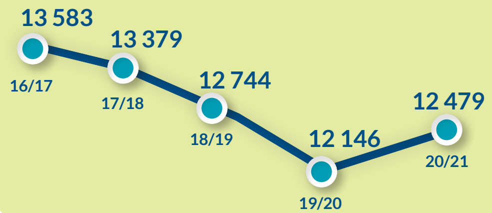
Staff Establishment
Total Headcount (12 479)

12 435 Permanent / Contract

41 Graduate / Trainees

3 Short Term Contract / Seasonal Workers

Headcount trendline



Workforce Profile

61.31%	African
21.51%	White
10.87%	Coloured
5.99%	Indian
0.32%	Foreigner

Employment Equity Race
78.17% achieved against the 80.37 % annual target

Gender @ Management level
49.63% achieved against the 51.37 % annual target

Disability
2.08% achieved against the 2.66 % annual target

Gender Distribution
Male 37.23%

Female 62.77%

(Total include foreigners)

Attrition Type (435)

71 Deaths

168 Resignations

176 Retirements

20 Terminations

(Only Permanent Employees)

Attrition Employment Type (444)

435 Permanent

8 Short Term Contract

1 Graduate / Trainees

0 Seasonal Workers

Appointments (775)

751 External Appointments

(725 Represents the in-sourcing of cleaning staff)

3 Contract **3** Short term

18 Graduate / Trainees

Only External Recruitment

Re-Instatements included in figures

SARS People Management

Enterprise Capacity Management

Despite the challenges of 2020, SARS continued with an integrated approach to strategic operational performance analysis and capacity planning by empowering the organisation to leverage on opportunities from its resources, while driving higher levels of efficiency and effectiveness through the:

- Provision of intelligence on non-value adding activities, root cause analysis, utilisation and productivity measurement, benchmarks and scenario planning.
- Identification of key performance improvement opportunities.
- Aiding of long range planning to adjust resource capacity, and ensure that the operational processes have the enterprise capacity to fulfil its mandate.

Business unit models were adapted to the 'new normal' - moving from a monthly production cycle, to providing a daily view of productivity measures, enabling improved resource management and planning agility of the organisation's resources.

SARS initiated the development and implementation of a daily operations production plan, which detailed diagnostics across the value chain addressing factors such as process, people and technology streams that impact on the performance of the organisation. The Medium Term Capacity Framework is published monthly, and plays an integral role in assisting the organisation to obtain a balance between supply and demand of its resources. Regional resource performance, analysis and planning reports have been developed along with a 12-month rolling forecast model for operational areas.

SARS' staffing decisions are based on the established organisational capacity plans and available staff budgets, which are continually reviewed and adjusted to meet current and future organisational needs.

Learning and Development

SARS continues to develop its staff to ensure the organisation has the skills and expertise it needs to meet the changing demands of its operations. The development of employees remains an important aspect for SARS to achieve Vision 2024. This improves the effectiveness of its revenue collection and enhances the service it provides to the taxpayers/traders. During the 2020/21 financial year, SARS deployed blended learning modes taking into consideration the constraints of COVID-19, and managed to deliver the necessary learning and development interventions to 8 172 employees.

Development Overview	Total
Total employees that attended a training intervention	8 172
Total training days utilised	32 493
Average training days per employee that attended training	3.98
Average training intervention per employee that attended training	6.22

Leadership and Management Development

In 2018, SARS collaborated with Price Waterhouse Cooper (PWC) to design and deliver the Management Development Programmes (MDP) and Operational Management Development Programme (OMDP), targeting Grades 6 and 7 respectively. The contract covered three years, 2018 – 2020, and was recently extended to accommodate the delay caused by the COVID-19 lockdown regulations.

Year two participants (199 OMDP and 81 MDP staff members) who completed the programme will be awarded certificates of competency via a virtual ceremony in May 2021. The 2020 intake was delayed due to the change in the delivery method due to COVID-19. The programme will however still be completed during July 2021.

Leadership Conversations with the Commissioner

Led by the Commissioner, leadership conversations are hosted on a regular basis with the top leadership teams. The Leadership grouping worked intensively and extensively to co-create and provide clarity on its Leadership Model. Clarity was provided on what is expected from SARS leaders, from the perspectives of personal proficiency, the work of leadership and management, what the organisation stands for, and ultimately what SARS wants to be known for in terms of the SARS leadership brand.

Women in Leadership

SARS instituted the Women in Leadership (WIL) Committee, which forms an integral part of the SARS organisational design. The WIL Committee was established as one of the enterprise committees of SARS, and is deemed to be of strategic importance. The mandate of the WIL Committee is to serve as a catalyst to develop and empower leadership competencies as it pertains specifically to women, and within the context of the SARS leadership model of excellence. The aspirations and commitments sets the context for the how and what SARS does. The economic situation and the "new normal" SARS faces, primed inventiveness to explore possibilities to keep the momentum of leadership development flowing and alive.

The following initiatives and micro learning sessions were hosted since the inception of the Women in Leadership Network by the Commissioner in July 2020:

- In-conversation with the Commissioner.
- Virtual graduations.
- Motivational messages.
- External events; - leader led dialogues; alumni partnering and support sessions
- Leadership in practice.
- Digital enabled platform.
- One-on-one coaching.
- Regional development forums and
- Implementation of regional initiatives.

Leadership Effectiveness

SARS' aspirational Vision 2024, strategic intent, and strategic objectives provide clarity of work purpose, and the key results for which staff will be accountable. A key driver towards realising Vision 2024, the SARS strategic intent and strategic objectives is the building of leadership capability. Through collaboration the top leadership in SARS defined and agreed on the leadership attributes, as well as associated competencies and behaviours that should be demonstrated to achieve Vision 2024: "A smart modern SARS with unquestionable integrity trusted and admired."

A bespoke 360-degree leadership evaluation tool has been developed, and the outcomes will provide a scientific platform for the following interventions at SARS:

- Provide a barometer to gauge the effective adoption of the new leadership philosophy.
- Identify developmental opportunities/areas and provide feedback to leaders.
- Identify trends in strengths and developmental areas for organisational leadership development purposes.
- Inform organisational decision-making.
- Provide input for talent conversations and Personal Development Plans (PDPs).

Skills Pipeline and Youth Development

Emerging Talent

Integral to the journey of rebuilding SARS and ensuring institutional integrity, is the development of young and emerging talent to cater for the future capabilities and skills of SARS.

The remodelled SARS Graduate in Training (GIT) Programme is designed strategically as a long-term feeder system for injecting young and emerging talent into SARS. These programmes targeted graduates who have completed their tertiary education.

SARS is currently hosting the following Graduate in Training Programmes:

- **Chartered Accountant (CA) Articles Programme (SAICA accredited)**
  The duration of GIT – CA Training Programme is 36 months, which includes rotation within the business area or theme of work (within SAICA framework). SARS currently has eight CAs who have just completed the development programme, and the new intake of 26 for 2021 is in progress.

- **GIT (General)**
  The duration of GIT – General development - is 24 months, which includes rotation within the business areas or theme of work. We currently have 34 GIT, and the new intake of 76 for 2021 is in progress.

- **External Bursary Programme (Graduate in Training feeder)**
  Since 2012, SARS embarked on the External Bursary Programme with the intention to qualify students in disciplines aligned to SARS' core business. The purpose of the External Bursary Programme is to sponsor financially needy students based on generally accepted affordability standards (NSFAS guidelines). After completing their qualifications, which meet the required skills, the students are enrolled into the GIT Programme. The External Bursary Programme is governed within SARS' bursary policy and related processes. Currently, 11 students in various South African public universities are in the SARS external bursary programme.

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 of planning, contracting, measuring and monitoring, coaching and reviewing employee performance, and identifying incidents that require consequence management.

Process effectiveness is measured by way of the EPM Compliance Index, that indicates a year-on-year increase in the overall compliance level of 5.5% (from 85% to 90%) as at 31 March 2021.

Whilst planning and monitoring are respectively integrated within the Business Planning and Operational Management System, the overall staff performance level indicates that employees are operating above management's expectation, and sustaining a trend of performing higher towards the end of the financial year.

Safety, Health and Wellness

The financial year activities took place while the world was affected by a global pandemic. As the country put into place measures to manage the pandemic, the SARS too had to support government's efforts to curb the spread of the virus by implementing its own processes, to minimise the impact in the workplace. SARS, as an employer and in compliance with the Occupational Health and Safety Act, had a duty to provide and maintain a working environment that is safe and without risk to the health of employees. A multi-disciplinary task team was established to co-ordinate a SARS response to the pandemic. The task team ensured that it kept abreast of developments from global organisations, to align accordingly and to guide and facilitate the implementation of controls that would mitigate the risk of infection. The task team was necessary to expedite decision-making and manage a potential crisis.

The broad principles for a SARS response were set out as follows:

- **COVID-19 Risk Communication Response:** This was done through the creation of an awareness programme of daily emails, a dedicated page on the SARS portal addressing the Frequently Asked Questions (FAQs), daily updates and emergency contact details. An InFocus page, which had all the vital COVID-19 information, was established. Communication also ran a continued campaign through screensavers, newsflashes, posters, podcasts messages, as well as the production of animated videos. Information was provided on SARS' preparedness and the precautionary measures that were put in place to protect the staff and taxpayers. These were placed on the SARS Website and Social Media platforms. Media statements were issued on COVID-19, in order to maintain transparency to the broader public. The key focus was to provide information on basic personal hygiene, to encourage behavioural change and minimise the spread of the virus.
- **Limit work related travel wherever possible:** As part of the general global response, countries would consider suspending travel to high-risk areas. The Commissioner implemented a travel ban on all local and international travel, which was adjusted as the lockdown levels changed.
- **Consider precautionary actions in terms of staff returning from high infection areas:** Precautionary actions in terms of staff returning from high infection areas were considered. This led to the development of the first manager's toolkit.
- **Respond appropriately with urgency to a case of COVID-19 in the workplace:** The manager and employee toolkits covering various COVID-19 related aspects were compiled to capacitate both employees and managers with basic tools, information, and clarity on what to do if employees are exposed or test positive for COVID-19. With the evolution of the pandemic, including the publishing of a number of COVID-19 government regulations, these guidelines, including FAQs, were updated and distributed. Additional guidelines and templates were developed to assist managers and employees with reporting and management of cases. These included the consultation register, containment register, as well as a reporting template.
- **Enabling employees to work from home:** SARS was considered an essential service and continued to provide services during the different phases of the lockdown period. This necessitated a need to enable employees to work from home. Employees were capacitated with the tools of trade to work from home, where possible.
- **COVID-19 related deaths:** It is with sadness that we report a loss of 25 of our colleagues during the year under view due to COVID-19 related complications, these colleagues not only represent human capital that has been eternally lost to SARS but a family member and potentially a breadwinner who is lost to their immediate family.

Key Health and Safety Issues

All the provisions related to the Legislative and Regulatory Requirements of the Occupational Health and Safety Act, 1993 (the Health and Safety Act) have been implemented across SARS occupied buildings as follows:

- Health and Safety Policy Statement as approved by the Commissioner is displayed in all SARS facilities.
- The Health and Safety appointments are done in accordance to the Health and Safety Act.
- SARS employees are capacitated on Health and Safety issues through various means of communications.
- New employees are inducted on Health and Safety Management systems during the on boarding process.
- The majority of Health and Safety meetings are being held quarterly as directed in the Health and Safety Act.
- Policies, SOPs as well as all documents related to the Health and Safety procedures are accessible to all employees through the intranet.
- Incidents/accidents are being reported accordingly, and injury on duty accidents are reported in line with the Compensation of Occupational Injuries and Diseases Act No. 130 of 1993 (COIDA).

SARS co-operates with external authorities who interrogate Health and Safety Management systems from time to time. A number of inspectors from the Department of Employment and Labour, as well as the Municipal Health Services Environmental health unit has been welcomed into SARS premises to carry out inspections. The Internal Audit unit and the Auditor-General also audits health and safety systems. SARS monitors changes in Legislation, Regulations, as well as other relevant literature from international knowledge entities such as the International Labour Organisation (ILO) and the World Health Organisation (WHO) to strengthen processes where necessary.

Employee Engagement

The previous Employee Engagement survey was conducted in 2017. In keeping with the strategic objective to develop a high-performing, diverse, agile and engaged workforce towards high value knowledge and service work, the intention of conducting the 2021 survey was to establish a new baseline for Employee Engagement. Given the extent of change in the organisation over the last 3 years, the 2017 data was outdated and of limited value.

Considering that a number of initiatives have been put in place over the past 18 months, this new baseline were, in addition to standard engagement elements, also required to determine the impact of recent changes on employees. Furthermore, the aim was to understand if SARS was making progress towards achieving the nine strategic objectives, whether employees understand Vision 2024, and if staff identify with the new values to engrain the above. Part of the transformation at SARS has been to launch the Employee Rights Charter and Steward Leadership, and it was also necessary to measure employees' perceptions of these.

The 2021/22 index is the new established baseline. The index and the subsequent results will assist with, and provide an understanding of, what work experiences impact on engagement within the organisation, and enable the appropriate targeted interventions to be initiated to address highlighted problems and leverage opportunities. The participation level for the survey was 76%, which by world standards, is excellent. The level of participation itself is an indication that employees are engaged and want their voices to be heard. The results of the SARS Connexion Survey 2021 was a 61.6 Employee Engagement Index (EEI) score. Further details of the report indicated that 6 out of 10 SARS employees are positively engaged, meaning they are fully motivated to go above the call of duty and are valuable employees to the business, which explains some positive impact on morale and performance.

Benchmarking was done to understand the result in context of "the new normal", and the fact that it significantly changed the way that organisations operate. The SARS EEI result of 61.60 is marginally higher, compared to the South-African average of 61, and well aligned within the South-African context.

Establishing a high-performance culture is critical to enabling the achievement of the SARS strategic objectives. The effective implementation of the Employee Engagement Programme of Action will support this process. Some of the initiatives that were introduced over the year included the following:

- Re-purpose staff to become more multi-skilled (universal/multi-agents) as this will enhance career growth and learning opportunities.
- Implementation and internalisation of the Employee rights charter.
- Introduction of a Steward Leadership philosophy and practices.
- Development focus to support the Operations Manager to perform their duties with skills, confidence and efficiency mind-set.
- Implementation of a SARS ''Junior Board'', aligned with the idea to identify and develop young dynamic leaders to reach their full potential.
- Implementation of an integrated Talent Management Approach, underpinned by a Strategic Human Capital Pan.

- Flattening the leadership structure to ensure better communication and enhanced decisions.
- Enhancement of delivery through the implementation of the Objectives and Key Results (OKR) philosophy.
- The alignment of Leadership OKRs to include results to achieve as per the SARS strategic objective i.e. Employee Engagement Index and Leadership Effectiveness Index (LEI) index.
- Strong and clear strategy and objectives, underpinned by a set of values to guide the desired behaviour.
- Clarity about the SARS 2024 strategy.
- Flexible working arrangements.

SARS as an Employer of Choice

Being an employer of choice for potential employees bodes well for SARS insofar as the war for talent is concerned. We are aware that job seekers have a wide choice of organisations to select from. It is therefore encouraging to see how graduates rate SARS as a possible employer. The South African Graduate Employers Association (SAGEA) recently published its list of the leading graduate employers for 2020. National Treasury was voted the number one choice in the Public Sector category, with SARS and the Auditor-General selected as runners-up.

The association stated that candidates were most likely to select a specific organisations based on the programmes available, the training and development, the overall reputation of the organisation or the appeal of the brand, product or services. SARS is indeed honoured to be rated so high.

Oversight Statistics

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	129	20	39	93	12	26	51	78	0	3	451	3.61%
Professionally qualified and experienced specialists and mid-management	916	162	153	890	155	153	518	404	16	6	3 373	27.03%
Skilled technical and academically qualified workers, junior management, supervisors, foremen, and superintendents	1 678	274	117	2 722	581	233	1 154	304	6	7	7 076	56.70%
Semi-skilled and discretionary decision making	139	32	10	367	84	16	157	15	2	0	822	6.59%
Unskilled and defined decision making	141	7	0	575	29	0	1	2	0	0	755	6.05%
Total Permanent	3 004	496	319	4 647	861	428	1 881	803	24	16	12 479	100.00%
Temporary employees	0	0	0	0	0	0	0	0	0	0	0	0.00%
Grand Total	**3 004**	**496**	**319**	**4 647**	**861**	**428**	**1 881**	**803**	**24**	**16**	**12 479**	**100.00%**

Occupational Levels	
Top management	Grade: 9B - 10 represents SARS Commissioner, Chief Revenue Officer
Senior management	Grade: 8A - 9A and Grade NG represents Senior Managerial and Specialist positions
Professionally Qualified	Grade: 6 and 7 Professionally Qualified & Experienced Specialists & Middle Management
Skilled and Junior	Grade: 4A to 5B represents Functional Operators
Semi-skilled	Grade: 2 - 3B including Graduates 2GA, 2GT and 2LI
Unskilled	Grade: 1 and 1A represents General Assistants

Average Cost to Company per Division

Cluster	Division	Personnel Expenditure (CTC)	% of personnel exp. to total personnel cost (CTC)	Number of Employees	Average Cost per Employee
Taxpayer Engagement Cluster	Customs: Border Operations, Ports of Entry and Customs Compliance	992 839 800	13.95%	1 883	527 265
Taxpayer Engagement Cluster	Centralised Operations	1 394 484 306	19.59%	2 195	635 300
Taxpayer Engagement Cluster	Large Business and International Taxpayers	365 651 251	5.14%	435	840 578
Taxpayer Engagement Cluster	Revenue Operations	85 645 455	1.20%	99	865 106
Taxpayer Engagement Cluster	Service and Delivery Restricted Taxpayers	12 275 363	0.17%	22	557 971
Taxpayer Engagement Cluster	Taxpayer Engagement Eastern Cape	166 308 503	2.34%	365	455 640
Taxpayer Engagement Cluster	Taxpayer Engagement Free State and Northern Cape	146 075 916	2.05%	317	460 807
Taxpayer Engagement Cluster	Taxpayer Engagement Gauteng North	447 618 755	6.29%	1 010	443 187
Taxpayer Engagement Cluster	Taxpayer Engagement Gauteng South	375 834 159	5.28%	849	442 679
Taxpayer Engagement Cluster	Taxpayer Engagement Kwa-Zulu Natal	332 617 483	4.67%	724	459 416
Taxpayer Engagement Cluster	Taxpayer Engagement Limpopo	66 643 290	0.94%	145	459 609
Taxpayer Engagement Cluster	Taxpayer Engagement Mpumalanga	53 533 578	0.75%	125	428 269
Taxpayer Engagement Cluster	Taxpayer Engagement North West	61 451 484	0.86%	136	451 849
Taxpayer Engagement Cluster	Taxpayer Engagement Western Cape	325 435 739	4.57%	712	457 073
Enterprise Design & Enablement Cluster	Enterprise Design and Enablement	1 127 775 644	15.85%	1 347	837 250
Enterprise Design & Enablement Cluster	Enterprise Design - Segments	30 920 331	0.43%	29	1 066 218
Enterprise Design & Enablement Cluster	Enterprise Design Product-Process	72 657 538	1.02%	73	995 309
Enterprise Design & Enablement Cluster	Operations Enabling and Production Planning	245 900 027	3.45%	329	747 416
Enterprise Services & Support Cluster	Enterprise Service and Support	507 689 471	7.13%	1 383	367 093
Corporate Cluster	Chief of Staff	14 630 761	0.21%	20	731 538
Corporate Cluster	Office of the Commissioner	291 296 047	4.09%	281	1 036 641
	Total	**7 117 284 902**		**12 479**	**570 341**

Average Cost to Company per Occupational Level

Occupational Levels	Personnel Expenditure (CTC)	% of personnel exp. to total personnel cost (CTC)	No. of employees	Average cost per employee
Top Management	9 385 371	0.13%	2	4 692 686
Senior Management	759 725 403	10.67%	451	1 684 535
Professionally qualified, experienced specialists and mid-management	3 037 100 094	42.67%	3 373	900 415
Skilled technical and academically qualified workers, junior management, supervisors, foremen, superintendents	3 000 725 082	42.16%	7 076	424 071
Semi-skilled and discretionary decision making	230 836 791	3.24%	822	280 823
Unskilled and defined decision making	79 512 161	1.12%	755	105 314
Total	**7 117 284 902**	**-**	**12 479**	**570 341**

Labour Relations: Misconduct and disciplinary action from 2016/17 to 2020/21

Disciplinary Action	2016/17	2017/18	2018/19	2019/20	2020/21	% of total no. of disciplinary actions 2020/21
Demoted	0	0	0	0	0	0.00%
Dismissed (Disciplinary Hearing)	30	56	35	46	17	41.46%
Final Written Warning	13	8	5	8	4	9.76%
Salary Suspended	15	21	7	8	7	17.07%
Written Warning	1	0	1	0	2	4.88%
Not Guilty	11	9	16	4	1	2.44%
Suspension with pay	0	0	0	0	0	0.00%
Employee Deceased	1	1	0	1	1	2.44%
Employee Resigned	16	15	25	20	7	17.07%
Charges Withdrawn	2	1	8	3	0	0.00%
Other	8	6	6	10	2	4.88%
Total	**97**	**117**	**103**	**100**	**41**	

Staff Movement

Occupational Levels	Employment at beginning of period	Employment at end of the period	Headcount Growth
Top Management	2	2	0
Senior Management	460	451	-9
Professional qualified	3 436	3 373	-63
Skilled	7 195	7 076	-119
Semi-skilled	1 014	822	-192
Unskilled	39	755	716
Total	**12 146**	**12 479**	**333**

Appointments

Occupational Levels	All appointments: External	Re-instatement
Top Management		
Senior Management	8	
Professionally Qualified	5	1
Skilled	15	3
Semi-skilled	18	
Unskilled	725	
Total	**771**	**4**

Termination Reasons

Reason	Permanent Employees	All Employees
Death	71	71
Resignation	168	171
Retirement	176	176
Termination ER	20	20
Other	0	6
Total	**435**	**444**

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

5 PART FIVE
FINANCIAL INFORMATION

South African Revenue Service Financial Statements for the year ended 31 March 2021

Contents

The financial statements set out on pages 107 to 157 which have been prepared on the going concern basis were approved and signed by:

Edward Chr Kieswetter
SARS Commissioner
13 September 2021

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 the South African Revenue Service and its subsidiary set out on pages 107 to 157, which comprise the consolidated and separate statement of financial position as at 31 March 2021, the consolidated and separate statement of financial performance, statement of changes in net assets, and cash flow statement and statement of comparison of budget information with actual information for the year then ended, as well as 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 financial position of the South African Revenue Service and its subsidiary as at 31 March 2021, and their financial performance and cash flows for the year then ended, in accordance with the Standards of Generally Recognised Accounting Practice (GRAP) and the requirements of the Public Finance Management Act 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 my report.

4. I am independent of the public entity in accordance with the International Ethics Standards Board for Accountants' International code of ethics for professional accountants (including International Independence Standards) (IESBA code) as well as other 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 code.

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 158 to 160 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 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 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 objectives 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 public entity's approved performance planning documents. I have not evaluated the completeness and appropriateness of the performance indicators included in the planning documents. My procedures do not examine whether the actions taken by the public entity enabled service delivery. My procedures do not extend to any disclosures or assertions relating to the extent of achievements in the current year or 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 objectives presented in the public entity's annual performance report for the year ended 31 March 2021:

Strategic objectives	Pages in the annual performance report
Strategic objective 1 – provide clarity and certainty for taxpayers and traders of their obligations	35-38
Strategic objective 2 – make it easy for taxpayers and traders to comply with their obligations	39-42
Strategic objective 3 – detect taxpayers and traders who do not comply and make non-compliance hard and costly	43-46
Strategic objective 6 – modernise our systems to provide digital and streamlined online services	58-60

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 these objectives:

- **Strategic objective 1 -** provide clarity and certainty for taxpayers and traders of their obligations
- **Strategic objective 2 -** make it easy for taxpayers and traders to comply with their obligations
- **Strategic objective 3 -** detect taxpayers and traders who do not comply and make non-compliance hard and costly
- **Strategic objective 6 -** modernise our systems to provide digital and streamlined online services.

Other matter

17. I draw attention to the matter below.

Achievement of planned targets

18. Refer to the annual performance report on pages 20 to 68 for information on the achievement of planned targets for the year and management's explanations provided for the under/over achievement 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 public entity'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 R4 209 000, as disclosed in note 40 to the financial statements, as required by section 51(1)(b)(ii) of the PFMA.

22. The public entity's resources were not used economically, as required by section 57(b) of the PFMA.

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 those selected strategic objectives presented in the annual performance report that have 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 on it.

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 objectives presented in the annual performance report, or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

26. If, based on the work I have performed, I conclude that there is a material misstatement in this other information, I am required to report that fact. 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. There were instances where the supply chain management (SCM) regulations were not strictly adhered to, which led to a reoccurrence of irregular expenditure. The non-compliances with SCM prescripts included services provided to the public entity without a valid contract, improper contract management and inadequate understanding of procurement legislation. Management, in its response, has accepted this and has committed to take greater care to comply with SCM regulations. Management has also committed to investigate these matters to ensure that no substantive risks were posed to the public entity as a result of the deviation from normal procurement processes.

29. There was an instance where the resources of the public entity were not used economically, as the goods acquired were not used as intended. This resulted from a legal process to settle with the current contractor due to poor performance as well as issuing a new tender to on board a new contractor to complete the project. This caused a delay in the project and the related expiry of these goods.

30. The deficiencies identified in the matters reported above during the audit of the compliance environment did not affect the public entity's overall audit outcome.

Auditor-General

Pretoria

14 September 2021

Annexure - Auditor - General's responsibility for the audit

1. As part of an audit in accordance with the ISAs, I exercise professional judgement and maintain professional scepticism throughout my audit of the consolidated and separate financial statements and the procedures performed on reported performance information for selected strategic objectives and on the public entity's compliance with respect to the selected subject matters.

Financial statements

2. In addition to my responsibility for the audit of the consolidated and separate financial statements as described in this auditor's report, I also:

- identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error; design and perform audit procedures responsive to those risks; and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the public entity's internal control
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the board of directors, which constitutes the accounting authority
- conclude on the appropriateness of the accounting authority's use of the going concern basis of accounting in the preparation of the financial statements. I also conclude, based on the audit evidence obtained, whether a material uncertainty exists relating to events or conditions that may cast significant doubt on the ability of the South African Revenue Service and its subsidiary to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements about the material uncertainty or, if such disclosures are inadequate, to modify my opinion on the financial statements. My conclusions are based on the information available to me at the date of this auditor's report. However, future events or conditions may cause a public entity to cease operating as a going concern
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and determine whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. I am responsible for the direction, supervision and performance of the group audit. I remain solely responsible for my audit opinion.

Report by the SARS Accounting Authority

Introduction

The Accounting Authority presents this report that forms part of the Annual Financial Statements of SARS Finance Own Accounts for the year ended 31 March 2021. Where applicable, specific reference has been made to Administered Revenue Accounts, otherwise all other statistics quoted in this report are solely for the 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 PFMA.

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

Principal Activities

The SARS Act provides the entity with the mandate to collect all Tax and Customs revenue due to the State; enforce compliance with tax and customs legislation and facilitate legitimate trade.

Organisational Structure

The controlling entity adopted a new strategy and aligned its organisational structure to enable implementation of its vision, strategic intent and 9 strategic objectives. The work is organised into 4 clusters of activity, 9 regions were introduced and overall supported by a broad flat leadership structure.

Executive Committee Members

The controlling entity appointed an Executive Committee (EXCO) in April 2021 with a newly approved Terms of Reference signed 8 April 2021. The committee appointed in the 2020/2021 financial year served as an extended management committee with no resolutions taken during the period.

Revenue Accounts

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.

Review of the Financial Statements (Own Accounts)

The financial results are contained in the annual financial statements. The annual financial statements fairly reflect the operations of the SARS Own Accounts for the financial year ended 31 March 2021 and its financial position as at that date.

Going Concern

The annual 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.

Accounting Policies

The financial statements are prepared in accordance with the prescribed Standards of Generally Recognised Accounting Practices (GRAP) issued by the Accounting Standards Board as per the prescribed framework by National Treasury, and directives issued by the Accounting Standards Board (ASB).

Internal Controls

Internal controls include a risk-based system controls designed to provide reasonable that assets are safeguarded and that transactions are executed and recorded in accordance with best business practice, as well as policies and procedures established by the Accounting Authority with the independent oversight by the Audit and Risk Committee. SARS has an established internal audit function with the required independence.

Corporate Governance

The Accounting Authority is committed to business integrity, transparency and professionalism in all its activities. As part of this commitment, the Accounting Authority supports the highest standards of corporate governance and the ongoing development of best practice.

Surrender of Surplus Funds

SARS made a submission as per National Treasury Instruction No. 12 of 2020/2021 pertaining to retention of surpluses but declared that SARS had no surpluses to declare and surrender.

Judicial Proceedings

SARS has been mandated by the provisions of amongst others the SARS Act, 1997, Income Tax Act, 1962, Customs and Excise Act, 1964, Value Added Tax Act, 1991, Tax Administration Act, 2011, and Employment Tax Incentive 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.

Public/Private Partnerships

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

Events Subsequent to the Balance Sheet Date

There are currently no events subsequent to the balance sheet date that requires disclosure.

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
13 September 2021

Statement of Financial Position as at 31 March 2021

	Note(s)	Economic entity 2021 R'000	Economic entity 2020 Restated* R'000	Controlling entity 2021 R'000	Controlling entity 2020 Restated* R'000
Assets					
Current Assets					
Inventories	25	26 853	21 512	26 853	21 512
Current tax receivable - controlled entity	9 & 36	367	981	-	-
Receivables from exchange transactions	3	73 199	109 600	72 135	110 002
Prepayments	24	239 870	160 708	254 040	157 994
Cash and cash equivalents	4	761 780	478 783	706 022	436 743
		1 102 069	**771 584**	**1 059 050**	**726 251**
Non-Current Assets					
Property, plant and equipment	5	2 678 867	2 060 486	2 673 063	2 053 465
Intangible assets	6	819 667	633 634	1 541 360	1 298 786
Investments in controlled entity	7	-	-	-	-
Loan to controlled entity	8	-	-	-	11 732
		3 498 534	**2 694 120**	**4 214 423**	**3 363 983**
Total Assets		**4 600 603**	**3 465 704**	**5 273 473**	**4 090 234**
Liabilities					
Current Liabilities					
Finance lease obligation	10	65	4 326	65	4 326
Trade and other payables	11	898 965	509 202	892 871	530 705
VAT payable		819	3 064	-	-
Deferred income	12	63	59	63	59
Provisions	13	213 881	106 747	210 201	102 471
		1 113 793	**623 398**	**1 103 200**	**637 561**
Non-Current Liabilities					
Finance lease obligation	10	-	65	-	65
Operating lease liability		73 598	81 086	72 829	80 630
Deferred income	12	77	77	77	77
Deferred tax - controlled entity	22 & 36	3 361	4 371	-	-
Employee benefits	26 & 27	375 879	340 522	375 879	340 522
		452 915	**426 121**	**448 785**	**421 294**
Total Liabilities		**1 566 708**	**1 049 519**	**1 551 985**	**1 058 855**
Net Assets		**3 033 895**	**2 416 185**	**3 721 488**	**3 031 379**
Net Assets					
Asset revaluation reserve	14	369 585	300 027	369 585	300 027
Accumulated surplus		2 664 310	2 116 158	3 351 903	2 731 352
Net Assets		**3 033 895**	**2 416 185**	**3 721 488**	**3 031 379**

Statement of Financial Performance as at 31 March 2021

	Note(s)	Economic entity 2021 R'000	Economic entity 2020 Restated* R'000	Controlling entity 2021 R'000	Controlling entity 2020 Restated* R'000
Revenue					
Revenue from exchange transactions					
Rendering of services	15	15 923	13 021	-	-
Other income	16 & 36	332 858	385 540	333 067	385 857
Interest received		45 331	80 328	44 878	81 539
Gain on disposal of assets		-	172	-	193
Total revenue from exchange transactions		**394 112**	**479 061**	**377 945**	**467 589**
Revenue from non-exchange transactions					
Transfers from National Treasury	15	10 271 873	9 529 031	10 271 873	9 529 031
Negotiated discount	15 & 36	637 028	62 658	637 028	62 658
Total revenue from non-exchange transactions		**10 908 901**	**9 591 689**	**10 908 901**	**9 591 689**
Total revenue		**11 303 013**	**10 070 750**	**11 286 846**	**10 059 278**
Expenditure					
Employee cost		(7 789 311)	(7 630 158)	(7 692 832)	(7 532 369)
Depreciation and amortisation	5 & 6	(260 837)	(562 774)	(250 503)	(552 441)
Impairment loss	17	(158 569)	(179 257)	(159 234)	(181 037)
Finance costs	18	(1 165)	(3 027)	(1 165)	(3 026)
Operating leases	30	(559 057)	(555 672)	(555 338)	(552 510)
Other expenses		(26 518)	(18 301)	(25 986)	(18 692)
Administrative expenses		(754 187)	(860 041)	(752 889)	(857 240)
Loss on disposal of assets		(2 284)	-	(2 258)	-
Inventories		(27 332)	(16 578)	(27 332)	(16 579)
Professional and special services		(1 176 968)	(1 092 756)	(1 198 758)	(1 126 957)
Total expenditure		**(10 756 228)**	**(10 918 564)**	**(10 666 295)**	**(10 840 851)**
Surplus/(deficit) before taxation		**546 785**	**(847 814)**	**620 551**	**(781 573)**
Taxation	19 & 36	1 367	(3)	-	-
Surplus/(deficit) for the year		**548 152**	**(847 817)**	**620 551**	**(781 573)**

Statement of Changes in Net Assets as at 31 March 2021

	Asset revaluation reserve	Accumulated surplus	Total net assets
	R'000	R'000	R'000
Economic entity			
Balance at 01 April 2019	**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 as restated*	**300 027**	**2 116 158**	**2 416 185**
Changes in net assets			
Surplus for the year	-	548 152	548 152
Surplus in revaluation of land and buildings	84 198	-	84 198
Depreciation on revalued portion of assets	(14 640)	-	(14 640)
Total changes	69 558	548 152	617 710
Balance at 31 March 2021	**369 585**	**2 664 310**	**3 033 895**
Note(s)	14		

Controlling entity			
Balance at 01 April 2019	**368 799**	**3 512 922**	**3 881 721**
Changes in net assets			
Deficit for the year	-	(781 572)	(781 572)
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)	(781 572)	(850 344)
Balance at 31 March 2020 as restated*	**300 027**	**2 731 352**	**3 031 379**
Changes in net assets			
Surplus for the year	-	620 551	620 551
Surplus in revaluation of land and buildings	84 198	-	84 198
Depreciation on revalued portion of assets	(14 640)	-	(14 640)
Total changes	69 558	620 551	690 109
Balance at 31 March 2021	**369 585**	**3 351 903**	**3 721 488**
Note(s)	14		

*** See Note 36**

Cash Flow Statement as at 31 March 2021

	Note(s)	Economic entity		Controlling entity	
		2021 R'000	2020 R'000	2021 R'000	2020 R'000
Cash flows from operating activities					
Receipts					
Rendering of services		13 645	16 028	-	-
Transfers from National Treasury		10 271 873	9 529 031	10 271 873	9 529 031
Interest received		45 213	81 538	43 231	77 688
Other income		372 593	371 246	373 010	371 246
		10 703 324	**9 997 843**	**10 688 114**	**9 977 965**
Payments					
Employee cost		(7 475 185)	(7 772 555)	(7 378 944)	(7 675 292)
Suppliers		(2 417 888)	(2 637 633)	(2 479 109)	(2 645 232)
VAT paid		(2 245)	2 115	-	-
Tax paid	9	970	(392)	-	-
		(9 894 348)	**(10 408 465)**	**(9 858 053)**	**(10 320 524)**
Net cash flows from operating activities	20	**808 976**	**(410 622)**	**830 061**	**(342 559)**
Cash flows from investing activities					
Acquisition of property, plant and equipment	5	(375 058)	(94 717)	(374 273)	(90 715)
Proceeds from sale of property, plant and equipment and intangible assets		1 005	1 188	1 005	1 188
Acquisition of intangible assets	6	(146 435)	(174 828)	(194 619)	(235 227)
Net cash flows from investing activities		**(520 488)**	**(268 357)**	**(567 887)**	**(324 754)**
Cash flows from financing activities					
Repayment of loan by controlled entity		-	-	12 596	20 000
Finance lease and interest payments		(5 491)	(12 659)	(5 491)	(12 637)
Net cash flows from financing activities		**(5 491)**	**(12 659)**	**7 105**	**7 363**
Net increase/(decrease) in cash and cash equivalents		**282 997**	**(691 638)**	**269 279**	**(659 950)**
Cash and cash equivalents at the beginning of the year		478 783	1 170 421	436 743	1 096 693
Cash and cash equivalents at the end of the year	4	**761 780**	**478 783**	**706 022**	**436 743**

Statement of Comparison of Budget and Actual Amounts

	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	315 193	333 067	17 874	Note 1
Interest received	-	44 878	44 878	Note 2
Total revenue from exchange transactions	**315 193**	**377 945**	**62 752**	
Revenue from non exchange transactions				
Transfers from National Treasury	10 510 017	10 271 873	(238 144)	Note 3
Negotiated discount	-	637 028	637 028	Note 1
Total revenue from non-exchange transactions	**10 510 017**	**10 908 901**	**398 884**	
Total revenue	**10 825 210**	**11 286 846**	**461 636**	
Expenditure				
Employee cost	(7 737 650)	(7 692 832)	44 818	Note 4
Depreciation and amortisation	(521 339)	(250 503)	270 836	
Impairment loss	-	(159 234)	(159 234)	Note 5
Finance costs	-	(1 165)	(1 165)	
Operating leases	(631 578)	(555 338)	76 240	Note 6
Other expenses	(15 974)	(25 986)	(10 012)	
Administrative expenses	(1 039 555)	(752 889)	286 666	Note 7
Loss on disposal of assets	-	(2 258)	(2 258)	
Inventories	(17 303)	(27 332)	(10 029)	
Professional and special services	(1 383 149)	(1 198 758)	184 391	Note 7
Total expenditure	**(11 346 548)**	**(10 666 295)**	**680 253**	
Surplus/(Deficit)	**(521 338)**	**620 551**	**1 141 889**	

Reference

Timing difference

The variance is mainly due to the higher than anticipated commission income, from the collection of UIF on behalf of the Department of Labour, received. The discount relates to a contract concluded with an ICT vendor for the supply of ICT related hardware and software including maintenance.	Note 1
The accumulation of interest income in the current year is due to interest earned on positive bank balances, mainly due to normal business delays in projects and capital expenditure as well as delays due to COVID-19 related lockdowns.	Note 2
The reduction in grant is due to the Adjusted Estimated National Expenditure in-year funding reduction from National Treasury in September 2020.	Note 3
The variance is mainly due to the continuous moratorium on vacancies and no increases granted to the Non Bargaining Unit.	Note 4
The loss mainly consists of the impairment of Property, Plant and Equipment and Intangible Assets based on the Impairment policy and GRAP 21.	Note 5
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.	Note 6
The variance is mainly due to re-appropriations during the financial year due to the impact of COVID-19 and the related adopted way of working, normal business delays mainly in projects expenditure, which were further exacerbated by the COVID-19 lockdown measures as well as continued cost reconfiguration.	Note 7

Statement of Comparison of Budget and Actual Amounts

	Budget	Actual amounts on comparable basis	Difference between final budget and actual
	R'000	R'000	R'000
Controlling entity			
Statement of Financial Position			
Assets			
Current Assets			
Inventories	56 799	26 853	(29 946)
Receivables from exchange transactions	113 080	72 135	(40 945)
Prepayments	226 111	254 040	27 929
Cash and cash equivalents	119 422	706 022	586 600
	515 412	**1 059 050**	**543 638**
Non-Current Assets			
Property, plant and equipment	1 511 076	2 673 063	1 161 987
Intangible assets	1 079 652	1 541 360	461 708
	2 590 728	4 214 423	1 623 695
Total Assets	**3 106 140**	**5 273 473**	**2 167 333**
Liabilities			
Current Liabilities			
Finance lease obligation	-	65	65
Trade and other payables	948 884	892 871	(56 013)
Deferred income	70	63	(7)
Provisions	6 785	210 201	203 416
	955 739	**1 103 200**	**147 461**
Non-Current Liabilities			
Operating lease liability	85 938	72 829	(13 109)
Deferred income	-	77	77
Employee benefits	383 255	375 879	(7 376)
	469 193	448 785	(20 408)
Total Liabilities	**1 424 932**	**1 551 985**	**127 053**
Net Assets	**1 681 208**	**3 721 488**	**2 040 280**
Reserves			
Asset revaluation reserve	365 550	369 585	4 035
Accumulated surplus	1 315 658	3 351 903	2 036 245
Total Net Assets	**1 681 208**	**3 721 488**	**2 040 280**

Statement of Comparison of Budget and Actual Amounts

	Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
	R'000	R'000	R'000	
Controlling entity				
Cash Flow Statement				
Cash flows from operating activities				
Receipts				
Transfer from National Treasury	10 510 017	10 271 873	(238 144)	Note 1
Interest received	-	43 231	43 231	Note 2
Other income	315 193	373 010	57 817	Note 3
	10 825 210	**10 688 114**	**(137 096)**	
Payments				
Employee costs	(7 740 010)	(7 378 944)	361 066	Note 4
Suppliers	(3 096 292)	(2 479 109)	617 183	Note 5
	(10 836 302)	**(9 858 053)**	**978 249**	
Net cash flows from operating activities	**(11 092)**	**830 061**	**841 153**	
Cash flows from investing activities				
Acquisition of property, plant and equipment	-	(374 273)	(374 273)	
Proceeds from sale of property, plant and equipment and intangible assets	-	1 005	1 005	
Acquisition of intangible assets	-	(194 619)	(194 619)	
Net cash flows from investing activities	**-**	**(567 887)**	**(567 887)**	Note 6
Cash flows from financing activities				
Repayment of controlled entity loan	-	12 596	12 596	
Finance lease and and interest payments	(4 344)	(5 491)	(1 147)	
Net cash flows from financing activities	**(4 344)**	**7 105**	**11 449**	
Net (decrease)/ increase in cash and cash equivalents	(15 436)	269 279	284 715	
Cash and cash equivalents at the beginning of the year	(762 318)	436 743	1 199 061	
Cash and cash equivalents at the end of the year	**(777 754)**	**706 022**	**1 483 776**	

Reference

The reduction in grant is due to Adjusted Estimated National Expenditure in-year funding reduction from National Treasury in September 2020.	Note 1
The accumulation of interest income in the current year is due to interest earned on positive bank balances, mainly due to normal business delays in projects and capital expenditure as well as delays due to COVID-19 related lockdowns.	Note 2
The variance is mainly due to higher than anticipated commission income, from the collection of UIF on behalf of the Department of Labour, received.	Note 3
The variance is mainly due to the continuous moratorium on vacancies and no increases granted to the Non Bargaining Unit.	Note 4
The variance is mainly as a result of re-appropriations during the financial year due to the impact of COVID-19 and the related adopted way of working, normal business delays mainly in projects expenditure, which were further exacerbated by the COVID-19 lockdown measures as well as continued cost reconfiguration.	Note 5
SARS did not budget for capital expenditure due to funding constraints. Capital acquisitions were made through reprioritised funds during the financial year as well as approved commitment funds rolled over from the previous year.	Note 6

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 are 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 mainly 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, is disclosed below.

These accounting policies are consistent with the previous period.

1.1 Going concern assumption

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 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 controlling entity not being 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 is 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 require a material adjustment to the carrying value of the cash-generating assets.

1.3 Significant judgements and sources of estimation uncertainty (continued)

The economic entity reviews and tests the carrying value of 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.

If there is objective evidence that an impairment loss on the carrying value of assets has been incurred, the amount of the loss is the difference between the asset's carrying amount and estimated recoverable amount. The amount is recognised as a gain/loss in the Statement of Financial Performance.

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. The reversal does not result in the carrying amount exceeding what the amortised cost would have been had the impairment not been recognised at the date the impairment was reversed.

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 accounting 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 the 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 a determination is made.

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 other 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.

1.3 Significant judgements and sources of estimation uncertainty (continued)

Valuation of land and buildings

The outbreak of the Coronavirus, 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 and for the year under review; the professional valuer 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 their judgement.

The valuation is therefore reported based on 'material valuation uncertainty' as per the Royal Institute of Chartered Surveyors' (RICS) valuation technical and performance standards on "Valuation Reports" (VPS 3) and "Matters that may give rise to material valuation uncertainty" (VPGA 10). Consequently, less certainty – and a higher degree of caution – should be attached to the valuation than would normally be the case, under normal circumstances. 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, its 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 are 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 performed annually to ensure that the carrying amount does not differ materially from the 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.

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	10 years
Furniture, fittings and office equipment	5 to 14 years
Land and water vehicles	6 to 9 years
Information technology equipment	5 to 9 years
Leasehold improvements	15 years
Generators	10 years
Security equipment	7 to 10 years
Assets under construction	No useful life as assets are not available and/or ready for use

1.4 Property, plant and equipment (continued)

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 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 and intangible assets 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 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.

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	9 to 14 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 intangible assets, in the notes to the financial statements (see note 6).

1.6 Investments in controlled entity

Economic entity financial statements

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

Controlling entity financial statements

In the entity's separate financial statements, the investment in the controlled entity is carried at cost less any accumulated impairment.

The investment in the controlled entity that is accounted for in accordance with the accounting policy on financial instruments in the consolidated financial statements, are accounted for in the same way 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 uncollectability.

1.7 Financial instruments (continued)

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
Receivables from exchange transactions	Financial asset measured at amortised cost
Cash and cash equivalents	Financial asset measured at fair value

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 liability measured at amortised cost
Trade and other payables	Financial liability measured at amortised cost
Employee benefits	Financial liability 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.

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 the 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.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be objectively related 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).

1.7 Financial instruments (continued)

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 is recognised as revenue or expense in surplus or deficit.

Losses and gains relating to a financial instrument are 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 has a current 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

The current tax for current and prior periods, to the extent that it is unpaid, is 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.

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 asset 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, so as to produce a constant periodic rate on the remaining balance of the liability.

Operating leases

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments, is 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.

The cost of inventories comprises of 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 controlled 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

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

1.14 Employee benefit obligations

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.

Disclosures are required in respect of unrecognised contractual commitments.

Commitments for which disclosure is necessary to achieve a fair presentation are disclosed in the notes to the financial statements, if any of the following criteria are met:

- Contractual commitments should be non-cancellable or only cancellable at significant cost; and
- it relates to an approved business case for a project (inclusive of capital and operational cost).

Contractual commitments exclude operational expenditure which relates to normal business activities.

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.

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 are 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 identified during the current financial year must be recorded in the irregular expenditure register and disclosed accordingly, clearly indicating if it was incurred in the current or prior period.

Condoned irregular expenditure transactions, must be recorded in the register and disclosed accordingly.

1.24 Budget information

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

The approved budget covers the fiscal period from 2020/04/01 to 2021/03/31.

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.

1.25 Related parties

The controlling entity operates in an economic sector currently dominated by entities directly or indirectly controlled 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 economic entity.

1.26 Events after reporting date

Events after 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 has occurred.

The economic entity will disclose the nature of the event and an estimate of its financial effect, or a statement that such an 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.

1.27 Transitional provisions

Transitional provision for statutory receivables

The economic entity adopted GRAP 108 "Statutory Receivables" during the prior period. The change in accounting policy was made in accordance with its transitional provision as per Directive 2 of the GRAP Reporting Framework.

Until such time as the measurement period expires on 31 March 2022, and relating items are recognised and measured in accordance with the requirements of GRAP 108, the economic entity need not comply with the presentation and disclosure requirements of the GRAP on statutory receivables.

Transitional provision for living resources

The economic entity adopted GRAP 110 "Living and Non-living Resources" during the current year under review. 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 on 31 March 2023, and relating items are recognised and measured in accordance with the requirements of GRAP

1.27 Transitional provisions (continued)

110, the economic entity need not comply with the presentation and disclosure requirements of the GRAP on living and non-living resources.

1.28 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:	Expected impact:
GRAP 110 (as amended 2016):	The impact is currently being assessed
Living and Non-living Resources, effective 1 April 2020	

Notes to the Financial Statements

	Economic entity		Controlling entity	
	2021	2020	2021	2020
	R'000	R'000	R'000	R'000

3. Receivables from exchange transactions

Government departments	59 340	98 171	59 340	98 171
Staff accounts receivables	5 405	5 577	5 405	5 577
Refundable deposits	4 083	3 979	4 068	3 964
Interest receivable	715	596	715	596
Sundry receivables	2 032	913	2 240	1 330
Advance Tax Ruling (ATR) debtors	367	364	367	364
Trade debtors	1 257	-	-	-
	73 199	**109 600**	**72 135**	**110 002**

	Economic entity		Controlling entity	
	2021	2020	2021	2020
	R'000	R'000	R'000	R'000

Fair value of receivables from exchange transactions

Trade and other receivables	73 199	109 600	72 135	110 002

Receivables from exchange transactions past due but not impaired

At 31 March 2021, R1 992 686 (2020: R6 867 585) was past due but not impaired.

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

1 month past due	225	10	225	10
2 months past due	79	25	79	25
3 months past due	1 689	6 832	1 689	6 817

Receivables from exchange transactions impaired

As of 31 March 2021, receivables from exchange transactions of R5 946 178 (2020: R4 499 259) were impaired and provided for.

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

0-3 months	426	380	426	380
Over 3 months	5 520	4 119	5 520	4 119

Included in the provision for impairment for the controlling entity 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.

The amount of R583k (2020:R583k) relating to the tenant installation for Ashley Gardens, which was provided for in the previous financial year, was reversed, as it was not valid tenant installation cost as initially determined.

Lastly the controlling entity included an amount of R1.153 million (2020: R854k) in the provision for impairment for external bursaries. These bursaries were awarded to university students by the controlling entity, as a means to build a skills pipeline in order to advance the provisions of the National Youth Policy (2015-2020) and the organisation's strategy on development based on its Workforce Plans.

3. Receivables from exchange transactions (continued)

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 R 1.1 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

	Economic entity		Controlling entity	
	2021	2020	2021	2020
	R'000	R'000	R'000	R'000
Opening balance	4 499	4 677	4 499	4 677
Provision for impairment	1 676	(131)	1 676	(131)
Amounts written off as uncollectible	(229)	(47)	(229)	(47)
	5 946	**4 499**	**5 946**	**4 499**

4. Cash and cash equivalents

Cash and cash equivalents consist of:				
Bank balances	761 199	478 419	705 447	436 385
Cash on hand	581	364	575	358
	761 780	**478 783**	**706 022**	**436 743**

5. Property, plant and equipment

Economic entity R'000	2021			2020		
	Cost / Valuation	Accumulated depreciation	Carrying value	Cost / Valuation	Accumulated depreciation	Carrying value
Land	187 264	-	187 264	175 564	-	175 564
Buildings	609 493	(192 275)	417 218	673 793	(163 017)	510 776
Plant and equipment	133 634	(57 348)	76 286	133 511	(45 769)	87 742
Furniture, fittings and office equipment	429 361	(296 352)	133 009	427 999	(293 258)	134 741
Land and water vehicles	232 984	(173 046)	59 938	235 036	(168 463)	66 573
IT equipment	2 652 632	(1 248 823)	1 403 809	1 815 410	(1 162 019)	653 391
Leasehold improvements	763 290	(434 030)	329 260	779 691	(408 058)	371 633
Generators	75 142	(58 577)	16 565	79 312	(57 645)	21 667
Security equipment	194 399	(158 985)	35 414	199 459	(161 892)	37 567
Assets under construction	20 104	-	20 104	832	-	832
	5 298 303	**(2 619 436)**	**2 678 867**	**4 520 607**	**(2 460 121)**	**2 060 486**

Controlling entity R'000	2021			2020		
	Cost / Valuation	Accumulated depreciation	Carrying value	Cost / Valuation	Accumulated depreciation	Carrying value
Land	187 264	-	187 264	175 564	-	175 564
Buildings	609 493	(192 275)	417 218	673 793	(163 017)	510 776
Plant and equipment	133 634	(57 348)	76 286	133 511	(45 769)	87 742
Furniture fittings and office equipment	427 479	(295 273)	132 206	426 377	(292 277)	134 100
Land and water vehicles	232 984	(173 046)	59 938	235 036	(168 463)	66 573
IT equipment	2 636 041	(1 235 928)	1 400 113	1 798 819	(1 150 333)	648 486
Leasehold improvements	757 439	(429 472)	327 967	773 670	(403 500)	370 170
Generators	74 938	(58 384)	16 554	79 108	(57 452)	21 656
Security equipment	194 379	(158 966)	35 413	199 439	(161 873)	37 566
Assets under construction	20 104	-	20 104	832	-	832
	5 273 755	**(2 600 692)**	**2 673 063**	**4 496 149**	**(2 442 684)**	**2 053 465**

5. Property, plant and equipment (continued)

Reconciliation of the carrying amount of property, plant and equipment - Economic entity - 2021

Figures in Rand thousand (R'000)	Opening balance	Additions	Compensations for replacement assets	Disposals	Negotiated discount	Transfers	Revaluations	Depreciation	Impairment loss/scrapping	Impairment reversal	Total
Land	175 564	-	-	-	-	-	19 676	-	(7 976)	-	187 264
Buildings	510 776	2 741	-	-	-	-	49 882	(14 557)	(131 624)	-	417 218
Plant and equipment	87 742	226	-	-	-	-	-	(11 793)	(4)	115	76 286
Furniture, fitting and office equipment	134 741	6 148	-	(38)	-	-	-	(6 866)	(997)	21	133 009
Land and water vehicles	66 573	659	-	(411)	-	-	-	(7 180)	(11)	308	59 938
IT equipment	653 391	265 049	22	(2 536)	576 332	67 957	-	(155 220)	(1 428)	242	1 403 809
Leasehold improvements	371 633	11 542	-	-	-	-	-	(39 621)	(14 294)	-	329 260
Generators	21 667	1 072	-	(304)	-	-	-	(5 870)	-	-	16 565
Security equipment	37 567	1 118	-	-	-	-	-	(3 267)	(4)	-	35 414
Assets under construction	832	86 503	-	-	-	(67 231)	-	-	-	-	20 104
	2 060 486	**375 058**	**22**	**(3 289)**	**576 332**	**726**	**69 558**	**(244 374)**	**(156 338)**	**686**	**2 678 867**

Net transfers between property, plant and equipment and intangible assets as per note 6 contra each other.
Negotiated discount represents discount negotiated on the acquisition of property, plant and equipment. Refer Note 15.

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

Figures in Rand thousand (R'000)	Opening balance	Additions	Compensations 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.
Negotiated discount represents discount negotiated on the acquisition of property, plant and equipment. Refer Note 15.

5. Property, plant and equipment (continued)

Reconciliation of the carrying amount of property, plant and equipment - Controlling entity - 2021

Figures in Rand thousand (R'000)	Opening balance	Additions	Compensations for replacement assets	Disposals	Negotiated discount	Transfers	Revaluations	Depreciation	Impairment loss/scrapping	Impairment reversal	Total
Land	175 564	-	-	-	-	-	19 676	-	(7 976)	-	187 264
Buildings	510 776	2 741	-	-	-	-	49 882	(14 557)	(131 624)	-	417 218
Plant and equipment	87 742	226	-	-	-	-	-	(11 793)	(4)	115	76 286
Furniture fittings and office equipment	134 100	5 888	-	(38)	-	-	-	(6 768)	(997)	21	132 206
Land and water vehicles	66 573	659	-	(411)	-	-	-	(7 180)	(11)	308	59 938
IT equipment	648 486	264 523	22	(2 510)	576 332	67 957	-	(153 511)	(1 428)	242	1 400 113
Leasehold improvements	370 170	11 542	-	-	-	-	-	(39 451)	(14 294)	-	327 967
Generators	21 656	1 072	-	(304)	-	-	-	(5 870)	-	-	16 554
Security equipment	37 566	1 118	-	-	-	-	-	(3 267)	(4)	-	35 413
Assets under construction	832	86 503	-	-	-	(67 231)	-	-	-	-	20 104
	2 053 465	**374 272**	**22**	**(3 263)**	**576 332**	**726**	**69 558**	**(242 397)**	**(156 338)**	**686**	**2 673 063**

Net transfers between property, plant and equipment and intangible assets as per note 6 contra each other.
Negotiated discount represents discount negotiated on the acquisition of property, plant and equipment. Refer Note 15.

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

Figures in Rand thousand (R'000)	Opening balance	Additions	Compensations 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, fittings 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.
Negotiated discount represents discount negotiated on the acquisition of property, plant and equipment. Refer Note 15.

5. Property, plant and equipment (continued)

	Economic entity		Controlling entity	
	2021	2020	2021	2020
	R'000	R'000	R'000	R'000
Assets subject to finance lease (Net carrying amount)				
Furniture, fittings and office equipment	11 091	11 801	11 091	11 801

Revaluations

The effective date of the revaluations was 31 March 2021. Revaluations were performed by an independent professional valuer and appraiser, Mr. WJ Hewitt [NDPV, MIEA, FIVSA, RICS] of Mills Fitchet Valuations (Pty) Ltd. Mills Fitchet Valuations (Pty) Ltd is not connected to the economic entity.

The outbreak of the Coronavirus, 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 and for the year under review; the professional valuer 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 judgement.

The valuations is therefore reported based on 'material valuation uncertainty' as per the Royal Institute of Chartered Surveyors' (RICS) valuation technical and performance standards on "Valuation Reports" (VPS 3) and "Matters that may give rise to material valuation uncertainty" (VPGA 10). Consequently, less certainty – and a higher degree of caution – should be attached to the valuation than would normally be the case, under normal circumstances. 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.

The valuations 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) were performed using the capitalisation of net annual income method. This method is generally considered to determine the market value of an income producing property such as shopping centres, offices and industrial or commercial properties, where the building has an earning potential.

The valuations 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.

The value of owned properties, as at 31 March 2021 was R187.3 million (2020: R175.6 million) for land and R417.2 million (2020: R510.8 million) for buildings.

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

Expenditure included in Statement of Financial Performance

Contracted services	662 117	614 906	662 117	614 906
General expenses	27 534	13 522	26 851	12 446
	689 651	**628 428**	**688 968**	**627 352**

6. Intangible assets

Figures in Rand thousand (R'000)						
Economic entity	**2021**			**2020**		
	Cost/ Valuation	**Accumulated depreciation**	**Carrying value**	**Cost/ Valuation**	**Accumulated depreciation**	**Carrying value**
Intellectual property and other rights	73 583	(56 077)	17 506	73 583	(48 719)	24 864
IT software	3 592 108	(2 855 425)	736 683	3 503 862	(2 911 176)	592 686
Software under development	65 478	-	65 478	16 084	-	16 084
	3 731 169	**(2 911 502)**	**819 667**	**3 593 529**	**(2 959 895)**	**633 634**

Figures in Rand thousand (R'000)						
Controlling entity	**2021**			**2020**		
	Cost/ Valuation	**Accumulated depreciation**	**Carrying value**	**Cost/ Valuation**	**Accumulated depreciation**	**Carrying value**
IT software	4 243 131	(2 849 327)	1 393 804	4 107 436	(2 906 077)	1 201 359
Software under development	147 556	-	147 556	97 427	-	97 427
	4 390 687	**(2 849 327)**	**1 541 360**	**4 204 863**	**(2 906 077)**	**1 298 786**

Reconciliation of the carrying amount of intangible assets - Economic entity - 2021

Figures in Rand thousand (R'000)							
	Opening balance	**Additions**	**Negotiated discount**	**Transfers**	**Amortisation**	**Impairment loss/scrapping**	**Total**
Intellectual property and other rights	24 864	-	-	-	(7 358)	-	17 506
IT Software	592 686	19 099	59 704	76 748	(9 105)	(2 449)	736 683
Software under development	16 084	127 336	-	(77 474)	-	(468)	65 478
	633 634	**146 435**	**59 704**	**(726)**	**(16 463)**	**(2 917)**	**819 667**

Net transfers between property, plant and equipment and intangible assets as per note 5 contra each other.
Change in the useful life of IT software, decreased accumulated depreciation. (Refer to note 35).

Negotiated discount represents discount negotiated on the acquisition of property, plant and equipment. Refer Note 15.

6. Intangible assets (continued)

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.
Negotiated discount represents discount negotiated on the acquisition of property, plant and equipment.

Reconciliation of the carrying amount of intangible assets - Controlling entity - 2021

Figures in Rand thousand (R'000)	Opening balance	Additions	Negotiated discount	Transfers	Amortisation	Impairment loss/scrapping	Total
IT Software	1 201 359	66 548	59 704	76 748	(8 106)	(2 449)	1 393 804
Software under development	97 427	128 071	-	(77 474)	-	(468)	147 556
	1 298 786	**194 619**	**59 704**	**(726)**	**(8 106)**	**(2 917)**	**1 541 360**

Net transfers between property, plant and equipment and intangible assets as per note 5 contra each other.

Change in the useful life of IT software, decreased accumulated depreciation. Refer note 35.

Negotiated discount represents discount negotiated on the acquisition of property, plant and equipment.

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	73 825	59 254	311 944	(269 794)	(28 957)	1 201 359
Software under development	289 244	161 402	-	(320 402)	-	(32 817)	97 427
	1 344 331	**235 227**	**59 254**	**(8 458)**	**(269 794)**	**(61 774)**	**1 298 786**

Net transfers between property, plant and equipment and intangible assets as per note 5 contra each other.
Negotiated discount represents discount negotiated on the acquisition of property, plant and equipment.

6. Intangible assets (continued)

	Economic entity		Controlling entity	
	2021	2020	2021	2020
	R'000	R'000	R'000	R'000

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

New Pier Durban State Warehouse	1 495	1 495	1 495	1 495

The project has been delayed due to non-performance of the service provider and an ongoing dispute that was settled in December 2020. A new tender to complete the work was issued, and it is expected that the construction work will be completed in the 2021/22 financial year, when the warehouse will become operational.

Mineral and Petroleum Resources Royalties Project (MPRR)	719	32 336	719	32 336

The MPRR Project is aimed at providing a digital solution for the collection and administration of mineral and petroleum resource royalties. Although the project successfully implemented the MPRR registration process in January 2019, the remaining solution components relating to filing, payment, and accounting have not been fully concluded in line with the APP. Fiscal constraints and the inability to replace specialised IT skills lost through attrition, has resulted in software development, test and fixes relating to the remaining solution components, taking longer than expected. As a consequence delivery dates have shifted into the 2021/22 financial year.

Total	**2 214**	**33 831**	**2 214**	**33 831**

Carrying value of intangible assets where construction or development has been halted either during the current or previous reporting period(s)

New Customs Act Programme (NCAP)	-	752	-	752

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, the decision was taken to delay the pilot and submit the requirement to review the law. These dependencies have necessitated that the project and its subsequent deliveries be put on hold. Components of the project will be reprioritised as part of the new modernisation initiatives.

OR Tambo Cargo Scanner	-	28 112	-	28 112

The OR Tambo Cargo Scanner project was completed during the 2020/21 financial year.

Total	**-**	**28 864**	**-**	**28 864**

7. Investments in controlled entity

Name of company	Held by	% holding 2021	% holding 2020	Carrying amount 2021	Carrying amount 2020
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).

8. Loan to the controlled entity

Controlled entity

	Economic entity		Controlling entity	
	2021	2020	2021	2020
	R'000	R'000	R'000	R'000
Interfront	-	-	-	12 596
Provision for impairment of loan to controlled entity	-	-	-	(864)
	-	**-**	**-**	**11 732**

The controlled entity made a loan repayment of R12.60 million (2019: R20 million) at the end of December 2020, repaying the loan in full.

The loan was recognised at amortised cost which is calculated by assessing the level of impairment necessary weighing the probability of repayment appropriately. A nominal interest rate as at 31 December 2020 was calculated at 9.39%, resulting in the implied interest income to be recognised in the Statement of Financial Performance.

Fair value of the loan to the controlled entity

Loan to the controlled entity	-	-	-	12 018

A valuation was not required for the current year as the loan was repaid in full. In the absence of a cash flow forecast, the accounting opening balance was used together with actual repayments in order to calculate the deemed interest. The effective annual interest rate of 9.81% was converted to a nominal rate of 9.39%.

This methodology was used to calculate the deemed interest for the period 1 April 2020 to 31 December 2020.

8. Loan to the controlled entity (continued)

	Economic entity		Controlling entity	
	2021	2020	2021	2020
	R'000	R'000	R'000	R'000

Reconciliation of the provision for impairment of loan to the controlled entity

Opening balance	-	-	864	4 145
Provision for impairment	-	-	665	1 780
Amounts written off as uncollectible	-	-	(1 529)	(5 061)
	-	-	-	**864**

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 refunded/(paid) - controlled entity

Balance at beginning of the year	980	1 457	-	-
Current tax recognised in surplus or deficit	357	(869)	-	-
Balance at end of the year	(367)	(980)	-	-
	970	**(392)**	-	-

10. Finance lease obligation

Office equipment				
Minimum lease payments due				
- within one year	82	5 491	82	5 491
- in second to fifth year inclusive	-	82	-	82
	82	**5 573**	**82**	**5 573**
less: future finance charges	(17)	(1 182)	(17)	(1 182)
Present value of minimum lease payments	**65**	**4 391**	**65**	**4 391**

Non-current liabilities	-	65	-	65
Current liabilities	65	4 326	65	4 326
	65	**4 391**	**65**	**4 391**

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.

	Economic entity		Controlling entity	
	2021	2020	2021	2020
	R'000	R'000	R'000	R'000

11. Trade and other payables

Trade accounts payable and accruals	446 665	224 248	444 749	248 925
Accruals for salary related expenses	451 181	283 335	447 003	281 352
Other payables	1 119	1 619	1 119	428
	898 965	**509 202**	**892 871**	**530 705**

12. Deferred income

Tower rentals	63	59	63	59
Deferred income	77	77	77	77
	140	**136**	**140**	**136**

Current liabilities	63	59	63	59
Non-current liabilities	77	77	77	77
	140	**136**	**140**	**136**

Tower rentals are charged annually in advance, for the installation and operation of electronic communication equipment.

13. Provisions

Reconciliation of provisions - Economic entity - 2021

Figures in Rand thousand (R'000)					
	Opening balance	Accumulation	Utilised during the year	Adjustments during the year	Closing balance
Performance bonuses	100 410	204 680	(3 654)	(96 756)	204 680
Provision for building rentals	5 237	5 190	(2 527)	(170)	7 730
Provision for insurance	1 100	1 159	(389)	(399)	1 471
	106 747	**211 029**	**(6 570)**	**(97 325)**	**213 881**

13. Provisions (continued)

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
Provision for building rentals	6 373	2 344	(1 277)	(2 203)	5 237
Performance bonuses	294 173	100 139	(286 105)	(7 797)	100 410
Provision for insurance	1 453	1 100	(816)	(637)	1 100
	301 999	**103 583**	**(288 198)**	**(10 637)**	**106 747**

Reconciliation of provisions - Controlling entity - 2021

Figures in Rand thousand (R'000)	Opening balance	Accumulation	Utilised during the year	Adjustments during the year	Closing balance
Performance bonuses	96 134	201 000	-	(96 134)	201 000
Provision for building rentals	5 237	5 190	(2 527)	(170)	7 730
Provision for insurance	1 100	1 159	(389)	(399)	1 471
	102 471	**207 349**	**(2 916)**	**(96 703)**	**210 201**

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**

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 2020/21 financial year pending conclusion of new lease agreements.

13. Provisions (continued)

	Economic entity		Controlling entity	
	2021	2020	2021	2020
	R'000	R'000	R'000	R'000

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	300 027	368 799	300 027	368 799
Current year revaluation	84 198	(57 536)	84 198	(57 536)
Depreciation on the revalued portion of assets	(14 640)	(11 236)	(14 640)	(11 236)
	369 585	**300 027**	**369 585**	**300 027**

15. Revenue

The amount included in revenue arising from exchanges of goods or services is as follows:

Rendering of services	15 923	13 021	-	-

The amount included in revenue arising from non-exchange transactions is as follows:

Transfer from National Treasury	10 271 873	9 529 031	10 271 873	9 529 031
Negotiated discount	637 028	62 658	637 028	62 658
	10 908 901	**9 591 689**	**10 908 901**	**9 591 689**

16. Other income

Commission received	314 935	349 855	314 935	349 855
Sundry receipts	17 901	25 942	18 110	26 259
SDL training grant	-	9 735	-	9 735
Compensation for replacement assets	22	8	22	8
	332 858	**385 540**	**333 067**	**385 857**

	Economic entity		Controlling entity	
	2021	2020	2021	2020
	R'000	R'000	R'000	R'000

17. Impairment loss

Property, plant and equipment and intangible assets	158 569	179 392	158 569	179 392
Loan to the controlled entity	-	-	665	1 780
Net reversal of inventories	-	(135)	-	(135)
	158 569	**179 257**	**159 234**	**181 037**

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 2021, assets to the value of Rnil (2020: R68.6 million) were impaired in line with GRAP 21, and R1.33 million (2020: R9.62 million) in line with the SARS policy.

Impairment of land and buildings represent adjustments in terms of valuations performed (refer note 5). Impairments of R139.6 million (2020: R96.64 million) were processed for 2021.

Included in the impairment loss amount is the loss made on the disposal of assets R17.64 million (2020: R4.53 million), including the decommissioning of buildings.

The loan to Interfront was paid in full in December 2020.

According to GRAP 12, inventories is 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.

18. Finance costs

Finance leases	1 165	3 027	1 165	3 026

	Economic entity		Controlling entity	
	2021	2020	2021	2020
	R'000	R'000	R'000	R'000

19. Taxation - controlled entity

Major components of the tax (income)/expense

Current

Local income tax - current period	(328)	869	-	-
Local income tax - recognised in current tax for prior periods	(29)	-	-	-
	(357)	**869**	**-**	**-**

Deferred

Deferred tax movement current year	(1 010)	(866)	-	-
	(1 367)	**3**	**-**	**-**

Reconciliation of the tax expense

Reconciliation between applicable tax rate and average effective tax rate.

Applicable tax rate	28%	28%	-%	-%

Accounting deficit subject to tax	**(7 014)**	**(2 358)**	**-**	**-**
Tax at 28%	(1 964)	(660)	-	-
Originating temporary differences	1 010	866	-	-
Non-deductible expenses	626	663	-	-
Over provision of tax in the prior year	(29)	-	-	-
	(357)	**869**	**-**	**-**

During the 2019/20 financial year, the controlled entity discovered that income received in advance was not taken into account in the income tax calculation. This resulted in an increased current tax liability and a corresponding decrease in deferred tax (R173k). Refer to note 36 on prior year period errors.

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.

	Economic entity		Controlling entity	
	2021	2020	2021	2020
	R'000	R'000	R'000	R'000

20. Cash generated from (used in) operations

Surplus/(deficit)	548 152	(847 817)	620 551	(781 573)
Adjustments for:				
Depreciation and amortisation	260 837	562 774	250 503	552 441
(Profit)/loss on sale of assets	2 284	(172)	2 258	(193)
Compensation for replacement assets	(22)	(8)	(22)	(8)
Negotiated discount	(636 036)	(62 650)	(636 036)	(62 650)
Finance costs	1 165	3 027	1 165	3 026
Impairment loss	158 569	179 257	159 234	181 037
Movement in operating lease liabilities	(7 488)	(8 511)	(7 801)	(8 723)
Movement in employee benefits	35 357	22 267	35 357	22 267
Movement in provisions	107 134	(195 252)	107 730	(192 406)
Movement in tax receivable	614	476	-	-
Annual charge for deferred tax	(1 010)	(866)	-	-
Interest income inter company loan	-	-	(1 529)	(5 061)
Changes in working capital:				
Inventories	(5 341)	6 422	(5 341)	6 422
Receivables from exchange transactions	36 401	(1 827)	37 867	(5 117)
Prepayments	(79 162)	35 498	(96 046)	36 117
Trade and other payables	389 763	(105 344)	362 167	(88 127)
VAT	(2 245)	2 115	-	-
Deferred income	4	(11)	4	(11)
	808 976	**(410 622)**	**830 061**	**(342 559)**

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	73 199	109 600	72 135	110 002
Cash and cash equivalents at fair value	761 780	478 783	706 022	436 743
Loan to controlled entity at amortised cost	-	-	-	11 732
	834 979	**588 383**	**778 157**	**558 477**

	Economic entity		Controlling entity	
	2021	2020	2021	2020
	R'000	R'000	R'000	R'000

22. Deferred tax - Controlled entity

Deferred tax liability

Deferred tax liability	(3 361)	(4 371)	-	-

Reconciliation of deferred tax liability

At beginning of year	(4 371)	(5 237)	-	-
Temporary difference on intellectual property	1 441	1 441	-	-
Temporary difference on property, plant and equipment	(232)	(136)	-	-
Reversing temporary difference on finance lease	-	(6)	-	-
Originating temporary difference on operating lease	88	91	-	-
Temporary difference on prepayments	(20)	(12)	-	-
Movement in provision and accruals	(267)	(512)	-	-
	(3 361)	**(4 371)**	**-**	**-**

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	571 723	521 623	565 706	515 639

24. Prepayments

Leave taken in advance	13 313	28 116	13 313	28 116
Prepaid expenses	226 557	132 592	223 356	129 878
Prepaid development cost - controlled entity	-	-	17 371	-

	Economic entity		Controlling entity	
	2021	2020	2021	2020
	R'000	R'000	R'000	R'000
	239 870	**160 708**	**254 040**	**157 994**

25. Inventories

Corporate and customs uniforms	12 341	13 791	12 341	13 791
Combat uniforms	14 286	7 420	14 286	7 420
Uniforms personal protective equipment	226	301	226	301
	26 853	**21 512**	**26 853**	**21 512**

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	8 307	9 019	8 307	9 019
Actuarial gain	(1 103)	(1 371)	(1 103)	(1 371)
Benefits paid	(1 140)	(1 237)	(1 140)	(1 237)
Other movement	37	(134)	37	(134)
Interest cost	494	659	494	659
	7 698	**8 307**	**7 698**	**8 307**

The valuation was performed on a member by member basis using the projected unit credit method as specified by the Statement on Employee Benefits (GRAP 25). 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 of money.

Salary inflation for the 2020/21 financial year as set at an effective salary increase of 0%.

Leave accumulated prior to 1 January 1999 may be taken as leave at the discretion of management based on operational needs. Such leave will however only be paid out on death or retirement, or to employees qualifying for long service awards.

Interest cost, is the increase in the present value of the leave obligation, which arises because the leave benefits are one period closer to settlement.

	Economic entity		Controlling entity	
	2021	2020	2021	2020
	R'000	R'000	R'000	R'000

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	332 215	309 237	332 215	309 237
Actuarial loss/(gain)	14 218	(2 820)	14 218	(2 820)
Benefits paid	(16 379)	(18 079)	(16 379)	(18 079)
Other movements	30 597	15 259	30 597	15 259
Interest cost	21 748	25 798	21 748	25 798
	368 181	**332 215**	**368 181**	**332 215**

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.

Salary inflation for the 2020/21 financial year as set at an effective salary increase of 0%.

Interest cost, is the increase 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	65	4 391	65	4 391
Trade and other payables at amortised cost	447 784	225 867	445 868	249 353
Employee benefits at fair value	375 879	340 522	375 879	340 522
	823 728	**570 780**	**821 812**	**594 266**

29. Auditors' remuneration

Audit fees	30 910	37 189	30 252	36 481

	Economic entity		Controlling entity	
	2021	2020	2021	2020
	R'000	R'000	R'000	R'000

30. Operating leases

Building and related rentals on straight-line basis	**559 057**	**554 856**	**555 338**	**552 510**
Contractual building and related rentals	566 545	563 138	563 139	561 233

Clauses pertaining to renewal or purchasing options are evaluated on a case by case basis. The escalation rates vary between 0% and 10% per annum.

Minimum future lease payments

Economic entity 2021	Less than 1 year	Between 2 and 5 years	Beyond 5 years	Total
Building and related rentals	368 904	544 112	49 600	962 616

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

Controlling entity 2021	Less than 1 year	Between 2 and 5 years	Beyond 5 years	Total
Building and related rentals	364 564	532 363	49 600	946 527

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

	Economic entity		Controlling entity	
	2021	2020	2021	2020
	R'000	R'000	R'000	R'000

31. Commitments

Authorised capital expenditure

Already contracted for capital expenditure

Intangible assets	65 226	43 185	65 226	43 185
Property, plant and equipment	44 306	111 544	44 306	111 544
	109 532	**154 729**	**109 532**	**154 729**

Authorised but not yet contracted for capital expenditure

Intangible assets	78 229	1 733 613	78 229	1 733 613
Property, plant and equipment	9 479	116 772	9 479	116 772
	87 708	**1 850 385**	**87 708**	**1 850 385**

Total capital commitments

Already contracted for capital expenditure	109 532	154 729	109 532	154 729
Authorised but not yet contracted for capital expenditure	87 708	1 850 385	87 708	1 850 385
	197 240	**2 005 114**	**197 240**	**2 005 114**

Authorised operational expenditure

Already contracted for operational expenditure	8 483	19 366	8 353	19 271
Authorised but not yet contracted for operational expenditure	8 761	171 001	8 761	171 001

Total operational commitments

Already contracted for total expenditure	8 483	19 366	8 353	19 271
Authorised but not yet contracted for total commitments	8 761	171 001	8 761	171 001
	17 244	**190 367**	**17 114**	**190 272**

Total commitments

Authorised capital expenditure	197 240	2 005 114	197 240	2 005 114
Authorised operational expenditure	17 244	190 367	17 114	190 272
	214 484	**2 195 481**	**214 354**	**2 195 386**

32. Contingencies

Contingencies exclude any matters arising as a result of tax and customs related activities.

Contingent liabilities

Trade vendors

The controlling entity was served with a summons by the service provider for the provision of Personal Protective Equipment (PPE) to the value of R7 million. The controlling entity accepted the quote on the basis that the delivery would be immediate. When the controlling entity attempted to take delivery of the order, the service provider advised that it had no stock on one of the items on the PPE order and would deliver it at a later date. The controlling entity informed the service provider of its intention to cancel the out of stock item. When the controlling entity endeavoured to collect the balance of the order, the service provider opted to cancel the entire order. The controlling entity is in the process of preparing a plea.

The controlling entity could also be brought into a litigation and apportionment claim as it received an invitation from a service provider to join as a defendant in the litigation between the service provider and a SARS employee. The service provider intends to arguing in court that the controlling entity had a role to play in the damages the SARS employee suffered. The controlling entity intends to leverage the indemnity provision in its contract with Bidvest. The controlling entity's prospects of success are good.

Directors and officers

The organisation received and settled claims to the value of R9.6 million for legal cost by former SARS officials, pursuant to the initial rejection of the insurance cover by the controlling entity's professional liability insurer. The organisation does not agree with the insurer's decision and is engaging the insurer further. To date the insurer has paid R3.5 million. The controlling entity believes that the prospects of successful recovery of the claims from the insurer is good, based on the controlling entity's previous coverage advice received.

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 prior year. The April 2016 agreement between the parties was cancelled by the Arbitrator in this case. The controlling entity is entitled to R10.6 million with interest, for the payment of equipment which did not meet the specifications of the tender. The bidder planned to appeal but the Arbitration Appeal Tribunal ruled that the appeal had lapsed. The bidder has now, through new attorneys of record, filed a review application for the setting aside of the ruling of the Arbitration Appeal Tribunal. SARS is proceeding with liquidation.

33. Related parties

Relationships

33.1 Interfront	Refer to note 7
33.2 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 Ms. VC Ntlhabyane - Non-Executive Director Mr. H Smith - Non-Executive Director
33.3 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 Development	 **Close family member** Ms. AR Theron Ms. JMB Dankuru 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, not at arm's length or not in the ordinary course of business, are disclosed.

33. Related parties (continued)

	Controlling entity	
	2021	2020
	R'000	R'000

Related party balances - Controlling entity

Loan accounts - owing by related parties		
Interfront	-	11 732
Amounts included in trade and other payables		
Interfront	-	26 363

Related party transactions - Controlling entity

Rendering of services to related parties		
Department of Home Affairs (DHA)	67 636	60 963
Rendering of services by related parties		
Interfront	107 845	99 515

The controlling entity continues to assist the DHA in maintaining the enhanced Movement Control System (eMCS), as well as assisting in the modernisation agenda of the department, which delivered and maintains the ID, passport, certificates and visa systems. The partnership is strategically positioned to enable government to achieve continuous improvement in processes, systems and services. SARS offers technological and human resources in the partnership.

Compensation to close family members of executive committee of the controlling entity (2020)

Ms. JMB Dankuru (1 month)	-	31
Mr. M Mokoena (1 month)	-	32
Ms. AR Theron (1 month)	-	50
	-	**113**

Disclosure of close family members is aligned to the period of disclosure in note 34 of the Executive Committee members.

34. Executive remuneration

2021

Figures in Rand thousand (R'000)	Salary	Allowances including leave payments	Contributions medical and pension	Total
Commissioner for SARS	5 976	120	89	6 185

SARS appointed an EXCO in April 2021, with a newly approved Terms of Reference signed 8 April 2021.

The committee appointed in the 2020/21 financial year served as an extended management committee, with no resolutions taken during the period.

2020

Figures in Rand thousand (R'000)	Salaries	Allowances including leave payments	Contributions medical and pension	Acting allowance paid/ payable	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 (Acting)*	251	3	31	-	285
CO: Large Business (Acting)*	141	4	15	44	204
CO: Legal Counsel (Acting)*	207	3	3	44	257
	8 073	**170**	**272**	**283**	**8 798**

* For the month of April 2019 only.

34. Executive remuneration (continued)

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 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.

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.

35. Change in estimate

Property, plant and equipment and intangible assets

Management assesses the useful lives of property, plant and equipment and intangible assets annually. In the current period, the estimated useful lives of the below asset classes were revised. The revision had the following impact on depreciation charges for the current period:

Controlling entity				
Figures in Rand thousand (R'000)	**Prior estimate**	**Current estimate**	**Decrease in depreciation charge**	**Net book value to be depreciated over the amended useful lives - future periods**
Furniture, fittings & office equipment	4 to 13 years	5 to 14 years	(24 049)	114 087
Land & water vehicles	5 to 8 years	6 to 9 years	(12 298)	45 673
IT equipment	5 to 10 years	5 to 9 years	(54 682)	734 504
Security equipment	6 to 10 years	7 to 10 years	(5 770)	25 501
Information technology software	8 to 13 years	9 to 14 years	(280 855)	1 393 804
			(377 654)	**2 313 569**

36. Prior period error

The adjustments pertaining to 2020 resulted in the following:

Statement of Financial Position	Economic entity	Controlling entity
	2020	2020
	R'000	R'000
Current tax receivable - controlled entity	(173)	
Deferred tax - Controlled entity	173	-
Statement of Financial Performance	-	-
Revenue from exchange transactions	-	-
Other income	(62 658)	(62 658)
Revenue from non-exchange transactions	-	-
Negotiated discount	62 658	62 658
	-	-

During the 2019/20 financial year, the controlling entity incorrectly classified revenue from non-exchange transactions as revenue from exchange transactions. The classification was corrected by disclosing the negotiated discount received, under revenue from non-exchange transactions which was previously disclosed as part of other income (R63 million).

The controlled entity discovered that income received in advance was not taken into account in the income tax calculation during the 2019/20 financial year. This resulted in an increased current tax liability and a corresponding decrease in deferred tax (R173k).

37. 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 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.

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.

37. Risk management (continued)

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 operational requirements. The economic entity manages liquidity risk through strict budget management.

The controlling entity's chief source of income is an annual grant from National Treasury for funding 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, which is then presented to National Treasury.

The table below analyses the economic entity's financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position.

Economic entity

At 31 March 2021

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	447 784	-	-	447 784
Employee benefits	-	-	375 879	375 879
Finance lease obligations	65	-	-	65

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	225 867	-	-	225 867
Employee benefits	-	-	340 522	340 522
Finance lease obligations	4 326	65	-	4 391

Controlling entity

At 31 March 2021

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	445 868	-	-	445 868
Employee benefits	-	-	375 879	375 879
Finance lease obligations	65	-	-	65

37. Risk management (continued)

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

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 R7 698 086 (2020: R8 306 580) in comparison to a nominal value of R 8 453 231 (2020: R9 065 772).
- Accumulated annual leave. At the reporting date the fair value of this liability is estimated to be R368 180 740 (2020: R332 215 715) in comparison to a nominal value of R400 601 552 (2020: R363 921 467).

Over and above the amounts disclosed, 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 2021 was R297 980 (2020: 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.

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.

38. 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.

39. Fruitless and wasteful expenditure

	Economic entity		Controlling entity	
	2021	2020	2021	2020
	R'000	R'000	R'000	R'000
Opening balance as previously reported	**20 244**	**14 088**	**20 244**	**14 088**
Remuneration for personal assistants in the absence of attachés relating to the prior year	(2 759)	2 759	(2 759)	2 759
Travel to Belgium incurred for a cancelled meeting relating to the prior year	-	68	-	68
Lease payments and fit out expenses incurred for City Deep scanner site relating to the previous year	(3 412)	1 103	(3 412)	1 103
Lease payments made for Kobe state warehouse	(230)	2 753	(230)	2 753
Interest incurred on late payments to service providers	6	7	6	7
Consulting fees incurred - Mashiane Moodley Monana	(684)	853	(684)	853
Prior Commissioner of SARS travel to Russia	(74)	74	(74)	74
New Pier epoxy	2 027	-	2 027	-
Consulting fees removed	-	(1 461)	-	(1 461)
Colenso lease removed	(2 292)	-	(2 292)	-
Colenso asset removed	(1 673)	-	(1 673)	-
Closing balance	**11 153**	**20 244**	**11 153**	**20 244**

The City Deep lease and related cost of R3.4 million was removed from the register, as it relates to a strategic business decision to redeploy the scanner intended for City Deep to Beit Bridge. The lease cancellation negotiation was handled in terms of the contract and optimising the strategic value of a scanner at Beit bridge instead of City Deep.

The Colenso lease and related cost of R4 million was removed as SARS occupied the premises during the period as a training academy but subsequently decided to reconsider the building due to numerous problems experienced and complaints raised by employees and trainers. The transaction was duly approved in advance, and complied with all procurement processes.

The Attaché related cost of R2.8 million was investigated and removed, as the payments were made as per applicable labour law in respect of staff reduction, resulting from a strategic decision to not place attachés in the respective countries. Severance payments emanated as a result.

The Kobe lease was terminated on 29 February 2020 and therefore the rental amount for March 2020 of R230k was removed.

A legal cost of R758k relating to Mr Moyane was removed as recovery proceedings are in progress.

39. Fruitless and wasteful expenditure (continued)

Cost to the value of R2 million relating to epoxy delivered at the New Pier state warehouse and expired before use, was added to the register.

The New Pier state warehouse and Kobe state warehouse lease transaction was handed over to the Internal Investigation unit for further investigation.

The remainder of the transactions are still under investigation and the determination of loss assessments in progress.

40. Irregular expenditure

	Economic entity		Controlling entity	
	2021	2020	2021	2020
	R'000	R'000	R'000	R'000
Opening balance as previously reported	**23 609**	**356 722**	**22 206**	**356 722**
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	3 113	12 931	3 113	12 492
Irregular expenditure relating to goods and services relating to prior years	1 096	3 390	1 096	2 426
Irregular expenditure condoned and to be removed	(14 445)	(665 600)	(13 042)	(665 600)
Closing balance	**13 373**	**23 609**	**13 373**	**22 206**

SARS investigated a number of transactions to the value of R7.6 million that did not meet the criteria of irregular expenditure and therefore removed them from the register.

The cleaning contract condonement of R4.9 million was not approved by National Treasury and subsequently condoned by the Accounting Authority's delegated authority.

National Treasury condoned a transaction of R562k that was previously omitted from another request for condonement.

Further transactions to the value of R7.1 million were investigated and determination of loss reports prepared as required by the guideline. The main reason for the transgression was a lack in proper contract management, and a poor understanding of the procurement legislation and related policies and procedures. Corrective measures include compulsory training for the respective business unit employees involved in the transgression, and subsequent disciplinary action if involved in further irregular transactions, as well as improvement in procurement contract management which has already been initiated by the Chief Procurement Officer. A request for condonement was submitted to National Treasury and feedback is awaited.

Transactions to the value of R4.5 million relate to professional services on the New Pier state warehouse project, and further work is required to determine if value was derived, an investigation will be conducted by the Internal Investigations team.

Transactions to the value of R227k that were incurred during the financial year relating to dog food procured out of policy and veterinary services for the SARS dog unit, where the emergency procurement process was not initiated on time is still under investigation.
National Treasury approval was not obtained by the controlled entity for deviating from the competitive bidding process for staff parking amounting to R1.2 million over a seven year period in Somerset West and Pretoria respectively. The controlled entity believed that the procurement fell within the definition of a sole provider as there were no other safe parking available close to the controlled entity's offices. The rental paid for the parking was market related and the approval process was followed and complied with. The deviation however should have been based on impracticality, in which case National Treasury approval should have been obtained.

40. Irregular expenditure (continued)

Placement fees amounting to R201k was paid to recruitment agencies by the controlled entity, although the Service Level Agreements (SLA) had already expired. At the time that the Curriculum Vitae was submitted to the controlled entity there wasn't a valid SLA in place. After conclusion of the interview process and the technical evaluation, the controlled entity engaged the service provider to renew the SLA before any appointments were made.

The irregular expenditure of the controlled entity was condoned by the Board on 10 June 2021, as there were no indication of fraud, malicious intent or financial loss.

41. Other matters

Public Protector Reports

The following matters that were investigated by the Public Protector (PP), during the prior period, were declared unlawful and invalid, and were therefore reviewed and set aside on 7 and 17 December 2020, respectively by the North Gauteng High Court. On 7 April 2021, the full bench of the North Gauteng High Court refused the PP's leave to appeal its earlier decision of 17 December 2020 and on 23 April 2021, the EFF and PP argued before the Supreme Court of Appeal (SCA) that the full bench of the North Gauteng High Court erred, when it overturned the PP's report on the so-called SARS "Rogue Unit".

The matters investigated included:

- Allegations of maladministration by Mr Pravin Gordhan, MP ;
- Impropriety in the approval of Mr Ivan Pillay's early retirement with full pension benefits;
- The subsequent retention of Mr Ivan Pillay by the controlling entity; and
- Investigation into allegations of contravening the Executive Ethics Code violation by Mr Pravin Gordhan, MP.

Judgement in this matter remains reserved.

Tatis International (Pty) Ltd

Tatis International (Pty) Ltd, with whom the controlled entity is contracted through a sale of business agreement, was placed in 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. Tatis International (Pty) Ltd, has indicated its intention to proceed with arbitration against the controlled entity for alleged breach of contract, and the controlled entity agreed to participate in a "without prejudice mediation process", as is required in terms of the sale of business agreement. The controlled entity, as well as its legal representation, remain of the view that it is not liable for any claim. Accordingly, no provision or contingency has been included in these financials

Labour relations

A number of internal labour relations related issues are ongoing. These matters will be reported as they are concluded, if required.

42. Fraudulent activities

Management is committed to the process, and continues to investigate and report all fraudulent activities.

43. 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 included amongst others, interviews (of which some were held in public) with employees, and former employees identifying and studying relevant documents, consulting institutions referred to in the terms of reference, and submissions were invited and received from various organisations as well as employees and members of the public.

The Nugent Commission found that there had been a massive failure of integrity and governance at SARS relating to the following service providers:

1) Bain & Company Inc.
2) Gartner Inc.
3) Grant Thornton Inc.
4) Mashiane Moodley Monama Inc.

The irregularities resulted from both process related violations, as well as utilisation of service providers to further interests that were narrow and not serving the organisation.

The controlling entity has taken concrete steps in the period under review to address these matters. An investigation into Bain and Company Inc. is underway. Legal proceedings against former SARS employees to recover public funds expended for purposes other than the controlling entity's purposes are also continuing.

In line with the recommendations of the Nugent Commission, the controlling entity has implemented a reparations process for current and former employees who may have been negatively impacted by actions taken as a consequence of the Sikhakhane and KPMG reports. The process will be concluded in the 2021/22 financial year.

The Commissioner has established an Advisory Committee to consider claims for reparation by former employees who may have been negatively affected by actions of the controlling entity during 2014-2018, relating to a specified enforcement unit which is still in progress.

The controlling entity 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.

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 in the 2019/20 financial year.

Annexure 1

Tax computation - Controlled entity

Figures in Rand thousand (R'000)	
Net loss per Statement of Performance	(7 014)
Non-deductible/Non taxable items	
Depreciation on leasehold improvements	24
Amortisation permanent difference portion	2 211
	2 235
Temporary differences	
Wear and tear March 2021	(3 800)
Actual payments of operating leases	(3 358)
Straight lining of operating leases - office premises	3 672
Amortisation temporary difference portion	5 148
Provision on leave pay - March 2020	(3 003)
Provision on leave pay - March 2021	3 264
Provision for bonuses - March 2020	(4 276)
Provision for bonuses - March 2021	3 680
Prepayments - March 2020	354
Prepayments - March 2021	(424)
Revenue billed in advance March 2020	(617)
Loss on disposal of assets	26
Scrapping allowance	(9)
Depreciation	2 952
	3 609
Tax loss carried forward	**(1 170)**
Tax thereon @ 28%	(328)
Tax liability	
Amount prepaid at the beginning of year	(981)
Other receipts	971
Over/under provision in respect of prior year	(29)
Amount prepaid in respect of prior year	**(39)**

Tax prepaid for the current year	
Normal tax	
Per calculation	(328)
Amount prepaid at the end of year	**(367)**

The supplementary information presented does not form part of the financial statements and is unaudited.

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). Due to COVID-19 restrictions on international travel, no international travel was permitted in 2020/21.

		Controlling entity
		2020
No.	Description	R'000
1	World Customs Organisation (WCO)	454
	Travel and accommodation to attend various WCO meetings / workshops on INAMA project risk management, Global experience-sharing, GenderEquality, Official mission, training to Mozambique Customs of the CCP, Regional workshop for ESA- Ghana, Thailand, Gambia, Belgium, Zambia , Mozambique and Mauritius (2020).	
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
	Travel, accomodation and subsistence to provide technical assistance to KRA regarding implementation of warehouse and business process re-engineering support -Nairobi, Kenya (2020).	
4	African Tax Administration Forum (ATAF)	158
	Travel, accomodation and subsistence to attend the African Tax Outlook (ATO) Validation & consultation workshp,ATAF ICTA Conference, capacity building for 2020 edition of the ATO Publication and repeat TADAT Assessment Nigeria, Uganda, Benin, Rwanda, annd Namibia- (2020).	
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-Bratislavia, Slovakia (2020).	
6	Korean Customs Service-Customs Border Control Training Institution (CBCTI)	89
	Travel, accomodation and subsistence to attend CBCTI seminar in Cheonan(2020).	
7	United Nations (UN)	71
	Travel, accommodation and subsistence to attend UN sub-cpmmittee on Taxation of the Extraction, UN trade meeting, UN Sub-Committee on Taxation meeting -United Kingdom, Ethopia 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
	Travel, accomodation and subsistence to attend the African Union Commission workshop on interconnectivity in Mauritius (2020).	
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).	
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
	Travel, accomodation and subsistence to attend the AFCFTA negotiations forum meeting in Addis Ababa, Ethiopia (2020).	

		Controlling Entity
		2020
No.	Description	R'000
15	Zambia Revenue Authority	29
	Travel, accomodation and subsistence to attend advisory support mission to ZRA- Lusaka , Zambia (2020).	
16	Government of the United Kindom	28
	Travel, accommodation and subsistence to attend the ISACU M&E in Botswana (2020).	
17	Deutsche Gesellschaft fur Internationale Zusammenarbelt (GIZ)	25
	Travel, accomodation and subsistence to attend OECD train the trainer programme in Nairobi. (2020).	
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).	
	Grand Total	1 725
	* As a result of travel restrictions due to the outbreak of COVID-19, no international travel occurred	

Annexure 3

Service Charter Commitment Included in Service Charter Index Score	Achievement		
	2018/19	2019/20	2020/21
Engagement			
Contacting a SARS call Centre we commit to the following:			
Speed call answer rate.	🙂	🙁	🙂
Call you within 2 business days, where additional specialist support is required (Call Back Commitments).	🙁	🙁	🙁
If you visit a SARS branch or mobile tax unit we will endeavour to:			
Serve you within agreed timeframe.	🙂	🙂	🙂
When using the eFiling channel we will endeavour to:			
Make SARS eFiling available 24 hours a day.	🙁	🙂	🙂
Registration			
When you apply for registration and all registration requirements have been met:			
We will process and finalise the application within 2 business days, where no inspection is required.	🙁	🙁	🙁
Where an inspection is required, we will process and finalise the application within 21 business days.	🙁	🙁	🙂
Returns/Declarations			
When you submit a return or declaration electronically to SARS we will endeavour to:			
Assess the return within 5 business days, where manual intervention is not required.	🙁	🙂	🙂
Inspections/Audit/Verifications			
If you are subject to an inspection, verification or audit, we will endeavour to:			
Conclude verification within 21 business days from the date all required supporting documents are received, if your return is for the current filing period.	🙁	🙁	🙁
Refunds			
"If a current year's refund is due to you and: • No other debt is due • All obligations have been met • SARS administrative control processes are adhered to, and • No inspection, verification or audit is required or has been initiated, we willendeavour to:"			
1. Pay the current filing period refunds, above R100, within 7 business days of finalising the final assessment.	🙁	🙂	🙂
Payments			
When you make a payment and SARS has the correct payment reference number, we will endeavour to:			
Process the payment within 3 business days of receipt thereof.	🙂	🙂	🙂
Debt			
When you apply for deferral or suspension of payment and all the requirements have been met, we will endeavour to:			
Consider the request within 21 business days of receipt of the complete application, and communicate accordingly.	🙁	🙁	🙁
Disputes - Tax Administration Act			
Where SARS receives a request for reasons, an objection or an appeal, unless otherwise agreed, and where no exceptional circumstances arise that warrant an extension to the responding period, we will endeavour to:			
Provide reasons for an assessment within 45 business days.	🙂	🙂	🙂
Consider the objection within 60 business days.	🙁	🙂	🙂
Finalise appeals within 90 business days.	🙁	🙁	🙁

Service Charter Commitments Not Included in Service Charter Index Score
Engagement
If you visit a SARS branch or mobile tax unit we will endeavour to:
Contact you within 5 business days, where additional specialist support is required (Contact Back Commitments).
When using the eFiling channel we will endeavour to:
Afford businesses paying VAT, until the last business day of the month to pay. Manual filers must pay by the 25th of each month or where the 25th falls on a weekend or public holiday, the business day prior to the 25th.
Communicate with you via SMS or email to remind you of submission deadlines.
Process your requests quicker than if you had visited a SARS branch.
If you correspond with SARS we will endeavour to:
Respond to a Tax, Customs or Excise query within 21 business days of receipt thereof.
Registration
When you apply for registration and all registration requirements have been met:
We will process and finalise the application within 2 business days, where no inspection is required.
For Customs registrations, we will process and finalise the application within 5 business days, where no inspection is required.
Where an inspection is required, we will process and finalise the application within 21 business days.
Returns/Declarations
When you submit a return or declaration electronically to SARS we will endeavour to:
Process all customs declarations within 4 hours of receipt. / Finalise it within 48 hours, where an inspection is required.
Inspections/Audit/Verifications
If you are subject to an inspection, verification or audit, we will endeavour to:
Notify you that the return or declaration is subject to verification within 15 business days of submission, if your return is for the current filing period.
Conclude an audit within 90 business days from the date all required supporting documents are received.
Refunds
If a current year's refund is due to you and: • No other debt is due • All obligations have been met • SARS administrative control processes are adhered to, and • No inspection, verification or audit is required or has been initiated, we will endeavour to:
2. Pay customs and excise refunds within 30 business days of finalising the application.
Where Customs and Excise refund payments are paid into a deferment account, we will endeavour to:
Pay refunds into the same deferment account, provided that the original payment was also made from the deferment account.
Debt
When you request a debt compromise and all the requirements have been met, we will endeavour to:
Consider the request within 30 business days of receipt of the complete application, and communicate accordingly.
Disputes - Tax Administration Act
Where SARS receives a request for reasons, an objection or an appeal, unless otherwise agreed, and where no exceptional circumstances arise that warrant an extension to the responding period, we will endeavour to:
Consider if a matter is suitable for Alternative Dispute Resolution (ADR) within 30 days from the date the request was received.
Where an agreement is concluded, issue an assessment to give effect to the agreement within a period of 45 days, after the date of the last signing of the agreement.
Set down the appeal before the Tax Board within 30 days of receipt of the notice of appeal, where no ADR procedures are pursued.
Disputes - Customs & Excise Act
Where SARS needs to provide a Determination of Tariff/Valuation/Origin, we will endeavour to:
Finalise and communicate the outcome of the Determination of Tariff/Valuation/Origin within 90 days of receipt of all required information/documentation (excluding cases of escalation or exception cases, i.e. World Customs Organisation or legal referrals).
Complaints to SARS
Respond within 21 business days.
Complaints to Tax Ombud

Annexure 4

Compliance Programme Milestones and Targets Featured in the 2020/21 Annual Performance Plan

Strategic Intent: To develop a Tax & Customs system based on Voluntary Compliance Key Results	
1) Total compliance revenue collected	☺
Provide clarity and certainty for taxpayers and traders of their obligations	
2) The majority of taxpayers and traders surveyed perceive the guidance SARS provides to be clear, unambiguous and easy to follow - *% of taxpayers and traders that are satisfied with the clarity and certainty of guidance provided by SARS*	☺
3) Leverage products introduced - *Advance Pricing Agreement Programme introduced*	☺
4) Uptake of AEO programme by traders - *% uptake of AEO programme by active traders*	☺
Make it easy for taxpayers and traders to comply with their obligations	
5) Increase the number of taxpayers and traders using digital platforms - *% of taxpayers and traders using digital platforms to interact with SARS*	☺
Increase and expand the use of data within a comprehensive knowledge management framework to ensure integrity, derive insight and improve outcomes	
6) Standard taxpayers are auto assessed by SARS - *% of standard taxpayers returns auto assessed by SARS (individual taxpayers)*	☺
7) Service Charter achievement index - % increase in Service Charter performance score	☹
8) SMME engagement programme established – approved SMME engagement programme	☺
Detect taxpayers and traders who do not comply and make noncompliance hard and costly	
9) Detection and selection methodology for noncompliance completed – approved methodology document	☺
10) Responses developed for all instances of non-compliance – approved document	☺
11) Review of capability to successfully respond to non-compliance – approved document	☺
12) Increase in Employer Filing Compliance - % increase in employer filing compliance	☹
Increase and expand the use of data within a comprehensive knowledge management framework to ensure integrity, derive insight and improve outcomes	
13) Completeness of data achieved	☺
14) Methodology and algorithms to improve case selection completed	☺
Modernise our systems to provide digital and streamlined online services	
15) Digital platforms availability for taxpayers and traders - *% of planned capacity to be available for mission critical systems*	☹
16) All SARS service offerings made available digitally - *% of SARS taxpayer and trader service offerings made available online*	☺

Abbreviations and Acronyms

ACU	Anti-Corruption Unit
ADR	Alternative Dispute Resolution
AEO	Authorised Economic Operator
AEOI	Automatic Exchange of Information
AFCTA	African Continental Free Trade Agreement
APAs	Advance Pricing Agreements
APP	Annual Performance Plan
ASB	Accounting Standards Board
ATR	Advance Tax Rulings
AU	African Union
AUC	African Union Commission
BAIT	Business and Individual Taxes
BCM	Business Continuity Management
BELN	Botswana eSwatini, Lesotho and Namibia
BMI	Body Mass Index
BRICS	Brazil, Russia, India, China and South Africa
CA	Chartered Accountant
CbCR	Country-by-Country Reporting
CBCTI	Customs Border Control Training Institution
CCAs	Cost Contribution Arrangements
CIPC	Companies and Intellectual Property Commission
CIT	Company Income Tax
CMO	Complaints Management Office
CoCE	Code of Conduct and Ethics
COIDA	Compensation of Occupational Injuries and Diseases Act
CRP	Compliance Risk Profile
CRS	Common Reporting Standards
CRU	Compliance Risk Universe
CTC	Cost to Company
CTFL	Clothing Textile Footwear Leather
CTI	Computer Telephony Integration
DEFF	Department of Environment Forestry and Fisheries
DGF	Data Governance Framework
DHA	Department of Home Affairs
DMRE	Department of Mineral Resources and Energy
DOP	Deferral of Payment
DPR	Declaration Processing
DT	Dividends Tax

DTC	Davis Tax Committee
EEI	Employee Engagement Index
EFF	Economic Freedom Fighters
EMDP	Executive Management Development Programme
EOI	Exchange of Information
EOIR	Exchange of Information on Request
EPM	Employee Performance Management
ETI	Employment Tax Incentive
EU	European Union
FAQ's	Frequently Asked Questions
FIC	Financial Intelligence Centre
FOSAD	Forum for South African Directors General
FY	Financial Year
GDE	Gross Domestic Expenditure
GDP	Gross Domestic Product
GIT	Graduate in Training
GRAP	Generally Recognised Accounting Practice
HFCE	Households' Final Consumption Expenditure
HVAC	Heating, Ventilation and air Conditioning
HWI	High Wealth Individuals
ICT	Information Communication Technology
IEU	Illicit Economy Unit
IGS	Intra Group Services
IIA	Institute of Internal Auditors
IIRF	International Integrated Report Framework
ILO	International Labour Organisation
IMF	International Monetary Fund
IRBM	Inland Revenue Board of Malaysia
IRS	Internal Revenue Service
IT	Information Technology
ITU	Illicit Trade Unit
LB	Large Business
LBI	Large Business and International
LEI	Leadership Effectiveness Index
MDP	Management Development Programme
MNEs	Multinational Entities
MOU	Memorandum of Understanding
MPRR	Mineral and Petroleum Resource Royalties

MTBPS	Medium Term Budget Policy Statement
MTEF	Medium Term Expenditure Framework
MVP	Mobile Virtual Platform
NAMRA	Namibian Revenue Agency
NCAP	New Customs Act Programme
NCE	Namibian Customs and Excise
NGOs	Non- Government Organisations
NPA	National Prosecution Authority
NSFAS	National Student Financial Aid Scheme
OECD	Organisation for Economic Co-operation and Development
OEPP	Operations Enablement and Production Planning
OGAs	Other Government Agencies
OKR	Operational Key Results
OMDP	Operations Management Development Programme
OOC	Office of the Commissioner
ORTIA	OR Tambo International Airport
OTO	Office of the Tax Ombud
PAYE	Pay-As-You-Earn
PDPs	Personal Development Plans
PE	Printed Estimate
PFMA	Public Finance Management Act
PGMs	Platinum Group Metals
PIT	Personal Income Tax
POPIA	Protection of Personal Information Act
PP	Public Protector
PPE	Personal Protective Equipment
PQC	Preferential Quota Certificate
PWC	Price Waterhouse Cooper
PY	Prior Year
RAF	Road Accident Fund
RCG	Reporting of Conveyances and Goods
RE	Revised Estimate
RFHC	Real Final Household Consumption
RKC	Revised Kyoto Convention
RLA	Registration, Licensing and Accreditation
RSN	Report on Suspected Non-Compliance
SA	South Africa
SACU	South African Customs Union

SADC	Southern African Development Community
SA-EU	South African European Union
SAGEA	South African Graduate Employers Association
SAICA	South African Institute of Chartered Accountants
SANDF	South African National Defence Force
SAPS	South African Police Service
SARB	South African Reserve Bank
SARS	South African Revenue Service
SASSA	South African Social Security Agency
SDL	Skills Development Levy
SIOL	SARS Institute of Learning
SLA	Service Level Agreement
SMME	Small, Medium and Micro-sized Enterprises
SOC	Security Operations Centre
SOEs	State Owned Entities
SOP	Standard Operating Procedure
SR	Social Responsibility
STC	Secondary Tax on Companies
SVDP	Special Voluntary Disclosure Programme
TALAB	Tax Administration Laws Amendment Bill
TFA	Trade Facilitation Agreement
TLAB	Taxation Laws Amendment Bill
TOR	Terms of Reference
TP	Transfer Pricing
TPA	Third Party Appointments
TRA	Tanzania Revenue Authority
TSD	Technology and Solutions Delivery
UIF	Unemployment Insurance Fund
UNDP	United Nations Development Programme
USB	Universal Serial Bus
VAT	Value-Added Tax
VCI	Voluntary Compliance Index
WCO	World Custom Organisation
WHO	World Health Organisation
WIL	Women in Leadership
WTO	World Trade Organisation
YoY	Year-on-Year
YTD	Year-to-Date
ZIMRA	Zimbabwe Revenue Authority