



OFFICE OF THE  
**TAX OMBUD**

*Ensuring fairness*

# Tax Ombud Annual Performance Plan 2017/18

ANNUAL  
QUALITY  
REPORT  
FOR  
MANAGEMENT  
PLAN

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# 1. ABBREVIATIONS

APP	Annual Performance Plan
CEO	Chief Executive Officer
CAPEX	Capital expenditure
eChannels	Electronic channels
MTEF	Medium Term Expenditure Framework
MOU	Memorandum of understanding
NDP	National Development Plan
OTO	Office of the Tax Ombud
PFMA	Public Finance Management Act 1 of 1999
PESTEL	Political, Environmental, Social, Technological, and Legal
SARS	South African Revenue Service
SLA	Service level agreement
SWOT	Strength, Weakness, Opportunities and Threats
TAA	Tax Administration Act 28 of 2011
TO	Tax Ombud
VOIP	Voice Over Internet Protocol

## 2. FOREWORD BY THE TAX OMBUD



With a clear strategy for the future, a sound understanding of the opportunities and challenges ahead, a workable plan of action and the necessary resources, my Office is ready and eager to continue serving as a free, fair and impartial dispute resolution channel for the taxpayers of South Africa. Effective planning is the foundation of organisational success and I am pleased to present the 2017/18 Annual Performance Plan (APP) of the Office of the Tax Ombud. The APP has been aligned with our strategic objectives, as expressed in our Strategic Plan 2017-2022, and will ensure that we continue carrying out our legislative mandate and improve all aspects of our organisation.

It is essential that performance is directed towards ambitious goals and measured against tangible

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“My Office is ready and eager to continue serving as a free, fair and impartial dispute resolution channel for the taxpayers of South Africa.”

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targets. This is the purpose of the APP and the strategic outcome-oriented goals we have formulated. They are more demanding than the plans and goals of the previous year and are a reflection of our collective commitment in pursuit of excellence in the execution of our duties in assisting taxpayers to resolve their complaints against the South African Revenue Service (SARS).

Clearly South Africa is going through a particularly difficult period politically and economically, a worrying combination that may put an extra burden on state coffers, as well as the financial standing of businesses, citizens and individual taxpayers in particular. Despite these challenges, it is important to note that ambitious goals have been set for the country to ensure, among others, economic vibrancy, increased employment

opportunities and improved service delivery, as indicated in the National Development Plan (NDP) 2030. When preparing this APP, the challenges facing the country and plans for the future were taken into consideration, with more focus placed on how this Office could make a valuable contribution towards stimulating the country's economic growth and assisting government to achieve its long-term service delivery goals through improved tax collection.

As the Office of the Tax Ombud, our role in these matters cannot be underestimated. Part of our strategic objectives include contributing towards improving the country's tax administration system, which involves ensuring there is balance between SARS' powers and duties on the one hand and taxpayers' rights and obligations on the other. When taxpayers feel that the tax system is fair and just, with effective mechanisms (such as the Office of the Tax Ombud) to guard against abuse, and to ensure that there are checks and balances, they are more likely to fulfil their tax obligations.

“We continue to set up and strengthen proper governance structures to ensure that we operate within our mandate...”

But we should also guard against believing that a fair and functioning tax administration system alone can ensure full adherence to tax obligations. I have warned in the past and will continue to do so that corruption, wastage and theft of taxpayers' money pose a serious threat to tax collection, and in extreme cases, could bring about a total boycott against the payment of taxes. The perceived heavy-handedness of institutions mandated to collect revenue on behalf of the state could worsen the situation. We should guard against allowing such oppressive conduct

and other practices unbecoming for a democratic and caring government, to implant their DNA in any aspect of our society and thus creep into our tax administration system.

The past three years have been a rollercoaster of a ride with a fair share of challenges and successes. We believe we have made a valuable contribution to the country's tax administration system, helping resolve taxpayers' complaints against SARS and, to a certain extent, given taxpayers the confidence that if and when SARS fails them, there is a fair, free, independent and effective avenue for recourse to address their issues. It is important to note that during the past three consecutive financial years, the majority of complaints received by the Office were resolved in favour of taxpayers.

We have been able to influence changes on important legislative matters governing the country's tax administration system as reflected in the Tax Administration Laws Amendment Act No 16 of 2016, which included many of the contributions made by the Office.

We have also made inputs to the proposed Taxpayers' Bill of Rights and submitted our contribution to SARS for consideration. These achievements reflect some of the strategically oriented goals that we set for ourselves in the past and subsequently achieved, as indicated in our Annual Reports. We continue to set up and strengthen proper governance structures to ensure that we operate within our mandate and fulfil our reporting responsibilities as agreed with the Minister of Finance, to whom I report directly.

Although we, as the Office of the Tax Ombud, have made many positive contributions towards improving the country's tax administration system, we are still struggling with many issues which compromise our ability as an institution to deliver fully on our mandate. Some of the challenges identified include our independence, or lack thereof, from SARS, budgetary constraints and the lack of a footprint outside

Pretoria. Limitations are still imposed on our mandate and there are shortcomings in the legislation that governs how we do our work. To some stakeholders, we are nothing more than another branch of SARS rather than an independent tax dispute-resolution platform. This, even if it is just a perception, has serious image and reputational ramifications for the OTO. Such perceptions are of course wrong.

This APP seeks to put forward activities that will enable us to address challenges that have emerged during our formative years. Some of these were identified as we executed our duties, and others highlighted by the taxpayers we serve and other stakeholders. It is clear that by further amending the Tax Administration Act, which governs our Office, could go a long way towards resolving many of the challenges facing the organisation regarding its total independence from SARS, limitations to the mandate and restrictions on the cases that the Office can investigate.

“We remain patriotic to our country and committed to inspiring confidence in the tax administration system...”

We have identified four strategic objectives which revolve around the four pillars of accountability: independence, efficacy, security and confidentiality. These strategically oriented objectives focus on addressing many of the challenges we face and

serves as a compass on the direction we want to take and what we want to achieve in the next five years.

In summary, our activities going forward talk to numerous issues which, among others, include the need to be more customer-centric and to address the inadequate levels of awareness and understanding among taxpayers about SARS' complaints process and procedures, which leads to taxpayers submitting complaints prematurely to the OTO. Our APP also deals with poor public penetration due to a non-existent footprint outside Gauteng and the ever-increasing demand for OTO services. This, coupled with a constrained budget, limits the Office's ability to recruit adequately, and is another challenge that we seek to address.

As we look forward to the next year, we envisage improving on our modernised complaints management system, streamlining governance and risk frameworks to improve compliance and reporting, and further continuing to create much-needed awareness about our Office and how the services offered can be utilised.

With the support of our stakeholders, a sound governance structure and an ambitious APP, we are confident of success and of providing a service that all our stakeholders, including our government and the taxpayers we are mandated to assist, can be proud of. We remain patriotic to our country and committed to inspiring confidence in the tax administration system and protecting the rights of taxpayers. We will remain resolute in the pursuit of excellence and will execute our duties without fear or favour.



**JUDGE BERNARD NGOEPE**  
TAX OMBUD

## 3. OVERVIEW BY THE CHIEF EXECUTIVE OFFICER



**ADVOCATE ERIC MKHAWANE**  
CHIEF EXECUTIVE OFFICER

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“As demand for the Office’s service grows, we are committed to maintaining the highest levels of efficiency and to addressing challenges impeding our ability to execute our mandate.”

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The Office of the Tax Ombud strives to become a truly customer-centric organisation that serves taxpayers fairly and impartially, and achieving balance between the rights of taxpayers and the powers of SARS. The Annual Performance Plan 2017/18 clearly outlines what we promise to deliver in the coming year as per our strategic objectives.

In seeking to be customer-centric, it is vital to understand the expectations of stakeholders. To this end, we plan to conduct our first taxpayer survey in 2017. It will set a baseline for future taxpayer surveys, which will then be conducted every two years, focusing on matters such as taxpayers’ awareness of the Office and our services, and their perceptions of the Office as an independent entity.

Similarly, in the interests of ongoing service improvement, the Strategic Plan and Annual Performance Plan (APP) make provision for the introduction of a complainants’ survey to gauge the satisfaction levels of taxpayers who lodge complaints. In addition to this qualitative assessment of the Office’s services, we will be paying close attention to quantitative measures such as the percentage of complaints successfully lodged the first time and the percentage of cases handled within the agreed turnaround times. Efficiency measures such as the average cost per complaint will also be introduced and targets set for reducing these costs. This will be critical given the expected escalation in the number of complaints received.

Indeed, in the coming years we anticipate steady increases in the demand for the Office's services as a result of our efforts in communications and outreach, and as progress is made in reaching taxpayers who are not yet aware of the Office's existence. Our plans to consider extending the Office's geographical footprint, now limited to Pretoria, should also give impetus to the growth in demand for our services. Against this background, it will be imperative for the Office to handle more complaints just as efficiently - if not more so - than when the number of complaints was still relatively low.

As demand for the Office's service grows, we are committed to maintaining the highest levels of efficiency and to addressing challenges impeding our ability to execute our mandate. In this context, our priorities are to scrutinise and review our processes to enhance taxpayers' experience, build the capacity and capability of the Office's employees and address institutional independence.

The input of SARS is a crucial part of the complaints resolution process and the more responsive it is to the recommendations from the Office of the Tax Ombud, the more credibility the tax administration system will have in the eyes of taxpayers. For this reason, establishing governance and operational processes with SARS is prominently addressed in our Strategic Plan for 2017-2022 and in this APP.

In essence, both of these plans are the roadmap the Office will be using to ensure each and every member of our small but skilled workforce understands the strategic direction we are taking and contributes to meeting the objectives and targets set in the APP. Every member of the team has a role to play in enabling the Office to fulfil its mandate, thereby helping to build taxpayers' confidence in the country's tax system, with the ultimate aim of building a more robust culture of tax compliance and a resilient South African economy.



**ADVOCATE ERIC MKHAWANE**  
CHIEF EXECUTIVE OFFICER

# 4. OFFICIAL SIGN-OFF

**It is hereby certified that this Annual Performance Plan:**

- was developed by the management of the Office of the Tax Ombud under the guidance of the Minister of Finance
- takes into account all the relevant policies, legislation and other mandates for which the Office of the Tax Ombud is responsible
- accurately reflects the strategic outcome-oriented goals and objectives which the Office of the Tax Ombud will endeavour to achieve over the period 2017/18.



**ADVOCATE ERIC MKHAWANE**  
CHIEF EXECUTIVE OFFICER



**JUDGE BERNARD NGOEPE**  
TAX OMBUD

# 5. PART A: STRATEGIC OVERVIEW

## VISION

To strengthen taxpayers' trust and confidence in tax administration

## MISSION

To be an efficient, independent, impartial and fair redress channel for taxpayers

## VALUES

**ACCOUNTABILITY:** Taxpayers are entitled to a rational and fair reason for decisions and actions taken.

**INDEPENDENCE:** In dealing with taxpayers' complaints, the Tax Ombud operates independently of SARS.

**EFFICIENCY:** The Office of the Tax Ombud ensures that all taxpayers' complaints are resolved promptly and efficiently.

**FAIRNESS:** The Tax Ombud acts in fairness at all times.

**CONFIDENTIALITY:** The Office of the Tax Ombud holds all communications with taxpayers in strict confidence unless authorised otherwise by the taxpayer.

## LEGISLATIVE AND OTHER MANDATES

### THE OFFICE OF THE TAX OMBUD OPERATES UNDER A LEGISLATIVE AND CONSTITUTIONAL MANDATE.

Constitutional mandate: In terms of s195 of the Constitution of the Republic Act 108 of 1996, public administration must be governed by the democratic values and principles enshrined in the Constitution, including a high standard of professional ethics; efficient, economic and effective use of resources; provision of impartial, fair and equitable service; transparency and accountability. As an agent of public administration, the South African Revenue Service (SARS), the subject of the OTO's oversight, is bound by this Constitutional Mandate. The Office of the Tax Ombud is equally bound by the Constitutional Mandate.

### LEGISLATIVE MANDATE: TAX ADMINISTRATION ACT, NO 28 OF 2011

The Office of the Tax Ombud was established in terms of sections 14 and 15 of the Tax Administration Act, 28 of 2011 (Tax Administration Act). The Office was established in October 2013 and launched by the Minister of Finance in April 2014. The Tax Ombud reports to the Minister of Finance as the executive authority. In terms of the relevant legislation, the Tax Ombud submits the Strategic Plan, Annual Performance Plan and Annual Report to the Minister, who must table these in the National Assembly.

#### Section 16(1) of the Act spells out the Ombud's mandate as being to:

- a) Review and address any complaint by a taxpayer regarding a service matter or a procedural or administrative matter arising from the application of the provisions of a Tax Act by SARS; and
- b) Review, at the request of the Minister or at the initiative of the Tax Ombud with the approval of the Minister, any systemic and emerging

issue related to a service matter or the application of the provisions of this Act or procedural or administrative provisions of a Tax Act.

#### SECTION 16(2):

#### In discharging his or her mandate, the Tax Ombud must:

- Review a complaint and, if necessary, resolve it through mediation or conciliation;
- Act independently in resolving a complaint;
- Follow informal, fair and cost-effective procedures in resolving a complaint;
- Provide information to a taxpayer about the mandate of the Tax Ombud and the procedure for pursuing a complaint;
- Facilitate access by taxpayers to complaint resolution mechanisms within SARS to address complaints; and
- Identify and review systemic and emerging issues related to service matters or the application of the provisions of this Act or procedural or administrative provisions of a Tax Act that impact negatively on taxpayers.

#### REVIEW OF A COMPLAINT

In terms of section 18 of the Tax Administration Act, the Tax Ombud may review any issue within the Tax Ombud's mandate on receipt of a request from a taxpayer.

#### The Tax Ombud may—

- a) Determine how a review is to be conducted; and
- b) Determine whether a review should be terminated before completion.

**In exercising the discretion set out in subsection 2, the Tax Ombud must consider such factors as:**

- a) The age of the request or issue;
- b) The amount of time that has elapsed since the requester became aware of the issue;
- c) The nature and seriousness of the issue;
- d) The question of whether the request was made in good faith; and
- e) The findings of other redress mechanisms with respect to the request.

The Tax Ombud may only review a request if the requester has exhausted the available complaints resolution mechanisms in SARS, unless there are compelling circumstances for not doing so.

**To determine whether there are compelling circumstances, the Tax Ombud must consider factors such as whether:**

- a) The request raises systemic issues;
- b) Exhausting the complaints resolution mechanisms will cause undue hardship to the requester; or
- c) Exhausting the complaints resolution mechanisms is unlikely to produce a result within a period of time that the Tax Ombud considers reasonable.

The Tax Ombud must inform the requester of the results of the review or any action taken in response to the request, but at the time and in the manner chosen by the Tax Ombud.

## **LIMITATIONS ON AUTHORITY**

**In terms of section 17 of the Tax Administration Act, the Tax Ombud may not review the following:**

- a) Legislation or tax policy;
- b) SARS policy or practice generally prevailing, other than to the extent that it relates to a service matter or a procedural or administrative

matter arising from the application of the provisions of a Tax Act by SARS;

- c) A matter subject to objection and appeal under a Tax Act, except for an administrative matter relating to such objection and appeal; and
- d) A decision of, proceeding in or matter before the tax court.

## **RESOLUTIONS AND RECOMMENDATIONS**

**Section 20 of the Tax Administration Act sets out how the resolutions and recommendations of the Tax Ombud are dealt with:**

1. The Tax Ombud must attempt to resolve all issues within the Tax Ombud's mandate at the level at which they can most efficiently and effectively be resolved and must, in so doing, communicate with SARS officials identified by SARS.
2. The Tax Ombud's recommendations are not binding on taxpayers or SARS, but if not accepted by a taxpayer or SARS, reasons for such a decision must be provided to the Tax Ombud within 30 days of notification of the recommendations and may be included by the Tax Ombud in a report to the Minister or Commissioner under section 19.

# SITUATIONAL ANALYSIS

## PERFORMANCE ENVIRONMENT

An environmental scan, utilising the Political, Environment, Social, Technological and Legal (PESTEL) and Strength, Weakness, Opportunities and Threats (SWOT) frameworks, has highlighted the dynamic nature of the environment in which the OTO operates, the many challenges that need to be overcome and the opportunities that can be seized, in order to fulfil its vision of building trust and confidence in the tax administration system.

Politically and economically, the increasing levels of transparency and corporate governance expected by the public and taxpayers must be addressed through continued high levels of corporate governance. Governance arrangements must take cognisance of the likelihood that tightening fiscal conditions will increase the demand for the OTO's services, and that the OTO must nevertheless maintain the highest levels of efficiency.

Social and technological dimensions have shown an interesting convergence, with increased national communications connectivity and the resulting uptake in digital technology providing opportunities to increase awareness and accessibility through social media and eChannels. On the other hand, this has also created risks that need to be managed, including social media brand perception and the evolving threat of cybercrime in relation to the confidentiality of information and communications.

From a legislative perspective, the opportunity for mandate amendments to deliver structural independence from SARS is seen as an opportunity to increase the taxpayers' perception of independence and in turn build trust and confidence in the tax administration system.

## POLITICAL

- Change in leadership and/or tax policy may change the approach to tax recoveries. A more "aggressive" approach, as evidenced in the current fiscal climate, is likely to result in higher demand for services from the OTO.
- As opposition parties grow in strength, they will demand increasing levels of tax administration transparency, accountability and governance. This requires the OTO to be impartial and independent at all times, and to exhibit the highest levels of corporate governance.

## ECONOMIC

- The average citizen and business is being challenged by significant levels of inflation, low levels of economic growth and economic policy uncertainty.

### **This will impact on the OTO in a number of ways:**

- Increasing public interest in tax administration and public expenditure, requiring the OTO to maintain exceptional transparency and corporate governance
- A high probability of dispute volumes increasing as citizens and businesses seek to minimise their tax burden
- The public and private sectors seek to grow the South African economy significantly through entrepreneurship and small business development. Many new entrants to the formal economy may have a limited understanding of the tax administration system, which may also result in dispute volumes increasing.

- Increasing strain on the South African fiscus also means financial resources will continue to be constrained. As such the operations of the Tax Ombud will require ongoing optimisation to ensure maximum efficiency.

## **SOCIAL**

- Taxpayers are expecting easier accessibility when dealing with government and its associated administrative agencies.

### **In particular they are demanding a customer-centric approach that includes:**

- Easy access via the web, either through a portal or web app
- Simple processes that require minimal information, all accessible online
- Continuous and instantaneous feedback on process status
- An ability to engage with knowledgeable agents who can resolve queries at the first point of contact
- Quick turnaround times.
- However, in contrast to the above, the complexity and unfamiliarity of tax administration for many requires a personal approach in order to build understanding and trust, and in turn confidence in the tax administration system.

## **TECHNOLOGY**

- Taxpayers are becoming increasingly comfortable engaging electronically, via multiple channels, which creates opportunities to extend access via eChannels.
- Social media is allowing quality of service to be reported on immediately, and bad brand

publicity can go viral almost instantly. The OTO will need to be equipped to maximise the impact of social media and have strategies in place to manage bad publicity.

- The growing use of eChannels is also increasing the opportunities for cybercrime, and will require the OTO to respond by ensuring appropriate levels of electronic security.
- Cloud-based computing, VOIP and video communication services such as Skype will also provide opportunities for improved accessibility to taxpayers, and potentially for different working practices among staff. Such services would allow for increased flexibility such as home working, extended operating hours or face-to-face services via eChannels.

## **ENVIRONMENTAL**

- Owing to many of the factors listed above, taxpayers are increasingly using tax practitioners to resolve disputes. In general these practitioners are highly trained specialists, frequently from a tax administration background.
- Tax practitioners are an important customer segment that requires the same customer-centric approach, but will be even more demanding of technical excellence and speed of response.

## **LEGISLATION**

- It is possible that a change in legislation may favour structural independence of the OTO and improved accountability on the part of SARS.
- Increasing public interest in law-making provides an opportunity for the OTO to promote independence and turn trust.

## EXTERNAL THREATS

In addition to the factors and trends described above, a number of specific external threats are noteworthy as they are outside the direct control and influence of the OTO, and would have a material impact on building trust and confidence in the tax administration system.

1. Delays by SARS in providing feedback on taxpayer complaints to the OTO within a stipulated timeframe materially diminish taxpayers' confidence in the tax administration system.
2. Lack of awareness and understanding among taxpayers about SARS' complaints process and procedures leads to taxpayers submitting complaints prematurely to the Office of the Tax Ombud, creating significant work for the OTO and delaying the resolution of genuine complaints; frequently, this results in taxpayer frustration and the perception of an unresponsive Ombud.
3. The growing prevalence of social media is dramatically increasing the risk of wrong or inaccurate perceptions being created about the OTO through social media platforms, again undermining trust and confidence.
4. The rapidly evolving threat of cybercrime will mean that the OTO will regularly require assurance that its systems, processes and policies are suitably configured to minimise the risk of confidentiality breaches, and that funding will be needed to address identified weaknesses. A single breach may destroy the reputation of the OTO.
5. With increasing public awareness, tightening fiscal conditions and the improved reputation of the OTO, the good complaint resolution track record of the OTO volumes are likely to dramatically increase over the next three years. As a new organisation, the history of complaint volumes is limited and potentially unrepresentative of the new reality in which we are now operating. Accordingly, a major operational risk is a significant increase in complaints volumes, resulting in longer turnaround times and a drop in confidence and trust.
6. The ongoing association and identification with SARS is seen as a significant strategic risk, as it conflicts with the perception of independence and reduces the likelihood of building trust and confidence in the tax administration system.

# ORGANISATIONAL ENVIRONMENT

## INSTITUTIONAL CAPACITY

The institutional capacity of the OTO is currently strong in the context of a recently formed organisation that has been focusing on establishing processes and a staff complement.

### Specific highlights include:

1. Strong brand
2. Strong leadership with a good reputation
3. Service-oriented organisation that provides efficient service
4. Ability to assist taxpayers in understanding their rights and meeting their tax obligations
5. Good relationships and collaboration with major stakeholders, including public and private sector groups, and SARS
6. Highly motivated staff
7. An enabling culture conducive for growth
8. Solid organisational structure
9. Strong internal processes, systems and infrastructure, effectively utilising SARS when appropriate.

However, to successfully build trust and confidence in the tax administration system, a number of internal challenges need to be addressed in the near term.

- Institutional independence (operational and structural) is required for the OTO to be seen as truly independent, and to support the building of trust and confidence in OTO and in turn in the tax administration system.
- The organisational mandate requires extending. A study needs to be done to determine whether the mandate of the Ombud should be extended to, for instance, assist taxpayers in distress with the revenue authority or provide redress to taxpayers as a result of poor service in line with other jurisdictions.
- Commensurate with all the above, sufficient funding is required to deal with the increased complaints volumes that will arise as more taxpayers and tax professionals become aware of the OTO and have increasing confidence that their complaints will be addressed impartially and quickly.

## STRATEGIC OUTCOME-ORIENTED GOALS

The vision of the Office of the Tax Ombud is to strengthen taxpayers' trust and confidence in tax administration by providing an impartial mechanism for dispute resolution. In order to achieve trust and confidence, four strategic goals have been identified.

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### **ACCOUNTABILITY**

*Rational and fair application of the tax administration process*

It is important to continuously provide rational and fair reasons for recommendations and action taken, while also ensuring that complainants understand the rationale, and feel that the process has provided sufficient opportunity for their case to be reviewed fairly and impartially.

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### **INDEPENDENCE**

*Structurally independent Tax Ombud*

By becoming truly independent, structurally and operationally, it will be possible to limit the risk of perceived bias.

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### **EFFICACY**

*Prompt and efficient resolution of complaints*

The objective is to become truly taxpayer-centric by providing a consistently high-quality service at no cost to the taxpayer, with specific attention to:

- Consistently achieving a taxpayer service promise;
- Meeting the specific needs of taxpayer segments (practitioners, individuals, businesses, corporates);
- Enabling taxpayers to access services through the channel of their choice;
- Engaging taxpayers through easy-to-understand, simple, transparent and quick processes;
- Ensuring all complainants (whether their complaints are valid or not) trust the tax administration system;
- Ensuring staff are customer-oriented, technically proficient and professional; and
- Adopting technologies that make processes easy and convenient for taxpayers and staff.

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### **SECURITY AND CONFIDENTIALITY**

*All information is secure and treated in strict confidence*

It is vital to continuously address the evolving threats associated with ensuring information and communication remain confidential.

# 6. PART B: STRATEGIC OBJECTIVES

	Strategic goals	Awareness and education	Accessibility	Operations	Legal and support
<b>ACCOUNTABILITY</b>	Continuously ensure rational and fair reasons are given for recommendations and action taken; while also ensuring that complainants understand the rationale, and feel that the process has provided sufficient opportunity for their case to be reviewed fairly and impartially.	Continuously improve taxpayers' awareness of the services of the OTO.	Ensure taxpayers understand the rationale for the recommendations made.	Ensure all recommendations are perceived as fair and impartial.	Ensure the highest levels of corporate governance.
<b>INDEPENDENCE</b>	To become truly independent in order to limit the risk of perceived bias.	Ensure taxpayers perceive the OTO to be independent.			Achieve relevant legislative changes to achieve independence from SARS accountability.  Achieve structural independence as an entity from SARS.
<b>EFFICACY</b>	To become truly taxpayer-centric, by providing a consistently high-quality service at minimal cost	Ensure taxpayers understand how to lodge a complaint.  Positive brand recognition	Achieve targeted complainant satisfaction index scores.	Create an agile organisation able to efficiently scale to meet demand.  Ensure the highest level of technical professionalism.  Establish governance and processes with SARS to support responsiveness.	Ensure performance management throughout the organisation.  Build a culture of professionalism and excellence.
<b>SECURITY AND CONFIDENTIALITY</b>	To continuously address the evolving threats associated with ensuring all information and communications remain confidential		Ensure no security or confidentiality breaches.		

# STRATEGIC OBJECTIVES, MEASURES AND TARGETS

## 1.1 ACCESSIBILITY AND OPERATIONS

**Purpose:** In support of strategic objectives, the OTO will provide a high-quality, taxpayer-centric service, that taxpayers understand the rationale for all recommendations and that recommendations are impartial and executed in a manner that is highly efficient.

### MEDIUM-TERM TARGET

OBJECTIVES	MEASURES	2017/18	2019/20	2021/22
Ensure all recommendations are perceived as fair and impartial and complainants understand the rationale behind the recommendations made.	% of complainants understanding the recommendations made.	60%	70%	80%
Create an agile organisation able to efficiently scale to meet demand.	% of cases evaluated and reviewed within agreed turnaround time of 5 days after capturing.	50%	60%	65%
	% of recommendations sent to SARS within 3 days of reviewing a complaint.	50%	50%	50%
	Average cost reduction per complaint, year on year.	0%	1%	1%

### QUARTERLY TARGETS

PROGRAMME PERFORMANCE INDICATOR	REPORTING PERIOD	ESTIMATED PERFORMANCE 2017/18	QUARTERLY TARGETS			
			1ST	2ND	3RD	4TH
% of complainants understanding the recommendations made.	Quarterly	60%	60%	60%	60%	60%
% of cases evaluated and reviewed within agreed turnaround time of 5 days after capturing.	Quarterly	50%	50%	50%	50%	50%
% of recommendations sent to SARS within 3 days of reviewing a complaint.	Quarterly	50%	50%	50%	50%	50%
Average cost reduction per complaint, year on year.	Quarterly	0%	0%	0%	0%	0%

## 1.2 AWARENESS AND EDUCATION

**Purpose:** In support of the strategic objectives , the OTO will promote awareness and education through marketing, communication and public relations services, that will be measured on the level of awareness within the taxpayer population, perceived level of independence, understanding of the complaints procedure and brand recognition.

### MEDIUM-TERM TARGET

OBJECTIVES	MEASURES	2017/18	2019/20	2021/22
Improve taxpayers' awareness of the services of the OTO.	Number of communications and outreach activities.	20	25	30
	Number of engagements and collaborations with key stakeholders.	20	25	30
Positive brand recognition	Taxpayers' brand awareness survey – positive recognition	1	1	1

### QUARTERLY TARGETS

PROGRAMME PERFORMANCE INDICATOR	REPORTING PERIOD	ESTIMATED PERFORMANCE 2017/18	QUARTERLY TARGETS			
			1ST	2ND	3RD	4TH
Number of communications and outreach activities	Quarterly	20	5	5	5	5
Number of engagements and collaborations with key stakeholders	Quarterly	20	5	5	5	5
Taxpayers' brand awareness survey – positive recognition	Annual	1				1

### 1.3 LEGAL AND SUPPORT SERVICES

**Purpose:** In support of the strategic goals, legal and support services will ensure the highest level of corporate governance, including financial management, strive for the relevant legislative and structural changes for independence, ensure performance management throughout the organisation and build a culture of professionalism and excellence.

#### MEDIUM-TERM TARGET

OBJECTIVES	MEASURES	2017/18	2019/20	2021/22
Ensure the highest levels of corporate governance.	Zero governance audit findings	100%	100%	100%
Ensure performance management throughout the organisation.	% of staff assessed against performance measures	100%	100%	100%
Ensure that an MOU exists between the OTO and SARS to formalise the relationship.	MOU signed off by both parties.	1 Conclusion of the MOU		
	Number of deviations from the MOU	100% compliance	100% compliance	100% compliance
Build a culture of professionalism and excellence.	Employee Culture Survey - score benchmarked	Top quartile	Top quartile	Top quartile

#### QUARTERLY TARGETS

PROGRAMME PERFORMANCE INDICATOR	REPORTING PERIOD	ESTIMATED PERFORMANCE 2017/18	QUARTERLY TARGETS			
			1ST	2ND	3RD	4TH
Zero governance audit findings	Annual	100%				100%
% of staff assessed against performance measures	Bi-Annual	100%				100%
MOU signed off by both parties	Annual	1			1	
Number of deviations from the MOU	Annual	100% compliance				100% compliance
Employee Culture Survey - score bench marked	Annual	Top quartile				Top quartile

# 7. RESOURCE CONSIDERATION AND RISK MANAGEMENT

## RESOURCE CONSIDERATION

Provision is made in section 15 of the Tax Administration Act that the expenditure connected with the functions of the Office of the Tax Ombud will be paid in accordance with a budget approved by the Minister specifically for the Office. Table 1 (on the next page) depicts that in 2017/18 budget allocated by National Treasury is R35 030 000. In considering the Office's resource requirements, it is important to understand the cost drivers of the various activities. The two main cost drivers are employee cost and the communications and outreach engagements.

### EMPLOYEE COST

The employee cost remains one of the main cost drivers, and represents 78% of the total budget. It is important that the Office provides a high-quality service and further has to have competent and efficient and knowledgeable employees. A portion of the budget every year is allocated towards training and development. This is to ensure that the OTO recruits highly skilled employees and identifies appropriate education and training interventions. The Office is therefore required to ensure that appropriate resources are set aside every year for training and development.

### AWARENESS AND EDUCATION

To ensure that there is widespread public awareness and education about the Office's services and

mandate, the Office will embark on extensive stakeholder engagements. An increased budget for communications and outreach over the Medium Term Economic Framework (MTEF) will enable the Office to fully implement the strategic objectives. Greater visibility will be attained through outreach, communication and education activities planned in the financial years covered by the APP. The Office will continue to build relationships through stakeholder engagements/collaborations and exhibitions as it have experienced an increase in unrepresented taxpayers utilising the Office, followed by similar growth among tax practitioners and other types of taxpayers. The required amount to effectively support the Communications and Outreach programme is R4 million for the 2017/18 financial year for media space purchases. This includes, among others, road shows and media partnerships in broadcast (both commercial and community) and print.

### CUSTOMER SERVICE

In order for the Office to become truly customer-centric by providing a consistently high-quality service at minimal cost, baseline assessments will be performed to establish its efficiency and effectiveness. The Office will be embarking on multiple surveys to gauge its responsiveness in executing its mandate.

**Table 1: Expenditure estimates and outcomes**

Cost element	Audited outcomes			Current estimates	Estimates of national expenditure		
	R Thousand	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19
Personnel Expenditure	1 478	8 116	18 672	23 983	27 500	34 686	35 410
Administrative Expenditure	77	682	1 169	1 086	1 881	1 875	1 196
Inventory and Printing	13	139	656	649	690	717	710
Professional and Special Services	0	187	5 569	4 560	4 394	3 612	2 432
Land and Buildings	784	1 837	715	532	470	497	465
Capex	36	1 400	3 942	495	95	140	95
<b>Total operational and capex</b>	<b>2 388</b>	<b>12 361</b>	<b>30 723</b>	<b>31 305</b>	<b>35 030</b>	<b>41 527</b>	<b>40 308</b>

# RISK REGISTER

During the strategic planning process, risk management was entrenched as a key element. The management of the OTO then embarked on the process of identifying risks that could negatively affect the realisation of strategic goals and objectives. Mitigating strategies have been put in place to counter the identified risks.

RISK TITLE	RISK DESCRIPTION	INHERENT RISK RATINGS	RESIDUAL RISK RATINGS	CONTRIBUTING FACTOR TITLE	ACTION PLAN TITLE
Lack of financial independence from SARS	The Tax Administration Act (TAA) states that funds for the OTO should be paid by SARS, over whom the OTO has oversight. This financial dependence has a potentially high reputational risk.	25	20	Deficiency in the TAA	MOU with SARS to ensure financial independence.
Lack of structural independence. OTO staff being appointed in terms of the SARS Act.	In terms of the TAA, the staff of the OTO must be appointed under the SARS Act.	20	20	Deficiency in the TAA	MOU with SARS to ensure structural independence
Lack of understanding of the OTO mandate and general tax matters by taxpayers, creating unrealistic expectations among taxpayers.	Taxpayers see the OTO as their last resort and may have expectations of having their complaints resolved in their favour irrespective of the OTO mandate.	20	16	Taxpayers do not understand the mandate of the OTO.	Enhance communication avenues through letters, educational activities and other methods.

Failure by SARS to finalise OTO recommendations timeously, which impacts on the reputation of the OTO	The TAA is silent on how long SARS should take to implement the recommendations of the Tax Ombud, which can result in delays in finalising complaints.	25	25	Deficiency in the TAA	MOU/SLA with SARS to resolve turnaround times
Lack of legal capacity to enter into contracts for organisational independence	Perceived lack of independence, possible undue level of influence by SARS	20	20	Deficiency in the TAA	MOU with SARS to resolve contractual issues

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