OFFICE OF THE TAX OMBUD

Tax Ombud

# Annual Report 2023/24

In terms of Section 19 of the Tax Administration Act 28 of 2011 and the Public Finance Management Act 1 of 1999

30 YEARS OF FREEDOM
South Africa 1994 - 2024

# Compilation of Taxpayers' Rights, Entitlements and Obligations

## Taxpayer rights and entitlements include:

- The right of access to information;
- Receiving quality and timely service from SARS;
- The right to a fair, unbiased and just tax system;
- Paying no more than the correct amount of tax due to SARS;
- Privacy and confidentiality;
- The right to retain representation;
- Finality on a tax matter;
- The right to make certain requests, proposals and applications to SARS;
- Complaining without fear of victimisation; and
- The right to dispute/challenge assessments or decisions.

## Taxpayers have an obligation to:

- Work to the best of their ability and competence and pay the taxes imposed by law;
- Familiarise themselves with their obligations and, if uncertain about any aspect, or if their tax affairs are complex, seek appropriate advice;
- Register as a taxpayer as and when liable to do so;
- Be honest and accurate in engagements with SARS and the Tax Ombud;
- Comply with all prescribed tax processes and timeframes related to their tax affairs;
- In particular, submit full and true tax returns and make payment of taxes when required to do so;
- Submit documents requested by SARS in the format, at the place and within the period specified in the request;
- Notify SARS of any change to their registered details or banking particulars within 21 days;
- Keep all documents and records in relation to their tax declarations for five years from the date of submitting a return;
- Even if not required to submit a return, keep all documents and records for five years from the end of the tax period to which those documents and records relate; and
- If corporate taxpayers, ensure that they are represented at all times by a public officer who resides in South Africa.

# HIGHLIGHTS OF THE 2023/24 FINANCIAL YEAR

The OTO had a successful financial year, achieving an unqualified audit on performance information, as well as additional highlights below:

**4 618**
complaints recieved

**99.77%**
of the OTO's recommendations implemented by SARS

**R11 038 175**
Public Relations value

**17 014**
contacts
(13.28% increase on previous year)

**R179 184 944.78**
Value of top 10 refunds paid to taxpayers

| Tax type | Refund paid |
|---|---|
| VAT | R 44 247 407.33 |
| VAT | R 21 983 415.90 |
| VAT | R 21 292 377.15 |
| VAT | R 16 149 960.29 |
| VAT | R 14 860 215.34 |
| VAT | R 13 885 253.64 |
| CIT | R 13 489 349.46 |
| VAT | R 11 722 349.58 |
| VAT | R 10 886 454.24 |
| VAT | R 10 668 161.85 |
| **TOTAL** | **R 179 184 944.78** |


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# Part A
# General **information**

# 1. GENERAL INFORMATION

| | |
|---|---|
| **REGISTERED NAME:** | Office of the Tax Ombud |
| **PHYSICAL ADDRESS:** | Menlyn Corner, 2nd Floor, |
| | 87 Frikkie De Beer Street |
| | Menlyn Pretoria |
| **TELEPHONE NUMBER:** | 012 431 9105 |
| **CALL CENTRE:** | 0800 662 837 |
| **EMAIL ADDRESS:** | Complaints@taxombud.gov.za |
| **WEBSITE ADDRESS:** | www.taxombud.gov.za |
| **EXTERNAL AUDITORS:** | Auditor General of South Africa |

# 2. ACRONYMS

| | |
|---|---|
| **ACCA** | The Association of Chartered Certified Accountants |
| **ADR** | Alternative Dispute Resolution |
| **AGSA** | Auditor General of South Africa |
| **APP** | Annual Performance Plan |
| **ARC** | Audit and Risk Committee |
| **ATAF** | African Tax Administration Forum |
| **AWITN** | African Women in Tax Network |
| **BICSA** | Bakery Incubation Centre of South Africa |
| **CEO** | Chief Executive Officer |
| **CGISA** | Chartered Governance Institute of South Africa |
| **CIMA** | Chartered Institute of Management Accountants |
| **CIPC** | Companies and Intellectual Property Commission |
| **CIT** | Corporate Income Tax |
| **CMO** | Complaints Management Office |
| **CoGHSTA** | Co-operative Governance, Human Settlements and Traditional Affairs |
| **COVID-19** | Coronavirus disease 2019 |
| **DPE** | Department of Public Enterprise |
| **DWYPD** | Department of Women, Youth, Persons with Disabilities |
| **EAP** | Economically active population |
| **EE** | Employment equity |
| **FPI** | Financial Planning Institute |
| **FPI** | Financial Planning Institute |
| **GEPF** | Government Employees Pension Fund |
| **GPAA** | Government Pensions Administration Agency |
| **HR** | Human resources |
| **IAC** | Institute of Accounting and Commerce |
| **ICA** | In-content advertising |
| **IPID** | Independent Police Investigative Directorate |
| **IT** | Individual tax |
| **ITS** | Income tax system |
| **LSM** | Living Standards Measure |
| **MoU** | Memorandum of understanding |
| **NAFCOC** | National African Federated Chamber of Commerce and Industry |
| **NQF** | National Qualification Framework |
| **OTO** | Office of the Tax Ombud |

| | |
|---|---|
| **PAYE** | Pay as you earn |
| **PFMA** | Public Finance Management Act |
| **PPSA** | Public Protector South Africa |
| **PWC** | PricewaterhouseCoopers |
| **RAF** | Retirement Annuity Contribution |
| **RCB** | Recognised Controlling Bodies |
| **RCE** | Return control enquiry |
| **RCTs** | Return control tables |
| **SABC** | South African Broadcasting Corporation |
| **SADTU** | South African Democratic Teachers Union |
| **SAICA** | South African Institute of Chartered Accountants |
| **SAIPA** | South African Institute of Professional Accountants |
| **SAIT** | South African Institute of Tax Professionals |
| **SAPS** | South African Police Service |
| **SAPTU** | South African Tax Practitioners United |
| **SARS** | South African Revenue Service |
| **SASSA** | South African Social Security Agency |
| **SC** | Senior Counsel |
| **SDL** | Skills Development Levy |
| **SEDA** | Small Enterprise Development Agency |
| **SLA** | Service level agreement |
| **SMC** | Senior Management Committee |
| **SOA** | Statement of account |
| **SOP** | Standard operating procedures |
| **TAA** | Tax Administration Act |
| **TCS** | Tax Compliance System |
| **TPA** | Third party appointment |
| **UIF** | Unemployment Insurance Fund |
| **UJ** | University of Johannesburg |
| **UMM** | Union Management Meeting |
| **USA** | United States of America |
| **UWC** | University of Western Cape |
| **VAT** | Value added tax |
| **VDP** | Voluntary Disclosure Programme |
| **WCED** | Western Cape Education Department |

# INTRODUCTION

The Tax Ombud's 2023/24 Annual Report complies with the Public Finance Management Act 1 of 1999 (PFMA), giving effect to the legislative framework for the regulation of finances in national and provincial government. The Tax Ombud presents the Annual Report in line with Section 19 (1) (a) and (b) and 19 (2) (a) (b) (c) of the Tax Administration Act (TAA) and Section 55 of the PFMA. In terms of Section 19 (3) of the TAA, the Minister must table this report in the National Assembly.

# ANNUAL REPORTING PERIOD

The reporting cycle of the Office of the Tax Ombud (OTO) is annual, ending 31 March, as prescribed by the PFMA. The OTO compiles and submits quarterly reports to the National Treasury as per the provisions of the PFMA and Treasury Regulations. This Annual Report records the organisational and financial performance for the period from 1 April 2023 to 31 March 2024.

# SCOPE OF THE REPORT

The report incorporates financial and performance information based on the approved 2023/24 Annual Performance Plan (APP), which was tabled before Parliament in March 2023. The Annual Report provides performance information and governance reports and incorporates financial information relating to the OTO.

# 3. MESSAGE FROM THE MINISTER OF FINANCE

**Honourable Enoch Godongwana**
Minister of Finance

The 2023/24 Annual Report of the Office of the Tax Ombud (OTO) coincides with the beginning of the 7th administration and the commemoration of 30 years of our democracy. It is therefore important to consider some of the fundamental principles that underpin our democracy and have contributed to its success. These principles include among others, the Constitution and the Bill of Rights enshrined in the Constitution.

In discharging its mandate, the OTO continues to support these fundamental principles of our democracy by promoting and protecting the taxpayer rights enshrined in the Constitution. It also continues to promote a fair tax administration system by ensuring that effective recourse for taxpayers is accessible to all.

Over the reporting period, the OTO has diligently executed its duties. For instance, in the 2023/24 financial year, over 17 000 taxpayers actively engaged the OTO on a range of issues, from tax queries to lodging complaints against SARS. Notably, there has been a significant rise in taxpayer awareness of OTO services, with more taxpayers choosing to directly access OTO services without going through taxpayer representatives. Furthermore, the OTO's intervention led to the top 10 tax refunds, in terms of value, totalling over R179 million.

In its first decade, the OTO's efficient resolution of taxpayer disputes and complaints against SARS has significantly bolstered trust in the South African tax administration system. Looking ahead to the new decade, I am confident that the OTO will conquer whatever new challenges it faces while seizing the opportunities to better serve our country and her people.

As the government, our commitment to addressing the challenges facing our country in the 7th administration is unwavering, and we remain dedicated to building a more equitable and prosperous future for all our citizens. A key part of this commitment is supporting and developing institutions like the OTO, which plays a crucial role in our country's tax administration, championing fairness and transparency, protecting taxpayer rights, and advocating tax compliance. We are taking concrete steps towards a fairer and more transparent society by strengthening institutions like these.

Lastly, I extend my appreciation to the Tax Ombud, Ms Yanga Mputa, for her leadership as the country's second Tax Ombud and the first woman to hold this esteemed position. Ms Mputa has taken the organisation forward and ensured that there is unqualified audit outcome during this period. I also extend my sincere gratitude to the CEO of the OTO and the entire OTO staff for their outstanding service delivery, which has ensured that the OTO remains a reliable, independent, impartial, and fair redress channel for taxpayers.

**Honourable Enoch Godongwana**
Minister of Finance

***"In its first decade, the OTO's efficient resolution of taxpayer disputes and complaints against SARS has significantly bolstered trust in the South African tax administration system."***

# 4. MESSAGE FROM THE TAX OMBUD

**Ms Yanga Mputa**
Tax Ombud

## Introduction

It is my pleasure to present the Office of the Tax Ombud Annual Report for the 2023/24 financial year. This Annual Report reflects our efforts towards the achievement of the mandate of the OTO as outlined in the Tax Administration Act 28 of 2011 (TAA).

## Overview and performance

The period under review marks the beginning of the new decade of the OTO, following our 10-year celebration in November 2023. The OTO continues to take stock of its role in the South African tax administration system and has focused on protecting taxpayer rights, as well as providing free and impartial services to the taxpayers in our country. During the 2023/24 financial year, significant progress was achieved as the OTO validated 4 618 complaints, an increase of 16.62% compared to the previous year. Notably, we have seen an increase of 13.28% compared to the previous year in the user population accessing the OTO's services.

Most taxpayers are now utilising the OTO's services directly, without going through taxpayer representatives. This implies that taxpayers are becoming more aware of the services of the OTO. In addition, the total amount of the top 10 refunds that we have helped to secure from SARS through our interventions has increased to over R179 million compared to R103 million in the prior year.

Although different stakeholders have raised concerns regarding the non-binding nature of the recommendations the OTO makes to SARS, the revenue authority has been consistent in implementing OTO recommendations. During the 2023/24 financial year, SARS, similarly to the trend of previous years, implemented about 99.7% of the OTO recommendations. This is a strong indication of government institutions working in good faith towards the common goal of building a better tax administration system. That said, a concerning trend is that SARS often does not implement OTO recommendations timeously. As such, the OTO will utilise other mechanisms available in the TAA to ensure that SARS implements the OTO recommendations timeously.

Meanwhile, a significant task still ahead of us is helping to address the growing incidence of eFiling profile hijacking. It is unsettling that scammers have been gaining unauthorised access to taxpayer filing accounts by using technology for criminal ends, such as by filing false tax returns, redirecting tax refunds to their bank accounts, or using stolen information for other fraudulent activities. We are committed to being of assistance in addressing the scourge of eFiling profile hijacking.

## Stakeholder engagement and public awareness

Stakeholder engagement and public awareness are important for the successful delivery of the OTO mandate. The OTO continues to benefit from the dynamic engagements taking place with Recognised Controlling Bodies, other taxpayer representative bodies such as South African Tax Practitioners United, government departments and academia. Even though the OTO has only one office, which is located in Gauteng, the organisation is steadily increasing public awareness levels in areas beyond this province, through the use of social media, publication of articles, regular visits to national television and radio stations, hosting webinars, and holding workshops and exhibitions. The use of digital and media platforms as means of promoting public awareness also assists in addressing other limitations such as budget constraints.

## Promoting a healthy working environment

Keeping employees engaged is critical for sustaining employee retention and positively impacting the service delivery results and stakeholder relationships of the OTO. As the OTO celebrated its first decade in November 2023, it became essential to look carefully at the current OTO working environment. With this in mind, the OTO commenced an employment engagement exercise aimed at better

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> **"...a significant task still ahead of us is helping to address the growing incidence of eFiling profile hijacking."**

understanding the OTO's environment and challenges from an employee perspective, and making recommendations on interventions that might be required to establish a healthier working environment. This process is still ongoing, and further information will be reported in the following year's annual report.

## Conclusion

I would like to express my gratitude to the Minister of Finance, Deputy Ministers of Finance, National Treasury and Parliamentary Standing Committee on Finance for the essential oversight they provide over the OTO and ensuring that we deliver on our mandate.

We are grateful to SARS colleagues, mainly Commissioner Edward Kieswetter, our stakeholders for collaborating with OTO in its endeavour to ensure that taxpayers receive fair and impartial services.

My heartfelt appreciation goes to the OTO's CEO, management team and staff for their dedication and cooperation and for continuing to serve with resilience and commitment, with the goal of protecting taxpayer rights and promoting tax compliance.

**Ms Yanga Mputa**
Tax Ombud

# 5. MESSAGE FROM THE CHIEF EXECUTIVE OFFICER

The OTO celebrated its 10th birthday on 24 November 2023, reaffirming our unwavering commitment to fair, transparent and efficient tax administration in South Africa. As we reflect on the past decade, we are grateful for the faith and trust that taxpayers have placed in us, and we are proud of the progress we have made.

## Operations of the OTO

In the 2023/24 financial year, the OTO reviewed 16% more complaints than in the prior financial year. There was an increase in complaints related to compliance audits, particularly the timeliness of the process.

Some complaints related to the payment of refunds owed to taxpayers. The OTO facilitated the payment of refunds for various tax types that SARS had delayed paying. This retention of refunds by SARS can negatively affect the cash flow of small businesses and individuals, jeopardising their financial stability. Throughout the reporting period, we received numerous complaints about delayed payment of refunds, indicating a persistent issue that should be resolved with SARS.

We remain concerned about the high number of complaints that are rejected. This is an indication that many taxpayers are aware of our services but do not understand our mandate and process or when to contact the OTO to file a complaint. Raising awareness about when the OTO can and cannot assist taxpayers remains a priority.

The growth in queries and complaints is indicative of the increasing demand for our services and the growing levels of confidence in the OTO among taxpayers. People trust us to assist them with their complaints, as is evident from the statistics on who our main customers are: 76% of the complainants received in 2023/24 were lodged by taxpayers themselves and 24% by taxpayer representatives.

The OTO appreciates the cooperative relationship with SARS, which is reflected in their acceptance of our recommendations for resolving taxpayer complaints. SARS implemented 99.77% of the recommendations we submitted to them in 2023/24, which is consistent with the rate in previous years. This confirms the quality of our recommendations and the commitment of the

**Prof. Thabo Legwaila**
Chief Executive Officer

***"The OTO appreciates the cooperative relationship with SARS, which is reflected in their acceptance of our recommendations for resolving taxpayer complaints. SARS implemented 99.77% of the recommendations we submitted to them in 2023/24…"***

OTO and the revenue authority to achieve continuous improvement in tax administration.

While we are proud of our productive relationship with SARS, we are still concerned about the time it takes SARS to implement our recommendations. This has improved by nearly 30%, but there is still room for improvement in SARS's response times to the OTO's recommendations.

Regarding identified systemic and emerging issues, the OTO evaluated five issues that raised possible systemic issues during the reporting period. These issues included the incorrect information given on the SARS outcome of an objection letter, incorrect tax compliance statuses, delays in finalising requests for condonation, and delays in issuing revised assessments.

Also in 2023/24, the OTO was able to remove three possible systemic issues from the register after those issues were adequately addressed by SARS. These included SARS creating consistency check cases for VAT periods to facilitate verifications, incorrectly calculating the days for condonation for objection and appeal cases, and delays in finalising requests for condonation cases. We will continue to be on the lookout for possible systemic issues, and remain vigilant in monitoring and updating the systemic register to address taxpayers' complaints.

## Customer service and customer centricity

The OTO has recorded a remarkable increase in contacts from taxpayers over the years, and this has necessitated significant changes for the better in the turnaround times of our contact centre.

These changes have greatly improved our customer services, which boosts the OTO's reputation and makes it more trustworthy and dependable from the perspective of taxpayers. According to the brand survey that we conducted during the year, our net promoter score has risen significantly, indicating that more and more taxpayers are recommending our services.

## Communication and outreach programmes

Our visibility has grown, as shown by the increase in the complaints we have received over the years, indicating that more taxpayers know about the OTO's services. We have been featured on 116 media channels that reached millions of people who watched, listened to or read about the OTO's work and how it affects taxpayers. We have planned to extend our outreach campaign to more locations and communities and other media platforms.

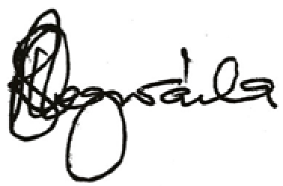
## Digitalisation and technology

Digitalisation and technological enhancements are crucial for the OTO to respond to market shifts and be creative in delivering high-quality services to taxpayers. However, budget and capacity issues have constrained the acquisition and procurement of these technologies. Despite this, we have accomplished most of the projects outlined in our Digital Communications Framework 2025. In the next financial year, we expect to finalise the project to establish a customer service portal that will enable taxpayers to file complaints and receive feedback online.

## Conclusion

We appreciate and respect our employees for their significant contribution to the OTO’s excellent performance during the reporting period. Their skills, experience and commitment to fulfilling our mandate year after year, despite the challenges of capacity limitations, are admirable. They have consistently shown professionalism when interacting with taxpayers and are always ready to do more than what is required to make this office efficient and effective. We will keep investing in our employees and providing a work environment that fosters teamwork and cooperation.

I would also like to express my appreciation to the stakeholders and taxpayers for their ongoing support and confidence in our ability to resolve their complaints. We are grateful to our SARS colleagues for their remarkable cooperation and willingness to make tax administration more efficient and effective. I would also like to thank the Tax Ombud for her exceptional leadership as we continue to deliver on our mandate and promote taxpayer rights and responsibilities.



**Prof. Thabo Legwaila**
Chief Executive Officer

# 6. STATEMENT OF RESPONSIBILITY AND CONFIRMATION OF ACCURACY FOR THE ANNUAL REPORT

**To the best of our knowledge and belief, we confirm the following:**

All performance information disclosed in the Annual Report is audited by the Auditor-General of South Africa.

The Annual Report is complete, accurate and free from any omissions, and has been prepared in accordance with the guidelines for annual reporting issued by National Treasury.

The Tax Ombud is responsible for the preparation of the performance information and for the judgments made in this information.

The Tax Ombud is responsible for establishing and implementing a system of internal controls designed to provide reasonable assurance as to the integrity and reliability of the performance information, the human resources information and the annual financial information.

In our opinion, the Annual Report fairly reflects the operations, performance information, human resources information and the financial affairs of the OTO for the financial year ended 31 March 2024.

Yours faithfully

**Prof. TD Legwaila**

Chief Executive Officer

**Ms Y Mputa**

Tax Ombud

# 7. STRATEGIC OVERVIEW

The OTO strives to be exemplary as a fair, impartial and expeditious avenue for taxpayers seeking to resolve tax complaints relating to SARS. The vision, mission and values of the Office guide the OTO's conduct and interaction with taxpayers, SARS and other stakeholders.

## VISION

The vision of the Office of the Tax Ombud is to strengthen taxpayers' trust and confidence in tax administration.

## MISSION

The Office of the Tax Ombud is committed to being an efficient, independent, impartial and fair redress channel for taxpayers.

## VALUES

In executing its mandate, the Office's conduct and interactions are based on a set of values that guide all staff at all levels.

**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 otherwise authorised by the taxpayer.

**Impartial**

The Tax Ombud will review taxpayer complaints fairly.


# 8. LEGISLATIVE AND OTHER MANDATES

The OTO complies with the legislative mandates of the Constitution of the Republic of South Africa and the Tax Administration Act.

**Constitution of the Republic of South Africa, Act 108 of 1996:**

In terms of Section 195 of the Constitution of the Republic Act, 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 services; transparency and accountability. As an agent of public administration, this Constitutional Mandate is binding on the South African Revenue Service, the subject of the OTO's oversight. Equally, the Constitutional Mandate is binding on the Office of the Tax Ombud.

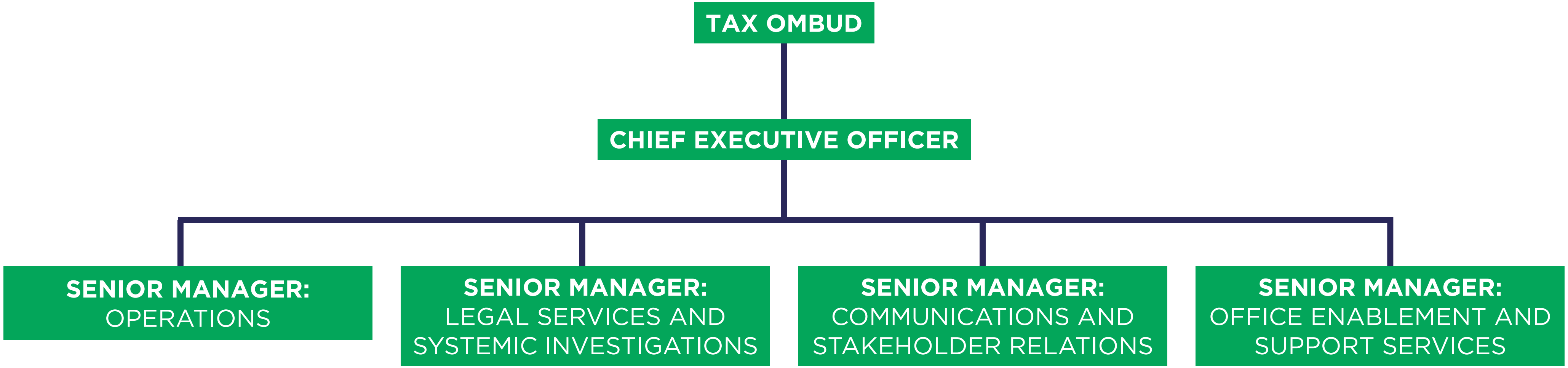
**Tax Administration Act, Act 28 of 2011:**

The mandate of the Tax Ombud is 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.

# 9. ORGANISATIONAL STRUCTURE

The OTO is led by the Tax Ombud who is supported by the Chief Executive Officer. The Office consists of five business units as per the approved structure. These business units are the Office of the Chief Executive Officer; Operations; Office Enablement and Support Services; Legal Services and Systemic Investigations; and Communications and Stakeholder Relations, as depicted below:



# LEADERSHIP OF THE OFFICE OF THE TAX OMBUD

## Ms Yanga Mputa

Tax Ombud

*Admitted Attorney of the High Court of South Africa; BProc, LLB, LLM, MCom in International Tax and Postgraduate Diploma in Tax Law; former Chief Director: Legal Tax Design (Tax Policy – National Treasury)*

Ms Yanga Mputa joined the OTO as South Africa's first female Tax Ombud on 1 July 2023. She has more than 20 years of experience in tax, having started her tax career in 1999 when she joined the SARS Head Office as a Tax Specialist. After that, she moved to Arthur Andersen as a Senior Tax Consultant. In 2003, she joined the National Treasury's Tax Policy unit as Deputy Director, International Tax. Three years later, in 2006, she became Director: International Tax, where her role included, among others, negotiating South African tax treaties, developing South African international tax policy and managing international tax legislative amendments. In 2009, she returned to the SARS Large Business Centre as an International Tax Specialist. During this period at SARS, she represented South Africa in the Global Forum on Transparency and Exchange of Information for Tax Purposes. She was one of the assessors who conducted a peer review assessment on the implementation of international standards on the exchange of information in the United Kingdom and Panama.

In 2014, she returned to the National Treasury's Tax Policy Unit as Chief Director: Legal Tax Design. She played a sterling role in developing the annual tax legislation of South Africa, overseeing the designing and drafting of all tax legislation, including negotiating South African tax treaties. Her work involved working closely with the two finance committees of Parliament to finalise the tax legislation, together with other National Treasury and SARS colleagues. Since January 2017, she has served as the South African representative on the OECD/G20 Steering Group of the Inclusive Framework on Base Erosion and Profit Shifting (BEPS), which is charged with the implementation of BEPS measures to tackle tax avoidance, improve the coherence of international tax rules and ensure a more transparent tax environment.

On 1 November 2023, Ms Mputa became a member of the Board of ATAF Women in Tax (AWITN).

# Prof. Thabo Legwaila

## Chief Executive Officer

*B Iuris, LLB, LLM, Postgraduate Diploma in Tax Law, LLM and LLD*

Prof. Thabo Legwaila started his career as a Lecturer and advanced to Senior Lecturer in the Mercantile Law Department at Stellenbosch University. He was later invited to Harvard University where he spent time as a Research Fellow in the Harvard University International Tax Program in 2002. He subsequently moved into tax consultancy, working for KPMG and later Ernst & Young. In 2006, Prof. Legwaila joined the South African National Treasury as a Director for Business Tax where his role was to develop the South African business tax policy, as well as manage general tax legislative and specific business law amendments. In 2011, he joined Citibank as Head of Tax for the Africa division. He was appointed as a Professor of Tax Law at the University of Johannesburg in 2014 and as a member of the Davis Tax Committee (DTC) in 2015, which was set up by the Minister of Finance to assess South Africa's tax policy framework and its role in supporting the objectives of inclusive growth, employment, development and fiscal sustainability. Prof. Legwaila joined the OTO on 1 April 2020.

Prof. Legwaila published widely in Tax Law both in accredited and peer-reviewed journals, as well as in magazines and newsletters. He also co-authored the tax textbook *Tax Law: An Introduction* in 2013, which is specifically intended to explain "a vast terrain of tax law to students", and edited the second edition of the same book that was published in January 2020.

# Talitha Muade

## Senior Manager: Operations

*BCom, MDP, MBA, Postgraduate Diploma in Management Practice*

Talitha Muade has been Senior Manager: Operations at the OTO since her appointment in October 2014.

Ms Muade has more than 12 years' experience in management generally, and over seven years in senior management at the OTO in particular. She has extensive experience working for government departments and Chapter 9 institutions, as well as experience in the private sector. Her interests and passion are in operations strategy, customer service strategy and staff empowerment. She is a Conflict Dynamics Accredited Mediator.

She has held many and varied roles in sectors such as finance (Absa Bank) and the petroleum industry (BPSA), and has held the positions of Deputy Manager Finance and Administration at the Independent Electoral Commission (IEC), North West, and Head of the Local Office at the South African Social Security Agency (SASSA), Madibeng, as well as that of branch manager at the Doringkloof and Pretoria North branches of SARS.

Her academic background includes the following: BCom: Business Management and Industrial Psychology (University of the North West), Management Development Programme (University of Pretoria), MBA: Operations and Decision Management (University of the North West) and Commercial Mediator Skills Training (Conflict Dynamics).

# Gert Van Heerden

## Senior Manager: Legal Services and Systemic Investigations

*BCom, LLB, LLM*

Gert van Heerden was appointed as Senior Manager: Legal Services at the OTO in May 2015. He has 15 years' post-admission experience in the legal field specialising in taxation. His key areas of interest are tax dispute resolution, debt recoveries and administrative law.

After completing his articles and being admitted as an attorney in 2008, Mr van Heerden joined SARS as a legal advisor in the Legal Delivery and Support Department for the Gauteng Central Region.

In 2010, he was appointed as the dedicated legal specialist for the High Complex Debt Team based at Megawatt Park in Sunninghill, Johannesburg. In May 2012, Mr van Heerden was appointed as Manager of the Legal Delivery and Support Department in Gauteng Central. In 2014, he joined the legal department of Afrocentric Health (Pty) Ltd, where he was Senior Manager until he joined the OTO.

# Mmamelao Moira Malakalaka

## Senior Manager: Office Enablement and Support Services

*BCompt, MPhil, Professional Accountant (SA)*

Mmamelao Moira Malakalaka joined the OTO in March 2016 as the Senior Manager: Office Enablement. She has more than 15 years' experience in Financial Management and Corporate Services with excellent entrepreneurial and negotiation skills. She has executive management and strategic and risk management experience, coupled with strong knowledge of the various acts governing government institutions.

Ms Malakalaka completed her articles with the Auditor-General of South Africa. She then worked as the Chief Financial Officer (CFO) at the National Electronic Media Institute of South Africa (NEMISA), responsible for Finance, Risk Management, Procurement and Corporate Support Services.

# Pearl Seopela

## Senior Manager: Communications and Stakeholder Relations

*BA, BCom Honours, MCom, MDP, MMSM*

Pearl Seopela joined the OTO in August 2014 as the Senior Manager: Communications and Outreach. She has more than 15 years' experience in communications and marketing and has a particular passion for consumer communication and consumer rights protection. Her key interests lie in the areas of brand strategy, content communication, and stakeholder engagement and reputation management.

Ms Seopela's career has encompassed a range of sectors, including medical schemes, telecommunications and public sector auditing, as well as pension fund administration. She is an expert in public relations, corporate communication, strakeholder relations and reputation management.

During her time in government pensions, Ms Seopela undertook pioneering work in the area of communications engagement with stakeholders such as organised labour, government departments and members of the Government Employees Pension Fund (GEPF). As a result, the GEPF received Institute of Retirement Funds' awards for two years in a row. These were the 2008 award for Best Publication in Stakeholder Communication and the 2009 award for Best Communication Strategy, as well as the 2009 special award for Pioneering Communication Engagement with organised labour.

Part B

# Performance information

# 1. AUDITOR-GENERAL'S REPORT: PREDETERMINED OBJECTIVES

The AGSA currently performs the necessary audit procedures on the performance information to provide limited assurance in the form of an audit conclusion. The audit conclusion on the performance against predetermined objectives is included in the report to management.

Refer to page 66 for the Report of the Auditor-General.

# 2. SITUATIONAL ANALYSIS

## 2.1 Service delivery environment

The 2023/24 fiscal year is the penultimate annual reporting period of the Strategic Plan 2025, the broad theme of which is enhancing taxpayer trust and confidence in the tax administration system. The strategic goals outlined in the Strategic Plan 2025 have been largely achieved, demonstrating the dedication of OTO employees to the organisation's success. Throughout the strategy implementation process to date, the OTO has remained steadfast in advocating for taxpayers' rights, entitlements and obligations, and ensuring taxpayers are well-informed about their roles in tax administration. Similarly, in the sphere of governance, the OTO has established effective governance frameworks, as reflected in the clean audit outcome received for the 2023/24 year in respect of the organisation's performance information. Furthermore, an important aspect of service delivery improvement is feedback from the OTO's stakeholders. Stakeholder engagements were held throughout the year, delivering insight into key issues for taxpayers and aiding collaborative efforts with SARS to promptly address systemic issues identified. In short, through diligent service, impartiality and responsiveness, the OTO is instrumental in reinforcing taxpayer confidence in our tax system.

During the 2023/24 financial year, the OTO maintained its hybrid work approach, which prioritises employee wellness and engagement. This emphasis on employee wellbeing has enhanced our organisation's efficiency and underpins the OTO's commitment to excellence.

The budget for the year 2023/24 was R55.9 million, 87% of which was allocated to personnel costs. The OTO continues to spend on information and communications technology (ICT) to accelerate the implementation of the Digital Communications Framework. Keeping pace with rapid technological advancements in the tax environment is crucial for refining our taxpayer services.

### 2.1.1 Systemic investigations

**Preliminary investigations conducted on possible systemic issues:**

Based on certain taxpayer complaints received, the Systemic Investigations team conducted five preliminary investigations in 2023/24. For all five preliminary investigations, a decision was taken not to further investigate the issues identified as there was insufficient cause to do so. The following preliminary investigations were conducted:

**Incorrect information provided on the SARS outcome of objection letter**

The OTO received a complaint on 2 June 2023 regarding the outcome of the 2022 objection that was issued to the taxpayer on 2 May 2023. During the review of the complaint, it was noted that the outcome of objection letter from SARS contained incorrect information pertaining to the appeal process.

Specifically, the letter that was issued contained a standard paragraph advising taxpayers as follows: *"If you are not satisfied with the outcome of your objection you have the right to appeal against this decision by completing and submitting the prescribed Notice of Appeal (NOA) form* ***within 80 business days*** *from the date of this letter."*

This period of 80 business days conflicts with Rule 10(1)(a) of the Dispute Resolution Rules, which stipulates that an appeal must be filed within 30 days after delivery of the notice of disallowance of the objection. Section 107(2)(b) of the TAA allows SARS to extend the period up to 45 business days if exceptional circumstances exist. The maximum period allowed for a taxpayer to file an appeal is therefore 75 business days.

It appears that SARS mistook the period for filing an appeal for the period within which an objection must be filed. The latter was extended to 80 days on 10 March 2023, only for objections.

The information that SARS provides to taxpayers in the outcome of objection letter therefore exceeds the 30 days for filing an appeal, as well as the maximum extension period allowed under the TAA.

The preliminary review, however, revealed that the error did not occur on many letters and was only noted on letters issued in early May 2023. SARS corrected the information towards the end of that month and, going forward, its letters contained the correct information about the appeal process.

**Allegations that SARS incorrectly reflects the taxpayer's Tax Compliance Status as non-compliant**

On 28 August 2023, an issue regarding a Tax Compliance Status (TCS) incorrectly reflecting as non-compliant was referred to the OTO for investigation as a possible systemic issue.

The taxpayer is a registered non-profit organisation, as well as a tax-exempt institution. According to the Fourth Schedule of the Income Tax Act, public benefit organisations are excluded from the definition of a provisional taxpayer.

> According to the definition in Paragraph 1 of the Fourth Schedule, "provisional taxpayer means: but shall exclude—
>
> (aa) any public benefit organisation as contemplated in paragraph (a) of the definition of "public benefit organisation" in section 30 (1) that has been approved by the Commissioner in terms of section 30 (3)".

Although the entity qualified to be an exempt institution, it was incorrectly classified as a provisional taxpayer for the 2023 year on 29 August 2022.

The taxpayer filed the 2023/01 provisional tax return on the same date (29 August 2022). This could possibly have resulted in the activation of a provisional tax status due to the taxpayer's actions.

The OTO did not investigate this issue further as it is clear from the Income Tax Act that the taxpayer should not be submitting provisional tax returns. The taxpayer has previously also incorrectly filed other provisional tax returns, resulting in the segment being opened on the SARS system and then not being aligned with the status of the taxpayer as an exempt institution. The taxpayer should not file any returns as this will open the segment again, once closed.

**SARS allegedly incorrectly revising assessments to give effect to the outcome of a dispute and/or failure to issue a reduced assessment to give effect to the outcome of a dispute**

A tax practitioner approached the OTO on 22 September 2023, claiming that SARS, after allowing a dispute, was issuing inaccurate notices of assessment (IT34s) or failing to issue a reduced assessment to give effect to the outcome of a dispute.

SARS has 60 days to take a decision on an objection. This 60-day period does not include the time taken to revise an assessment to give effect to the outcome of the objection. No time frame is stipulated within legislation or the SARS Service Charter for SARS to issue a reduced assessment to effect the outcome of an objection.

The OTO previously had a systemic issue where SARS delayed effecting the outcome of an objection by raising the reduced assessment and, in the process, delayed the payment of a refund. In the OTO investigation dated 28 August 2017 into alleged delayed payments of refunds, SARS undertook to revise any assessment within 45 days of the resolution/conclusion of a dispute.

This period is aligned with the periods set out in R23(3) and R24(3) of the Dispute Resolution Rules.

In the case raised by the tax practitioner, it was noted SARS issued the reduced assessment on 21 September 2023. This was within 45 days after a decision was taken on the objection.

**Influx of delayed refund cases**

An internal request was received regarding a concern that a substantial portion of refund cases accepted by the OTO in the 2022/23 financial year dealt with VAT refund cases. This necessitated a request for a preliminary investigation to be conducted on whether there might be systemic root causes for this, resulting in the high number of VAT cases received.

A preliminary review of VAT refund cases indicated that most such cases related to instances where SARS had failed to finalise verification cases within the turnaround time of 21 days from the date that the taxpayer submitted supporting documentation. This is an existing systemic issue and there was no evidence suggesting any additional root causes for the delay that might be systemic in nature.

**SARS allegedly delaying finalisation of Approval of International Transfer of Funds**

A request was received from a tax practitioner alleging that they were experiencing some administrative systemic issues with SARS relating to approvals for international transfers. These were allegedly taking longer than they should, even when the cases were escalated.

### Removal of systemic issues from the register

At the start of the 2023/24 financial year, the OTO had 10 unresolved systemic issues that SARS had not addressed. On 22 January 2024, the OTO received feedback from SARS concerning the unresolved systemic issues listed in the OTO's systemic issue register.

SARS recommended the removal of the following eight systemic issues, consisting of main issues and sub-issues, namely:

1. SARS creating consistency check cases on VAT periods to conduct verifications.
2. SARS's inability to confirm correspondence was issued.
3. SARS failure to respond to requests for deferred payment arrangements.

4. Delays on the part of SARS in coding taxpayers' profiles as deceased estates and updating executors contact details.
5. System-automated calculation of days for condonation cases relating to dispute resolution.
6. Delays on the part of SARS in finalising requests for condonation cases for both objections and appeals.
7. SARS requesting substantiating documents during the objection process beyond the time frames allowed under Rule 8.
8. Taxpayer requests for reasons for assessments.

After assessing the feedback received from SARS regarding ongoing systemic issues, the OTO resolved to remove the following three systemic issues:

1. SARS creating consistency check cases for VAT periods to facilitate verifications.
2. The SARS system incorrectly calculating the days for condonation for objection and appeal cases.
3. Delays in finalising requests for condonation cases (appeals and objections).

The OTO opted not to remove certain proposed systemic issues because SARS had only recently implemented remedial actions or was in the process of doing so. These remedial actions need to be monitored for successful implementation over a number of months before a decision can be made about removing them.

### 2.1.2 Contact centre

In complaints management, a key point in the process is when a taxpayer files a complaint or query through the OTO contact centre. Its function is to manage and capture all complaints and queries received by the OTO on the complaints management system within two business days from the date of receipt.

#### Queries received

During the 2023/24 financial year, the OTO's contact centre had 17 014 contacts with taxpayers, consisting of 12 338 queries and 4 676 complaints. This was an overall increase of 13.28% from the 15 020 contacts in the previous year, which included 11 006 queries and 4 014 complaints (Table 1). Specifically, queries and complaints increased by 12.10% and 16.49%, respectively, compared to the 2022/23 period.

**Table 1: Contacts received in 2023/24 in comparison with 2022/23**

| Financial year | Total contacts | Queries | Complaints |
|---|---|---|---|
| 2023/24 | 17 014 | 12 338 | 4 676 |
| 2022/23 | 15 020 | 11 006 | 4 014 |
| Overall increase | 13.28% | 12.10% | 16.49% |

#### Channels through which queries were received

Taxpayers currently have several ways to contact the OTO, including email, walk-ins (in-person visits) and telephone calls for queries; however, complaints may only be submitted through email or in-person. The OTO has tested an online complaint submission system on its website, but the system is on hold pending enhancements enabling greater efficiency.

In 2023/24, telephone queries represented 48.59% of all queries received, while emails accounted for 50.95% and walk-ins for 0.46%.

This shows a slight shift in favour of email compared to the previous financial year, 2022/23, when email queries comprised 47.83% (5 264) of the total, telephone queries for 50.12% (5 526), online submissions through the OTO's trial online complaints submission channel for 1.57% (173), and walk-in visits for 0.39% (43).

**Table 2: Channels through which queries were received**

| Financial year | Telephone queries | Email queries | Online submissions | Walk-ins |
|---|---|---|---|---|
| 2022/23 | 50.12% (5 526) | 47.83% (5 264) | 1.57% (173) | 0.39% (43) |
| 2023/24 | 48.59% | 50.95% (6 286) | Suspended | 0.46% |

The OTO receives three categories of queries: requests for complaint forms, where taxpayers enquire about the forms and procedures for filing complaints with the OTO; requests for advice, where taxpayers seek guidance or advice about their particular situations; and taxpayers following up on complaints they have filed.

From a total of 12 338 queries received during 2023/24, most taxpayers (46.05% or 5 682) reaching out to the OTO requested advice (Table 3). Requests for updates or follow-ups constituted 22.91% (2 827), while 31.03% (3 839) were requests for complaint forms. This compares with a total of 11 006 queries received in 2022/23. Of those, 43% (4 733) were requests for advice, 25% (2 751) were follow-up requests and 32% (3 522) were requests from taxpayers for forms and information on how to lodge complaints with the OTO.

**Table 3: Types of queries**

| Financial year | Total queries | Requests for advice | Requests for follow-up | Requests for complaint forms |
|---|---|---|---|---|
| 2023/24 | 12 338 | 46.05% (5 682) | 22.91% (2 827) | 31.03% (3 839) |
| 2022/23 | 11 006 | 43% (4 733) | 25% (2 751) | 32% (3 522) |

## Complaints received

Complaints received via email and walk-in visits are captured by the OTO contact centre in the Service Manager system, with an acknowledgement sent to the complainant within two business days of receiving the complaint. In 2023/24, the call centre captured a total of 4 676 complaints, an increase of 16.49% from the 4 014 complaints in 2022/23. The OTO succeeded in capturing and acknowledging 99.04% of complaints within two business days in 2023/24, an improvement from 95% in 2022/23 (Table 4).

**Table 4: Complaints received and acknowledged with two business days**

| Financial year | Complaints captured | Percentage captured within two business days |
|---|---|---|
| 2023/24 | 4 676 | 99.04% |
| 2022/23 | 4 014 | 95.00% |

### 2.1.3 Complaints resolution

Once the OTO contact centre has captured a complaint in the Service Manager system, it is forwarded to the Complaints Resolution unit and assigned to Operational Specialists: Complaints Resolution. These specialists evaluate the complaints within eight business days from the date of acknowledgement. The evaluation process includes considering whether the complainant has exhausted the available complaints resolution channels at SARS or if there are justifiable reasons for not doing under section 18(4) of the TAA. The OTO also establishes if any limitations from Section 17 of the Act apply. Complaints that do not meet the criteria are rejected, while valid complaints are moved forward with a recommendation sent to SARS for resolution.

## Analysis of complaints validated and resolved

### Validated complaints

The OTO Complaints Resolution unit validated 4 618 complaints in 2023/24, a 16.62% increase from the 3 960 complaints of 2022/23.

Of the validated complaints for 2023/24, service matters constituted 76.20% (3 519), procedural matters 13.12% (606), administrative matters 9.44% (436), and other matters unrelated to SARS 1.23% (57). This compares with the 2022/23 figures, when service matters accounted for 64.82% (2 567) of validated complaints, procedural matters for 16.54% (655), administrative matters for 17.1% (677) and other matters for 1.54% (61). As shown in Table 5, there was a significant increase in service-related complaints, which rose by 952 (37.09%) from the 2022/23 financial year.

"Other matters" also refer to complaints that were lodged with the OTO but were not related to SARS and therefore did not fall within the mandate of the Office. Alternatively, although the complaint was about SARS, it did not relate to a service, procedural or administrative matter arising from the application of a tax Act.

**Table 5: Categories of complaints validated**

| Financial year | Validated complaints | Service matters | Procedural matters | Administrative matters | Other matters |
|---|---|---|---|---|---|
| 2022/23 | 3 960 | 2 567 (64.82%) | 655 (16.54%) | 677 (17.1%) | 61 (1.54%) |
| 2023/24 | 4 618 | 3 519 (76.20%) | 606 (13.12%) | 436 (9.44%) | 57 (1.23%) |

### Outcomes of validated complaints

In the 2023/24 financial year, there was a 16.64% increase in the number of validated complaints, amounting to 4 618 compared to 3 960 in the previous year.

Table 6 shows the outcomes of validated complaints. Of the total accepted complaints in 2023/24, the OTO sent 51.82% (2 393) to SARS for resolution and rejected 28.80% (1 330) as these fell outside the mandate of the OTO. In addition, 19.38% (895) accepted complaints were terminated as SARS concluded them before the OTO could complete its review.

In the previous financial year, 42.85% (1 697) of the total accepted complaints were referred to SARS for resolution, while 44.07% (1 745) were rejected for being outside the mandate of the OTO, and 13.08% (518) were terminated as they were concluded by SARS prior to the OTO's review process. While the OTO sees the decrease in rejected complaints as positive, the number of complaints remains significant and is concerning since most rejections are due to complaints being prematurely lodged with the OTO.

**Table 6: Outcomes of complaints validated**

| Financial year | Total validated complaints | Accepted complaints sent to SARS for resolution | Rejected | Terminated |
|---|---|---|---|---|
| 2022/23 | 3 960 | 42.85% (1 697) | 44.07% (1 745) | 13.08% (518) |
| 2023/24 | 4 618 | 51.82% (2 393) | 28.8% (1 330) | 19.38% (895) |

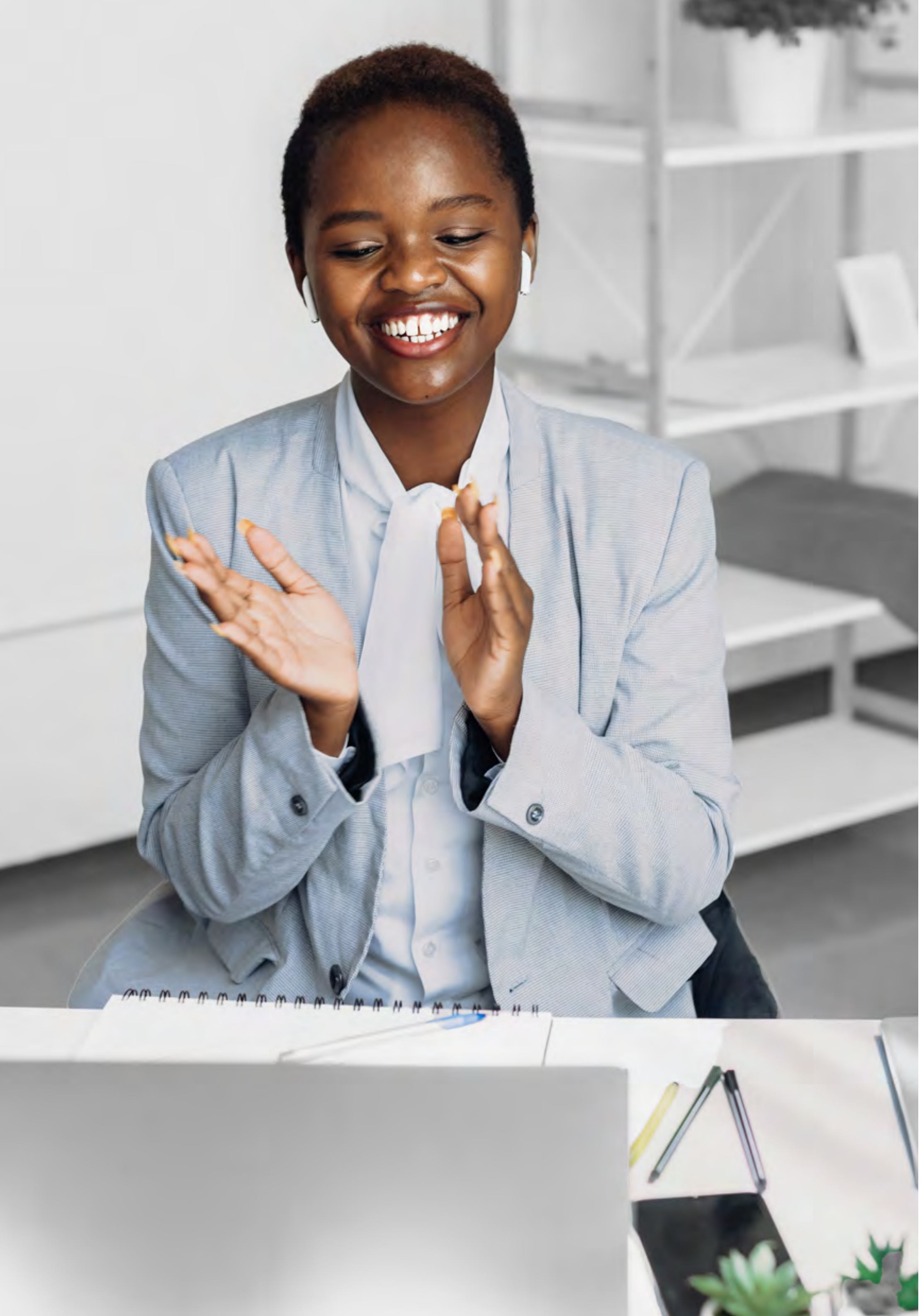
## Recommendations made to SARS in terms of section 19 (2) (c) of the TAA

Section 19(2)(c) of the TAA requires the OTO Quarterly and Annual Reports to include recommendations for such administrative action as may be appropriate to resolve problems encountered by the taxpayer. The OTO sent 2 393 complaints with recommendations to SARS during the 2023/24 financial year (see Table 7). Compliance audit recommendations accounted for 51.07% of these, meaning that the OTO recommended that SARS finalise the verifications and pay refunds to the taxpayers where applicable.

**Table 7: Recommendations made section 19 (2) (c)**

| Types of accepted complaints | Recommendations to SARS | Number | Percentage |
|---|---|---|---|
| Compliance audit | Finalise the verification and pay out any refund if applicable, or respond to a request for certificate of residency – Tax Compliance Status (TCS). | 1 222 | 51.07% |
| Dispute resolution process | Finalise the objection and take the next step in the alternative dispute resolution process. | 330 | 13.79% |
| Refunds | Pay any refund due or provide reasons for not doing so. | 209 | 8.73% |
| Assessment | • Finalise the reduced assessment<br>• Finalise tax returns routed for manual intervention<br>• Issue a revised assessment according to an allowed objection<br>• Finalise a request for remission<br>• Finalise the turnover tax returns. | 183 | 7.65% |
| Portfolio maintenance | • Deregister the tax number<br>• Reactivate the income tax number<br>• Register the turnover tax. | 128 | 5.35% |
| Account maintenance | • Allocate payment<br>• Explain the journal passed<br>• Verify the banking details. | 92 | 3.84% |
| Stopper | Lift the stopper and pay the refunds or provide reasons for not doing so. | 80 | 3.34% |

| Types of accepted complaints | Recommendations to SARS | Number | Percentage |
|---|---|---|---|
| Deceased estate | Perform the necessary coding<br>• Issue a compliance (DEC) letter<br>• Confirm income tax registration<br>• Finalise the verification and pay out the refund<br>• Verify the banking details for a deceased estate. | 56 | 2.34% |
| Debt Management | • Finalise the deferral arrangement<br>• Finalise the debt compromise application | 52 | 2.17% |
| Cyber crime | • Finalise the investigations of the payments into an allegedly incorrect account and provide the taxpayer with an outcome; where applicable pay the amount into the correct account.<br>• inform the taxpayer about the outcome of the suspicious non-compliance reported. | 20 | 0.84% |
| Efiling system | • Open the EasyFile to allow the taxpayer to submit the EMP501 (Employer Reconciliation Declaration)<br>• Carry out the eFiling profile transfer<br>• Assist in linking the new income tax reference number on eFiling. | 10 | 0.42% |
| Criminal Investigation | • Finalise the request to investigate the duplicate VAT numbers allocated to the taxpayer and the suspicious non-compliance activity.<br>• Finalise the investigation into the reported fraud case.<br>• Refund the amount that was paid to the third party.<br>• Inform the taxpayer of the outcome of the fraud case. | 4 | 0.17% |
| Anti-corruption | • Finalise the report of suspected non-compliance and the active fraud investigation, pay the refund of R48 000.00 with interest, if any, or provide valid reasons for not doing so.<br>• Finalise the report of suspected non-compliance. | 3 | 0.13% |
| Investigative audit | Finalise the limited scope audit. | 2 | 0.08% |
| Estate duty | Respond to the request for estate duty. | 1 | 0.04% |
| Legal counsel, interpretations and rulings | Respond to the request sent on 23 June 2021 for a ruling. | 1 | 0.04% |
| **TOTAL** | | **2 393** | **100.00%** |



## Resolution of accepted complaints

At the start of the 2023/24 financial year, the OTO carried over 281 unresolved complaints from the previous year. The OTO accepted a total of 2 393 new complaints, which were referred to SARS for resolution. Counting the unresolved complaints from 2022/23, SARS had 2 674 complaints to resolve in the 2023/24 financial year. Of these, SARS successfully resolved and closed 2 178 complaints.

Additionally, 41 complaints were terminated during this period and 13 were cancelled.

SARS implemented 99.77% of the recommendations the OTO made and resolved and finalised such complaints.

By the end of the financial year, SARS still had 442 unresolved complaints, which were carried forward into the 2024/25 financial year.

## Age analysis of the accepted complaints sent to SARS

SARS resolved 2 178 complaints in 2023/24, with 29.98% (653) being resolved within 15 business days in terms of the Memorandum of Understanding (MoU) between the OTO and SARS, an improvement over the 26.16% (445) in the previous financial year.

**Table 8: Analysis of complaints sent to SARS for resolution**

| Financial year | Unresolved complaints carried over from 2022/23 | New complaints received – 2023/24 | Total complaints to resolve – 2023/24 | Complaints resolved and closed – 2023/24 | Complaints terminated - 2023/24 | Complaints cancelled - 2023/24 | Unresolved complaints carried forward to 2024/25 |
|---|---|---|---|---|---|---|---|
| 2023/24 | 281 | 2393 | 2 674 | 2 178 | 41 | 13 | 442 |

However, 70.02% (1 525) of the complaints in the 2023/24 financial year were resolved after the 15-business-day turnaround time, compared to 73.83% (1 284) in the prior year, as shown in Table 10. SARS's non-adherence to the MoU timeframes remains a concern and has been escalated to the senior leadership of SARS's Complaints Management Office. Furthermore, the OTO addresses this issue in its quarterly reports to the SARS Commissioner.

**Table 9: Time taken by SARS to implement and finalise OTO recommendations**

| Number of days SARS took to finalise OTO recommendations | Number in 2022/23 | Percentage in 2022/23 | Number in 2023/24 | Percentage in 2023/24 |
|---|---|---|---|---|
| 1 - 15 days | 445 | 26.16% | 653 | 29.98% |
| 16 – 31 days | 441 | 25.36% | 590 | 27.09% |
| 32 - 61 days | 367 | 21.10% | 502 | 23.05% |
| 62 - 91 days | 204 | 11.73% | 207 | 9.50% |
| Over 92 days | 272 | 15.64% | 226 | 10.38% |
| **TOTAL** | **1 739** | **100%** | **2178** | **100.00%** |

## Value of refunds to taxpayers

In relation to refunds paid as a result of the OTO's intervention, table 11 shows the top 10 amounts that were paid in the 2023/24 financial year, bringing much-needed relief to the entities concerned. The collective value of these 10 highest amounts paid to taxpayers was R179 184 944.78. The comparative figure for 2022/23 was R103 277 070.59. Table 10 shows the top 10 refunds for the past two years.

**Table 10: Value of top 10 refunds paid to taxpayers**

| 2022/23 | | 2023/24 | |
|---|---|---|---|
| **Tax type** | **Refund paid** | **Tax type** | **Refund paid** |
| VAT | R 13 895 751.87 | VAT | R 44 247 407.33 |
| VAT | R 13 237 061.71 | VAT | R 21 983 415.90 |
| VAT | R 11 595 762.75 | VAT | R 21 292 377.15 |
| VAT | R 10 820 410.30 | VAT | R 16 149 960.29 |
| VAT | R 10 656 237.07 | VAT | R 14 860 215.34 |
| VAT | R 10 166 988.62 | VAT | R 13 885 253.64 |
| VAT | R 9 394 281.08 | CIT | R 13 489 349.46 |
| VAT | R 8 142 526.23 | VAT | R 11 722 349.58 |
| VAT | R 7 982 982.44 | VAT | R 10 886 454.24 |
| VAT | R 7 385 068.52 | VAT | R 10 668 161.85 |
| TOTAL | **R 103 277 070.59** | **TOTAL** | **R 179 184 944.78** |

## Validated complaints in the user population

The user population refers to all individuals and entities using the services of the OTO. There are two main types of users: taxpayers and tax practitioners who submit complaints on behalf of a taxpayer. Taxpayers are increasingly using the OTO's services directly without going via taxpayer representatives. This may be an indication that more people are becoming aware of the services of the OTO and are gaining trust in the OTO's ability to resolve their complaints.

During the 2023/24 financial year, 76.03% (3 511) of the complaints received were lodged by taxpayers and 23.97% (1 107) by taxpayer representatives. In the previous financial year, 79.95% (3 166) of the complaints were from taxpayers and 20.05% (794) from taxpayer representatives. Table 11 lists the types of users with validated complaints.

**Table 11: Types of users whose complaints were validated**

| Financial year | Taxpayers | Taxpayer representatives | Total |
|---|---|---|---|
| 2023/24 | 76.03% (3 511) | 23.97% (1 107) | 4 618 |
| 2022/23 | 79.95% (3 166) | 20.05% (794) | 3 960 |

## Geographical spread of validated complaints

Complaints were received from taxpayers and taxpayer representatives from eight of the nine provinces of South Africa in 2023/24. The Northern Cape was the only province without any complaints for both 2022/23 and 2023/24.

As shown in Table 12, Gauteng accounted for most complaints (52.88%), followed by the Western Cape (13.84%) and Mpumalanga (9.40%) in the 2023/24 financial year. Gauteng and the Western Cape provinces have seen a decrease in the number of complaints and their percentage representation of the population when compared to the 2022/23 financial year. The number of complaints in Gauteng decreased from 2 679 (representing 67.65% of the complaints population) in 2022/23 to 2 442 (representing 52.88%) in the 2023/24 financial year. In the Western Cape, the number of complaints decreased from 678 (representing 17.12% of complainants) in 2022/23 to 639 (representing 13.84%) in 2023/24.

Complaints from the Limpopo and Mpumalanga provinces increased by 8.42% and 9.40% respectively in the year under review.

Table 12 shows complaints validated per region.

**Table 12: Geographical spread of validated complaints**

| Geographical spread of validated complaints | Number in 2022/23 | Percentage in 2022/23 | Number in 2023/24 | Percentage in 2023/24 | Changes in numbers (2023/24 vs 2022/23) |
|---|---|---|---|---|---|
| Gauteng | 2 679 | 67.65% | 2 442 | 52.88% | -237 ▼ |
| Western Cape | 678 | 17.12% | 639 | 13.84% | -39 ▼ |
| Mpumalanga | 84 | 2.12% | 434 | 9.40% | 350 ▲ |
| Limpopo | 8 | 0.20% | 389 | 8.42% | 381 ▲ |
| North-West | 0 | 0% | 257 | 5.57% | 257 ▲ |
| KwaZulu-Natal | 281 | 7.10% | 251 | 5.44% | -30 ▼ |
| Eastern Cape | 131 | 3.31% | 129 | 2.79% | -2 ▼ |
| Free State | 99 | 2.50% | 74 | 1.60% | -25 ▼ |
| Outside SA | 0 | 0% | 3 | 0.06% | 3 ▲ |
| **Total** | **3 960** | **100%** | **4 618** | **100.00%** | **658** ▲ |

## Reasons for rejecting complaints

A significant number of complaints were rejected due to complainants lodging their complaints prematurely with the OTO, instead of following the process of lodging complaints with the SARS Complaints Management Office, as required by section 18(4) of the TAA. In the previous financial year, the OTO reported the rejected complaints in terms of section 18(4) and section 16 of the TAA. The categories were expanded in 2023/24 to include section 17(c) and 17(d) of the TAA. Explanations of these sections can be found in Table 13 on the reasons for rejecting complaints.

Complaints rejected in 2023/24 decreased by 23.78% (415) when compared to the prior period. Rejected complaints in terms of section 18 (4) of the TAA accounted for 80.45% (1 070) of the total rejected complaints in 2023/24, compared to the previous year's 96.67% (1 687).

### Table 13: Reasons for rejecting complaints

| Reasons for rejection of complaints | Number in 2022/23 | Percentage in 2022/23 | Number in 2023/24 | Percentage in 2023/24 |
|---|---|---|---|---|
| Section 18(4) of the Act. (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.) | 1 687 | 96.67% | 1 070 | 80.45% |
| Rejected in terms of section 18(4) read with section 17(c) of the Act. (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, and the matter is subject to objection and appeal.) | 0 | 0% | 201 | 15.11% |
| Section 16 of the Act. (A complaint does not fall within the OTO's mandate.) | 58 | 3.32% | 57 | 4.29% |
| Section 17(d) of the Act. (The taxpayer is requesting the Tax Ombud to review a matter before the tax court.) | 0 | 0% | 2 | 0.15% |
| **TOTAL** | **1 745** | **100%** | **1330** | **100.00%** |

## 2.2 Organisational environment

### Connecting with taxpayers

The OTO actively engages with stakeholders to promote its services through various communication channels and frameworks. It promotes customer centricity and ensures taxpayers are informed about its free and impartial services for tax recourse matters. This is in addition to cultivating mutually beneficial partnerships with different stakeholders who, in turn, provide communication and marketing platforms for the OTO to reach a wider audience of taxpayers.

### Taxpayers' Rights Matter

During 2023/24, the OTO launched its annual educational campaign, "Making Taxpayers Rights Matter", using the **#TaxpayersRightsMatter** tagline. The campaign connected the OTO with taxpayers through the implementation of initiatives from its three frameworks: Community and Outreach, Digital Communications, and Stakeholder Engagement. The OTO implemented the following activities:

### Engagement with Recognised Controlling Bodies

The OTO has developed strong partnerships with nine Recognised Controlling Bodies (RCBs), resulting in significant outcomes that promote awareness among their members. Through presentations and meetings, the OTO engaged the following RCBs during the year under review.

- Chartered Institute of Management Accountants (CIMA)
- Chartered Governance Institute of South Africa (CGISA)
- Financial Planning Institute (FPI)
- Institute of Accounting and Commerce (IAC)
- South African Institute of Chartered Accountants (SAICA)
- South African Institute of Professional Accountants (SAIPA)
- South African Institute of Taxation (SAIT)
- The Association of Chartered Certified Accountants (ACCA)
- Chartered Institute for Business Accountants (CIBA)

### Growing access to auditing firms and businesses

The OTO intensified efforts to cultivate meaningful partnerships with Auditing firms and businesses, drawing on expertise to serve taxpayers better.

The institutions engaged in 2023/24 include:

- Bidvest
- Bridgestone company
- S'Hlobo Investments Group
- Nedbank
- National African Federated Chamber of Commerce and Industry (NAFCOC)
- Alberton Netcare Hospital
- Bakery Incubation Centre of South Africa (BICSA)
- Green Debt Counselling
- PricewaterhouseCoopers (PwC)
- South African Tax Practitioners United (SAPTU)

### Building and strengthening mutually beneficial partnerships

Collaborations are essential for the OTO to serve communities and build effective partnerships that benefit the country.

- The OTO exhibited at the South African Military Ombud's Annual Symposium in Pretoria on 10 November 2023.
- On 18 January 2024, the Tax Ombud met with South Africa's Public Protector, Advocate Kholeka Gcaleka, to explore opportunities for collaboration and update the existing MoU.
- On 5 February 2024 the Tax Ombud engaged the Health Ombud, Prof. Taole Mokoena, and they exchanged information to enhance the service delivery of their institutions.
- The OTO promoted its services by joining the City of Johannesburg Ombudsman's Information Clinic at the Riverlea Community Centre outreach in Johannesburg on 22 February 2024.

- In July 2023, the Tax Ombud, Ms Yanga Mputa, was invited to attend the Annual meeting of the African Tax Administration Forum (ATAF), where she was appointed an ATAF Women in Tax Network (AWITN) board member.
- In June and July 2023, the Tanzanian Ombudsman, Mr Robert Manyama, accompanied by a high-level delegation from his government, visited South Africa and met with the OTO leadership for benchmarking engagements.
- On 1 August 2023, Ms Nina Olson, Executive Director at the Center for Taxpayer Rights (USA), and Susan Morgenstern, Senior Attorney, met with the OTO leadership in Pretoria.

## Presentations to the public sector and other stakeholders

The OTO reached out to government departments and state-owned entities, representing a substantial portion of the country's taxpayers and among those expected to raise tax complaints involving SARS.

**Government departments and entities**

- Department of Public Enterprises (DPE)
- Department of Women, Youth and Persons with Disabilities (DWYPD)
- Free State Department of the Premier
- Esayidi TVET College Entrepreneurship Rapid Incubator
- Eskom – Tshwane West Office
- Limpopo Department of Cooperative Governance, Human Settlements and Traditional Affairs (CoGHSTA)
- North-West Gambling Board
- Western Cape Department of Education (WCED)
- Northern Cape Office of the Premier
- South African Social Security Agency (SASSA) - Head Office
- SASSA – Mpumalanga Office
- South African Police Service (SAPS) – Mamelodi branch
- South African Revenue Service (SARS)
- Small Enterprise Development Agency (SEDA) - Free State, Western Cape and Mpumalanga provinces
- The Gauteng Office of Consumer Affairs
- The Government Pensions Administration Agency (GPAA)
- The Independent Police Investigative Directorate (IPID)
- The South African Democratic Teachers Union (SADTU)
- Transnet
- Companies and Intellectual Property Commission (CIPC)

### Exhibitions and events collaborations

One way to promote OTO services was to exhibit on various platforms and partner with other entities through exhibitions. These events served as valuable platforms for engaging with business professionals, tax practitioners and taxpayers, and effectively promoting taxpayer education.

**Exhibitions:**

- Canal Walk Shopping Mall
- Fourways Shopping Centre
- Mossel Bay Municipality Small Business EXPO
- Money Summit
- Proudly SA Buy Local Summit and EXPO
- SAIPA 5th Accounting Indaba
- 10th Annual Tax Indaba
- Waterfall Mall Small Business Seminar
- NSBC Africa – The Business Show Africa

### Thought leadership engagements

The OTO's commitment to understanding and addressing taxpayers' concerns is evident in its participation in thought leadership discussions. In 2023/24, the OTO organised and participated in several such engagements, thus gaining valuable insights into tax issues affecting taxpayers and tax practitioners.

**Some thought leadership discussions included:**

- On 3 August, the OTO senior leadership gave a presentation on "Making Taxpayers Rights Matter – A Means of Achieving Fair Tax Administration" at the Tax Faculty's Cross-Border Considerations for Advisors hybrid conference in Cape Town, themed Global Families and Business Owners.
- On 31 August 2023, Tax Ombud Ms Yanga Mputa discussed the Compilation of Taxpayers' Rights, Entitlements, and Obligations with students and members of academia at the University of Johannesburg (UJ).
- On 11 September 2023, CEO Prof. Legwaila and Senior Manager: Operations Talitha Muade participated in a panel discussion at the 10th Annual Tax Indaba titled "Trends in Tax Administration – A Tax Ombud perspective".
- On 19 October 2024, Ms Mputa was at the University of the Western Cape (UWC), outlining the OTO's strategic objectives and contribution to the fairness of the tax administration system.
- On 2 November 2023, at the 2023 SAIPA Accounting Indaba in Sandton, CEO Prof. Legwaila discussed with delegates the OTO's contribution to the country's tax administration system.
- On 8 November 2023, Prof. Legwaila participated at the Pricewaterhouse Coopers Taxing Times Survey 2023 event launched to provide comments on their clients' experiences with SARS.
- On 22 November 2024, Ms Mputa presented to the ATAF Women in Tax Network, where she spoke on the topic "Tax and Gender—A Policy Perspective," reiterating the importance of promoting gender equity and women's participation in the global economy.

### Promoting the Compilation of Taxpayers' Rights, Entitlements and Obligations

The OTO used various platforms to educate taxpayers about the Compilation of Taxpayers' Rights, Entitlements and Obligations. During the reporting period, 21 engagements were held, creating awareness and promoting the Compilation on traditional and social media platforms. These efforts unpacked the Compilation with various stakeholders and stimulated significant discussions on how it promotes taxpayer rights and compliance, directly impacting taxpayers' lives.

**The institutions and platforms include:**

- Akademia
- Bidvest
- Cape Town Southern Suburbs Discussion Group
- Enslin and Associates Chartered Accountants
- Financial Planning Institute (FPI)
- Fourways Mall Activation
- Gauteng Department of Economic Development (GDED)
- Helderberg FM
- Johannesburg Chamber of Commerce
- Limpopo Department of Cooperative Governance, Human Settlements and Traditional Affairs
- NSBC Africa – The Business Show Africa
- Nedbank
- Proudly SA
- SNC-TAX
- South African Institute of Chartered Accountants (SAICA)
- South African Institute of Professional Accountants (SAIPA)
- The Tax Faculty
- Wild Coast FM
- Limpopo Department of Cooperative Governance, Human Settlements and Traditional Affairs

## Distribution of OTO educational material

The OTO distributed educational material in various languages to the following institutions to promote its services:

- Co.Space Entrepreneur Village – Pretoria
- Department of Employment Labour – Mamelodi Labour Centre
- Ga-Rankuwa Magistrate Court – Department of Justice and Constitutional Development
- Ga-Rankuwa Library – City of Tshwane
- Ga-Rankuwa - City of Tshwane Customer Care
- Ga-Rankuwa – Department of Home Affairs
- Ga-Rankuwa - Dr George Mukhari Academic Hospital
- SAPS - Mamelodi West
- Small Enterprise Development Agency (SEDA) – Mamelodi office
- City of Tshwane - Mamelodi West Clinic
- City of Tshwane - Housing Department, Mamelodi West Offices

## Public relations engagements

The OTO continues to be featured in the public sphere through engaging media and creating awareness through discussions on commercial and community radio stations. These free radio engagements are valuable in ensuring that taxpayers are engaged and understand the OTO's mandate.

## Extensive free media coverage

The distribution of media statements and the OTO's stakeholder newsletter Fairness for All case studies generated interest and led to media seeking interviews with the OTO leadership. In total, 116 news items were featured on various media platform, including community and commercial radio stations and television. These activities had a combined public relations value of R11 038 175.00.

## Radio

Below is a list of radio stations where the OTO generated a considerable percentage of its total public relations value coverage:

| | | | | |
|---|---|---|---|---|
| Alex FM | Bush Radio | Pretoria FM | Radio Disa | Radio Islam |
| Eden FM | CCFM107.5 | Groot FM | Helderberg FM | Waterberg FM |
| Life Fm | Lesedi FM | Sauna HD | Madibeng FM | Maruleng FM |
| Jozi FM | Gold FM | Valley FM | Ligwalagwala FM | Power FM |
| Algoa FM | Moruleng F | Univen FM | Wild Coast Radio | Voice of Cape Town |
| Kaya 959 | Pheli FM | Vukani FM | You FM | Energy FM |
| Moutse FM | Vuma FM | Unisa Radio | Radio Pulpit | Pulse FM |

## Television

Television coverage, mainly news items and current affairs shows, helped create much-needed public awareness about the OTO and its services. Below are television stations and programmes on which the OTO received media coverage.

| | | |
|---|---|---|
| Business Day TV | News (SABC) | Newzroom Afrika |
| ENCA | News Today (SABC) | Yilungelo Lakho (SABC) |
| Expresso Morning (SABC) | | |

## Published news articles

Below is a list of media institutions and platforms where the OTO received positive coverage.

| | | | |
|---|---|---|---|
| 702 Radio | North-West University publication | Engineering News | SA People News |
| ATAF publication | The Citizen | Free State Central News | SAIT Tax Magazine |
| Bizcommunity.com | The Global Information Network | GCIS Public Service Manager Magazine | PAGE 3 online news |
| Business Report | The South African | George Herald | Platinum Weekly |
| Daily Dispatch | The Star | Kaya 959 website | SA People News |
| Knysna-Plett Herald | SABC News online website | MSN | Polokwane Observer |
| Moneyweb | SA News | MyZA | Press Reader.com |
| Moonstone | South Africa Today | News 24 | University of Johannesburg publication |
| Mossel Bay Advertiser | | Oudtshoorn Koerant | |

## Advertising

Advertising campaigns were used to create awareness on community and national platforms, such as Newzroom Afrika, eNCA, SABC News and Business Day TV. Impactful activation campaigns were held at Fourways Mall in Johannesburg and Canal Walk Shopping Centre in Cape Town.

OTO advertising campaigns were also flighted on SABC 3 Morning Expresso, 702 Talk Radio and Independent Media, and an outdoor billboard advertisement was displayed on the N1 North freeway in Johannesburg.

The OTO also featured in-content advertising (ICA), which inserts the OTO logo and content into popular TV shows to maximise audience reach. It was flighted on television shows such as *The River*, *Gomora*, *Generations*, *Skeem Saam*, *Uzalo*, *Scandal* and *House of Zwide*. They reached 4 117 493 viewers on the Living Standards Measure (LSM) 5-10 (R8 000+).

The advertising campaign was also aired on Kaya 959 station, reaching 317 000 listeners who had 4.6 opportunities to be exposed to the on-air campaign. The industry standard for a radio campaign frequency is 3; therefore, the campaign exceeded the prescribed industry standard.

### Community radio stations

In the reporting period, the OTO flighted adverts to promote its engagement with NAFCOC on 10 Eastern Cape radio stations: Alfred Nzo, Inkonjane, Nkqubela, Takalani, Unitra, Vukani, Mdantsane, Kumkani, Ngqushwa, and Ndlambe. Paid print advertisements were also published in the Daily Dispatch newspaper. In addition, the OTO placed advertisements on Zibonele FM promoting its mall activation at Canal Walk Shopping Centre.

### OTO newsletters

Since launching its newsletters, Fair Play and Fairness for All, the OTO has enjoyed steady growth in readers. In 2023/24, at least 2 203 stakeholders in various fields subscribed to the bimonthly and quarterly publications, an increase from about 1 300 compared to the previous financial year.

Three Fair Play issues, including the special edition commemorating the OTO's 10th Anniversary, were published, along with six issues of Fairness for All, which chronicles educational case studies on complaints and how they are investigated and resolved. These publications were shared through numerous platforms including social media and the OTO's website and featured on traditional media publications.

### Online access to OTO services

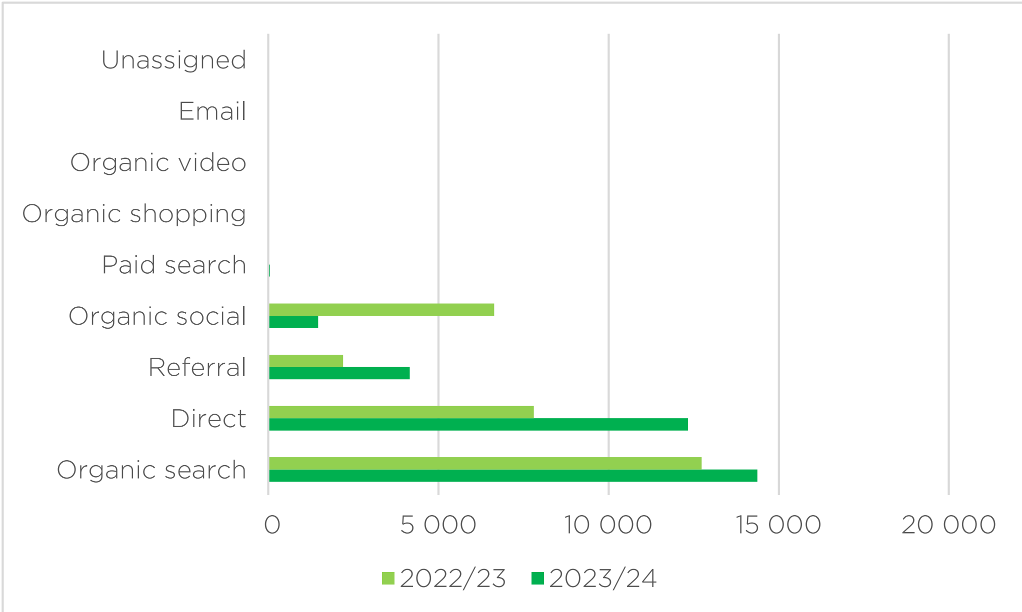
#### Website

The OTO utilises its website for taxpayers as a valuable resource for promoting awareness. The website is continuously updated with publications, announcements and other information.

Website users increased by 13.7% in 2023/24 compared to the previous year. Increases in "organic search", "direct" and "referral" users drove this growth. The OTO has focused on search engine optimisation leading to a 9.3% increase in users reaching the site via organic search.

The graph below displays the growth in website usage.

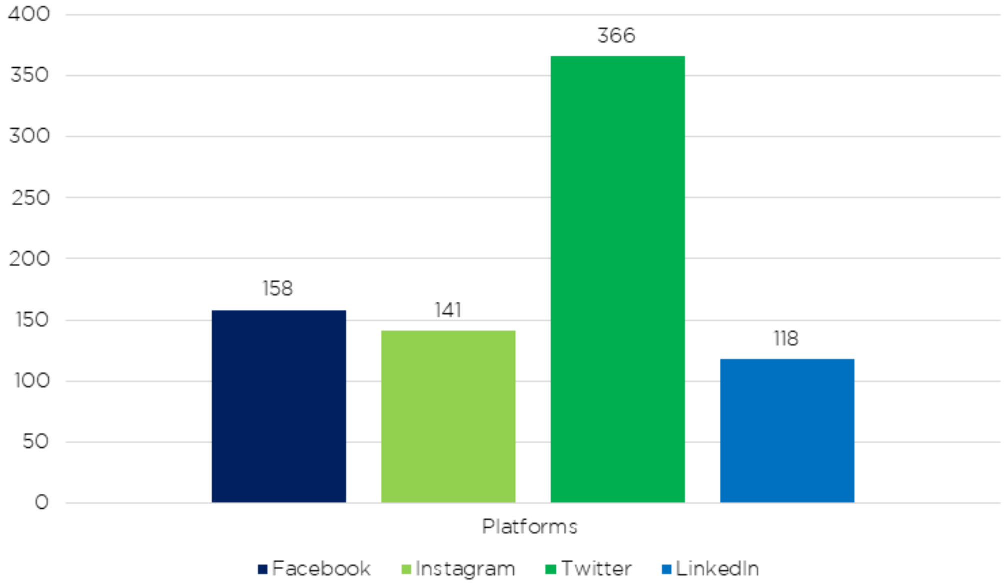
**Graph 1: taxombud.gov.za traffic sources**



## Social media

The OTO reaches out to taxpayers through its social media platforms and has a constant presence on Facebook, LinkedIn, Instagram and Twitter. The graph below displays the number of organic posts published in 2023/24 on the OTO's public platforms.

**Graph 2: #TaxpayersRightsMatter posts**




## Organic campaign

During the year, LinkedIn and Facebook showed tremendous growth of 29.7% and 20.3%, respectively. LinkedIn, Facebook and email are priority channels for the next financial year.

## Digital advertising

Over the year, the OTO conducted three paid advertising campaigns on social platforms. These campaigns were designed to publicise OTO activities, particularly the organisation's 10th anniversary, and to expand the digital reach of the OTO. Table 14 shows the number of impressions (how many times it was viewed) and the number of engagements. The OTO uses a "reach and frequency" strategy designed for brand awareness, in which impressions are the primary measure.

**Table 14: Digital advertising**

| Campaign | Platform | Clicks | Impressions |
|---|---|---|---|
| Q1 | Facebook Always-on | 1511 | 1 298 307 |
| Q2 | Facebook | 14 071 | 576 543 |
| | LinkedIn | 1 571 | 369 428 |
| Q3 | Facebook | 1 738 | 1 282 762 |
| | YouTube | 35 365 (video views) | 61 600 |
| 10th anniversary | X (Twitter) | 592 | 312 890 |

There was no advertising in Q4.

## Keeping Team OTO informed

Perspective, the OTO's bimonthly internal newsletter, was vital in keeping Team OTO informed and recognising those who excel and embrace organisational values. A total of 22 issues of Perspective were published in 2023/24, covering topics such as the OTO's policies, values and Annual Performance Plan. This ensured employees understood organisational deliverables, roles and contributions towards annual strategic goals and other OTO deliverables.

## Celebrating 10 years of making taxpayers' rights matter

In October 2023, the OTO celebrated its 10th anniversary, themed "10 Years of Making Taxpayers' Rights Matter".

The celebration, attended by prominent professionals in the country's tax sphere, extended the OTO's continuous engagements with various stakeholders, including taxpayers, tax practitioners, RCBs, SARS, the media, and academia.

The event featured robust engagements on pertinent issues affecting the OTO and the country's tax administration system. The panel discussed the conceptualisation of the OTO and its journey, including successes and challenges over a decade. It was chaired by Judge Dennis Davis (Chairperson of the Companies Tribunal and Professor of Law) and featured Prof. Michael Katz (Chairperson of ENSafrica and Chairperson of the Katz Commission), Mr Kosie Louw (the longest-serving member of the SARS executive), Judge Bernard Ngoepe (former Tax Ombud) and Advocate Eric Mkhawane (former OTO CEO).

Ms Nina Olson, Executive Director at the Center for Taxpayer Rights (USA), joined virtually and shared an international perspective on promoting compliance and trust in tax administration. Keith Engel, CEO of SAIT, and OTO's senior leadership discussed the OTO's impact in the past decade and anticipated its growth in the next five years.

**HONOURING EXCELLENCE:** Chief Executive Officer, Prof. Thabo Legwaila addresses delegates at the OTO's 10th anniversary celebration.


**TOP MINDS:** (From left) Judge Dennis Davis (Chairperson of the Companies Tribunal and Professor of Law), Prof. Michael Katz (Chairperson of ENSafrica and Chairperson of the Katz Commission), Ms Yanga Mputa (Tax Ombud), Judge Bernard Ngoepe (former Tax Ombud) and Judge Robert Nugent (Retired Judge of the Supreme Court of Appeal).

## 2.3 KEY POLICY DEVELOPMENTS AND LEGISLATIVE CHANGES

In the 2023/24 financial year, there were no key policy developments regarding the OTO in the Tax Administration Act, 2011.

## 2.4 PROGRESS TOWARDS ACHIEVEMENT OF INSTITUTIONAL IMPACTS AND OUTCOMES

The Strategic Plan 2025 (starting from 2020 and ending in 2025) has brought about notable progress. The OTO is on track to achieve most of the set objectives. Initiatives that have been successfully launched include frameworks for complaints management, digitisation, community outreach, stakeholder engagement and governance.

Significant improvements in the complaints management process are evident, with the rate of acknowledging complaints within two days increasing from 86% in the 2020/21 financial year to 99.04% in the 2023/24 financial year. Similarly, the assessment of complaints within eight business days after receipt improved from 89% in 2020/21 to 99.03% in 2023/24. These advancements reflect the ambitions of the Complaints Management Framework, ensuring complaints are handled effectively and fairly; complying with the code of conduct; swiftly evaluating complaints in line with the OTO's schedules; providing detailed reporting and analysis of trends; standardising resolution processes according to the mandate; and strengthening relationships with SARS Complaints Management and relevant stakeholders. By the time Strategic Plan 2025 concludes in the 2024/25 financial year, it is anticipated that the OTO will have improved its review processes, thus enhancing the taxpayer experience.

Other milestones under the Strategic Plan 2025 include the finalisation of the Compilation of Taxpayers' Rights, Entitlements and Obligations in March 2022, which promotes taxpayers' awareness of their rights and responsibilities when interacting with SARS and aims to foster fairness, transparency and accountability in tax administration. The Community Outreach and Stakeholder Engagement frameworks have surpassed their goals as outlined in the Strategic Plan 2025, with 846 activities conducted since 2020/21, including 262 in 2023/24, to increase understanding of the OTO's mandate and procedures. Digital Communications Framework implementation has progressed slowly due to dependencies on SARS for procurement and IT services. Nevertheless, the OTO has rolled out a five-year digital strategy to enhance its online presence and accessibility, which includes website migration.

Adoption of the Governance Framework has proceeded at a measured pace. Engagements with the Auditor-General are ongoing to provide limited audit assurance on performance against pre-set objectives. To date it has resulted in unqualified audit outcomes for the 2022/23 and 2023/24 financial years, demonstrating enhanced governance and operational autonomy.

Key initiatives for the final year of the Strategic Plan 2025 focus on improving organisational performance using digital tools developed or introduced during the plan period. A priority for the 2024/25 financial year is completing the online customer service portal, facilitating effortless access to OTO services and allowing taxpayers to carry out tasks remotely. Automating digital processes is intended to expedite service delivery and reduce waiting times for lodging and processing complaints.

The introduction of a new digital customer service system aims to curtail human errors associated with manual handling, leading to more precise data and fewer mistakes in taxpayer interactions. In recent years, the OTO has reduced response times for acknowledging and reviewing taxpayer complaints.

Remaining steadfast in implementing combined assurance principles, the OTO has established the audit and risk committee and an internal audit service. The OTO's focus continues to be on solidifying an internal control environment conducive to strategic target attainment and trustworthy performance reporting. Efforts to solidify and bolster governance structures will persist throughout the 2024/25 financial year, supporting improved operations.

## Progress towards the achievement of the 2020 – 2025 Strategic Plan activities

| Strategic Programme of the OTO | Programme purpose (Objective of the Strategic programme) | Outcome (Strategic objective) | Strategic planned activities achieved to date |
|---|---|---|---|
| Accountability | Ensure a balanced and fair application of the tax administration process and contribute to a culture of tax compliance | Review and address complaints by taxpayers against SARS. | **Implement an efficient complaints review plan that will ensure complaints are evaluated and reviewed within eight business days and implement a complaints management framework that will improve the feedback provided to taxpayers on their complaints lodged at the OTO.**<br><br>• The complaints management framework was developed and approved by the Senior Management Committee for implementation on 15 June 2021.<br>• The implementation plan of the complaints management framework was updated in January 2023 to include new complaints review process.<br>• The implementation of the framework has positively affected the complaint resolution value chain as follows:<br>o The percentage of complaints acknowledged within two days improved from 86% in 2020/21 to 99.04% in 2023/24.<br>o The percentage of complaints reviewed within eight business days of the date captured improved from 89% in 2020/21 to 99.03% in 2023/24.<br>o The percentage of close-out reports actioned within four business days of the date received improved from 87% in 2020/21 to 97.98% in 2023/24. |
| | | Contribute to improving the tax administration system and building confidence in the system. | **Introduce a monitoring and evaluation plan to comply with the turnaround times for completing systemic investigation reports.**<br><br>• The Standard Operating Procedure for systemic investigations was approved by the Senior Management Committee in December 2021.<br>• The turnaround time for conducting systemic investigations was further reviewed from three months to five months and 50% to 100% in consultation with National Treasury during the development of the 2023/24 Annual Performance Plan.<br>• The achievement of the turnaround time decreased from 100% in 2020/21 to 80% in 2021/22 and to 80% in 2022/23, and then improved to 100% in 2023/24.<br>• During the 2022/23 financial year, the OTO developed an online register (Microsoft list) to track and monitor adherence to the turnaround times for investigations.<br><br>**Develop and promote the Tax Ombud's Compilation of Taxpayers' Rights, Entitlements and Obligations.**<br><br>• The Compilation of Taxpayers' Rights, Entitlements and Obligations was developed and approved in March 2022.<br>• The OTO conducted 42 combined promotional activities on the Compilation of the Taxpayer Rights, Entitlements and Obligations in 2022/23 (21 activities) and in 2023/24 (21 activities).<br>• The Compilation was reviewed during both the above financial years. No changes were effected as a result of the review of the compilation during these two financial years. |

| Strategic Programme of the OTO | Programme purpose (Objective of the Strategic programme) | Outcome (Strategic objective) | Strategic planned activities achieved to date |
|---|---|---|---|
| Efficacy | Provide a consistently quality service that is taxpayer centric and provided at a minimal cost. | Create an agile organisation that can scale efficiently to meet taxpayer demands. | **Implement a feedback plan that will assist taxpayers in comprehending the outcome of their complaints.**<br>• The taxpayer feedback framework was developed and approved on 22 February 2022.<br>• The implementation of the feedback framework is in progress. In 91.90% of cases, the OTO provided feedback to taxpayers within 15 business days. |
| | | | **Implement a five-year digital framework through continuous interactive online platforms that will improve the OTO's brand presence and promote accessibility of its services to all taxpayers.**<br>• The Digital Communications Framework was developed and approved on 4 June 2020.<br>• The implementation of the framework is in progress. with the following completed:<br>o migration of the OTO website to WordPress and Microsoft Azure.<br>o migration to the OTO Microsoft Tenant.<br>o creation of the OTO intranet for improved collaboration; and<br>o procurement of licences for Dynamics 365 customer portal to improve customer service. |
| | | | **Develop and implement a human resources strategy that encourages professionalism and high performance by OTO employees.**<br>• A Human Resources Strategy was developed and approved in October 2021.<br>• The Anser Indicus employee rewards programme was implemented in the 2023/24 financial year. |
| | | Promote stakeholder engagement and collaboration. | **Develop a five-year community outreach activity framework that will ensure taxpayers in all nine provinces are aware of the OTO's mandate and understand its processes.**<br>• The Community Outreach Framework was developed and approved on 18 November 2020.<br>• The OTO has implemented 846 community outreach activities since the beginning of the current strategic period in 2020/21, with 262 activities implemented in the 2023/24 financial year. |
| | | | **Develop a five-year stakeholder framework that promotes optimal engagement and collaboration to ensure efficient interaction between the OTO and its stakeholders and strengthens relationships.**<br>• The Stakeholder Engagement Framework was developed and approved on 17 March 2021.<br>• The OTO has implemented 327 stakeholder engagement activities since the beginning of the current strategic period in 2020/21, with 103 activities implemented in the 2023/24 financial year. |

| Strategic Programme of the OTO | Programme purpose (Objective of the Strategic programme) | Outcome (Strategic objective) | Strategic planned activities achieved to date |
|---|---|---|---|
| Independence | An Office of the Tax Ombud that is independent, structurally, and operationally, to limit the risk of perceived bias. | Optimise governance structures, risk management and business processes. | **Develop and implement an independent governance framework with efficient and effective governance structures, including internal and external assurances.**<br>• Limited external assurance has been provided by the Auditor-General of South Africa (AGSA) since the 2020/21 financial year. This assurance focuses on the performance reporting of the OTO.<br>• Service Level Agreements (SLA) with SARS procurement and SARS facilities and administration are in place.<br>• The OTO achieved a qualified audit conclusion in the first audit that was conducted in 2020/21, qualified audit in the 2021/22, and unqualified audit (clean audit) in 2022/23 and 2023/24. |
| | | | **Draft annual proposals on legislative amendments to enhance the OTO mandate.**<br>A proposal on legislative amendments was drafted and submitted to National Treasury in the 2022/23 financial year. |

## 2.5 REPORT IN TERMS OF SECTION 19 OF THE TAX ADMINISTRATION ACT

According to section 19 (1)(b) of the TAA, the Tax Ombud must submit an annual report to the Minister of Finance within five months after the SARS financial year ends. As per section 19 (2)(a), (b) and (c) of the TAA, the report must contain a summary of at least 10 of the most serious issues encountered by taxpayers and identify systemic and emerging issues referred to in section 16(2)(f) of the TAA. It must also contain inventory of the issues and recommendations, including the administrative action appropriate to solve the problems that taxpayers encountered.

**Summary of identified systemic and emerging issues**

| NO | ISSUE | SUMMARY | CATEGORY (SERIOUS / SYSTEMIC / EMERGING) | ACTION TAKEN BY THE OTO | ACTION TAKEN BY SARS | PERIOD IN THE OTO'S INVEN-TORY | RESULT |
|---|---|---|---|---|---|---|---|
| 1 | Delay in payment of refunds. | **1.1.** Delay in the lifting of stoppers and lack of time frames for doing so (not finalising verification within the turnaround time of 21 days and multiple periods within 90 days). | Systemic | The remedial actions implemented by SARS are noted. The effectiveness thereof is being monitored. | SARS indicated on 22 January 2024 that they started a new process to verify banking details and that a third of the cases relating to banking stoppers were systematically lifted while the remaining affected taxpayers still need to update their banking details at a SARS branch.<br><br>SARS further indicated that they are in the process of recruiting additional capacity to assist with tax verification cases. | 124 months | Ongoing |
| | | **1.2.** Diesel refunds | Systemic | It was recommended that SARS implement a separate return for diesel refund claims, separate from the VAT201. The OTO will however continue to monitor all interim remedial actions implemented. | SARS indicated on 22 January 2024 that in September 2023, Excise Auditors implemented a process which ensured that clients are kept in the loop on the progress of audits. SARS further indicated that capacity constraints result in the delay of verification cases. | 124 months | Ongoing |
| | | **1.3.** Debt set-off and recovery steps are taken despite a request for suspension of payment. | Systemic | The OTO considered SARS responses provided on 22 January 2024 and will engage SARS for feedback on the outcome of the review that SARS expects to conclude in the fourth quarter of 2023/24. | SARS indicated on 22 January 2024 that they are in the process of investigating the feasibility of certain processes to resolve the prevalence of the issue and that the progress feedback is expected in the fourth quarter of 2023/24. | 124 months | Ongoing |
| **2. Dispute resolution** | | | | | | | |

| NO | ISSUE | SUMMARY | CATEGORY (SERIOUS / SYSTEMIC / EMERGING) | ACTION TAKEN BY THE OTO | ACTION TAKEN BY SARS | PERIOD IN THE OTO'S INVEN-TORY | RESULT |
|---|---|---|---|---|---|---|---|
| **2.1** | System-automated calculation of days | SARS's system does not calculate dates for dispute resolution correctly. It does not exclude public holidays, weekends and the dies non period.<br><br>This has a negative impact on taxpayers who are forced to apply for condonation unnecessarily and on SARS in the form of person-hours lost due to dealing with condonation cases that should not be routed for condonation in the first place. | Serious/ systemic | SARS indicated on 22 January 2024 that the system used to calculate the number of days during the dispute resolution procedure was corrected in accordance with the Dispute Resolution Rules. Accordingly, a decision was taken by the OTO to remove the systemic issue from the register. | SARS indicated on 14 September 2022 that the system has been rectified in respect of the dies non period for appeals.<br><br>SARS further indicated on 22 January that the dies non period for objections was rectified in April 2023. | 46 months | Finalised 19 March 2024 |
| **2.2** | Notification of invalidation of appeal | The problem arises in matters where tax-payers submit appeals so late that SARS does not have the discretion to condone the late filing. Under these circumstanc-es, the letters issued by SARS correctly inform the taxpayer that SARS has no discretion to entertain appeals lodged more than 75 days after delivery of the Notice of Disallowance of Objection.<br><br>The problem is that this letter includes a standard paragraph stating:<br><br>"A new NOA may be submitted within the prescribed period, and if late, a request for late submission must be submitted by you."<br><br>SARS tries to work around this issue by adding a line, "Please ignore the below paragraph – Case concluded." | Serious/ systemic | In situations where appeals are submitted this late and SARS does not have the discretion to extend the period beyond 45 days, the use of a standardised letter would be justified.<br><br>Therefore, the recommendation is made for a standard letter on SARS's system to cater specifically to s107 (2) (b) matters to avoid confusion and instances where taxpayers try to lodge new NOA forms per the current standard letters.<br><br>The OTO will monitor the successful implementation of the letters. | SARS indicated on 22 January 2024 that it is expected that the correct correspondence letter will be loaded onto their systems during April 2024. | 46 months | Ongoing |
| **2.3** | The general end-to-end periods for taking decisions on objection: Rule 9 | SARS must finalise the objection within 60 days after receiving the objection if no additional supporting documentation was requested. If SARS requests additional supporting documentation, the objection must be finalised within 45 days after receiving the supporting documentation. | Serious/ systemic | The OTO recommended that SARS ensure compliance with the time frames.<br><br>SARS will be continuously engaged regarding the various options that are being considered. | SARS indicated on 22 January 2024 that it is exploring various options to address the delays. | 46 months | Ongoing |

| NO | ISSUE | SUMMARY | CATEGORY (SERIOUS / SYSTEMIC / EMERGING) | ACTION TAKEN BY THE OTO | ACTION TAKEN BY SARS | PERIOD IN THE OTO'S INVEN-TORY | RESULT |
|---|---|---|---|---|---|---|---|
| **2.4** | Request for reasons for the assessment: Rule 6 | A request for the reasons must be made within 30 days of the assessment. SARS must respond within 45 days of the request. SARS can, on its own, grant an extension if there are exceptional circumstances, the matter is complex, or the amount involved is high. The extension may not exceed 45 days, though, and SARS must inform the taxpayer thereof within 45 days after the date of the request. | Serious/ systemic | The OTO recommended that SARS ensure compliance with the timeframes.<br><br>SARS response of 22 January 2024 was considered, and adherence to the time frames will be monitored, to determine if the remedial action implemented successfully prevents the reoccurrence of the systemic issue. | SARS indicated on 22 January 2024 that a systems-generated letter was introduced for cases where reasons for the assessment need to be provided to the taxpayer. | 46 months | Ongoing |
| **2.5** | Notice of invalidity: Rule 7(4) | If SARS receives an objection that does not comply with rule 7(2) of the Dispute Resolution Rules, SARS may regard the objection as invalid and must notify the taxpayer accordingly and state the ground for invalidation in the notice within 30 days after receiving the invalid objection. | Serious/ systemic | The OTO recommended that SARS ensure compliance with the timeframes. Adherence of the time frames will be monitored as SARS has indicated that invalidation of objection cases is kept to a minimum. | SARS indicated on 22 January 2024 that the invalidation of objection cases is being kept to a minimum. | 46 months | Ongoing |
| **2.6** | Request for substantiating documents: Rule 8(1) | SARS must request substantiating documents within 30 days as prescribed. | Serious/ systemic | The OTO recommended that SARS ensure compliance with the timeframes. SARS response of 22 January 2024 was considered and adherence to the time frames will be monitored to determine if the remedial action implemented successfully prevents the reoccurrence of the systemic issue. | SARS indicated on 22 January 2024 that a new letter for VAT was implemented that allows for specific information to be requested. Furthermore, SARS introduced case ownership of work items to allow cases to come back to the same user and to prevent different users from requesting different documents. | 46 months | Ongoing |

| NO | ISSUE | SUMMARY | CATEGORY (SERIOUS / SYSTEMIC / EMERGING) | ACTION TAKEN BY THE OTO | ACTION TAKEN BY SARS | PERIOD IN THE OTO'S INVEN-TORY | RESULT |
|---|---|---|---|---|---|---|---|
| **2.7** | Non-adherence by SARS to dispute resolution turnaround times. | On many occasions, SARS does not adhere to the dispute resolution turnaround timeframes as envisaged in chapter 9 and under the Dispute Resolution Rules as promulgated under section 103 of the TAA. | Serious/ systemic | The OTO recommended that that SARS always adhere strictly to the Alternative Dispute Resolution rules and, in cases of non-adherence, provide taxpayers with reasons. The outcome of each objection and appeal must be implemented correctly and timeously.<br><br>The OTO also recommended that the SARS system be aligned to record each step of the appeal process and its accompanying correspondence.<br><br>Adherence to the time frames will be continuously monitored following SARS system enhancements in April 2023. | SARS indicated on 22 January 2024 that system enhancements were implemented in April 2023 to assist with disputes not being out-of-time. | 46 months | Ongoing |

| NO | ISSUE | SUMMARY | CATEGORY (SERIOUS / SYSTEMIC / EMERGING) | ACTION TAKEN BY THE OTO | ACTION TAKEN BY SARS | PERIOD IN THE OTO'S INVEN-TORY | RESULT |
|---|---|---|---|---|---|---|---|
| **2.8** | Request for condonation (objection and appeal) | The systemic investigation revealed that 86.06% of the requests for condonation of objection cases finalised by SARS over two years were allowed.<br><br>Furthermore, SARS received 4 292 objections disputing its decision to decline the condonation request. SARS allowed 78.49% of these objections.<br><br>Similarly, SARS allowed 76.09% of the 175 cases where taxpayers appealed the disallowance of the objection to the decision not to condone the late filing of the complaint.<br><br>Ultimately 85.63% of all requests for condonation on objection cases received by SARS in the period were allowed.<br><br>As in the case of requests for condonation relating to objections, the allowance rate for appeal condonations is very high. On the initial request for condonation, SARS allowed 89.9% of the matters it finalised by taking a decision. SARS received very few objections to and appeals of decisions to decline condonation during the appeal step. While only 47% of those were allowed, SARS still allowed 89.5% of all condonation requests about which it made decisions during the period.<br><br>This raises the question of what purpose the condonation process serves and whether or not that purpose justifies the time spent on it. Although these requests were quickly attended to, the concern is SARS's high number of condonation cases. | Serious/ systemic | Considering that almost 90% of all requests for condonation are allowed, the OTO believes that consideration should be given to allowing taxpayers three years to object to an additional assessment as stipulated in section 104(5)(b) of the TAA and to remove the provisions of the TAA and the Dispute Resolution Rules relating to condonation. Similarly, we believe that during the appeal process, the time frame could be set at 75 days with no further option of extension.<br><br>SARS has indicated that it will not do away with the condonation process and will rather extend the period in which a taxpayer is allowed to lodge an objection.<br><br>This period was extended to 80 business days since 10 March 2023 and the systemic issue is therefore closed.<br><br>A decision was taken by the OTO to remove the systemic issue from the register. | The objection filing period has been increased to 80 business days since 10 March 2023 to reduce the number of cases requiring condonation reasons. | 46 months | Finalised 19 March 2024 |

| NO | ISSUE | SUMMARY | CATEGORY (SERIOUS / SYSTEMIC / EMERGING) | ACTION TAKEN BY THE OTO | ACTION TAKEN BY SARS | PERIOD IN THE OTO'S INVEN-TORY | RESULT |
|---|---|---|---|---|---|---|---|
| **2.9** | Inventory management (appeals) | The Invalid Appeal letter is the only piece of correspondence that consistently features in SARS's system for appeal cases during the entire appeal process. The OTO found very few cases involving other essential letters and documents, such as the so-called "suitability letters", that led the process into another step with prescribed time frames. SARS acknowledged that not all manual letters were uploaded onto the system. It is important to note that all these documents are essential and that all but two of the required documents in the appeal process have prescribed periods attached. Based on the information received by SARS, it would be near impossible to track compliance with the rules in relation to any of these documents. | Serious/ systemic | The OTO recommended that the system be aligned to record each step of the appeal process and its accompanying correspondence. This would enable accurate inventory management and make it easy to identify the bottlenecks within the process.<br><br>SARS's response of 22 January 2024 is noted and compliance to adherence of the time frames will be continuously monitored for improvements with inventory management. | SARS indicated on 22 January 2024 that managers have had the functionality to extract reports from the Enterprise Data Management system since April 2023, making management of turnaround times easier. | 46 months | Ongoing |
| **2.10** | The raising of non-meritorious additional assessments | 71% of objections over two years were allowed or partially allowed, and 92% of appeals that went through the entire appeal process were conceded in full over the same period. One must question why these assessments were raised first and why they could not be allowed at the objection stage. This point is essential because a lot of time and effort is invested in dealing with each case. For example, a committee must sit to consider each matter, for which the members must spend valuable time preparing. There are thousands of these cases. | Serious/ systemic | The OTO recommended that SARS take a closer look at how additional assessments are made and the efficiency of its objections committee mechanism, as too many assessments are raised without merit, clogging the system unnecessarily and causing delays. | SARS indicated on 14 September 2022 that section 95 of the TAA was implemented for the 2022 filing season.<br><br>SARS indicated on 22 January 2024 that there is currently a high rate of allowing objections since taxpayers are not providing supporting documentation that is requested during the audit/verification process and that it will continue to monitor the situation. | 46 months | Ongoing |

| NO | ISSUE | SUMMARY | CATEGORY (SERIOUS / SYSTEMIC / EMERGING) | ACTION TAKEN BY THE OTO | ACTION TAKEN BY SARS | PERIOD IN THE OTO'S INVEN-TORY | RESULT |
|---|---|---|---|---|---|---|---|
| **2.11** | Delayed submission of information by taxpayers | From SARS's responses across all three divisions involved in the entire dispute resolution process, the OTO observed that a common theme arose around the submission of documents by taxpayers when asked about their challenges and views on reasons for delays in finalising objections and appeals. This issue may tie in with the high allowance of objections and concessions on appeal. | Serious/ systemic | Both Legal and Investigative Audit refer to instances where the matter should be audited from scratch due to new information being provided only after the disputes were lodged. If new information (for example, new financial statements) is provided, it may be argued that the initial declaration by the taxpayer has changed, which will affect the additional assessment. The question arises whether the dispute resolution procedure is the correct channel to conduct an audit of information that was not considered before or should instead be treated as a request for correction of the original declaration. The view of the OTO is that it should be the latter. | SARS indicated on 24 March 2021 that section 95 of the TAA was amended on 20 January 2021. The effect of the amendments is that a taxpayer will not be able to file an objection if, after being requested twice, the taxpayer fails to submit the information required.<br><br>SARS indicated on 14 September 2022 that section 95 of the TAA was implemented for the 2022 filing season. | 46 months | Ongoing |

| NO | ISSUE | SUMMARY | CATEGORY (SERIOUS / SYSTEMIC / EMERGING) | ACTION TAKEN BY THE OTO | ACTION TAKEN BY SARS | PERIOD IN THE OTO'S INVEN-TORY | RESULT |
|---|---|---|---|---|---|---|---|
| **3** | Inability on the part of SARS to confirm cor-respondence was sent (manual and e-filer view of correspon-dence). | Where taxpayers allege that they did not receive correspondence from SARS, SARS simply responds by providing them with a copy of the letter but fails to prove that the correspondence was indeed sent to them on the specified date. It should be noted that the concern raised does not apply to correspondence that was electronically issued.<br><br>In the recent High Court judgments of SIP Project Managers (Pty) Ltd v The Commissioner for the South African Revenue Service and WPD Fleetmas CC v The Commissioner for the South African Revenue Service, the importance of the delivery of the letter of demand to the taxpayer, via an electronic platform or to the last known address of the taxpayer, was highlighted. Furthermore, a notice generated by the eFiling system does not satisfy the delivery requirement unless such notice is uploaded on the taxpayer's profile. Finally, and very importantly for the OTO, we cannot rely on the eFiler view in Service Manager to determine whether a taxpayer received correspondence.<br><br>Therefore, the systemic issue is expanded to include manual correspondence and correspondence that should be reflected on a taxpayer's eFiler view. This will include, for example, the final letter of demand, the outcome of an objection/appeal, a notice of assessment, etc. | Systemic | The OTO recommended that SARS keep records of all correspondence sent to taxpayers and that the recipient received the correspondence.<br><br>The OTO will continue to monitor the systemic issue, particularly the issue on whether proof can be provided for the delivery of manual correspondence. | SARS indicated on 22 January 2024 that a request for proof of manual correspondence can be provided if requested within a specified period.<br><br>SARS indicated on 14 September 2022 that a system enhancement was implemented on 24 June 2022 for the issuing of the Final Demand as part of the debt management process, to include confirmation of successful delivery of final demand letters. | 90 months | Ongoing |

| NO | ISSUE | SUMMARY | CATEGORY (SERIOUS / SYSTEMIC / EMERGING) | ACTION TAKEN BY THE OTO | ACTION TAKEN BY SARS | PERIOD IN THE OTO'S INVEN-TORY | RESULT |
|---|---|---|---|---|---|---|---|
| **4** | Tax Compliance System (TCS) | Various factors could lead to the taxpayer being non-compliant. These include (i) outstanding debts even when R1 is outstanding; (ii) outstanding returns; (iii) non-submission of certain relevant material requested by SARS; and (iv) any transgression that is deemed to be non-compliance by SARS. However, certain challenges are causing undue hardship to various taxpayers due to how the system was designed.<br><br>Some taxpayers had a non-compliant tax status in the following cases:<br><br>**1.** There was an outstanding liability of R1;<br><br>**2.** Taxpayers were still within time to submit a specific return and make payment, but the system had already reflected this as outstanding;<br><br>**3.** A debt emanated from fraudulent activities conducted by SARS or ex-SARS officials, resulting in taxpayers being non-compliant and failing to obtain a tax clearance certificate;<br><br>**4.** Payment arrangements were in place, including approved suspension of any debt in question;<br><br>**5.** Taxpayers experienced PIN-related challenges when emigrating. Upon receiving the PIN from SARS, it only reflected the details of the main applicant. The spouse's details were not shown, which was problematic for the emigration process and caused unnecessary delays and financial hardship for the affected taxpayers | Systemic | The OTO will continue to monitor the systemic issue for any possible system issues and to confirm that remedial action is sufficiently implemented to prevent future cases from occurring. | SARS indicated that various updates were made and implemented in September 2017 to the Standard Operating Procedures and Tax Compliance System, addressing most identified issues. There is also a function available for taxpayers to request an "override", and SARS will investigate and confirm the approval in exceptional cases.<br><br>Furthermore, SARS indicated that taxpayer education is a key factor in resolving this matter as the SARS system is built for most taxpayers and not based on exceptions.<br><br>SARS indicated on 14 September 2022 that they intend to amend the suspension of payment process in such a way that the Core Tax Systems obtain the necessary information to accurately calculate the amount that must be removed from the TCS debt based on the approved suspension of payment.<br><br>SARS further clarified that the past and future plan will only cater for approved suspension of payments in the TCS system and not for cases where there is an application for suspension of payment.<br><br>SARS indicated that although the legal framework applicable to suspension of payments allows for a "window" period from the date of application to 10 days after the decision on the application, the approval of a valid TCS in that period poses significant risk to SARS as persons could then simply apply to get a valid TCS irrespective of their true compliance status.<br><br>SARS highlighted on 22 January 2024 that taxpayers can also make use of the "challenge status" function to request an override and for SARS to investigate if a taxpayer should have a compliant TCS. | 74 months | Ongoing |

| NO | ISSUE | SUMMARY | CATEGORY (SERIOUS / SYSTEMIC / EMERGING) | ACTION TAKEN BY THE OTO | ACTION TAKEN BY SARS | PERIOD IN THE OTO'S INVEN-TORY | RESULT |
|---|---|---|---|---|---|---|---|
| **5** | Failure to respond to the request for a deferred payment arrangement within the prescribed turnaround time (21 days) | We have noticed increased complaints about SARS's failure to respond to such requests. This negatively affects taxpayers attempting to become compliant with SARS, as its lack of response results in delays in collecting revenue for the fiscus. | Systemic | Even though SARS included the specific turnaround times in the Service Charter, this does not address the underlying root cause for SARS's non-adherence.<br><br>The OTO will continuously monitor the issue and highlight any root causes impacting SARS's failure to attend to deferred payment arrangement cases. | SARS indicated on 4 October 2023 that a digital request process is available in the digital platforms on eFiling and MobiApp and that a simplified deferment request was created on eFiling which can be considered timeously by SARS. | 68 months | Ongoing |
| **6** | Failure to respond to the request for a compromise within the prescribed turnaround time (90 days) | We have noticed increased complaints about SARS's failure to respond to such requests. This negatively affects taxpayers attempting to become compliant and SARS, and its lack of response results in delays in collecting revenue for the fiscus. | Systemic | Even though SARS included the specific turnaround times in the Service Charter, this does not address the underlying root cause for SARS's non-adherence.<br><br>The OTO will monitor the issue and highlight any root causes impacting SARS's failure to attend to deferred payment arrangement cases. | SARS indicated on 4 October 2023 that a dedicated Compromise team was established in November 2021 to manage an internal mailbox for compromise requests. The purpose of this is to ensure the inflow of compromise requests is adequately attended to within the turnaround time. | 67 months | Ongoing |
| **7** | Failure to respond to the request for a suspension of payment within the prescribed turnaround time (30 days) | We have noticed increased complaints about SARS's failure to respond to such requests. This negatively affects taxpayers attempting to become compliant and SARS, whose lack of response delays collecting revenue for the fiscus. | Systemic | Even though SARS included the specific turnaround times in the Service Charter, this does not address the underlying root cause for SARS's non-adherence.<br><br>The OTO notes SARS's responses of 22 January 2024 and will monitor the issue following SARS's planned systems changes during the fourth quarter of the 2023/24 financial year. | SARS indicated on 4 October 2023 that Invalid requests are auto completed.<br><br>SARS indicated on 22 January 2024 that additional system changes will be initiated and implemented during the fourth quarter of 2023/24 to improve the on-time finalisation of requests for suspension of payment. | 67 months | Ongoing |

| NO | ISSUE | SUMMARY | CATEGORY (SERIOUS / SYSTEMIC / EMERGING) | ACTION TAKEN BY THE OTO | ACTION TAKEN BY SARS | PERIOD IN THE OTO'S INVEN-TORY | RESULT |
|---|---|---|---|---|---|---|---|
| **8** | SARS delays coding the taxpayer's profile as deceased estate and updating the executor's contact details. | SARS does not code the profile as a deceased estate and update the executors' contact details within 21 working days. | Systemic | Formal recommendations were sent to SARS on 24 February 2022.<br><br>The OTO notes SARS's responses of 22 January 2024 and will monitor the issue following SARS's planned systems implementations in February 2024 of coding a deceased estate automatically from the Department of Home Affairs, to determine if the implementation successfully addresses the systemic issue. | SARS acknowledged on 14 September 2022 that there is a delay in the coding of estate cases due to limited resources and capacity constraints. The delays with confirming registered particulars of executors via the Master's database has also contributed to the issue raised. SARS further indicated that they are currently in the process of finalising a request to automatically code deceased estates using approved third party data sources. It is anticipated that this automation should significantly reduce the queries and complaints in this regard.<br><br>SARS indicated on 22 January 2024 that a new process of coding a deceased estate automatically from the Department of Home Affairs data is expected to be implemented in February 2024 and that SARS is looking into future data sharing with the Master's office to obtain information within quicker turnround times. | 25 months | Ongoing |

| NO | ISSUE | SUMMARY | CATEGORY (SERIOUS / SYSTEMIC / EMERGING) | ACTION TAKEN BY THE OTO | ACTION TAKEN BY SARS | PERIOD IN THE OTO'S INVEN-TORY | RESULT |
|---|---|---|---|---|---|---|---|
| **9** | SARS repeat verification cases (ap-proved 19 April 2022, formal recommenda-tions issued to SARS on 20 April 2022) | Verification cases are created for two reasons that we believe are not appropriate:<br><br>**1.** A verification case is created because of SARS issuing a reduced assessment to give effect to the outcome of a dispute; and<br><br>**2.** Repeat verification cases are conducted with the same risk and same requested supporting documentation. | Systemic | Formal recommendations were sent to SARS on 20 April 2022.<br><br>The OTO notes SARS's responses on 22 January 2024 and will continue to monitor the systemic issue during the 2024 filing season to determine if the remedial action implemented successfully addressed the systemic issue. | SARS indicated on 3 June 2022 that it was aware of cases where employees do not correctly follow the process in relation to certain risk areas, resulting in the refund being recalled multiple times.<br><br>SARS further indicated that it is in the process of engaging the teams responsible for this area to ensure that legitimate refunds are not caught in the process of continuous verifications.<br><br>SARS indicated on 22 January 2024 that there was a process change in August 2023 to prevent repeat verification cases. | 23 months | Ongoing |
| **10** | SARS creating a "consistency check" case on a VAT period to conduct a verification (approved 25 October 2022) | SARS creates a "consistency check" case on a VAT period, with the purpose of conducting a verification outside of the normal verification process and without a legal basis. This further results in a taxpayer's tax compliance status being negatively impacted as the return reflects as outstanding while the "consistency check" case is open. | Systemic | Formal recommendations were sent to SARS on 31 October 2022.<br><br>Following SARS's responses on 22 January 2024 and after monitoring the systemic issue and noting that no new cases were reported for an extended period, a decision was taken by the OTO to remove the systemic issue from the register. | SARS indicated on 4 October 2023 that a system development was completed and implemented in May 2023.<br><br>SARS again confirmed this on 22 January 2024 and that "consistency check" cases are no longer created on the system. | 17 months | Finalised 19 March 2024 |

# 3. REPORT OF THE AUDITOR-GENERAL TO PARLIAMENT ON THE OFFICE OF THE TAX OMBUD

## Report on the audit of the annual performance report

1. In accordance with the Public Audit Act 25 of 2004 (PAA) and the general notice issued in terms thereof, I must audit and report on the usefulness and reliability of the reported performance against predetermined objectives for the selected strategic objectives presented in the annual performance report. The Office of the Tax Ombud is responsible for the preparation of the annual performance report.

2. I selected the following strategic objectives presented in the annual performance report for the year ended 31 March 2024 for auditing. I selected strategic objective that measures the public entity's performance on its primary mandated functions and that are of significant national, community or public interest.

| Strategic Objective | Page numbers | Programme Purpose |
|---|---|---|
| **Outcome 1**: Review and address complaints by taxpayers against SARS | 69 | Ensure a balanced and fair application of the tax administration process and contribute to a culture of tax compliance. |
| **Outcome 2**: Contribute to improving the tax administration system and building confidence in the system | 70 | Ensure a balanced and fair application of the tax administration process and contribute to a culture of tax compliance. |

3. I evaluated the reported performance information for the selected strategic objectives against the criteria developed from the performance management and reporting framework, as defined in the general notice. When an annual performance report is prepared using these criteria, it provides useful and reliable information and insights to users on the Tax Ombud's planning and delivery on its mandate and objectives.

4. I performed procedures to test whether:

- the indicators used for planning and reporting on performance can be linked directly to the public entity's mandate and the achievement of its planned objectives.
- all the indicators relevant for measuring the public entity's performance against its primary mandated and prioritised functions and planned objectives are included.
- the indicators are well defined to ensure that they are easy to understand and can be applied consistently, as well as verifiable so that I can confirm the methods and processes to be used for measuring achievements.
- the targets can be linked directly to the achievement of the indicators and are specific, time bound and measurable to ensure that it is easy to understand what should be delivered and by when, the required level of performance as well as how performance will be evaluated.
- the indicators and targets reported on in the annual performance report are the same as those committed to in the approved

initial or revised planning documents.

- the reported performance information is presented in the annual performance report in the prescribed manner and is comparable and understandable.
- there is adequate supporting evidence for the achievements reported and for the reasons provided for any over - or underachievement of targets.

5. I performed the procedures only for the purpose of reporting material findings and not to express an assurance opinion or conclusion.

6. I did not identify any material findings on the reported performance information for the selected strategic objectives.

## Other matters

7. I draw attention to the matter below.

## Achievement of planned targets

8. The annual performance report includes information on reported achievements against planned targets and provides explanations for over-achievements.

## Other information in the annual report

9. The Office of the Tax Ombud is responsible for the other information. In terms of section 19(2) of the Tax Administration Act 18 of 2011 (TAA), the other information comprises the information included in the annual report, which includes a summary of at least ten of the most serious issues encountered by taxpayers and identified systematic and emerging issues. The other information does not include the auditor's report and those selected objectives presented in the annual performance report that have been specifically reported on in this auditor's report.

10. My opinion on the performance information does not cover the other information on the annual report and I do not express an audit opinion or any form of assurance conclusion on it.

11. My responsibility is to read this other information and, in doing so, consider whether it is materially inconsistent with the selected strategic objectives presented in the annual performance report or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

12. If, based on the work I have performed, I concluded that there is a material misstatement in this other information, I am required to report that fact.

13. I have nothing to report in this regard.

## Internal control deficiencies

14. I considered internal control relevant to my audit of the annual performance report; however, my objective was not to express any form of assurance on it.

15. I did not identify any significant deficiencies in internal control.

Auditor General

Pretoria

31 July 2024

AUDITOR-GENERAL
SOUTH AFRICA

*Auditing to build public confidence*

# 4. PERFORMANCE INFORMATION ACHIEVEMENTS BY OBJECTIVES

## Linking business units to strategic objectives and indicators

| Programme | Programme purpose | Outcome (Strategic objectives) | Indicator contribution |
|---|---|---|---|
| **Accountability** | Ensure a balanced and fair application of the tax administration process and contribute to a culture of tax compliance. | Review and address taxpayer complaints against SARS. | Percentage of complaints acknowledged within two business days of receipt. |
| | | | Percentage of complaints evaluated and reviewed within eight business days of the date of acknowledgement. |
| | | | Percentage of close-out reports actioned within four business days of date received. |
| | | Contribute to improving the tax administration system and building confidence in the system. | Percentage of systemic issues identified and investigated within five months. |
| | | | Time taken to complete systemic investigation report/s approved or requested by the Minister. |
| | | | Number of existing systemic issues removed from the systemic issues register after implementation by SARS. |
| | | | Develop, promote and update the Tax Ombud's Compilation of Taxpayers' Rights, Entitlements and Obligations – Promotion of the Compilation. |
| | | | Develop, promote and update the Tax Ombud's Compilation of Taxpayers' Rights, Entitlements and Obligations – Review of the Compilation. |
| **Efficacy** | Provide a consistently high-quality, taxpayer-centric service at a minimal cost. | Create an agile organisation that can scale efficiently to meet taxpayer demands. | Percentage of Digital Communications Framework activities implemented. |
| | | | Percentage of Community Outreach Framework implemented. |
| | | | Employee engagement survey at second quartile. |
| | | | Net promoter score for taxpayers' brand recognition survey. |
| | | Promote stakeholder engagement and collaboration. | Percentage of stakeholder engagement framework activities implemented. |
| **Independence** | An Office of the Tax Ombud that is independent, structurally and operationally, to limit the risk of perceived bias. | Optimise governance structures, risk management and business processes. | Performance audit outcome achieved. |
| | | Enhance and strengthen the mandate of the Office of the Tax Ombud. | Tax Administration Act amendment proposals sent to National Treasury for consideration. |

## Accountability

### 1. Outcome 1: Review and address taxpayer complaints against SARS

| Output | Output indicator / indicator | Audited actual performance 2021/22 | Audited actual performance 2022/23 | Planned annual target 2023/24 | Actual achievement 2023/24 | Deviation from planned target to actual achievement 2023/24 | Reasons for deviations |
|---|---|---|---|---|---|---|---|
| Capture and acknowledge complaints within two days of receipt. | Percentage of complaints acknowledged within two business days of receipt. | Not achieved<br>85%<br>(3 381/3 965) | Achieved<br>95%<br>(3 794 / 4 014) | 96% | Achieved<br>99.04%<br>(4 631 / 4 676) | +3.04% | The inflow of complaints received increased by 16.5% (or 662 additional complaints) compared to the previous financial year. The achievement of surpassing the set target was facilitated by the appointment of a Customer Service Manager to oversee the contact centre. Coupled with resource optimisation within the contact centre, this led to stronger team cohesion and consequently, heightened efficiency. |
| Evaluate and review complaints within eight days of acknowledgement. | Percentage of complaints evaluated and reviewed within eight business days of the date of acknowledgement. | Not achieved<br>93%<br>(3 661/3 950) | Not achieved<br>93%<br>(3 679 / 3 960) | 96% | Achieved<br>99.03%<br>(4 573 / 4 618) | 3.03% | In the first quarter of the financial year, the OTO rolled out an automated review process, including a new template and a manager approval system, which collectively enhanced the efficiency of the process. This improvement led to a 24.3% increase in complaints reviewed and resolved within an eight-day period, compared to the previous year's performance. The improvement of 24.3% equates to an additional 894 complaints. |
| Communicate the outcome within four business days from the date the close-out report is received from SARS. | Percentage of close-out reports actioned within four business days of date received. | Achieved<br>95%<br>(1 485/1 561) | Achieved<br>95%<br>(1 644 / 1 739) | 90% | Achieved<br>97.98%<br>(2 134 / 2 178) | 7.98% | In this financial year, there has been a 25.24% growth in the processing of close-out reports, with 439 additional reports being actioned compared to the previous year. The OTO's process for obtaining close-out reports from SARS was refined to incorporate SARS's actively forwarding close-out reports to the OTO through email, as an early alert. This occurs before the reports are formally entered into the Service Manager system, which has allowed the OTO to promptly handle an increased number of close-out reports within the established turnaround time. |

## 2. Outcome 2: Contribute to improving the tax administration system and building confidence in the system.

| Output | Output indicator / indicator | Audited actual performance 2021/22 | Audited actual performance 2022/23 | Planned annual target 2023/24 | Actual achievement 2023/24 | Deviation from planned target to actual achievement 2023/24 | Reasons for deviations |
|---|---|---|---|---|---|---|---|
| Identify and investigate systemic issues that will improve and promote fairness in the tax administration by being an impartial redress mechanism. | Percentage of systemic issues identified and investigated within five months. | Not achieved<br>80% | Achieved<br>80%<br>(8 /10) | 100% | Achieved<br>100%<br>(5/5) | 0 | Not applicable.<br>There was no deviation to the planned target. |
| | Time taken to complete systemic investigation report/s approved or requested by the Minister. | No request from<br>Minister | No request from the<br>Minister | 12 months from the date of approval | No request was sent to/received from the Minister | No request was sent to/received from the Minister for approval, therefore no investigation was conducted during the reporting period. | No request was sent to/received from the Minister for approval, therefore no investigation was conducted during the reporting period. |
| | Number of existing systemic issues removed from the systemic issues register after implementation by SARS. | Not achieved | Not achieved<br>9%<br>(1/11) | 2 | Achieved<br>3 | +1 | After considering SARS's responses on the progress made on the resolution of identified systemic issues, the OTO exceeded the target by one systemic issue that was removed over and above the two that were planned. |
| | Develop, promote and update the Tax Ombud's Compilation of Taxpayers' Rights, Entitlements and Obligations. | Achieved<br>Approval by the Tax Ombud – The Tax Ombud approved the Compendium of Taxpayers' Rights, Entitlements and Obligations in March 2022. | Achieved<br>21 activities | Promotion of the Compilation – 20 activities | Achieved<br>21 | +1 | The planned target was exceeded by one activity as SAICA requested the OTO to conduct an additional session to accommodate more members. |
| | | Not applicable | Achieved<br>One annual update (review) was achieved. | Review the Compilation of Taxpayers' Rights, Entitlements and Obligations (Annually) | Achieved<br>One annual<br>Update (review) was achieved. | 0 | Not applicable.<br>There was no deviation from the planned target. |

## Efficacy

### 3. Outcome 3: Create an agile organisation that can scale efficiently to meet taxpayer demands.

| Output | Output indicator / indicator | Audited actual performance 2021/22 | Audited actual performance 2022/23 | Planned annual target 2023/24 | Actual achievement 2023/24 | Deviation from planned target to actual achievement 2023/24 | Reasons for deviations |
|---|---|---|---|---|---|---|---|
| Provide efficient, real-time, quality communication processes that are responsive and promote clarity of information. | Percentage of Digital Communications Framework activities implemented. | Achieved 40% | Not achieved 17.5% | 100% | Not achieved 73.33% | -26.67% | Two Digital Communications Framework activities were not implemented during the financial year due to the implementation of the Dynamics 365 customer service portal (with chatbot), which faced delays due to the procurement process for selecting a Microsoft implementation partner. SARS manages the procurement administration. |
| | Percentage of Community Outreach Framework activities implemented. | Achieved 64% | Achieved 60.24% (247/410) | 100% | Achieved 184.50% (262/142) | +84.50% | The OTO achieved 262 community outreach activities during the 2023/24 financial year compared to the target of 142 activities. There was more interest from stakeholders in the OTO mandate, resulting in additional requests to conduct presentations over and above those planned. |
| | Employee engagement survey at second quartile. | Target not planned | Not achieved. | Second quartile | Not achieved | Second quartile | Employee engagement was addressed through a change management process in October 2023, based on a labour report conducted in 2019. The recommendations and implementation plans resulting from this process are currently being implemented. |
| | Net promoter score for taxpayers' brand recognition survey. | Not achieved 0% | Not achieved | +1 | Achieved 7.02 | +6.02 | The OTO implemented the improvements that were proposed in the last survey that was conducted on the net promoter score for the taxpayers' brand recognition survey. |

### Strategy to overcome areas of underperformance

| Underperforming output indicator | Strategy to overcome underperforming indicator |
|---|---|
| Employee engagement survey at second quartile. | The OTO employee engagement survey is scheduled to take place after the conclusion of the change management process, which is expected to be in the 2024/25 financial year. |
| Percentage of Digital Communications Framework activities implemented. | SARS is expected to finalise the appointment of an implementation partner for the Dynamics 365 customer portal during the 2024/25 financial year. Thereafter, the reconfiguration of the portal to align with the OTO complaint management process will commence and is expected to be completed before the end of that financial year. |

## 4. Outcome 4: Promote stakeholder engagement and collaboration.

| Output | Output indicator / indicator | Audited actual performance 2021/22 | Audited actual performance 2022/23 | Planned annual target 2023/24 | Actual achievement 2023/24 | Deviation from planned target to actual achievement 2023/24 | Reasons for deviations |
|---|---|---|---|---|---|---|---|
| Create opportunities for and implement stakeholder engagements and collaborations. | Percentage of stakeholder engagement framework activities implemented | 41% | Achieved<br>53.98%<br>(95 /176) | 100% | Achieved<br>257.50%<br>(103/40) | +157.50% | The OTO achieved 103 stakeholder engagement framework activities during the 2023/24 financial year when compared to the target of 40 activities. There was more interest from the stakeholders to engage with OTO on its mandate that led to additional requests to conduct the stakeholder engagement presentations over and above what was planned. |

## Independence

## 5. Outcome 5: Optimise governance structures, risk management and business processes.

| Output | Output indicator / indicator | Audited actual performance 2021/22 | Audited actual performance 2022/23 | Planned annual target 2023/24 | Actual achievement 2023/24 | Deviation from planned target to actual achievement 2023/24 | Reasons for deviations |
|---|---|---|---|---|---|---|---|
| Achieve a clean audit outcome on performance information from the Auditor-General of South Africa | Performance audit outcome achieved. | Not achieved. | Achieved.<br><br>Unqualified audit conclusion by Auditor-General | Clean audit | Achieved: The OTO achieved an unqualified audit conclusion (clean audit) with no material findings. | Not applicable | Not applicable |

## 6. Outcome 6: Enhance and strengthen the mandate of the Office of the Tax Ombud.

| Output | Output indicator / indicator | Audited actual performance 2021/22 | Audited actual performance 2022/23 | Planned annual target 2023/24 | Actual achievement 2023/24 | Deviation from planned target to actual achievement 2023/24 | Reasons for deviations |
|---|---|---|---|---|---|---|---|
| Ensure that the Office of the Tax Ombud is structurally and operationally independent. | Tax Administration Act amendment proposals sent to National Treasury for consideration. | Achieved – One proposal/decision was submitted to the National Treasury in December 2021. | Achieved One proposal/ decision was sent to National Treasury on 30 November 2022. | One proposal/ decision | Achieved – a decision was taken not to send proposals.<br><br>The Tax Ombud decided that proposed amendments should not be made to the National Treasury for the 2024 legislative cycle. A balanced package of tax proposals for the OTO is to be considered for the 2025 legislative cycle. | Not applicable | Not applicable |

# Part C
# Governance

# 1. INTRODUCTION

The Corporate Governance section deals with the structures, processes and systems that govern the OTO's operations at a strategic and operational level. The section provides a snapshot of the governance activities that took place during the 2023/24 financial year.

The OTO governance controls and systems have been designed to ensure that the OTO complies with the Public Finance Management Act and the Tax Administration Act, which are the cornerstones of our operational integrity and accountability. In addition, the OTO subscribes to the principles contained in the King IV Report on Corporate Governance and is bound by various other South African government prescripts that govern the functioning of public institutions.

During the first quarter of the financial year, the OTO was under the interim leadership of Prof. Thabo Legwaila, who served as the acting Tax Ombud while the official appointment was pending. Concurrently, Mr Gert van Heerden fulfilled the role of acting CEO. Subsequently, on 1 July 2023, Ms Yanga Mputa was officially appointed as the Tax Ombud by the Minister of Finance.

In the financial year 2023/24, the OTO was supported by three key governance committees:

1. Governing Body Committee;
2. Senior Management Committee;and
3. Health and Safety Committee.

# 2. PORTFOLIO COMMITTEES

The Office of the Tax Ombud is a public institution under the Minister of Finance and is funded from the public fiscus and ultimately accountable to the Parliament of South Africa.

The OTO attended one virtual portfolio committee meeting during the 2023/24 financial year on 11 October 2023. The purpose of the meeting was to brief the Standing Committee on Finance (SCOF) on the OTO Annual Report 2022/23.

Other Parliamentary events that the OTO attended with no participatory role include:

1. The SARS SCOF briefing held on 18 October 2023;
2. The Medium-Term Budget Policy Statement event that was held on 1 November 2023; and
3. The Budget Speech on 21 February 2024.

# 3. ACCOUNTING AUTHORITY

The OTO is not an entity in terms of the PFMA, but the Tax Ombud is the Accounting Authority in section 49 of the PFMA and is responsible for all duties and responsibilities described in sections 50 and 51 of the PFMA. The Tax Ombud is appointed by and reports to the Minister of Finance.

**The role and responsibilities of the Tax Ombud include:**

- absolute responsibility for organisational performance in line with the OTO's mandate;
- ensuring complete and effective control over the organisation;
- ensuring compliance with applicable laws, regulations and government policy;
- ensuring the preparation of reports and financial statements;
- formulating, monitoring and reviewing the corporate strategy, major plans of action, budget and plans;
- ensuring an adequate and effective risk management framework; and
- developing a clear definition of materiality.

## Governing Body meetings

The OTO is led by Ms Yanga Mputa, the Tax Ombud, and assisted by the CEO Prof. Thabo Legwaila. The Tax Ombud and the CEO are the members of the OTO Governing Body Committee. Together they provide strategic direction, control, effective and efficient leadership to the OTO in implementing its founding mandate.

The OTO Governing Body oversees corporate governance of the OTO and is chaired by the Tax Ombud. Prof. Legwaila acted as Tax Ombud from 1 April 2023 to 30 June 2023 while the position of the Tax Ombud was vacant. The Minister of Finance appointed Ms Yanga Mputa to the position of the Tax Ombud on 1 July 2023 and she subsequently took over as permanent chairperson of the Governing Body from that date. The Governing Body Committee had four quarterly meetings and one special meeting to approve the 2022/23 Annual Performance Report in the 2023/24 financial year. It submitted all the required statutory documents to the relevant stakeholders.

**Table 15: Register of Governing Body Committee meetings**

| Description | 5 May 2023 | 12 May 2023 | 27 July 2023 | 26 Oct 2023 | 25 Jan 2024 |
|---|---|---|---|---|---|
| Ms Yanga Mputa (Joined the OTO on 01 July 2023.) | N/A | N/A | P | P | P |
| Prof. Thabo Legwaila | P | P | P | P | P |
| Mr Gert van Heerden | P | P | P | P | P |
| Ms Mmamelao Malakalaka | P | P | P | P | P |
| Ms Talitha Muade | P | P | P | P | P |
| Ms Pearl Seopela | P | P | A | P | P |
| Mr Francois Viljoen Acting Senior Manager | P | A | N/A | N/A | N/A |

**Key**

N/A – Not a committee member or standing invitee at the time of the meeting.

P – A committee member or standing invitee and was present at the meeting.

A – Was a member or standing invitee and was absent at the meeting.

**Table 16: Register of SMC meetings**

| Description | Meeting (M) 1 | M2 | M3 | M4 | M5 | M6 | M7 | M8 | M9 | M10 | M11 | M12 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Prof. Thabo Legwaila | N/A | N/A | P | P(c) | P(c) | P(c) | P(c) | P(c) | P(c) | P(c) | P(c) | P(c) |
| Mr Gert van Heerden | P – Chairperson (c) | P(c) | P(c) | P | P | P | P | A | P | P | P | P |
| Ms Mmamelao Malakalaka | P | P | P | P | P | P | P | P | P | P | A | P |
| Ms Talitha Muade | P | P | A | P | P | P | P | P | A | A | P | P |
| Ms Pearl Seopela | P | P | P | A | P | P | P | P | P | P | P | P |
| Mr Francois Viljoen<br>Acting Senior Manager | P | P | P | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A |

**Senior Management Committee**

The Senior Management Committee (SMC) exists to support the Tax Ombud in executing the mandate of the OTO. The SMC is chaired by the CEO as per the SMC terms of reference. The committee held 12 monthly SMC meetings as required by the SMC terms of reference to discuss the implementation and the progress of the OTO APP and the Operational Plan. The SMC was chaired by Mr Gert van Heerden as acting CEO from April 2023 to 30 June 2023. Prof. Legwaila resumed the chairmanship of the SMC from 1 July 2023 after the appointment of the Tax Ombud.

The SMC held a strategic planning session on 29 and 30 November 2022. The purpose of the session was to discuss and develop the OTO Annual Performance Plan for the 2023/24 financial year. The committee recommended that all the statutory documents required in terms of the governance prescripts be submitted to the Tax Ombud for approval.

# 4. RISK MANAGEMENT

The Office reviewed and updated the strategic and operational risks during the 2021/22 financial year. The OTO sees risk management as a key part of governance, which helps ensure the ongoing sustainability of the OTO operations and the fulfilment of its strategic goals. As part of the enterprise risk management process, the OTO environment is constantly monitored to proactively identify emerging risks and assess them for potential threats to the organisation. The OTO reviewed its strategic and operational risks during the 2023/24 financial year to identify areas of focus that could hinder the achievement of the performance objectives.

# 5. INTERNAL CONTROL

The OTO has internal control measures in place to strengthen governance and ensure that the quality of its work is of the desired standard. To ensure the efficient and effective application of the systems of internal controls, the OTO continues to review its systems, processes and procedures. The OTO control environment is designed to ensure that the OTO achieves its set goals and objectives and conducts proper financial management, safeguarding of assets and adherence with laws and regulations that govern the OTO business operations.

# 6. HEALTH AND SAFETY

The OTO is bound by Section 20 of the Act (OHSA). This involves raising health and safety awareness by conducting health risk assessments as per OHSA. It includes the management, prevention and implementation of control measures for the elimination of hazardous exposures or possible risks, as well as the protection of workers' health.

With the appointment of the new Tax Ombud, Ms Yanga Mputa, a new Health and Safety Policy Statement was approved and signed on 13 December 2023. Mr Francois Viljoen was officially appointed as the OTO Health and Safety 16.2 Representative in 2023, to replace Ms Mmamelao Malakalaka.

Occupational health and safety activities conducted in the 2023/24 financial year comprised of maintenance and servicing of air-conditioning, electrical, and fire systems; provision of cleaning and hygiene services; plumbing and water supply management; and pest control and fumigation. Health and safety meetings were convened quarterly during this period, occurring on the following dates:

- Quarter 1: 08 June 2023
- Quarter 2: 29 September 2023
- Quarter 3: 18 December 2023; and
- Quarter 4: 27 March 2024

# 7. CODE OF CONDUCT

The OTO's employees are employed under the South African Revenue Service Act 34 of 1997, as per section 15 of the TAA. The OTO has adopted the SARS Code of Conduct regulating employment matters.

# 8. CORPORATE SOCIAL RESPONSIBILITY

Over the years, Team OTO has been actively involved in various corporate social responsibility initiatives. These include Nelson Mandela International Day, where the team has consistently made a difference in the lives of disadvantaged children and vulnerable members of our communities. In the 2023/24 financial year, the OTO team contributed clothing and bought food parcels from their own pockets for the Meetse a Bophelo Aids Centre in Mamelodi. Meetse a Bophelo is a Tswana phrase meaning "Fountain (or water) of life". The centre is multifaceted in that it trains churches and communities about HIV/Aids and cares for 30 orphans and other vulnerable children. It seeks to provide nutritious meals, homework assistance and, academic aid for struggling learners, and spiritual input.

Part D

# Human resource information

# INTRODUCTION

The Tax Ombud recruits and appoints the employees of the OTO in terms of the SARS Act. Therefore, OTO employees must adhere to all SARS policies and procedures. This compliance is essential as it grants the OTO access to taxpayer information through SARS's primary systems for the purpose of complaints resolution.

Effective allocation of human resources is crucial to maximise productivity and efficiency among OTO staff members. Recognising the valuable contributions of its workforce, the OTO ensures that compensation and benefits are just, equitable and competitive. Employees are consistently motivated to further their skills for current roles and for the future progression of the OTO.

Reward systems at the OTO are merit-based, with high achievers acknowledged through the SARS performance policies.

The OTO is dedicated to fostering better communication between employees and management, thereby establishing a foundation of mutual understanding and trust. It operates with a commitment to ethical, transparent and equitable practices in adherence to labour laws such as the Basic Conditions of Employment Act and places a strong emphasis on workplace health and safety to safeguard employees' wellbeing and optimise their performance.

**Hybrid work model**

The OTO has implemented a hybrid work model, which blends remote and in-office work schedules. This approach introduces flexibility and better work-life balance, enabling employees to efficiently manage their professional and personal obligations. The model is observed to enhance productivity as many team members perform more effectively when working in their preferred surroundings.

The OTO appreciates the value of flexible work policies in uplifting work-life harmony, decreasing commute-related stress, boosting productivity and widening the scope for talent acquisition. Such a framework promotes resilience and adaptability, merging the perks of remote work with the cooperative and communal elements inherent in on-site engagement.

The OTO acknowledges that SARS had various policies regarding remote workdays and monitoring systems in place. For the hybrid model to succeed, it is essential for teams to exhibit accountability, enjoy flexibility and trust one another. Periodically, the OTO will review the model's impact on productivity and taxpayer services. In terms of the hybrid model guidelines, employees of OTO are permitted to work from home for a maximum of 50% of their monthly work hours. However, they must remain ready to participate in on-site work or events as needed at short notice.

**Change management and wellness**

The Tax Ombud acknowledges the significance of fostering a dynamic and cooperative workplace at the OTO that is adaptable, sociable and conducive to productivity. To better understand the atmosphere within the OTO and the challenges its employees face, and to suggest improvements to senior management on enhancing the OTO's working conditions, the Change Management team alongside the Wellness team conducted individual meetings with every employee. Recommendations have been made, with the execution planned to proceed in the 2024/25 financial year.

On 1 December 2023, World AIDS Day, the OTO hosted a Wellness Day. Medical aid providers were on hand to address any questions employees had regarding medical aid. The day's events encompassed health risk assessments, which included blood pressure, glucose, cholesterol and body mass index screening, along with HIV counselling and testing (HCT). An optometrist was available for consultations. The majority of the OTO employees participated in the health and wellness activities.

**Anser Indicus**

The OTO awards and recognition programme is a cornerstone of our commitment to honour outstanding performance and the desirable behaviours of our employees. It is essential to acknowledge that performance levels vary; some employees exhibit an exceptional work ethic, and many surpass their duties, contributing significantly to our mission. The programme annually acknowledges such individuals. These exemplary team members set a standard for others within the OTO, bolstering engagement, a sense of accomplishment and overall achievement. The hallmarks of excellence are characterised by the following attributes:

**Quality of work**

This entails reliably delivering services at the expected level through high-quality, precise work with keen attention to detail, effective problem-solving, and a sense of pride and ownership in tasks undertaken. It also involves representing customer needs proactively by making informed decisions and prioritising to serve customers optimally in every situation.

**Customer service**

This aspect encompasses addressing the requirements of the OTO through superior core service and exceptional treatment of customers. Employees should uncover and understand the genuine needs of customers (both internal and external), offer insights and

suggest solutions. They should display patience, competence and professionalism when resolving customers' issues with swift and concentrated precision.

### Teamwork

Team involves actively contributing to the OTO's objectives by performing work that enhances overall performance. This entails demonstrating understanding, politeness, empathy and concern in interactions with colleagues. Employees are expected to willingly exceed job responsibilities to provide support to their peers.

### Leadership

This comprises the capacity to listen, interpret, make decisions and inspire others. Leadership transcends titles or positions, embodying professionalism.

### Innovation

This constitutes the introduction of novel ideas or processes that support the OTO's mission, leading to enhanced service, value or cost savings for the organisation or its customers. It involves challenging conventional wisdom and suggesting new methods. Employees are expected to consistently anticipate customer needs (both internal and external) and offer recommendations for process or control improvements.

In the 2023/24 financial year, the OTO had a total of 21 nominations for the Answer Indicus awards programme, which saw a total of R91 000 being presented to deserving recipients. The OTO held its first-ever Anser Indicus Tax Ombud Award ceremony on 12 December 2023. Seven employees received R10 000 each in prize money, along with Certificates of Excellence.

As part of celebrating the OTO's 10th anniversary, the OTO also presented long-service certificates to four employees who have been with the organisation for a decade.

### Empowerment programmes

Since its inception in October 2013, the OTO has accepted graduates every second year for a two-year programme. This initiative aligns with the national goals outlined in the National Skills Development Plan 2030. The OTO has successfully trained seven graduates, five of whom are women. Two have been absorbed into the OTO as permanent employees, while the other three have pursued their respective careers outside the organisation. In the financial year 2023/24, the OTO recruited two graduate trainees for a two-year programme, who now make up 5.00% of the OTO's workforce.

### Union Management Meeting (UMM)

During the 2023/24 financial year, the OTO participated in a UMM, which is a formal system for organised labour and management to address workplace issues at divisional level. The UMM is also a platform to share information and feedback on matters that have an impact on employees. The UMM is responsible for facilitating effective communication between management and union representatives.

## HUMAN RESOURCES OVERSIGHT STATISTICS

The personnel expenditure of the OTO remains the main cost driver and represents 87% of the total expenditure for the 2023/24 financial year.

**Table 17: Personnel cost by programme/ activity/ objective**

| Programme/ activity/ objective | Total expenditure for the entity (R'000) | Personnel expenditure (R'000) | Personnel expenditure as a % of total exp. (R'000) | No. of employees | Average personnel cost per employee (R'000) |
|---|---|---|---|---|---|
| Office of the Tax Ombud | 51 650 | 44 711 | 87% | 40 | 1 118 |

**Table 18: Training costs**

| Programme | Total training hours | Training expenditure (R'000) | No. of employees trained | Average training expenditure per employee (R'000) |
|---|---|---|---|---|
| Tax Ombud Office | 22.00 | 10 026.00 | 2 | 5 013.00 |
| Office Enablement and Support Services | 56.00 | 49 615.00 | 5 | 9 923.00 |
| Operations | 476.25 | 210 416.00 | 16 | 13 151.00 |
| Communications and Stakeholder Relations | 48.00 | 93 062.00 | 3 | 31 020.67 |
| Legal Services and Systemic Investigations | 231.00 | 171 122.00 | 5 | 34 224.40 |
| **Total** | **833.25** | **534 241.00** | **31** | **17 233.58** |

The majority of training interventions were either distance learning or web-based. In this regard, a total of 833.25 hours were dedicated to training, with the overall training expense amounting to R534 241.00. Thirty-one employees participated in various programmes, resulting in an average training expenditure of R17 233.58 per employee. This is all internal training done through the SARS Institute of Learning. As indicated in Table 19, the main contributor is the Operations unit, with its employees completing 476.25 training hours.

**Table 19: Employment and vacancies by programme**

| Programme | 2022/23 Number of employees | 2023/24 Approved posts | 2023/24 Number of employees | 2023/24 vacancies | % of vacancies |
|---|---|---|---|---|---|
| Tax Ombud Office | 2 | 3 | 3 | 0 | 0% |
| Office Enablement and Support Services | 8 | 8 | 7 | 1 | 13% |
| Operations | 18 | 27 | 20 | 9 | 33% |
| Communications and Stakeholder Relations | 5 | 7 | 5 | 1 | 14% |
| Legal Services and Systemic Investigations | 6 | 6 | 5 | 0 | 0% |
| **Total** | **39** | **51** | **40** | **11** | 22% |

**Table 20: Employment and vacancies by levels**

| Levels | 2022/23 No. of Employees | 2023/24 Approved Posts | 2023/24 No. of Employees | 2023/24 Vacancies | % of vacancies |
|---|---|---|---|---|---|
| Top Management | 1 | 2 | 2 | 0 | 0% |
| Senior Management | 4 | 4 | 4 | 0 | 0% |
| Professional qualified | 25 | 36 | 25 | 11 | 31% |
| Skilled | 8 | 8 | 8 | 0 | 0% |
| Semi-skilled | 1 | 1 | 1 | 0 | 0% |
| Unskilled | 0 | 0 | 0 | 0 | 0% |
| **TOTAL** | **39** | **51** | **40** | **11** | **22%** |

In the financial year 2023/24, the OTO had a staff movement involving 11 employees. This included six (6) recruitments, and five employee losses: three (3) due to resignation, one (1) retirement, and one (1) transfer to SARS.

### Table 21: Employment changes

| Salary band | Employment at the beginning of the period | Appointments | Terminations | Employment at the end of the period |
|---|---|---|---|---|
| Top Management | 1 | 1 | 0 | 2 |
| Senior Management | 4 | 0 | 0 | 4 |
| Professional qualified | 25 | 5 | 4 | 26 |
| Skilled | 8 | 0 | 1 | 7 |
| Semi-skilled | 1 | 0 | 0 | 1 |
| Unskilled | 0 | 0 | 0 | 0 |
| **Total** | **39** | **6** | **5** | **40** |

### Table 22: Reasons for staff leaving

| Reason | Number | % of total staff leaving |
|---|---|---|
| Death | 0 | 0% |
| Resignation | 3 | 100% |
| Dismissal | 0 | 0% |
| Retirement | 1 | 0% |
| Ill health | 0 | 0% |
| Expiry of contract | 0 | 0% |
| Other | 1 | 0% |
| **Total** | **5** | 100% |

### Table 23: Labour relations: Misconduct and disciplinary action

| Nature of disciplinary action | Number |
|---|---|
| Verbal warning | 0 |
| Written warning | 0 |
| Final written warning | 0 |
| Dismissal | 0 |

### Table 24: Employment equity by gender – Males

| | MALE | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | African | | Coloured | | Indian | | White | |
| Levels | Current | Target | Current | Target | Current | Target | Current | Target |
| Top Management | 1 | 1 | 0 | 0 | 0 | 0 | 0 | 0 |
| Senior Management | 0 | 0 | 0 | 0 | 0 | 0 | 1 | 1 |
| Professional qualified | 12 | 13 | 0 | 2 | 0 | 1 | 3 | 3 |
| Skilled | 2 | 2 | 0 | 0 | 0 | 0 | 0 | 0 |
| Semi-skilled | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Unskilled | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| **TOTAL** | **15** | **16** | **0** | **2** | **0** | **1** | **4** | **4** |

### Table 25: Employment equity by gender – Females

| | FEMALE | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | AFRICAN | | COLOURED | | INDIAN | | WHITE | |
| Levels | Current | Target | Current | Target | Current | Target | Current | Target |
| Top Management | 1 | 1 | 0 | 0 | 0 | 0 | 0 | 0 |
| Senior Management | 3 | 3 | 0 | 0 | 0 | 0 | 0 | 0 |
| Professional qualified | 10 | 14 | 0 | 1 | 0 | 1 | 1 | 1 |
| Skilled | 5 | 5 | 0 | 0 | 0 | 0 | 1 | 1 |
| Semi-skilled | 1 | 1 | 0 | 0 | 0 | 0 | 0 | 0 |
| Unskilled | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| TOTAL | **19** | **24** | **0** | **1** | **0** | **1** | **2** | **2** |

Part E

# Financial information

# 1. EXPENDITURE RELATING TO THE OFFICE OF THE TAX OMBUD

The objective of the financial report is to provide an overview of the financial expenditure in the OTO from 1 April 2023 to 31 March 2024. The information that is outlined in the tables and graphs shows the expenditure for the year per cost element. Comparisons have been made to show the expenditure growth patterns since the establishment of the OTO, and between the 2022/23 and 2023/24 financial years.

The total annual budget approved from the National Treasury for the 2023/24 financial year is R51.2 million. In addition, National Treasury approved an amount of R3.1 million relating to the 2022/23 retained surplus in accordance with section 53(3) of the Public Finance Management Act of 1999. SARS transferred R1.6 million to the OTO as additional funds for ICT costs. Therefore, the total budget increased to R55.9 million.

Table 26 illustrates expenditure per cost element, total expenditure and the variance for the financial year. The total expenditure for the financial year was R51.6 million, resulting in a variance of R4.3 million. The variance is attributed to timing on finalisation of the Microsoft Dynamics 365 tender (implementation of customer service solution), media space advertising and creative agency services. The run rate at the end of the financial year was 92%.

The headcount at the end of the reporting period was 40. Critical vacancies of Tax Ombud, Customer Service Manager and Operations Manager were filled during the financial year.

**Table 26: Expenditure per cost element and total expenditure**

| | 2023/24 | | | | 2022/23 | | | |
|---|---|---|---|---|---|---|---|---|
| **Cost element** | **YTD actual (R'000)** | **Budget (R'000)** | **Variance (R'000)** | **% Variance** | **YTD actual (R'000)** | **Budget (R'000)** | **Variance (R'000)** | **% Variance** |
| Personnel expenditures | 44 711 | 44 713 | 2 | 0% | 41 884 | 41 866 | -18 | 0% |
| Information and communication technology | 3 382 | 6 711 | 3 329 | 50% | 2 609 | 4 556 | 1 947 | 43% |
| Physical facilities and related cost | 43 | 97 | 54 | 56% | - | 50 | 50 | 100% |
| Other cost : related to revenue collection | 2 177 | 2 792 | 615 | 22% | 2 428 | 3 023 | 595 | 20% |
| Other cost: statutory related | 312 | 334 | 22 | 7% | 300 | 308 | 8 | 3% |
| Other variable support cost | 874 | 1 074 | 200 | 19% | 880 | 1 404 | 524 | 37% |
| Capital expenditure | 151 | 239 | 88 | 37% | 141 | 217 | 76 | 35% |
| **Total operating and capital expenditure** | **51 650** | **55 960** | **4 310** | **8%** | **48 242** | **51 424** | **3 182** | **6%** |

## Commentary per cost element

1. **Information and communication technology**
The favourable variance of R3.3 million is mainly due to the delays in finalising the tender for the implementation of the Microsoft Dynamics 365 customer service solution. The year-on-year comparison of ICT cost shows an increase of 30%, mainly for Microsoft licenses and WordPress maintenance and support.
2. **Other cost related to revenue collection**
The costs relate to media space advertising, creative agency services and travel related costs. The underspending of R615 000.00 is due to advertising costs that were deferred to the next financial year.

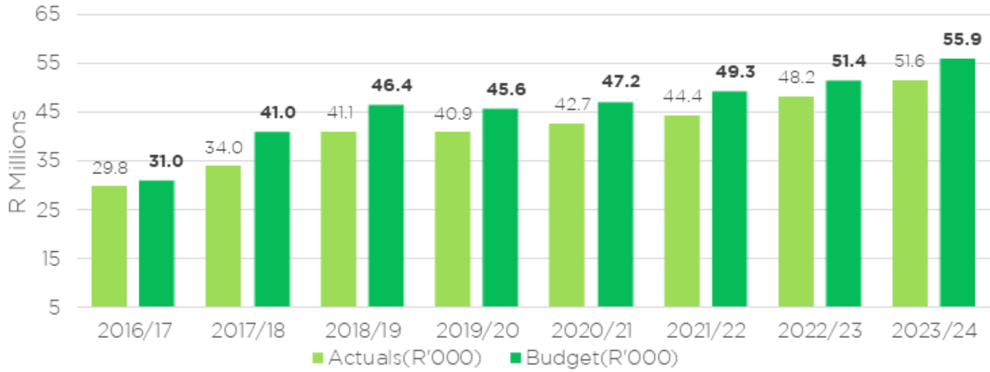
The actuals and budget for the 2022/23 and 2023/24 financial year are demonstrated in table 27. Altogether 92% of the budget was spent during the period under review.

**Table 27: Percentage utilisation of the allocated budget**

| Financial year | Actuals (R'000) | Budget (R'000) | Utilisation of the allocated budget |
|---|---|---|---|
| 2022/23 | 48 242 | 51 424 | 94% |
| 2023/24 | 51 650 | 55 960 | 92% |

Graph 3 compares the actual expenditure to the budgeted expenditure for the previous financial years. On average, the expenditure and the budget have been gradually increasing since the inception of the OTO which is a testimony to the increase in demand for its services.

**Graph 3: Actuals versus budget trends**




Graph 4 represents the comparison of the actual expenditure and the budgeted expenditure. The main cost driver is employee cost, representing 87% of the total expenditure. This is followed by Information and Communications Technology (ICT) operating costs at 7% and other administrative expenditure at 6%.

**Graph 4: 2023/24 Actual to budget comparison**

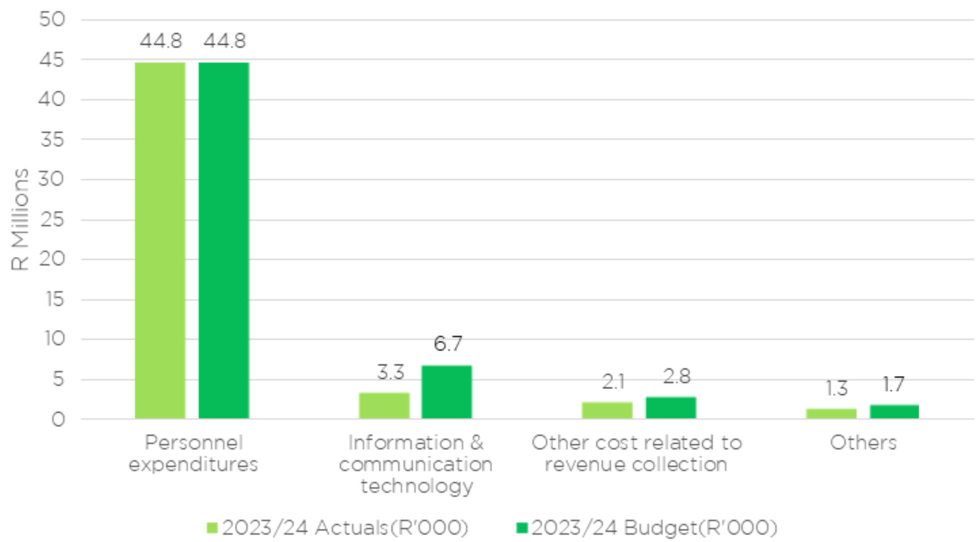



Table 28 shows the costs incurred by SARS on behalf of the OTO. The costs include building rent and related costs, security services and hospitality staff.

**Table 28: Costs incurred by SARS on behalf of OTO**

| Description | Amount (R'000) |
|---|---:|
| Building rent | 2 526 370 |
| Operating cost | 505 620 |
| Water and electricity | 567 151 |
| Rates and taxes | 400 749 |
| Security service | 836 753 |
| Hospitality staff | 458 859 |
| **Total** | **5 295 502** |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