

**Media release**  
**For immediate release**

**The future of tax compliance**

As South Africa approaches the annual Budget Speech, Somaya Khaki, SAICA's Lead for Tax Advocacy and Administrative Law, explores how the future of tax compliance is being reshaped by a constrained revenue base and shifting enforcement priorities.

Whilst the approach of South Africa's annual Budget Speech often reignites discussions around potential tax increases, given the significantly stretched tax base coupled with the events following a proposed VAT rate hike last year, focus has shifted elsewhere.

The 2024/25 tax statistics evidence just how stretched the current tax base is, with personal income tax contributing approximately 40% of total revenue, whilst corporate tax contributes 17% and VAT 25%. This narrow base leaves minimal room to manoeuvre.

In a low-growth economy such as ours, enforcement, as opposed to expansion, seems the more feasible option, with a more concerted effort towards facilitating 'voluntary' compliance, as well as more focused and direct enforcement efforts.

**Modernisation to facilitate compliance**

In intensifying its 'voluntary' compliance drive, the South African Revenue Service (SARS) has expanded its modernisation efforts across various tax types. 2019 saw the initial introduction of auto assessments for individual taxpayers, which was significantly expanded in 2020 – effectively fast-tracked due to the COVID-19 pandemic (as were other modernisation plans).

SARS is also increasingly relying on the use of artificial intelligence (AI) to facilitate risk-driven verifications and audits to identify potential tax evasion or incorrect interpretation of law.

However, this is not without its challenges. The use of AI in verifications and audits has contributed to many taxpayers receiving unreasonable requests for information as well as requests unrelated to the taxpayer's specific circumstances, with a real risk of some taxpayers being incorrectly assessed – resulting in unnecessary disputes. Some of which may take months, or even years, to resolve.

Due to the risk engine flagging many returns, there has also been an excess of outstanding verifications vs staff capacity to review – resulting in SARS seeking third parties to assist with verifications and audits. In many instances, refunds are involved and these are not paid until the verification or dispute has been finalised. Whilst SARS may argue that in most cases, the results through use of AI are assisting in combating fraud and evasion, for those honest, compliant taxpayers inadvertently caught in the 'web', these statistics bring no comfort (with some at threat of closing down their business due to cash flow issues caused by this).

In addition, there are increasing third party reporting requirements with the ultimate plan being more pre-population and cross-validation – the intent being that eventually tax 'just happens' for millions of South African



taxpayers. The third-party reporting requirements, whilst well-intentioned, have placed an additional compliance burden on relevant third parties, with additional costs to comply.

### **Debt collection as a more direct enforcement mechanism**

SARS is currently owed more than R500 billion in undisputed tax debt. Since April 2025 to the end of January 2026, SARS has collected approximately R71 billion of undisputed debt but appears likely to fall short of its current target. To assist with this collection drive, SARS hired additional debt collectors – both third party debt collectors as well as temporary SARS staff.

This move is indicative of a shift from passive compliance to the active pursuit of outstanding tax debt. In addition, SARS, in agreement with Recognised Controlling Bodies, implemented a rapid compromise agreement late last year, with a deadline for applications of 31 December. It is our understanding that this process did not achieve the desired results. It is unclear whether this programme will be extended or to what extent the undisputed debt balance was as a result reduced.

### **Budget proposals**

National Treasury has, over the last few years, allocated billions to SARS' modernisation and compliance drive, with a focus on debt collection capacity, technology modernisation and enhanced audit and verifications.

SARS recently released its white paper on SARS Modernisation 3.0 – setting out its plans to build a smart digital tax administration platform powered by data science and AI that fosters trust, efficiency, and transparency, revolutionises taxpayer and trader engagement, and anchors voluntary compliance while strengthening enforcement capacity. At the core of this is the assumption that most taxpayers are honest and that the modernisation will result in decisive enforcement against deliberate non-compliance. As such, we are likely to see additional significant budget allocations to facilitate this.

From a taxpayer perspective, SARS' future plans signal a tougher compliance environment, with errors being detected more quickly, and outstanding debts pursued with greater urgency. The emphasis is shifting away from raising tax rates toward ensuring that every Rand already owed is collected.

We hope that by the conclusion of the modernisation 3.0 journey, we will see a tax system where honest taxpayers experience simpler, faster, and more intuitive compliance, whilst deliberate tax evaders are decisively identified and held accountable. Thus, ensuring that the burden of enforcement falls only on those who choose not to play by the rules.

Issued by the SAICA Corporate Affairs and Stakeholder Engagement Team

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accounting technicians (ATs[SA]), who hold positions as CEOs, MDs, board directors, business owners, chief financial officers, auditors and leaders in every sphere of commerce and industry, and who play a significant role in the nation's highly dynamic business sector and economic development.

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