

2024 MTBPS – 30 October 2024

2024 Mid-term Budget Policy Statement – SAICA summary

REBUILDING THE RUINS

## SETTING THE SCENE

A country knee deep in the consequences of corruption, mismanagement and poor leadership. In its rear-view mirror is a glimpse of its former glory, with many longing to go back to better days. Having clawed its way out of the apartheid administration, the nation is filled with millions of hopeful hearts – with the right leader at the helm, the country can be steered out of the rut it finds itself in. What lies ahead, should South Africa indeed be restored to its former glory, is no easy task. This will require facing the truth head on, making peace with some harsh realities and making some difficult yet necessary decisions. For many, the hope is that the Government of National Unity will begin to take the necessary steps to rebuild the ruins and return South Africa to its former glory. We unpack some of the pertinent issues that will need to be addressed if South Africa is ever to turn a corner on its path to rehabilitation.

## INFRASTRUCTURE – WATER AND SANITATION

The possibility of consistently dry taps is becoming more of a reality with households across Gauteng experiencing periods at a time with no running water. SAICA's consistent warnings of this pending problem have fallen on deaf ears year on year and the window of opportunity to rectify this problem is quickly closing. Inconsistent maintenance has led to a number of reservoir leaks and pipe blockages. In the absence of adequate allocations for water infrastructure, water shortages run the risk of becoming as frequent as our loadshedding woes. Government's 2024 Budget Speech promises to prioritise 11 projects valued at R139 billion would need to be efficiently and effectively executed to ensure that water keeps flowing and taps do not run dry. The need to 'walk your talk' has become a non-negotiable variable. Further to the above, attention needs to be paid to mid-term and long-term allocations in this regard.

In his 2024 MTBPS Speech, the Minister mentioned that "the Budget Facility for infrastructure is being reconfigured into a centralised gateway for all large infrastructure projects that require fiscal support to advance." He also mentioned two priority projects that the Department of Water and Sanitation is focusing on (namely, non-revenue water and recycling wastewater).

## INFRASTRUCTURE – ELECTRICITY

Having since forgotten the joys of winters without loadshedding, South African's were treated to their first loadshedding free winter in the longest of times. With a total of 200 loadshedding free days as at 11 October 2024, the hope of many is that these struggles are a thing of the past. Eskom's efforts to strengthen the grid do not go unnoticed. Despite what has been achieved thus far, Eskom cannot afford to rest on its laurels. Case in point being the power outage experienced in Pretoria on 10 October 2024. The explosion at the Kwagga station should serve as a reminder of the urgent need for consistent infrastructure maintenance.

Given the recent loadshedding-free spree, many South Africans may find themselves wondering why the country had to endure its historic loadshedding woes.

It would appear that the years of wasteful expenditure have finally caught up with us, with government “making a concerted effort to increase the pool of funders to diversify public infrastructure financing through new mechanisms and instruments” – with government planning to reach out to funders that may be interested in supporting infrastructure related projects. It appears from the Minister’s speech that the urgency required to address our longstanding infrastructure problems has been noted. One can only hope that these words will be followed by swift and concise action on government’s part and further that any funds allocated to these projects will be used as proposed.

## THE PUBLIC SECTOR

The phrase "professionalisation of the public sector or service" has been thrown around a lot recently, both locally and globally. There has since been a lot of activity by the government towards making its professionalisation aspirations a reality. Many are still uncertain about what exactly success would look like, but when the professionalisation winds of change begin to move, a strong signal of rebuilding what was will be sent.

We should be careful not to let a golden opportunity pass us by, reducing professionalisation to yet another rhetoric of the time, without meaningful implementation that makes a difference in the lives of ordinary South Africans. A professionalised public sector presents many real benefits to the country, and its people, who are at the centre of government’s activities. The implementation paralysis continues to grip the country even when it comes to things that could change the trajectory of the country for the better. The MTBPS highlights the government’s strategy to lift the economy to a higher and more inclusive growth path. As part of government’s structural reforms, there needs to be efforts to solve this implementation problem crisis for once and for all, which will go a long way in rebuilding public trust and creating real and sustainable value and ensure the strategic objectives are realised. One of the pillars of the strategy is a focus on building state capability, to which professionalisation of the sector would make a meaningful and positive impact.

**Table 1: Benefits of a professionalised public sector**

<b>A world of opportunity awaits: Potential benefits of a professionalised public sector</b>		
<b>Shaping South Africa's future, together</b>	<b>No DNA, just RSA</b>	<b>Building capacity and integrity</b>
<ul style="list-style-type: none"> <li>• Top talent to solve the country's complex problems</li> <li>• The rewarding and fulfilling work of making SA a better place</li> <li>• Data-driven decision-making, prioritising</li> </ul>	<ul style="list-style-type: none"> <li>• Elevate the country's global competitiveness and reputation</li> <li>• Improve government operations and productivity</li> </ul>	<ul style="list-style-type: none"> <li>• Leverage domain experts and professions to shape top talent from within and improve ethical conduct</li> <li>• Professionally driven continuous learning and development</li> </ul>

<p>performance and delivery</p> <ul style="list-style-type: none"> <li>World renowned professionals making a difference</li> <li>Sustainable fiscal practices</li> </ul>	<ul style="list-style-type: none"> <li>Embed the country's innovation and creativity in government</li> <li>Build on the winning spirit and high-performance culture</li> <li>Sustainable, transformative, and inclusive growth that leaves no one behind and improves the tax base</li> </ul>	<ul style="list-style-type: none"> <li>A carrot and stick approach to performance and rebuilding</li> <li>Rebuild government credibility and public trust</li> <li>Implement solutions directed at the root causes and manage consequences</li> <li>Transparency, governance and accountability</li> <li>Mitigating fraud and corruption, with better accountability systems for professionals</li> </ul>
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It may not be easy to measure, track, assess and report on professionalisation meaningfully – but when professional service, people focused delivery is bombilating, South Africans will be able to measure, assess and report about this. Over time, the country will become known for its professionalised public sector. Efforts to enhance capability in revenue collection should be matched with appropriate skills and competence to manage the collected funds, otherwise the country will continue a dangerously vicious cycle of public finance mismanagement and minimal impact even with more and more funds available. Efforts to attract young talent are also positive, as many young people long to make a difference in the public sector and in their communities.

The concerning fiscal position the country finds itself in, including budget deficit levels, stronger investment on infrastructure, reform efforts (including for local government), high interest expenditure and low economic growth levels, requires the urgent rebuilding of state finance management capability. The state's ability to deliver public services relies on sound public finance and the management of limited resources. Without suitable reforms, talent and professionals, the aspirations will continue to be elusive.

“When money realizes that it is in good hands, it wants to stay and multiply in those hands.” – Idowu Koyenikan

### Public finance management and practices

The continuing mismanagement of public funds is not only a matter of complex economic, finance or resource policies and (seemingly) impossible implementation strategies, nor another political point of contention. It represents many missed opportunities for the country to do better for its people. It negatively affects the dreams and aspirations of South Africans - young and old, the possibilities this country has in the past been said to be "alive" with. It perpetuates the vicious circle of poverty and fiscal irresponsibility - putting strain on the fiscus and the shrinking tax base.

There is debate (in some corners) about the impact of the annual General Reports of the Auditor General of South Africa (AGSA), and whether these make a difference to the people of South Africa and to the delivery of services. It is worth pausing to reflect on what this could mean - questioning the need to transparently account for public funds, in terms of the best available and legislated reporting standards. Based on the AGSA's annual audits, on average, Accounting Officers throughout the country for the past couple of decades have failed to account for public funds – with limited to no consequences. Annually, only a handful of government institutions are assessed to have sound systems of internal control to meet their organisational objectives, manage their resources, meet their pre-determined objectives, report appropriately - and achieve consistent positive audit outcomes. There are many complexities presented by the business of government, in delivering services that should not be discounted, but being entrusted with public funds comes with the responsibility to be transparent and accountable. This responsibility has often been compromised due to a lack of consequences (perceived and actual) for those who contribute to the dismal fiscal position the country now finds itself in. The culture of impunity on financial mismanagement needs attention.

### **Additional layers of accountability for public finance managers**

The ineffective accountability and lack of consequences is at crisis level in the country. It has led to organisations such as the AGSA (an independent external auditor) being given additional powers through amendments to the Public Audit Act. This in an aim to help contribute to the enforcement of accountability and consequence management for those responsible for material irregularities. The systemic failures of Accounting Officers, senior management and political leaders to do right in the first place ("on their own") and implement the best practices, controls and mitigating factors have contributed to this. While a welcomed reform, the sustainable solution to this issue is a reform directed at internal public finance management practices, enabled and supported by effective oversight by the political leadership and the citizenry.

The AGSA talks about the accountability ecosystem, acknowledging that everyone has a role to play in enabling and supporting accountability in South Africa. The government needs to improve its stance on holding those responsible for the dwindling public funds accountable. In doing this, they can leverage and elevate existing accountability systems of professional bodies and active civil society to improve accountability. Let's face it, there needs to be a drastic shift in our accountability ecosystem, and it must start with officials, be enforced by senior management and overseen by the oversight structures.

The country has made no notable changes to improve the issue of mismanagement of public funds, even with the country's financial position now at crisis levels. Albert Einstein calls this the "art" of insanity - doing the same thing over and over again and expecting a different outcome. Without drastic changes to public finance management practices and systems, the country is likely to continue on the downward spiral until doom. To rebuild, the country requires drastic reforms, innovation, adaptability and problem solvers to infiltrate the sector. But why is sustainable financial management so important? Because if you do not do well financially, ruins are almost guaranteed – you can't generate funds and resources, the little you have

disappears you can't maintain or build infrastructure, making it virtually impossible deliver services.

### Infusing more professionals into the sector?

There are four equally important components that require focus in professionalising the public sector. If the government gets the first one incorrect (the tone at the top), all efforts will almost certainly fail.

**Table 2: Focus areas for government**

<ul style="list-style-type: none"> <li>• <b>Setting the tone at the top</b></li> </ul>	Political and administrative leaders and managers should lead by example in the transformation of their institutions. They must set the correct tone at the top in the commitment to professionalisation.
<ul style="list-style-type: none"> <li>• <b>Transforming the environment</b></li> </ul>	An all-encompassing exercise that leaves no one behind - transforming the sector, work environments and how people experience government. This includes legislative and process reforms.
<ul style="list-style-type: none"> <li>• <b>Building internal state capacity</b></li> </ul>	Focus on people and technology capabilities – top talent for government, identifying areas of development, partnering with professional bodies, professional training, learning and development, and growth pathways. Investment in modern tools and techniques.
<ul style="list-style-type: none"> <li>• <b>Infusing professionals into the sector</b></li> </ul>	The recruitment and retention of highly skilled professionals into the sector will gradually support the turnaround of the environment and delivery of services. Professionals serving the interests of the country.

Professions like accountancy exist to serve the public interest and provide services to different stakeholders. They are trusted advisors to governments and businesses, existing to serve public interest and achieve a net benefit for society and stakeholders. Are professionals able to assist government in achieving their objectives? – as part of the government's clear and systemic rebuilding strategy, professionals in the sector will make a meaningful contribution. However, one should not be oblivious to the many complex problems presented by South Africa – from competing interests to unemployment and inequality, rampant and systemic corruption, to intimidation and threats to life. Without a clear tone at the top that supports the transformation of the environment and puts the focus and net benefit squarely on the citizenry, professionals are unlikely to make a meaningful difference.

### Solving the country's multifaceted problems

The problems faced by South Africa are well documented and need not be repeated in detail here. What has been the bane of everyone's existence is the lack of solutions to these problems, or the inability to implement policies, strategies, frameworks, etc.

In efforts to build state capability, professionalise and rebuild, government should not focus on creating another tick box exercise, and checklists for compliance with frameworks or legislation of the day – but should make meaningful efforts to address the real problems that confront the country, shift the culture to make a meaningful difference. A reflection on

problems that exist including (unemployment, inequality, poor service delivery, political dynamics, lack of care by officials, lack of consequences and accountability, mismanagement of already limited resources, moral degeneration, rampant illegality, corruption and mafia-style activity, etc.). Technical skills on their own in any profession are not likely to succeed in rebuilding and solving the problems of the country – as an example, even the most competent professional Municipal Manager(s) on their own, would not be able to tackle systemic illegality, inefficiency, ineffectiveness, fraud and corruption, and competing interests within most municipalities that confront government today. Just like accountancy professionals can't single handedly, sustainably turn around the financial affairs and practices of a state institution confronted by some or all the well-documented problems they may face.

Many South Africans long for more meaningful efforts to rebuilding the ruins. They may be coming from different perspectives, but the hopes, dreams and aspirations they hold dear to their hearts keep them going – especially the young people of this country. Collaboration, decisive action and leadership, implementation of plans the four-pillar strategy outlined in the MTBPS – this is what most South Africans are yearning for. Hope! Hope against hope, that their lives will improve and that things will be better for them and their loved ones. How can the government rebuild this hope? Holding wrongdoers accountable and ensuring the implementation of the Batho Pele principles (serving people with a smile) would be a good start. Imagine all South Africans experiencing the kind of service some experience consistently at Woolworths shops when looking for any assistance, at the hands of public officials. To do this, government will need to prioritise personalised service, creative solutions, expertise, proactiveness, quick and decisive action, and an obsession with public satisfaction. Even though we may not create a utopia, government needs to do better.

Entrusting the country's funds with capable and trustworthy professionals will also go a long way in rebuilding trust and hope for citizens. Imagine knowing that your tax funds are entrusted with professionals who are accountable to themselves, their professional bodies, their professions, government and citizens. The individuals employed have something to lose if the government does not achieve objectives, when citizens are not served adequately or where there is no accountability for the management of funds. Imagine what is possible to achieve – where the sector serves people better than some of their most admired private sector service providers – the impact on hope, trust and the drive to make the most of their existence. Imagine the positive ripple effect of the winds of such change.

### **Livelihoods are at stake**

While some progress has been made towards professionalisation and a glimmer of hope lingers for some within the public sector ecosystem, as policy documents, strategies and submissions are drafted, ordinary South Africans await. They are asking themselves why they are not experiencing improved service delivery in their daily lives? Why the infrastructure is decaying, water shortages are escalating, why they have not received the promised housing, the potholes have not been fixed or the road has not been tarred, the traffic lights have been sliced for cables, why they can't walk freely in town, why their school and local clinic is still the way it is, why opportunities are dwindling and their lives not getting better? Poverty, unemployment and inequality have remained high, with many South Africans losing hope for

change. This, despite continued government investment and spending – many of these resources were lost to corruption and poor performance. This is not sustainable.

There is a lack of trust in the government system, and the government needs to find different ways to solve this problem, understanding the contribution professionalisation can make in rebuilding the trust of both taxpayers and the less fortunate in the country.

As we continue to debate politics, the tension between economic and regulatory policies without change being felt on the ground, seen in public spaces and experienced by people grows. Leaders must focus on reimagining the vision of the country and rallying everyone behind this, improving the lives of ordinary South Africans, rebuilding what has been lost, and giving them hope. Professionalisation efforts should be in the context of the country's current problems, and not only a checklist introduced for compliance purposes. It should be in the spirit we all know South Africa to encompass – creative, winning and excellence! Professionals can support government in rebuilding the ruins left by past inefficiencies, help in stabilising public finances and improve overall governance. This cannot be achieved only by professionals, but through wider reforms that start with a change of tone at the top.

## UNEMPLOYMENT

Ranking in the Top 5 is something many would be proud of; this is however not the case when this ranking relates to unemployment rates. South Africa's standing as relates to unemployment is somewhat disheartening, with it currently ranked first in the world. The expanded unemployment rate for Q2:2024 was 46,6% (with a total of 12 million unemployed individuals). As of October 2024, roughly 45% of the country depended on social grants, placing a heavy burden on the fiscus.

An inevitable consequence of the high unemployment and government dependency rates is increased poverty levels, leaving the government with the mammoth task of alleviating poverty. Government's solution thus far has been increasing social grants (which have increased by 17% from 2003 to date). What is even more disheartening is the fact that the number of social grants paid from December 2023 has increased from 19 million to 26 million. This could be indicative of the fact unemployed individuals of working age may have given up on their quest for employment and rather settled for government assistance. While social grants may, to a limited degree, alleviate poverty, they are in no way a long-term solution to curbing our already high unemployment rate.

What is of equal concern is the fact that in the last decade, only 1,9 million jobs have been created while the overall population has increased by roughly 8 million people from 2014. With a working age population of 41.1 million, the need to ensure a firmer grip on things is becoming undeniable and more critical by the day.

Given these shocking statistics, it's a wonder the wheels haven't completely fallen off. The government's dependence on social grants as a means of alleviating poverty is something that ideally should not be continued in future. At present, supporting the current population on social grants costs the almost 17 million South African taxpayers roughly R250 billion a year.

Given the financial pressures experienced by many taxpayers, this is clearly not a sustainable plan of action, continuing down this path will no doubt result in even grimmer prospects for the country as a whole.

While government can be praised for implementing the Presidential Youth Employment Initiative, one needs to consider whether this initiative is effective as making material dents to the unemployment rate. The continued increase in the year-on-year unemployment rate would however imply that this is unfortunately not the case. What could go a long way at materially and positively affecting our unemployment rate is economic growth, what government needs to focus on at this point is efficient and effective economic stimulation.

The risk at present is the possibility of employment rates reaching the fifties...what would become of this once flourishing nation and its citizens then? With all that is crumbling in the nation at the moment, swift and decisive action is the only thing that can save us from reaching the point of no return. While the Covid-19 pandemic may be blamed for the dismal unemployment rate, one should be cognisant of the fact that we were already teetering on the edge before the pandemic.

Unemployment is one of the many issues the new GNU needs to address. One can only hope that this current government has learnt from the shortcomings of their predecessors (given that previous efforts have not come anywhere close to preventing South Africa from tipping over the edge). Realistic reflection and facing hard realities are what is needed at this moment. While apartheid may have been instrumental in negatively impacting unemployment in the past, we cannot lose sight of the fact that other factors are now in play (i.e. loadshedding, lack of infrastructure maintenance, stagnant economic growth and poor policy choices) The question on many lips is whether the GNU has what it takes to rebuild the ruins and restore South Africa to its former glory.

## NATIONAL DEBT

The Minister's February 2024 declarations that debt-to-GDP is expected to stabilise and decline quicker than expected are proving less than accurate, with debt levels having risen as of June 2024. An analysis of debt-to-GDP levels during the country's first stab at a Government of National Unity (GNU), albeit it be a quasi-GNU at the time, reveals fairly stable debt levels, with debt levels at less than 45% from the 1994 – 1999 period. With the exception of 1994, debt levels during this period either decreased or increases were relatively negligible (with increases below four percentage points and decreases of up to five percentage points), boding well for the South African economy.

**Table 3 – Debt-to-GDP ratios – 1993 – 1999**

Year	Debt-to-GDP	Percentage point change
1993	36,95	0,19 (compared to 1992 rate of 36,91)
1994	44,82	21,3



1995	44,87	0,11
1996	44,23	-1,43
1997	43,18	-2,37
1998	44,65	3,40
1999	42,18	-,5,53

Poor decision making by those in power has however resulted in the country reaching debt-to-GDP ratios of 70,9% at the time of the Minister's 2024 Budget Speech, with it sitting at 74,6% in June 2024. With the exception of 2021, debt levels increased by more than three percentage points, with a staggering 22,82 percentage point increase in 2020 (this as a result of the Covid-19 pandemic).

**Table 4 – Debt-to-GDP ratios – 2017 – 2023**

Year	Debt-to-GDP	Percentage point change
2017	48,6	3,18 (compared to 2016 rate of 47,1)
2018	51,5	5,97
2019	56,1	8,93
2020	68,9	22,82
2021	68,7	-0,29
2022	70,8	3,56
2023	73,4	3,67

2024's GNU now has the tall order of significantly reducing debt levels, with failure to do so risking South Africa receiving a junk sovereign rating. What's clear is the importance of frank conversations, as rebuilding the ruins and returning South Africa to its former glory is a task best undertaken by those with a firm grasp of reality.

The Minister once again touched on government's plans to stabilise national debt, referring to the declarations made in his 2024 Budget Speech, with the Minister acknowledging that debt-servicing costs were unstable. Despite acknowledgement that budget deficits need to be reduced, the Minister failed to provide details on exactly how this would be achieved. In the absence clearly articulated and realistically achievable plans to reduce national debt levels, the only viable outcome is a country knee deep in debt and economically stagnant.

## SARS

The South African Revenue Service (SARS) is a crucial institution within the South African government – responsible for revenue collection, tax administration and the enforcement thereof – contributing to the overall financial stability of the country.

As with any institution, its effectiveness and efficiency are dependent on the governance and leadership under which it operates. In this regard, SARS has, over the last two decades, gone from one extreme to the next, settling again under current leadership. At one point, SARS was considered one of the most efficient revenue authorities in the developing world, particularly during the tenure of the former (now

deceased) SARS Commissioner, Pravin Gordhan. This was contrasted with a time of turbulence and serious mismanagement.

Under the leadership of Mr Gordhan, there was a strong focus on professionalising SARS and the tax profession, which saw marked improvements in the operational efficiency of SARS and service offerings. The SARS strategy during that time was multi-faceted, with a focus on education and transparency, simplification and accessibility, fairness and equity and strong service-orientation. Whilst Gordhan focused heavily on combating tax evasion to ensure everyone paid their fair share, there was also a concerted effort to transform SARS from a punitive institution to one that was more service-oriented. It was also during his term as Commissioner that SARS set up help centers accessible to all, changing the public's experience of interacting with the revenue service. Gordhan also focused on the modernisation of the tax system introducing eFiling, automated systems and the use of data analytics to simplify the compliance process – making tax collection easier and simultaneously reducing the administrative burden to taxpayers. The transparency, ease of compliance and service orientation contributed to building trust between SARS and the taxpayer, leading to a significant growth in revenue during his term.

Whilst the subsequent Commissioner Magashula resigned under a cloud of controversy, during his term he also contributed positively to SARS – maintaining strong revenue collection, progressing the modernisation strategy and placing an emphasis on maintaining the professionalism of the institute. He also worked on building capacity within the organisation and focused strongly on staff development to ensure that SARS could deliver effectively and efficiently on its mandate, in the ever-changing tax landscape.

The resignation of Magashula was eventually – after having an acting Commissioner in place – followed by the appointment of Mr Moyane, his term as Commissioner being a period that resulted in the deterioration of the revenue authority through massive governance failures and a loss of integrity within the organisation. This was allegedly attributable to political interference and state capture – as alluded to in the Nugent Commission findings. During this period, SARS lost many skilled staff and disbanded some of the special investigative units. Existing staff were not as empowered or skilled to effectively address the challenges faced and access to SARS to resolve service issues became restrictive whether with respect to taxpayers or other stakeholders. Many systemic challenges were experienced during the period. One of the major consequences of this term was a significant erosion of public confidence in the institution, directly impacting SARS' ability to collect revenue. Almost six years later, a level of distrust between taxpayers and SARS remains, and service levels still require much improvement.

Working on getting SARS back on track has required major intervention to rebuild capacity and public confidence. The restoration of SARS to its 'former glory' requires the implementation of the Nugent Commission recommendations and it is taking some time to undo what has gone wrong. By 2021, SARS had implemented 14 of the 27 Nugent Commission recommendations and it is our understanding that since then, many of the recommendations were implemented. One of the notable changes was the appointment of three deputy commissioners in 2023 and over the last year, SARS has increased its staff complement by 621 individuals, specifically in respect of skilled and professional qualified individuals to rebuild skilled capacity to better deliver on services.

SARS' strategy under Commissioner Kieswetter's leadership is to:

- Provide **clarity and certainty** for taxpayers and traders of their obligations;
- Make it **easy** for taxpayers and traders **to comply** with their obligations;
- **Detect** taxpayers and traders who do not comply, **making non-compliance hard and costly**;
- Develop a **high performing**, diverse, agile, engaged and evolved **workforce**;

- Increase and expand the **use of data** within a comprehensive knowledge management framework;
- Modernise our systems to provide **digital and streamlined online services**;
- Demonstrate **effective stewardship** of our resources to ensure **efficiency and effectiveness** in the delivery of quality outcomes and performance excellence;
- Work with and through **stakeholders** to improve the **tax ecosystem**;
- Build **public trust and confidence** in the tax administration system.

From a structural perspective, SARS has decentralised many of its functions, empowering SARS regional executives to take decisions and resolve challenges identified in specific regions. Whilst there are many operational challenges, decentralisation has largely contributed to easier access and more efficient resolution of operational queries from a stakeholder perspective. There has also been a notable improvement in communication in efforts to provide clarity and certainty.

Under Commissioner Kieswetter's leadership, SARS has forged ahead in automating many processes taking up the mantle of making compliance easier in a bid to increase revenue collection and reduce the administrative burden on taxpayers. This included advances in modernisation of the tax system and converting many service channels to online channels – much of this being fast tracked when the COVID pandemic hit.

Commissioner Kieswetter's term also saw the introduction of auto assessments, as well as expanding third-party reporting with the view to reducing the administrative burden even further, specifically for individual taxpayers. The extended third-party reporting for trusts and public benefit organisations also forms part of the broader Financial Action Task Force Recommendations Immediate Outcome action plan that South Africa must implement before the 2025 review of South Africa's greylisted status. From a SARS perspective, this also addresses tax evasion that was notable in certain industries, the curbing of which is a focus area of the current Commissioner as is evident by the work to crack down on illicit trade and expand investigative capabilities in respect of high-net-worth individuals.

Following the introduction of the auto-assessment process in 2020, the number of taxpayers auto-assessed each year has increased, with more than 5 million taxpayers auto-assessed in the 2024 tax season (compared to 4 million in 2023). SARS noted that the use of big data and artificial intelligence in its automated risk engines, has increased revenue by over R200 billion in the 2024 tax year, countering criminality and wilful tax non-compliance. Efforts are also being focused on more educational initiatives to raise awareness of tax requirements through outreach to small and medium enterprises. We believe that the tax base could be expanded further by focusing on tax evasion in known areas like the informal economy and those implicated in state capture.

The improvement in SARS service offerings and digital platforms, as well as the increased use of data analytics, is thought to make it easier for taxpayers to meet their tax obligations. Whilst this may be true when the system and processes work as they should, when there are system failures the consequences for taxpayers can be significant, with taxpayers having to resort to manual channels to resolve issues, which often takes far too long. We believe it would be beneficial for SARS to create specific channels to deal with system errors timeously.

Whilst the enhanced efforts to curb tax evasion has yielded positive results, it is also unfortunate that many compliant taxpayers are caught in the process – with many honest people being treated like 'criminals', resulting in a significant increase in SARS procedural disputes. SARS needs to strike a better balance between curbing tax evasion and ensuring that the honest taxpayers are treated with dignity and respect, which will go a long way to restoring public trust.

SARS welcomed the 2024 MTBPS and Commissioner Kieswetter advised that SARS will continue to intensify and deepen its existing administrative efforts, using 'sophisticated data science and artificial intelligence, to maintain the balance between service to taxpayers/traders, whilst managing risks to the fiscus by detecting dishonest taxpayers.'

SARS will focus on implementing more data science and artificial intelligence (AI) to increase its focus on areas presenting compliance risk, including:

- **Broadening the tax base via third-party information**, using data from the formal and informal sectors to widen the tax base.
- **Working towards registering all taxpayers and traders**, through **predictive modelling**, to ensure complete in declarations and payment of taxes due.
- **Building SARS' detection capability** using **machine learning models** and AI to improve services, with a view to providing a seamless service to honest taxpayers. The plan is to use the technology to detect dishonest taxpayers and improve debt collection while expanding the tax base and deal with tax avoidance.
- **Enforcing trade laws against the illicit economy within the customs and excise space**, by strengthening tools which will be used to detect and prevent illicit activities.
- **Focusing on dispute prevention and resolution**, by prioritising strategies to prevent unnecessary disputes.

Whilst the current regime, led by Commissioner Kieswetter, has made positive strides toward rebuilding SARS, significant challenges remain. This includes rebuilding capacity, continuous focus on improving tax compliance, strengthening customs enforcement, and regaining public trust. With the right interventions and continued support from government, SARS has the potential to once again be a model of good governance and a critical pillar of South Africa's development.

## WHERE TO FROM HERE?

What is clear at this point is that proposed action plans need to be realistic, as living in the land of dreams with unrealistic targets and budgets will only set us up for failure. In its 2024 Budget Summary document SAICA questioned the credibility of the 2024 figures and reasoning. A post MTBPS article in the Business Day echoed SAICA's sentiments – questioning the credibility of the presented budget, with concerns that it may not be a realistic reflection of what is actually needed to dig South Africa out of the pit it finds itself in.