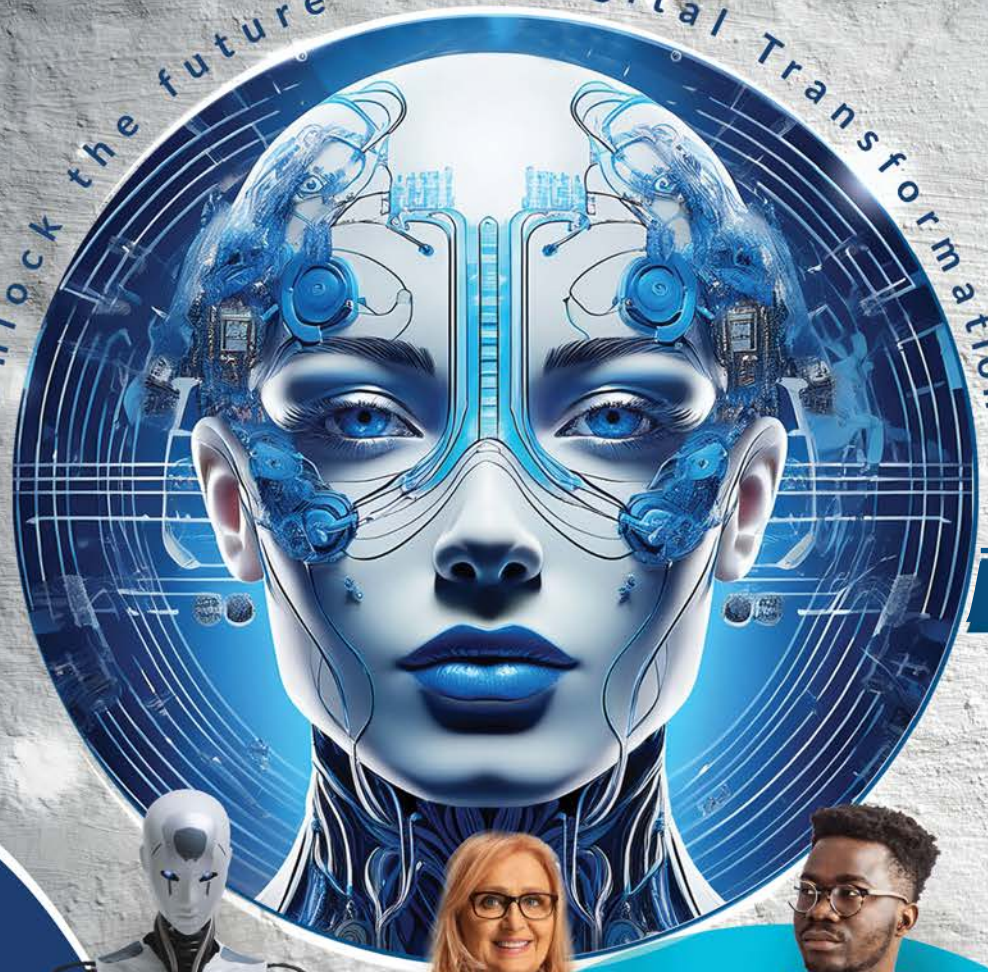
SARS
At Your Service

Unlock the future with Digital Transformation



SARS Modernisation 3.0 White Paper

2025/26–2029/30

SARS 3.0

SARS Modernisation Experience Statement

*SARS is modernising its **Tax Administration Platform** into an **intelligent digital system embedded with data science and artificial intelligence**. This transformation will **foster trust, promote efficiency, and ensure transparency**. To enhance service while managing risks, the platform will revolutionise taxpayer and trader interactions with SARS, **driving voluntary compliance**.*

*In the future, taxpayers and their nominated representatives will receive a **unique digital identity** for secure access to the SARS Digital Administration Platform. Authentication will primarily use biometric and two-factor methods to strengthen transaction integrity, improve data accuracy, and maintain a single version of the truth. Once verified, users will gain **a comprehensive view of their tax accounts** across registered products. This allows intuitive, self-reliant actions like updating demographic details, checking compliance status, querying accounts, and fulfilling obligations.*

*To boost taxpayer service, **skilled and professional SARS employees** will be empowered with the same comprehensive account views to resolve or advance outstanding matters efficiently. SARS will leverage the South African Reserve Bank's (SARB) initiative for a **cost-effective instant payment system**, aiming to increase financial inclusion, reduce cash circulation, and enhance the national payment system's integrity.*

*At the core is an **intelligent case management system** that supports voluntary compliance through automating routine tasks, harnessing big data, deploying Agentic AI, and improving taxpayer service and productivity. This includes shifting from declaration-based to real-time risk profiling and case selection, embedded in **an entity-based compliance model** within the digital platform.*

*This modernisation phase focus on **modernising VAT administration,** connecting SARS across the value chain to every point of sale—with the goal of eventual auto-assessment, similar to Personal Income Tax (PIT). It will also include minor taxes. SARS will also partner with the Border Management Authority to **modernise Customs & Excise**, upgrading both physical and technology infrastructure toward a "no-stop" experience at Ports of Entry.*

Overall, SARS will collaborate with government partners to adopt a "whole of government" approach and leverage private sector partnerships to support, supplement, and accelerate implementation."

Edward Chr Kieswetter
October 2025

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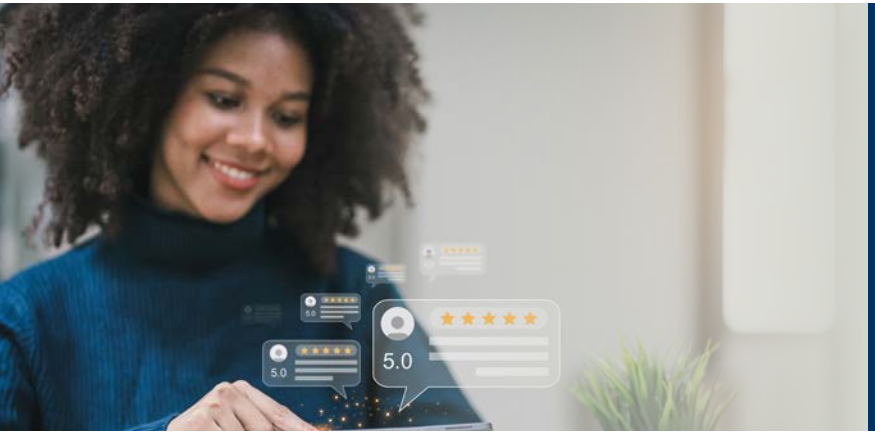

NAVIGATION TOOLBAR

This is an introduction to the SARS Modernisation 3.0 (The age of Artifitial intelligence). Navigation toolbar at the top right of each page.

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To visit our website please SCAN HERE

Our digital platforms

1. MESSAGE FROM THE COMMISSIONER

The story of SARS is a story about people: everything we do is about improving the well-being and transforming the lives of South Africans, especially the most vulnerable among us.

The South African Revenue Service has a legal mandate to collect taxes, improve compliance, and facilitate legitimate trade. We draw inspiration though, from a clear sense that SARS serves a higher purpose to "enable government to build a capable state, that fosters sustainable economic growth and social development, serving the well-being of all South Africans".

Since its establishment in 1997, SARS has been on a journey of continuous transformation and modernisation. The first phase of this modernisation was the consolidation of the separate departments of Inland Revenue, and Customs & Excise, into a single semi-autonomous agency outside of the public service, but within the public sector. In this phase the focus was to transform a previously inward, administrative orientation into a more taxpayer facing, service-oriented institution. During this phase, assessment centres, enforcement centres, contact centres along with frontline tax branches, customs branches, as well as the establishments respectively in land, air, and sea modalities, formed the physical footprint of SARS.

The initial technology modernisation was focused on digitisation of a paper-based environment into digital artefacts, but largely still manual processing. The second phase of transformation focused on personal income taxes (PIT) followed by corporate income tax (CIT), value added tax (VAT) and Customs. The modernisation during this phase entailed mainly digitalisation with the introduction of e-Filing and some process automation - which effectively transformed physical experiences like registration, filing, and assessment into digital experiences. The third and current phase of transformation reviews the end-to-end administration architecture of PIT, CIT, VAT and Customs, and aim to include the balance of all minor taxes. Modernisation during this phase will go beyond the digitalisation of experiences and automation of processes.

Modernisation 3.0 will increasingly draw on advanced data science, artificial intelligence and agentic AI to create an intelligent administration platform on which routine tasks are automated; traditional functions like declaration filing will be disintermediated; and decisions will be informed by insights from data. In this phase of modernisation employees will seamlessly co-exist with AI Agents.

Historically taxpayers submit declarations and supporting evidence to SARS, who then performs the reconciliation and settlement of a tax account for a defined period retrospectively. The aspiration globally, for tax and customs administrations, is to transition from this retrospective perspective to real-time assessment of the tax account, where traditional submission of a declaration is no longer required, and all the required information and supporting evidence are drawn from third party data sources. The OECD refers to this aspiration as Tax 3.0.

In May 2024, the SARS Executive Committee (EXCO), along with a group of key executives, met to review progress since 2019, of the "Rebuilding of SARS" since the institution became a casualty of state capture. The session took stock of the SARS modernisation to date. A follow up session was conducted with the "Top 350" executives for further refinement and to establish a basis for broader alignment amongst leaders.

A key outcome of this comprehensive strategic review was a first draft of a new "SARS Digital Transformation Playbook"

Moving from each phase of modernisation to the next is not through a single discreet event, but transitions through a combination of incremental and disruptive innovations as permitted through various emerging enabling technologies.

In summary:

MODERNISATION 3.0

» **PURPOSE:** The purpose of building a "smart digital tax administration platform, embedded in data science and artificial intelligence", is to foster trust, promote **efficiency, and ensure transparency,** by revolutionising the way taxpayers/traders and SARS engage to **achieve voluntary compliance.**

» **PRIMARY OBJECTIVE & OUTCOMES:** The primary objective of the "Digital Platform Playbook" is to guide the development for implementing an intelligent data driven, technology enabled tax administration platform, in support of our vision of a "Smart Modern SARS, with unquestionable integrity, trusted and admired" that would advance our strategic intent of voluntary compliance.

» **The 6 OUTCOMES** which will define the **SUCCESS** of Modernisation 3.0, include:

- Improve Voluntary Compliance
- Enhance Taxpayer Experience
- Enhance Employee Engagement
- Streamline Internal Processes
- Improve Operational Efficiency
- Maximise Long-term Sustainability

GENERATIONAL PROGRAMMES

The following generational programmes are implicit in the "smart digital administration platform", contribute to our vision of a "smart modern SARS, and advance our strategic intent of voluntary compliance:

1. Prepare and upskill our staff to be relevant in the future world of work
2. Establish a unique digital identity
3. Create a comprehensive taxpayer account
4. Modernising the case management system
5. Embed an "entity-based" compliance model on the administration platform
6. Partner with SARB to leverage the instant payment system
7. Modernise VAT administration
8. Modernise Customs & Excise administration

This work programme sets the foundation for the modernisation of SARS over the next 5 years, and beyond. It is an exciting and inspirational journey of transformation. It will require an appropriate investment, the steadfast commitment to a clear Vision and Purpose, whilst remaining agile and adaptive in the journey against actual progress, mindful of situational and context realities, and responsive to emerging technologies and enabling capabilities. A good analogy would be how a Global Positioning System (GPS) works. The user enters a clear destination but leaves route optimisation to a navigational system that draws on live satellite information, situational and environmental factors such as traffic density and incidents, whilst allowing for detours, diversions, and important transitional waypoints. It does all this whilst continuously optimising the journey but remaining true to the destination.

The historical performance of SARS, within an environment of limited "whole-of-government" service coordination, yielded above-expectation performance. Much more progress has to be made in sharpening the "service" bias from a traditional "enforcement" bias. In this regard, the taxpayer experience becomes the strategic reference point for everything we do. The commitment to our compliance theory that "most people are honest" as well as our strategic intent of Voluntary Compliance, must guide our conviction to lead with **SERVICE** (Clarity and Ease of Compliance), whilst we **ENFORCE** (Detect and Respond to non-compliance) responsibly.

Collaboration with the "whole of government" is an essential component of service and enforcement. A "smart digital tax administration platform, embedded in data science and artificial intelligence" will increasingly facilitate a seamless and intuitive experience for honest taxpayers, travellers, traders, and allow SARS to detect and respond to instances of non-compliance. The platform will also enable SARS staff to act competently, professionally, and display integrity beyond reproach. The ultimate measure of success of the platform, is the achievement of SARS mandated objectives (revenue, compliance and trade facilitation), increasingly through voluntary compliance.

As we strive toward this asymptotic end state of the single idea that "the best service is no service!", SARS must endeavour, through the deployment of technology and Agentic AI, automation of routine tasks, drawing on insights from data to inform decisions, aim to improve its service to taxpayers by radically re-imagining tax administration:

- Anticipating and resolving taxpayer needs proactively to reduce service queries across our service channels.
- Providing intuitive and helpful digital services to increase taxpayer self-reliance.
- Reducing the need for service queries through our physical service channels - especially focusing on the most vulnerable taxpayers.
- Improving waiting and turnaround times where an intervention is necessitated.
- Managing the inventory case load effectively, efficiently, to provide outstanding service whilst managing compliance risks.

A simplified Modernisation Experience Statement is set out below, and a more detailed version is in the main body of the paper.

SARS Modernisation Experience Statement

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2. PURPOSE, OBJECTIVES AND SCOPE

The purpose, objectives, and scope of this document are described below.

2.1 Purpose

The main purpose of sharing this Modernisation white paper reaffirms the commitment by SARS to its Citizen-Centred approach and an uncompromising bias towards serving taxpayers, traders and travellers. The white paper is to inform the public and key stakeholders of our modernisation intent. It is meant to invite conversation, trigger curiosity, and influence our own thinking.

This white paper communicates the ambition of SARS to develop a modern digital tax administration system that leverages data science and artificial intelligence. By leveraging information technology, artificial intelligence (AI), Agentic AI, and eventually artificial general intelligence (AGI) to its full potential to fulfil its mandate and achieve its strategic intent of voluntary compliance. But to do so, responsibly, and ethically.

It is important that SARS holds itself accountable to the highest standards of ethics as it explores the deployment of current and emerging AI technologies. Whilst the white paper is about our modernisation journey, the ongoing engagement with taxpayers, traders, and SARS, serves to enhance trust, promote transparency, and instils a culture of accountability. Earning the confidence of the public trust is central to promoting voluntary compliance.

2.2 Objectives

The main objective is to provide a high-level depiction of the SARS modernisation ambition to the general public as well as key stakeholders, public and private, allowing the opportunity to engage and consider implications for them.

The document seeks to promote advocacy for the responsible and ethical deployment of emerging AI technologies and create public confidence.

Since SARS is an entity within the public sector and relies on other agencies for the fulfilment of its mandate, this document communicates our modernisation intent to our partners in government to explore possible collaboration opportunities. The success of SARS is enhanced when a “whole of government” (WOG) approach to modernisation is followed.

Similarly, the opportunity is also presented to private players, intermediaries, and other stakeholders, who may consider implications for them, as well as collaborative partnerships with SARS.

This level of transparency aims to foster cooperation, coordination, and communication among SARS, tax, and customs stakeholders, as well as partners across the public and private sectors, and is central to the strategic intent of voluntary compliance.

2.3 Historical context and Modernisation Scope

This document recaps the rebuilding of SARS, the progress and achievements to date, the transition from Modernisation 1.0 to Modernisation 3.0. It outlines the elements of SARS modernisation from 2025 and beyond. The modernisation of SARS, including the individual initiatives respectively, support its broader enterprise strategic intent. The white paper is therefore to be read with the initial SARS Strategic Plan 2025/26 - 2029/30 and will be supplemented with additional detail with each of the successive Annual Performance Plans. It is further supplemented with a number of annexes that provides supplementary context.

A full set of the key documents will be available on the SARS public website.

3. SARS STRATEGIC PLAYBOOK

SARS already has several foundational assets to achieve its mandate. These provide the necessary strategic clarity that sets out **what** we do, **why** we do it, **how** we do it, and informs how we **allocate resources**, how we **define success**, and **what SARS will look like** when we have achieved it. For completeness and convenience, these are set out in this section.

3.1 SARS LEGAL MANDATE

SARS legal mandate is to collect revenue, facilitate legitimate trade, and ensure compliance. It derives its legal authority from the SARS Act, 1997, which require SARS "to make provision for the efficient and effective administration of the revenue collecting system of South Africa".

In pursuit of its mandate, SARS is further required to administer a number of primary legislations, including:

- Income Tax Act, 1962
- Customs and Excise Act, 1964
- Value-Added Tax Act, 1991
- Tax Administration Act, 2011
- Employment Tax Incentives Act, 2013

3.2 SARS HIGHER PURPOSE

Whilst the law gives SARS its legal authority, the organisation earns its moral authority by defining for itself an incontestable higher purpose orientation. Our reason for existence. We frame our Higher Purpose as providing the financial resources that ***"enable government to build a capable state that fosters sustainable economic growth and social development, serving the well-being of all South Africans"***

3.3 SARS VISION

To fulfil its mandate, SARS's vision is ***"to build a smart, modern SARS with unquestionable integrity that is trusted and admired".*** This means that SARS must always be guided by the highest standards of institutional integrity. This requires on the one hand an administration system that employs skilled and competent professionals, within an environment enabled by the latest smart technologies, whilst at the same time, conducting its work in a manner which is ethical and beyond reproach. The public must trust us, and our international peers must admire our work.

In fulfilling its mandate, SARS will be an innovative tax and customs administration that enhances economic growth and social development, and that helps to integrate South Africa into the global economy.

3.4 SARS THEORY OF COMPLIANCE

We believe that most taxpayers are honest and want to comply with their legal obligations. They want to do so though, with least cost and effort. This implies that we bias our efforts towards honest taxpayers who want to comply voluntarily, whilst continuing to discourage dishonest taxpayers. Drawing on behavioural insights, that underlie this compliance theory, we hold the belief that Voluntary Compliance is best achieved when SARS:

1. Provides clarity and certainty of how we understand taxpayers' obligations
2. Makes it easy for taxpayers to fulfil their obligations
3. Ensures that there's always a credible threat of detection of non-compliance
4. Understands its entire tax register that differentiates Taxpayers based on:
   - Their unique character and needs (Segmentation)
   - The extent, nature and degree of their compliance (Risk Profiling)
5. Selects the nature and extent on engagement with taxpayers based on segmentation and risk profiling (Case Selection)
6. Composes and communicates a transparent programme of work, including the consequence of non-compliance (SARS Compliance Programme)
7. Builds confidence and Public Trust in the entire tax administration ecosystem by:
   - Improving voluntary compliance and fiscal citizenship overall
   - Broadening the tax base so that more contribute their fair share
   - Use taxpayer's money/resources intelligently to achieve more with less
   - Building and maintaining strong partnerships with all stakeholders, including other government agencies
   - Building an organisation with integrity that can be trusted and admired

These insights inform our compliance model as well as our strategic intent and 9 strategic objectives.

3.5 SARS COMPLIANCE MODEL

Based on our compliance theory of segmentation and risk profiling, our Compliance Model differentiates our engagement with taxpayers. The pyramid represents the universe of taxpayers, and our engagement is graduated from the base to the peak of the pyramid. At the base of the pyramid, where most taxpayers are located, we bias our engagement on awareness and ease of compliance. At the peak of the pyramid, are those who consciously do not comply, we enforce unapologetically, making non-compliance hard and costly.

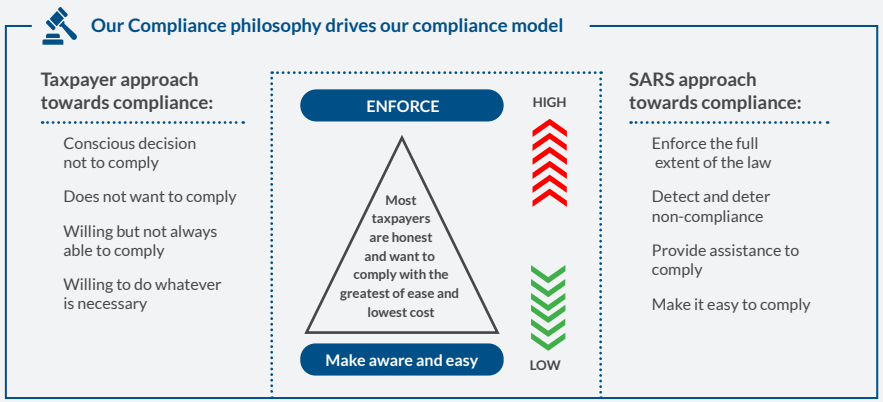


Figure 1: SARS compliance model.

3.6 SARS STRATEGIC INTENT AND STRATEGIC OBJECTIVES

Based on our theory and model of compliance, the SARS strategic intent is "to develop and administer a tax and customs system based on voluntary compliance, and, where appropriate, enforce it responsibly and decisively".

To support this intent, SARS implements **Nine Strategic Objectives.**

SARS 3 **core strategic objectives for achieving voluntary compliance** are:

1. SO1: Provide clarity and certainty to taxpayers and traders.
2. SO2: Make it easy to fulfil tax obligations.
3. SO3: Detect tax evasion and enforce tax law.

These are enabled and supported by the **4 strategic objectives that enables the core business**, viz.:

4. SO4: Develop a high performing, diverse, agile, engaged and evolved workforce
5. SO5: Increase and expand the use of data within a comprehensive knowledge management framework, to ensure integrity, derive insight, and improve outcomes
6. SO6: Modernise our systems to provide digital and streamlined online services
7. SO7: Demonstrate effective resource stewardship to ensure efficiency and effectiveness in the delivery of quality outcomes and performance excellence

Recognising that we are part of a broader system, we have **2 strategic objectives that define our relationships and interdependence**, viz.:

8. SO8: Work with and through all stakeholders to improve the tax co-system
9. SO9: Build public trust and Confidence in the tax administration system

Each of these strategic objectives (SO's) are expressed as a user experience to further give expression to the digitalisation programme. Collectively, these strategic objectives are central to the approach to our work and informs our 5-year Strategic Plan as well as the successive Annual Performance Plans. We also derive our Operational Plan and Compliance Programme from the strategic playbook.

Connecting our Higher Purpose and Mandate to our Strategic Objectives and Core Value Chain

HIGHER PURPOSE: Enabling government to build a capable state that fosters sustainable economic growth and social development that serves the wellbeing of all South Africans

SARS VALUE CHAIN
(What we Administer)

Registration
Filing of Declarations
Assessment of Filing
Investigations and Audits
Dispute Resolution
Payments
Debt Collection

+

STRATEGIC INTENT
(How we Administer)

Build an Administration Platform based on Voluntary Compliance

Underpinned by 9 clear Strategic Objectives

»»

SARS MANDATE
(The Impact of our Work)

1. Collect Tax and Customs Revenue
2. Improve Compliance
3. Facilitate Legitimate Trade

MEANS | **END**

Figure 2 - Connecting SARS's Higher Purpose its Mandate

3.7 THE INVESTMENT IN, AND MANAGEMENT OF OUR PEOPLE

In support of the strategic objective to develop our people (SO.4), our people practices have also been explicit and intentional. The SARS People Journey since 2019 included a scholarly Leadership Model and an Employee Rights Charter that forms the foundation of the SARS Employee Engagement framework. In the future, we will not only have to maintain the focus on competencies and personal attributes. We must prepare our employees to co-exist with AI agents and to use AI ethically and responsibly.

In summary, the following is included:

3.7.1 SETTING A CLEAR STANDARD FOR ACCEPTABLE LEADERSHIP – THE SARS LEADERSHIP MODEL

Leadership is central, not only for setting an inspirational vision, providing strategic clarity, allocating resources, and performance management. Leadership, through their own behaviour also sets the tone, ethos, and culture that ultimately defines the "institutional DNA".

Leadership Model and Employee Value Position

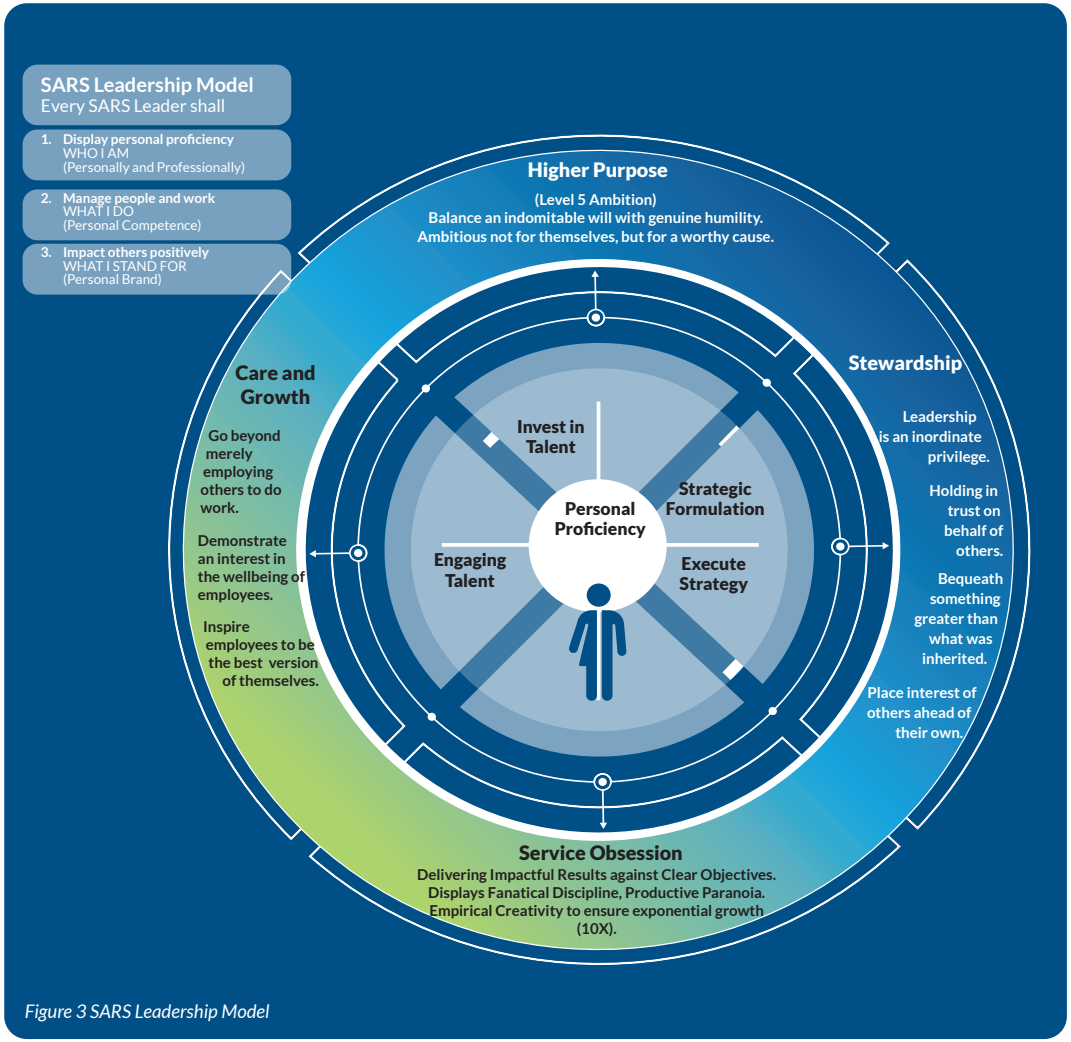


Figure 3 SARS Leadership Model

The leadership model sets a clear standard that codifies the SARS Leadership Code, by responding to three questions, viz.: 1. Who am I as a leader? 2. What is my leadership work? and 3. What do I stand for as a leader?

Women in Leadership

Due to the societal and structural impediments that often disadvantage females in the workplace, SARS has established an active platform to conscientise the organisation intentionally to be aware of gender discrimination and promote gender equity. It is a platform "for women, by women," but visibly championed by the Commissioner through an active programme of interventions that addresses aspects such as representativity on internal and external platforms, career mobility, gender pay parity and positive discrimination.

SARS Junior Board

The Junior Board is an institutional platform that recognises the voice of next generation leaders. Members of the Junior Board are selected through a rigorous and open process of self or peer nomination, endorsed by their line manager, and finally interviewed and selected to serve for a period of 2 years. The platform provides them with direct access to the Commissioner and SARS Leadership regardless of their own level in the organisation. They engage in the challenges and opportunities to advance the vision and strategic intent of SARS. They are themselves required to be more audacious, bring youthful insights, and challenge the conventional ways of working. Junior Board members are expected to be exemplary in their respective work roles.

3.7.2 EMBEDDING AN ENVIRONMENT FOR POSITIVE EMPLOYEE ENGAGEMENT

No organisation can achieve performance excellence by relying only on the technical competence of its employees. Employees have to be engaged. Empirical evidence suggests that high employee engagement can add a substantial increment to organisational performance. Organisation culture is integrally important to establish a workplace conducive to employee wellbeing and in turn SARS has adopted the following:

» **Employee Rights Charter** - that sets out the composite experience every employee should legitimately expect in the relationship with their direct manager in particular, and the organisation in general. These are expressed as 5 employee rights, viz.:

1. The right to enjoy their work
2. The right to understand the meaning of their work
3. The right to know what "winning" means
4. The right to regular feedback to help them win
5. The right to a "fair deal" - the employee value proposition

» **Employee value Proposition (EVP)** - the composite experience of an employee which consists of financial, non-financial, and other "soft" benefits implicit in their employment relationship, like "SARS has talent" or "Best Employer" brand association.

» **Inclusiveness -** central to the organisational ethos, and intentional design are issues such as Gender Sensitivity and Employees with Disabilities

The role of leaders remains essential to the creation of the desired culture of engagement through the exemplification of a higher purpose orientation, true stewardship, care and growth, as well as performance excellence.

3.7.3 CAREER PROGRESSION

In support of Strategic Objective 4, we have introduced a 5 level "career ladder" that aims to provide a clear career path where demonstrated competence is an important criterion for progression. Every job family must be transcribed across each of the 5 levels setting out a clear job description, knowledge requirements, and demonstrated ability. Naturally, non-technical aspects such as attitude, work ethic, and overall performance will also be considered for progression.

The 5 career levels are:

1. **Beginner:** Generally, this level applies to entry level employees with no specific experience and drawn largely into the SARS Graduate and Intern Programme. In exceptional cases we may also draw from our own internal "non-professional staff (like our cleaning staff), or school leavers.

2. **Intermediate:** Employees, through a combination of course work, on the job-training, and self-study, may progress to the next level by means of an assessment of their acquired knowledge and demonstrated competence in their chosen field.

3. **Proficient:** This is the level required of every employee in every professional job family. This level of general proficiency requires an employee to have the ability to perform a wide range of tasks proficiently across all engagement channels.

4. **Advanced:** Employees, by their own election, natural progression, or promotion may develop a higher degree of expertise in a narrower field within their job family. The degree of self-reliance and extent to which others refer to their expert knowledge is a clear indicator of their competence at the advanced level.

5. **Mastery:** These are the principals in their field. They are subject matter experts and often straddle the domains of policy, practice, teaching, and coaching interactively. They are widely recognised as leaders in their field both within and beyond the organisation. Whilst it is the hope that everyone may aspire to become "Masters", the degree of role complexity and effort, will determine a level of "natural selection" by a select few.

4. SARS SITUATIONAL ANALYSIS AND COMPLIANCE LANDSCAPE

This situational analysis provides a refined overview of internal and external factors influencing SARS as it advances its modernisation agenda. It focuses on key strengths, weaknesses, opportunities, and threats relevant to building a smart, modern tax and customs administration. Overall, both external and internal factors present a more challenging operating environment to achieve a more acceptable level of voluntary compliance, which currently stands at around 68%. Modernisation priorities include digital transformation, AI integration, data-driven compliance, and enhanced stakeholder collaboration to achieve voluntary compliance, efficient revenue collection, and effective trade facilitation.

4.1 Internal Factors

SARS has made significant progress over the past six years in rebuilding institutional capacity, emphasising governance, digital innovation and artificial intelligence, as well as the development of our people. The current level of capacitation, however, renders SARS less than optimal in executing its legal mandate. This will require, among other things, a significant review of government investment in SARS, as well as strengthening the governance and independence of the institution from external interference. Persistent resource constraints, skill gaps, and operational inefficiencies continue to hinder full mandate fulfilment, despite notable advancements. This has adverse implications for the long-term fiscal integrity of South Africa.

4.1.1 STRENGTHS

» **Institutional Progress and Performance:**

- Achieved clean audit reports successively, indicating good governance and a generally healthy control environment;
- Employee engagement increased from 61.6% to 71%.
- On our core mandate:
  - » the 6-year CAGR revenue growth has been 7% in an economy that has grown nominally by around 3.7% CAGR;
  - » the voluntary compliance index rose by 4 percentage points to 68%,
  - » and trade facilitation increased by 19 percentage points to 72%.
- On building public confidence, the past 6 years have seen:
  - » taxpayer service rising from 54% to 87%;
  - » public trust up 48% to 75%;
  - » and attitude to compliance up 11 percentage points to 77%.
- As an attractive employer, SARS is recognised as the best employer by BCom/Accounting professionals, the most innovative public-sector organisation for digital transformation, in 2023, the most transformed public sector organisation in 2025, and increased employee engagement from 61% to 71%.
- From a leadership perspective, we serve as Chairs of World Customs organisation, Africa Tax Administration Forum, OECD Global Forum Africa Initiative, Co-Chair of the Crypto Assets Reporting Framework, and as Vice Chair at the OECD Forum of Tax Administrations.

» **Digital and Operational Efficiency:** Significantly implemented the SARS Digital Playbook to advance the aspiration of "Tax Just Happens".

- Introduced Auto-Assessment that has eliminated the need for 5.8 million individual taxpayers to file a return, achieving a 99% acceptance rate
- Reduced assessment times to under 5 seconds consistently for taxpayers who are required to file
- Refunds are paid in under 72 hours for almost 90% of taxpayers
- Deployed machine learning models and AI not only delivered the world class service to taxpayers, whilst our fraud risk detection AI has prevented impermissible refund payments of R440 billion
- Achieved 99.61% system uptime, 88.49% digital channel usage, and 98.10% risk detection rate

- **Compliance and Enforcement:** Recovered R20.2 billion through audits and investigations in 2023/24; 82.80% automation for complex cases; collaborations with law enforcement yielded R260.5 billion in collections. For 2024/25, net revenue collection reached R1.855 trillion, representing 100.55% of the revised estimate.

- **Workforce and Governance:** Staff of 12,805; introduced Career Progression Framework, Talent Management Policy, and digital platforms for upskilling. Integrity initiatives include ethics e-learning for 2,817 employees, with a target for zero tolerance of integrity breaches by 2028/29.

4.1.2 AREAS FOR FURTHER IMPROVEMENT

- **Funding and Resource Constraints:** Budget growth of only 3.46% over ten years amid 260% caseload increase and 20% staffing decline; ICT investments at -0.24% of allocation (below 2% target). Requested R13.6 billion over the medium term but allocated only R3.5 billion, impacting modernization. A one-off R1 billion injection in 2024 provided temporary relief, but sustainable funding is needed to address an estimated R800 billion tax gap.

- **Talent and Engagement Issues:** Difficulty attracting/retaining critical skills (e.g., in data science, AI) due to competition and finances; sub-optimal leadership and corporate practices affect employee-centric culture. Fragmented data across systems impairs effective taxpayer engagement.

- **Operational Gaps:** Challenges in case management integration, dispute prevention, and knowledge management reduce efficiency. Procurement variations (e.g., R1.29 billion for ICT) highlight dependency on external vendors. Not all taxpayers/traders are registered, fulfil obligations, or are detected for non-compliance; disputes require significant resources for administrative resolution, ADR, litigation, or settlements.

- **Revenue Performance and Compliance Shortfalls:** Studies, including SARS assessments and independent sources like the Davis Tax Committee, indicate uncollected revenue, with voluntary payments and compliance program outcomes implying total revenue performance around 60% (see presentation “Making the Business Case for Investments in Tax Administration”).

4.2 External Factors

External dynamics present opportunities for SARS to leverage global trends and domestic priorities while mitigating threats from economic volatility and illicit activities. These factors underscore the need for agile modernisation, including e-invoicing, AI-enhanced detection, and international partnerships.

4.2.1 DOMESTIC FACTORS

4.2.2.1 STRENGTHS

- **Government Policy:** In July 2024, following the Opening of Parliament, the President announced and confirmed the Strategic Priorities for the 7th Administration of the South African Government. These priorities are aligned to the goals and objectives of the National Development Plan and Programme of Priorities of the Government of National Unity, and are encapsulated in the Medium-Term Development Plan as:
  - **Strategic Priority 1:** Inclusive Growth and Job Creation.
  - **Strategic Priority 2:** Reduce Poverty and Tackle the High Cost of Living.
  - **Strategic Priority 3:** A Capable, Ethical, and Developmental State.

  The work of SARS, as outlined in this Strategic Plan, is designed to enable government to realise these priorities.

- **Inflation:** Inflation generally remains below the mid-point target of the South African Reserve Bank (SARB). In May 2025, SARB reduced the repo rate by 25 basis points, bringing it to 7.25%, bolstered by an inflation rate that slowed to 2.8% in April 2025. Inflation is below SARB’s mid-range target of 4.5% and signs are emerging of a recovery in economic growth, after weak performance through 2023 and the first half of 2024. In the near term, SARB expects output to benefit from various tailwinds, including lower inflation, higher disposable income, and extra spending from pension withdrawals via the new Two-Pot system. SARB’s policy path will likely remain flexible, driven by moderating inflation, although upside risks are rising. The high interest rate remains an impediment to economic growth.

- **Currency:** The rand closed at R18.18/$ in December 2024. Donald Trump’s re-election as the U.S. president saw a

depreciation of just over 3% against the dollar. The rand, however, has been riding on an improved domestic economic outlook amid positive developments that have reduced South Africa's political risk and provided a more solid foundation for growth. Global risks to the currency include geopolitical tensions that may arise following the outcome of elections in several countries.

- **Cybercrime:** Cyber insecurity is among the top ten risks identified in the World Economic Forum Global Risk Report 2024. Discouragingly, cyber espionage is still one of the risks expected to increase in severity. Cybersecurity presents opportunities for tax administrations because well-managed cyber risks and resilience can enhance reputation and reliability.
- **Digital transformation of government:** It is encouraging that through the Presidency and Department of Communications and Digital Technologies the SA Government has adopted a "whole of government" (WOG) strategy for the digital transformation of government. Of importance is the foundational Digital Public Infrastructure across the WOG.

4.2.1.2 OPPORTUNITIES

- **Government Alignment and Economic Recovery:** MTDP priorities (inclusive growth, job creation) align with SARS goals; stabilized electricity (300 load-shedding-free days by Jan 2025), lower inflation (3% Dec 2024), and reduced repo rate (7.50%) boost activity and revenue.
- **Policy and Technological Initiatives:** VAT/customs modernisation (e.g., e-invoicing with SARB); R13 billion tax relief for renewables; partnerships with DHA for ID systems and municipalities for VAT / mSCOA.
- **Stakeholder Engagement:** 198 engagements with BASA/ practitioners; Trade Facilitation Index at 71.60% (above regional average); Two-Pot Retirement System enhances compliance.

4.2.1.3 THREATS

- **Economic Challenges:** Low GDP growth (0.6% in 2023), high unemployment (32.1% Q3 2024), poverty, and currency depreciation (R18.18/$ Dec 2024) strain fiscal capacity and widen tax gaps.
- **Illicit Activities and Compliance Erosion:** Crime, corruption, and illicit trade (R6.7 billion seizures) undermine social cohesion; Transnet inefficiencies and policy uncertainty affect trade.
- **Regulatory Changes:** Constitutional Court ruling on tax confidentiality requires amendments; Zondo Commission recommendations demand governance reforms.
- **Unemployment:** In Q1 2025, South Africa's unemployment rate increased by 1 percentage point to 32.9%. The weak labour market and high structural unemployment rate do not bode well for employment taxes. Youth unemployment above 60% is worrying in that not only is it an issue of economic capacity, but a serious risk to social cohesion if not arrested.
- **Electricity:** Electricity supply has stabilised, with Eskom marking 300 load-shedding-free days on 20 January 2025. Key operational successes include the return of Koeberg Unit 2, which is contributing up to 930 MW to the grid with an impressive Energy Availability Factor of 99.95%, and the restoration of Kriel Unit 6, which added 475 MW. Much still has to happen to restructure the electricity industry and attract more private investment across the value chain.
- **Trade & Logistics:** The inefficiencies at Transnet remain a key risk for exports, coupled with uncertain global demand. Trade is influenced by economic globalisation. Cross-border transactions play a pivotal role in economic growth, facilitating international trade, commerce, and financial transactions. Economic globalisation comes with risks such as inflation and supply-chain insecurity. SARS will continue exploring flexible tax policies to support economic stability and growth.

4.2.2 Global Factors

4.2.1.2 OPPORTUNITIES

- **Economic Growth and Trade:** Projected 3.3% global GDP growth (2025–2026); leverage trade with China (4.6% growth forecast) and emerging markets via AfCFTA and WCO collaborations.
- **Technological Advancements:** AI, data analytics, and digital platforms (e.g., OECD digital service taxes, "Amount A" Convention) enable real-time reporting, e-invoicing, and non-compliance detection.

- **International Cooperation:** SDG 17.1 supports capacity building; OECD AEOI (713 CRS packages received), FATF for transparency, and WCO for trade facilitation/security. Donations (e.g., R19.1 million for devices) aid digital upgrades.

4.2.2.2 THREATS

- **Geopolitical and Economic Risks:** Protectionism, US fiscal policies, and conflicts (e.g., Ukraine, Middle East) disrupt trade routes, commodity prices, and supply chains; global trade dropped 1.9% in 2023.
- **Cyber and Fraud Threats:** AI proliferation by criminals; cyber insecurity (top 10 global risk per WEF 2024) endangers data integrity and trust.
- **Illicit Flows:** Sophisticated transnational crime requires enhanced AEOI and data sharing with FIC/OECD.

4.3 Addressing the Compliance Landscape - The "Tax Gap"

In giving effect to its legal mandate, SARS must ensure that:

» All taxpayers are aware of their obligations.
» All taxpayers are registered and comply with their obligations.
» All taxpayers who fail to comply are detected and held accountable

So that:

1. All revenues and duties due are collected
2. Tax and Customs Compliance improves
3. Legitimate trade is facilitated

We also know that:

» Not all taxpayers and traders who ought to register are registered.
» Not all registered taxpayers and traders fulfil their filing and payment obligations.
» Not all instances of non-compliance are detected.
» Payments due are either never paid or paid only when SARS intervenes.
» Not all disputes are timeously resolved and require significant engagement by SARS to:

- Resolve disputes administratively.
- Engage in alternative dispute resolution.
- Engage in costly litigation.
- Reach agreement by settlement.

And to be effective in achieving its strategic intent of voluntary compliance, SARS requires sustainable investment to:

» Increase awareness and certainty of tax obligations.
» Work toward a seamless, largely digital experience for fulfilling tax obligations.
» Significantly invest in capacity and capability to detect and respond to non-compliance.

SARS's strategic intent of voluntary compliance requires sustainable investment to increase awareness and certainty of tax obligations, work toward a seamless, largely digital experience for fulfilling obligations, and significantly invest in capacity and capability to detect and respond to non-compliance.

We have identified the following areas as examples where significantly more focus and investment are required to enhance detection, enforcement, and voluntary compliance:

» Tax and financial crime
  - Illicit and illegal trade flow
  - Syndicated tax and customs crime
  - Trade based money laundering
» Large and international businesses
  - Aggressive tax-planning
  - Base erosion and profit shifting
» Individuals with high income and wealth - especially the ultra-wealthy
» Ports of entry - physical and technological infrastructure
» Emerging, Informal and cash economies
» Businesses in the gig, shared, and social media economy
» Leveraged products
  - Advanced rulings (private and public)
  - Advance-pricing agreements
  - Cooperative compliance
  - Authorised Economic Operators

Revenue under-collection:

The assessment, confirmed by various studies, reports a significant revenue under-collection. Two main components make up this revenue under-collection. The first is the theoretical Tax Gap, and the second is contingent items on balance sheet that holds financial value, such as undisputed debt, unresolved disputes, and outstaying returns. In this regard, SARS had reported an amount of ±R800 billion in under-collected revenue.

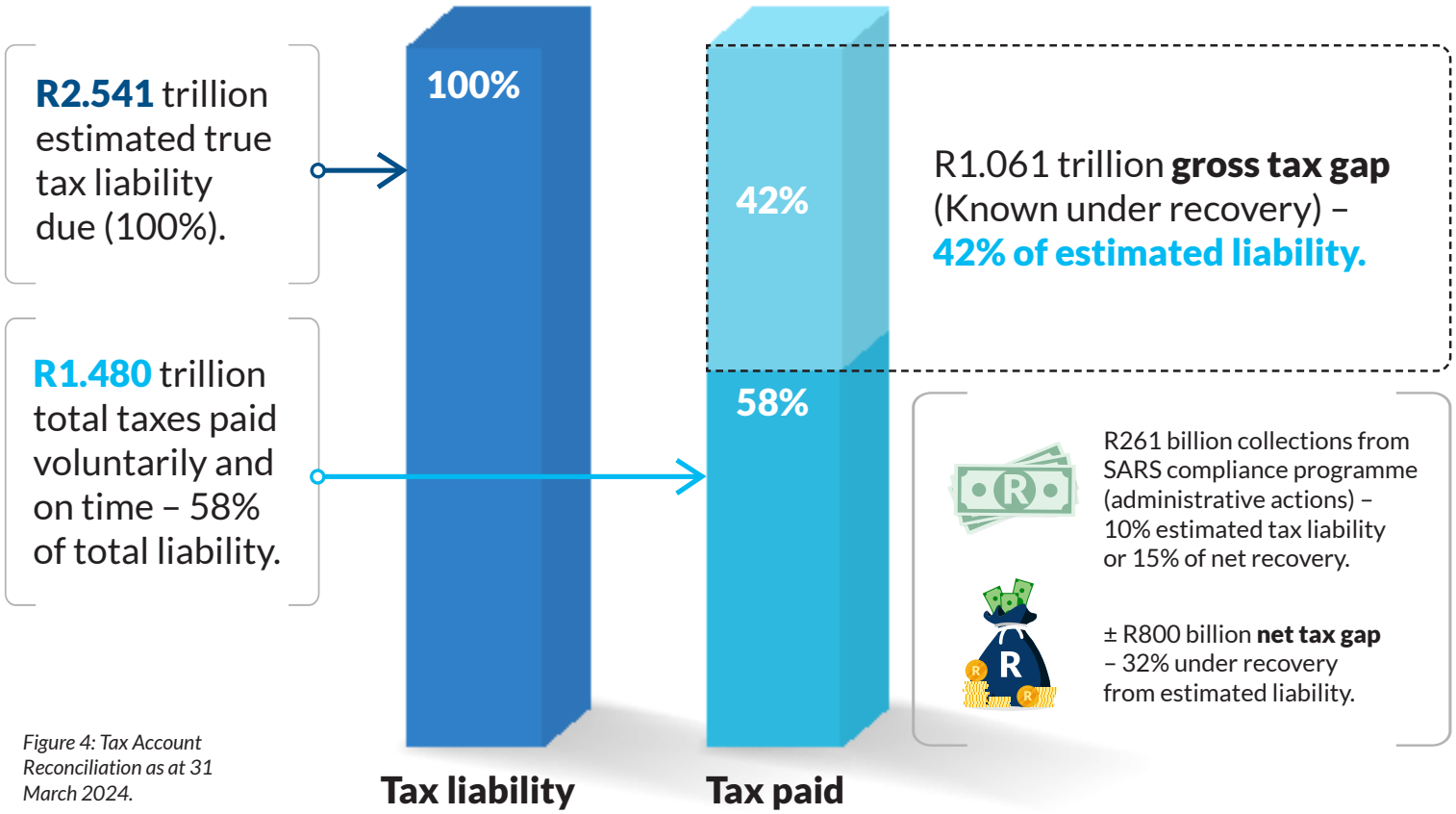


Figure 4: Tax Account Reconciliation as at 31 March 2024.

4.3.1 DOMESTIC RESOURCE MOBILISATION (DRM)

South Africa, during its G20 Presidency, has placed a renewed focus DRM. The case for this greater focus is based on a consensual view, supported by the IMF, is clear, and informed by:

- Low tax/GDP levels mean there's more revenue to collect - global average is 15%
- Unsustainable levels of debt places greater reliance on tax revenues
- Unpredictability of Donor and Aid Funding
- Address arbitrage between statutory vs effective tax rates
- Proliferation of Cross-Border & Domestic Tax & Financial Crime
- DRM remains the most cost-effective means to fund government programmes, and establishes a path to fiscal self-reliance over the long term

The foundational elements of effective DRM include:

- Understanding the Indivisible nexus between policy and administration
- Modernising revenue administration, leveraging enabling technology, applying Artificial Intelligence (AI), future proofing employees
- Expanding the tax base is imperative - in this regard:
  - Tax policies should be simpler, equitable, transparent, and encourage voluntary compliance
  - Informal and cash-based sectors must be incorporated into the formal sector
- Public Trust beyond reproach - sacrosanct for voluntary compliance

5. THE MODERNISATION OF SARS

5.1 SARS's Journey Overview

Modernisation through digital transformation has been a journey over three decades:

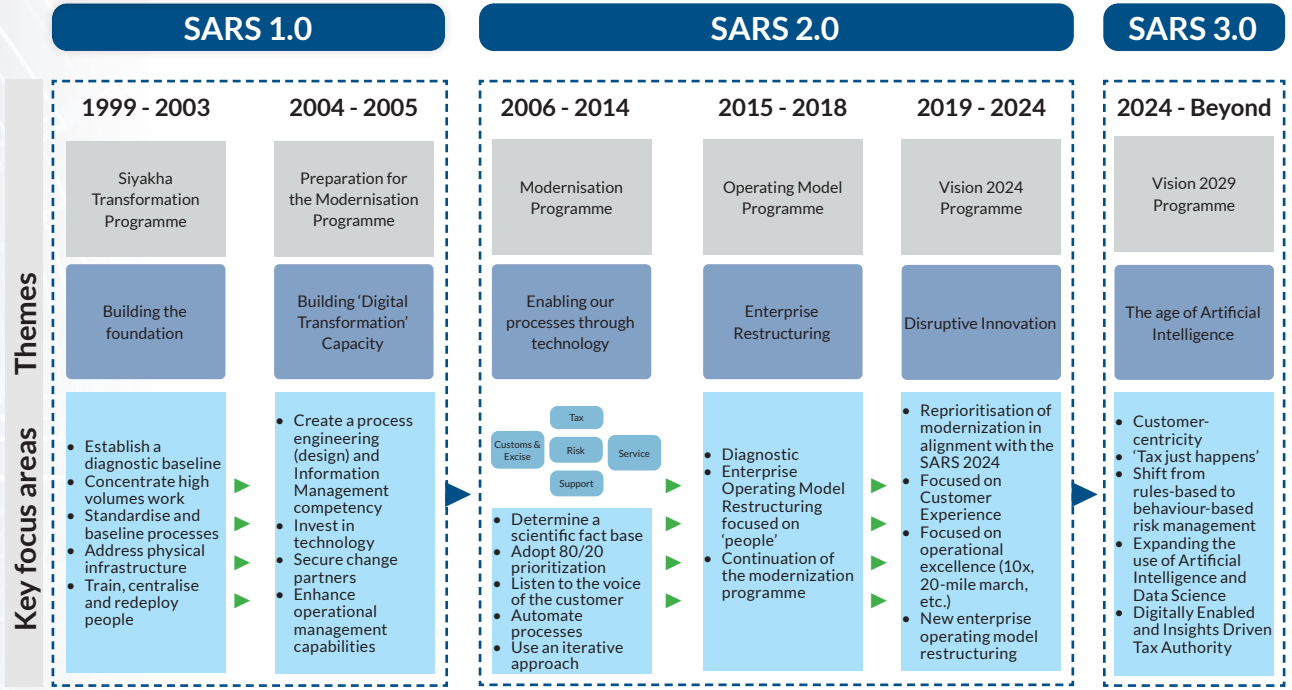


Figure 5: Overview of SARS's Modernisation Journey

Modernising SARS is not a finite project that can be completed once and for all. Instead, modernisation should be seen as a process of continuous improvement, with the clear goal of providing for the "efficient and effective administration of the revenue collecting system" (SARS Act of 1997, amended 2002). This requires the ongoing assessment, and improvement of the efficacy of the tax and customs administration system, and to comprehensively exploring strategies, ways of working, and an "operational model" that synthesises the effort of employees, in an environment enabled by technology and insights from data, and other resources. Modernisation is ultimately a way of being, and not a project. Modernisation phases are distinct though, and has benefitted more recently, from the unprecedented speed of digital innovation, characterised by super-computational capability, data science and artificial intelligence. In particular, agentic AI is transforming AI from being "tools" that enhances our work like prosthetics, into "agents" that work alongside us. This necessitates the ongoing formulation and review of institutional transformation and modernisation that is enabled as technologies progress and innovations emerge. This implies that institutional transformation is increasingly linked to digital transformation and consists of the successful implementation of interconnected projects.

The phases of SARS transformation over the past three decades for are:

» **Digitisation - Modernisation 1.0:** converting physical artefacts into digital form, followed by

» **Digitalisation - Modernisation 2.0:** converting physical process and experiences into digital and automated processes and experiences), to its current

» **Digital Transformation - Modernisation 3.0:** which entails a much broader enterprise and societal shift that creates a smart, intelligent administration platform, embedded in data science, artificial intelligence, and interconnected into a broader societal eco-system.

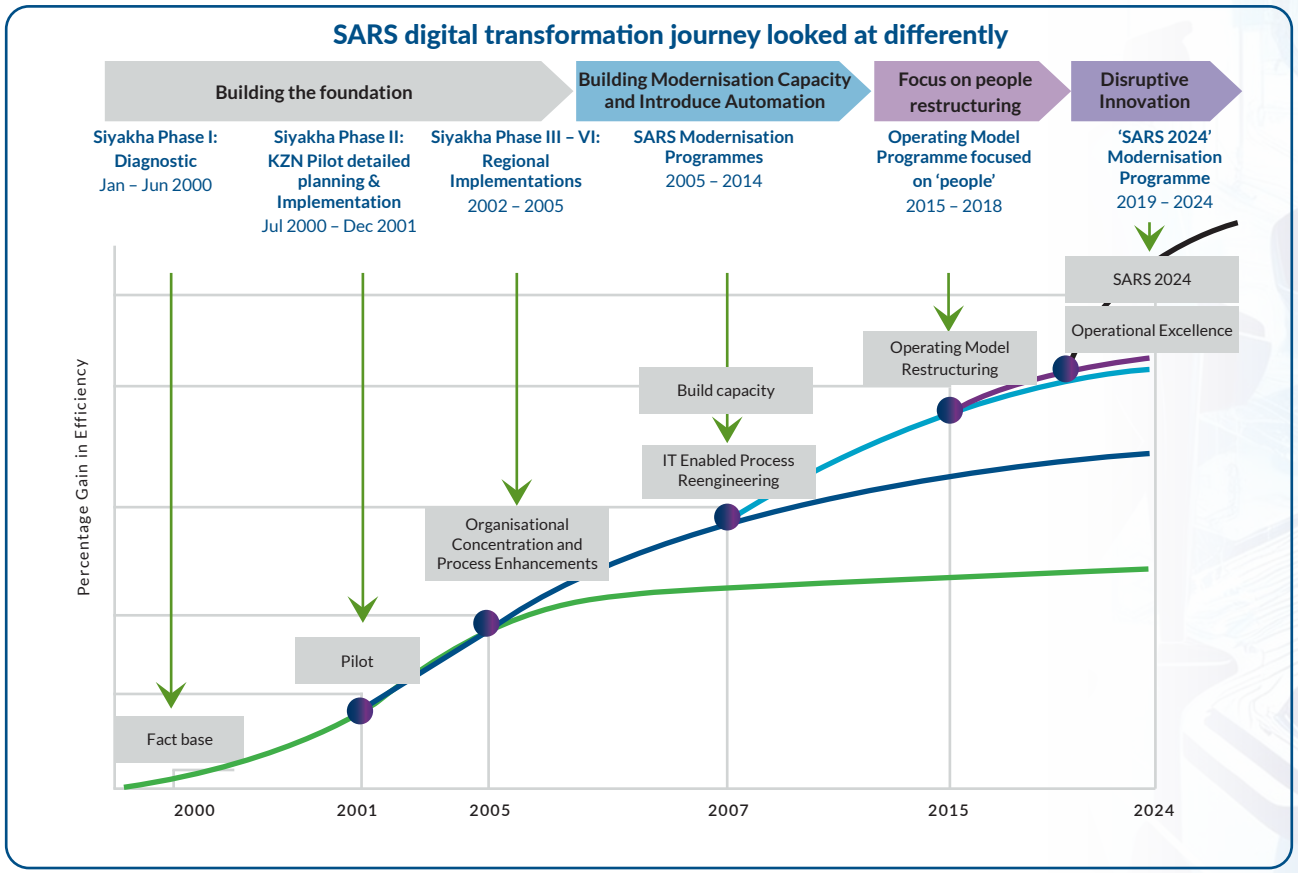


Figure 6: Modernisation Overview Graph

5.2 Introducing Modernisation 3.0

For the advent super computational capability, and artificial intelligence (AI), introduces game changing technologies, where technology is no longer a prosthetic tool for enhancing work. The emergence of intelligent, self-learning computers, and agentic AI means that technology is now well beyond being tools and prostheses. AI Agents, in fact not only become co-workers that can take over the tasks of human Agents, but in fact can use humans as prostheses.

Over the next five to ten years, SARS is embarking on a journey that will shift it well beyond digitising and digitalisation. Modernisation 3.0 will be about the digital transformation of the entire tax eco-system through the incorporation of AI, AI Agents, and data-driven insights into its operations. An intelligent administration platform will deeply embed data science and artificial intelligence. The SARS technology platform, will integrate into the natural systems of society, creating an interconnected intelligent eco-system that draws on rich structured and unstructured data, and instrumented to all economic activities relevant to its mandate. This will radically transform how SARS works and interacts with taxpayers, traders, and intermediaries. The main bias must remain to provide a seamless experience, whilst managing compliance risks. **This is the basis of Tax 3.0.**

6. SARS MODERNISATION 3.0 PLAYBOOK

THE WHY

The PURPOSE of modernising the Tax Administration Platform to an "intelligent digital platform, embedded in data science and artificial intelligence is to":

» ***FOSTER TRUST, PROMOTE EFFICIENCY, AND ENSURE TRANSPARENCY***

THE HOW

And to achieve this purpose by:

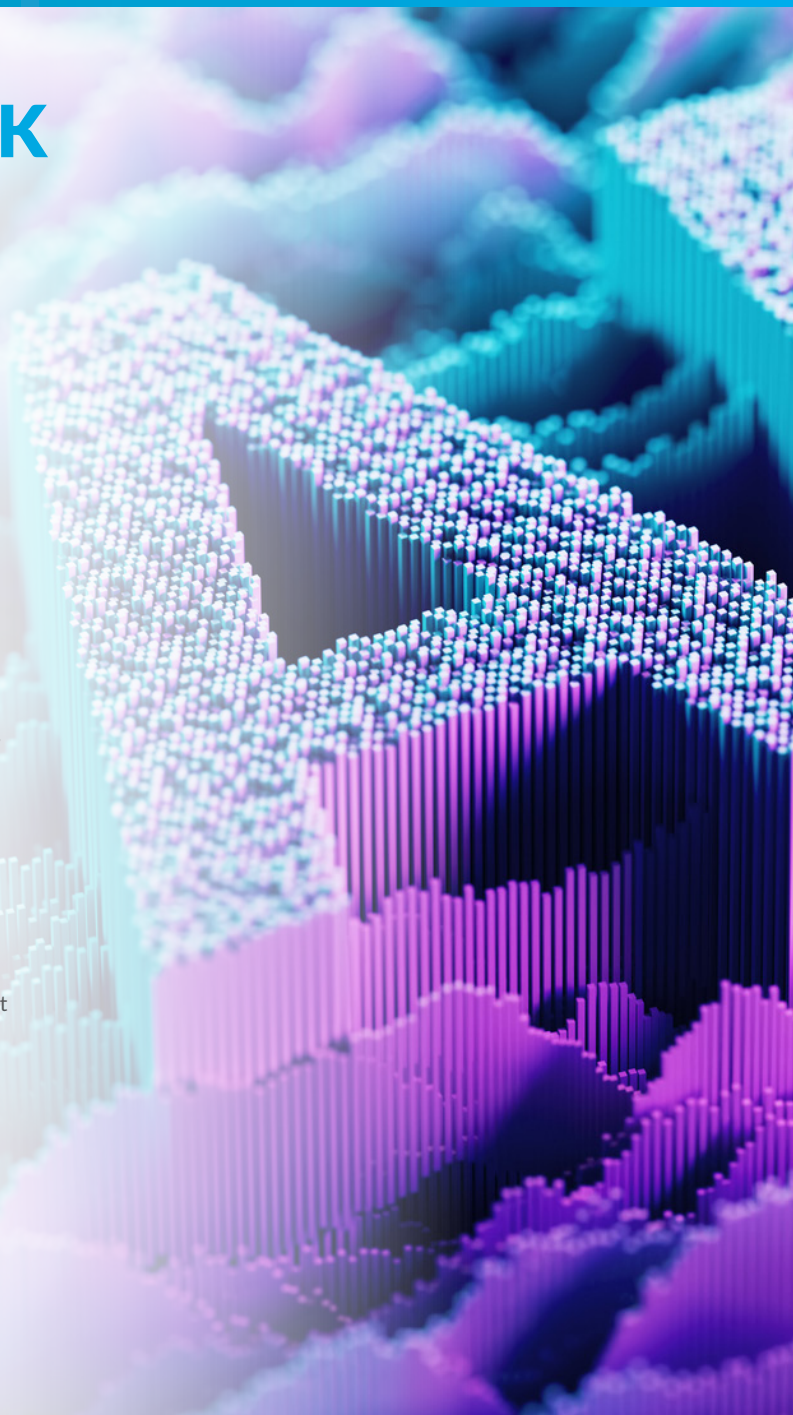
» ***REVOLUTIONISING THE WAY TAXPAYERS/TRADERS AND SARS ENGAGE TO ACHIEVE VOLUNTARY COMPLIANCE***

To ensure that Modernisation 3.0 is managed responsibly, ethically, with strategic clarity, the **MODERNISATION 3.0 PLAYBOOK** guides the development of an intelligent digital platform, embedded in data science and artificial intelligence, to ensure that it continuously support the Vision of "a smart modern SARS, with unquestionable integrity, trusted and admired", and promote the strategic intent of voluntary compliance.

6.1 THE PLAYBOOK

6.1.1 PREPARATION & FOUNDATION

1. **Leadership:**
    - » Leadership Alignment: Ensure the broad leadership team is committed driving digital transformation, promoting a culture of innovation and fostering continuous learning.
    - » Assign a smaller, focused dedicated team to lead the transformation
2. **Assess the current state:** Evaluate existing systems, processes, pain points; Identify skills gap and training requirements; Clarify stakeholder needs to identify areas of improvement and opportunities for digital transformation
3. **Establish the baseline:** Confirm the current performance against the selected objectives
4. **Define the requirements:** Collaborate with stakeholders to determine desired outcomes, functionalities, and user needs; Aligning with organisational goals and regulatory compliance.
5. **Selecting the technology:** Choose scalable, secure, and future-proof solutions that integrate seamlessly with existing infrastructure and support interoperability with other systems.
6. **Implementation:** Develop and execute a phased rollout plan to minimise disruption, manage risks, and ensure effective change management.
7. **Testing and Optimising:** Conduct user testing, gather feedback, and refine the platform to optimise performance, user satisfaction, and accessibility.
8. **Training and Change Management:** Provide comprehensive training, support, and resources for staff and taxpayers, emphasising the benefits of the digital platform and addressing potential concerns.
9. **Monitoring and Evaluation:** Establish performance metrics, monitor the platform's effectiveness, and make data-driven improvements to ensure continuous optimisation and alignment with organisational goals.



6.1.2 KEY COMPONENTS OF THE TAX ADMINISTRATION PLATFORM

1. **Taxpayer portal and digital communication:** Intuitive, user-friendly, multiple "always on" service channels (portal, voice, mail, SMS, Chatbot, social media, etc) for taxpayers and traders to engage with SARS - self-service, inbound and outbound in order to:
   - resolve service and compliance issues with ease
   - receive real time customised support
   - access fit-for-purpose educational and enabling resources, and
   - enhanced communication

2. **Data management & governance:** Effective & secure data collection methodologies for structured, third party and unstructured data
   - Enhanced Automatic & Manual exchange of Information
   - Establish robust data management and engineering protocols that ensures high data integrity, compliance with privacy and confidentiality requirements
   - Seamlessly integrate the platform with relevant databases and data sources to allow for accurate and efficient access and ingestion of data without compromising data integrity, privacy and security

3. **Data Science and Artificial Intelligence:** The application of emerging technologies, artificial intelligence, and Agentic AI is deployed to enable intelligent case management, automate routine and repetitive tasks, build AI Agents, and augment knowledge and strategic work.
   - **Intelligent case management:** ability to track every case across value chain, across all tax products - link to unique identity and composite tax/trader account; real time access & tracking for taxpayer, case worker, and manager against agreed service and performance criteria/charter standards
   - **Automation & AI Agents:** leverage advanced science & analytics, machine & deep learning to automate routine tasks, improve compliance management, streamline processes, and work towards the aspiration of "the best service is no service" (enable self-administration; reduce the need for inbound & outbound queries; eliminate/reduce disputes; accelerate resolution of queries & disputes) and improve the overall integrity of all outcomes
   - **Augmentation:** Provide insights from data to support research & development, the tasks of frontline, audit & investigative workers, performance analysis & management and, management reports

4. **Ethical AI:** To ensure the responsible and ethical deployment and implementation of AI, we must:
   - Implement ethical AI policies and frameworks to ensure fairness, transparency, and accountability in algorithmic decision making
   - Train employees on AI fluency, ethical AI principles and practices to foster responsible use of AI technologies
   - Ensure appropriate organisational arrangements for the governance and management of ethical AI

5. **People Matters:** It is important to take our people along with us by being intentional in enhancing their skills and attributes
   - Adaptation and repurpose current people practitioners to embrace modern effective people practices and augment with AI and AI Agents
   - Develop the workforce to remain relevant to the future world of work
   - Accelerate the attraction of data science, AI and digital skills

6. **Cultural transformation**
   - Fostering a culture of collaboration, innovation, continuous improvement, agility, experimentation and high performance
   - Develop intentional practices that support the transitioning to a data and insights driven operating model
   - Enhance the Employee Value proposition and bias reward to employees who, in addition to high performance, embrace data science, AI and technology

7. **Leadership**
   - Invest in leadership development to prepare leaders/managers to lead in a data driven, technology and AI enabled environment
   - Nurture a coaching & mentoring culture to support employees' growth and development
   - Encourage cross functional collaboration and sanction silo behaviours
   - Mandate a problem posing approach with an accentuated bias to taxpayers / traders / users (design thinking)
   - Foster a multidisciplinary orientation to problem solving and innovation

6.1.3 CHALLENGES & MITIGATION

1. **Resistance to change:** Develop a compelling case for change; constitute a guiding coalition to evangelise change; provide comprehensive training, emphasise the benefits, involve stakeholders throughout the process, and ensure effective wide and deep communication.

2. **Data privacy and security:** Implement robust security measures, comply with relevant regulations, maintain transparency about data handling practices, and regularly review and update security protocols.

3. **Technical challenges:** Ensure clear accountability, adequate resources & expertise; develop contingency plans; institute strong collaboration with technical partners to address issues during implementation

4. **Regulatory Compliance:** Regularly monitor changes in relevant legislation & regulations and update the platform accordingly to ensure adherence to legal, regulatory and governance requirements.

6.1.4 CRITICAL SUCCESS FACTORS

1. **Leadership & Commitment:** Strong & visible leadership from the CEO; Securing buy-in from executive management, maintaining a clear vision, and ensuring adequate resources and support throughout the implementation process.

2. **Culture and Collaboration:** Engaging with stakeholders, openness to change, fostering a culture of innovation, and leveraging partnerships with relevant government agencies, technology service providers and industry experts.

3. **Start with the user, not with the data:** Start with genuine empathy for the user, prioritise the real-time experiences of taxpayers/traders & staff in the platform design, functionality, features, and accessibility, whilst maintaining focus on continuous improvement

4. **Intelligent digital platform:** Integrate advanced technologies such as artificial intelligence, machine & deep learning, data analytics, to create an intelligent adaptable platform responsive to user needs whilst identifying patterns & trends, opportunities for automation, and insight driven decisions

5. **Appropriate management of resources:** Strategic managing and deployment and managing of people; Allocation of financial, technological and material resources to ensure ongoing maintenance of the digital platform whilst maximising the potential benefits and long-term sustainability

6. **Define winning up front:** What gets measured gets done - choose the right metrics; identify the levers that will move the dials

6.1.5 OUTCOMES

The successful implementation of a modern Tax Administration Platform will achieve the following **six outcomes**:

1. Improve Voluntary Compliance
2. Enhance Taxpayer Experience
3. Enhance Employee Engagement
4. Streamline Internal Processes
5. Improve Operational Efficiency
6. Maximise Long-term Sustainability

6.2 GENERATIONAL PROGRAMMES

The following generational programmes are implicit in the "smart digital administration platform", contribute to our vision of a "smart modern SARS, and advance our strategic intent of voluntary compliance:

1. Prepare and up skill our staff to be relevant in the future world of work
2. Establish a unique digital identity
3. Create a comprehensive taxpayer account
4. Modernising the case management system
5. Embed an "entity-based" compliance model on the administration platform
6. Partner with SARB to leverage the instant payment system
7. Modernise VAT administration
8. Modernise Customs & Excise administration

These immediate generational elements of modernisation of the Tax Administration Platform are contributory building blocks of the "intelligent digital platform, embedded in data science and artificial intelligence". Whilst the building blocks are distinct, they are interconnected. The typical experiential storyline description would be:

Figure 7: SARS Modernisation 3.0.

Following is a more detailed description of each of the generational initiatives.

6.2.1 PREPARING AND UPSKILLING STAFF TO BE RELEVANT TO THE FUTURE WORLD OF WORK.

SARS falls short in several areas of its corporate-service practices, hindering the delivery of an employee-centric workplace and world-class human capital management system. SARS aims to transform the organisation and "recode its DNA" by enhancing its corporate-service environment and resolving challenges such as sub-optimal employee engagement, leadership quality, and performance management. The project involves a data-driven approach to diagnose the current situation and design solutions that align with best practices. Focus areas include strengthening leadership; implementing career-progression models; defining organisational culture; preparing the workforce for future skill requirements; and integrating enabling technology. The goal is to create a positive employee experience, which is expected to enhance taxpayer and trader interactions, leading to high employee engagement for employees, and increased satisfaction and voluntary compliance for taxpayers.

6.2.2 DEVELOPING A UNIQUE DIGITAL IDENTITY FOR EVERY TAXPAYER AND TRADER IN PARTNERSHIP WITH OGAS

As the South African economy rapidly digitises, SARS and other organisations face challenges in verifying customer identities and protecting personal information, leading to a lack of trust in the financial ecosystem between those who issue the identity, those to whom the identity belongs, and those who rely on or must verify the identity provided as proof. To resolve these challenges, SARS will collaborate with the Department of Home Affairs, CIPC, Deeds Office, High Court Master, SARB, and other trusted stakeholders to develop a national digital identity ecosystem. By creating a robust, user-friendly digital identity ecosystem and a Unique Digital Identity for every taxpayer and trader in South Africa, this initiative will enhance regulatory compliance, empower individuals and organisations to manage and share their personal information securely, and reduce identity fraud and arbitrage opportunities.

6.2.3 PARTNERING WITH SARB TO BUILD AN INSTANT PAYMENT SYSTEM

Digital payments play a crucial role in economic digital transformation, stimulating economic activity, facilitating trade, and creating opportunities for innovation. Although South Africa has made significant progress in adopting digital payments, certain segments of the economy still heavily rely on cash. They are reluctant to adopt digital payments owing to high transaction fees, limited payment options, and digital security concerns. SARS is collaborating with SARB to lower these barriers by building an instant-payment system to enhance economic inclusion and shift society toward a cash-smart economy, and increase financial inclusion. This digital payment system will enable seamless reconciliation between national payment transactional data and SARS's VAT-modernisation solution, ultimately offering more secure payment, an intuitive e-commerce experience, and instant payment processing.

6.2.4 CREATING A SINGLE CUSTOMER VIEW

Currently, SARS's data for taxpayers is fragmented and spread across multiple systems, impairing SARS's ability to understand and engage taxpayers effectively, leading to a poor experience and compliance. By consolidating all customer data into a comprehensive profile, the Single Customer View will enhance taxpayers' experience, improve operational efficiency, and increase compliance. This integrated approach will lead to higher self-reliance by taxpayers, as well as a deeper understanding of individual preferences and behaviour, allowing for more accurate and timely responses to taxpayer needs, fostering a sense of being understood and valued.

6.2.5 EMBEDDING THE COMPLIANCE MODEL IN THE ADMINISTRATIVE PLATFORM

This initiative deals with the challenges of taxpayer non-compliance by using sophisticated risk models powered by machine learning and AI. SARS has developed an entity-scoring model to provide an in-depth perspective on compliance, behaviour, and risk. The project focuses on optimising data use, enhancing compliance verification, and modernising systems to improve efficiency and reduce backlogs. By fostering a culture of voluntary compliance and using advanced data analysis, SARS aims to create a fair and efficient tax system that builds trust and cooperation between taxpayers and authorities. Embedding the compliance model in the case management system, allows for real-time risk profiling and case selection, reducing the dependence on taxpayer declaration as the key trigger.

6.2.6 MODERNISING VAT

This initiative aims to enhance the taxpayer experience, facilitate voluntary compliance, and eliminate significant administrative inefficiencies and lost revenue by using a globally recognised VAT-modernisation approach. The current VAT system imposes a substantial burden on vendors, making it susceptible to fraud and non-compliance. By adopting a best-practice model, SARS seeks to enhance the taxpayer experience through automated tax-data submission, ultimately automatically assessing VAT liabilities by drawing on trusted data sources across the value chain, as well as harmonised cross-border trade. This initiative will involve close collaboration with SARB and extensive stakeholder engagement for a smooth rollout over the next five years.

6.2.7 MODERNISING CASE MANAGEMENT

The initiative to modernise SARS's Case Management System aims to overcome the limitations of SARS's current fragmented and outdated technology landscape, which hinders operational efficiency and the user experience. By embedding modern technologies such as AI and data science, SARS plans to shift from a reactive model to a proactive, taxpayer-centric approach, enhancing voluntary compliance through personalised interactions, full case transparency, and faster services. This strategic, phased approach will involve assessing the current state, defining business requirements, identifying future capabilities, designing an implementation roadmap, developing the solution, and continuously improving it. The goal is to create an intelligent, data-driven platform that supports proactive risk management and delivers a seamless digital experience for taxpayers and internal users.

6.2.8 MODERNISING CUSTOMS AND EXCISE ADMINISTRATION – ACCELERATE PHYSICAL AND TECHNOLOGY INFRASTRUCTURE AT PORTS OF ENTRY (WITH OGAS)

This initiative aims to resolve inefficiencies in cross-border processes and improve service delivery to traders. It involves enhancing predictive risk analytics, redesigning cross-border e-commerce, and continuing the smart-border roll-out. The project also includes improving customs connectivity among stakeholders and implementing Single Window functionality to make the value chain more visible. For excise, the initiative will introduce a new approach to registration and licensing, transitioning from manual periodic return submissions to automatically populated transaction-based returns. This modernisation effort is aligned with SARS's strategic objectives and focuses on reducing the administrative burden for taxpayers while improving service quality. Collaboration with the Border Management Agency (BMA) is a key partnership to leverage infrastructure and systems.

6.3 EXPANDED SARS MODERNISATION EXPERIENCE STATEMENT: ARCHITECTURAL AND DESIGN GUIDANCE FOR THE INTELLIGENT TAX ADMINISTRATION PLATFORM

As the Chief Architect of Product and Process at the South African Revenue Service (SARS), this expanded experience statement builds upon the original modernisation vision to provide a unified, actionable blueprint for transforming the Tax Administration Platform into an intelligent, AI-infused digital ecosystem. Drawing from global best practices—such as Singapore's Inland Revenue Authority of Singapore (IRAS) myTax Portal for seamless digital taxpayer services, Australia's Australian Taxation Office (ATO) AI-driven compliance models for risk assessment and transparency, the International Monetary Fund's (IMF) Compliance Risk Management (CRM) frameworks for data-driven revenue optimisation, the European Union's (EU) Smart Borders Entry/Exit System (EES) for biometric-enabled seamless border management, and Singapore's TradeNet for single-window trade facilitation—this statement integrates architectural principles, design guidelines, and an overarching programme to foster trust, efficiency, transparency, and voluntary compliance.

The platform will shift SARS from a declaration-dependent model to a proactive, entity-based ecosystem that anticipates taxpayer needs, minimises compliance burdens, and ensures responsible and ethical enforcement. Taxpayers (including individuals, businesses, traders, intermediaries, and representatives) will experience intuitive, self-reliant interactions where obligations are clear, efforts are minimal, and resolutions are timely and proactive. SARS will assume the majority of the compliance workload through automation, while maintaining a credible threat of detection for non-compliance.

6.3.1 ARCHITECTURAL GUIDANCE: CORE PRINCIPLES AND COMPONENTS

The architecture adopts a modular, cloud-native design inspired by countries like Singapore's IRAS, which emphasises scalable APIs for digital integration and user-centric portals. It will be built on a hybrid cloud infrastructure (e.g. AWS/Azure equivalents) for high availability >99.9% uptime, with micro-services for flexibility, ensuring compliance with South African legislation like the Tax Administration Act, Customs & Excise Acts, and Protection of Personal Information Act (POPIA), etc. Key architectural pillars include:

1. **Unique Digital Identity (UDI) and Secure Access Layer:**
    - » Implement a federated identity system drawing from EU EES biometrics (fingerprints, facial scans) and multi-factor authentication (2FA), integrated with national registers (e.g., Department of Home Affairs for population data, Companies and Intellectual Property Commission for business entities, Master of the High Court for trusts, Deeds Office for title deeds, etc). The single digital identity must reveal beneficial ownership to pierce corporate veils and prevent fraud.
    - » Architecture: Use "OpenID Connect" protocols such as via API gateways for secure, role-based access. Taxpayers access a unified dashboard (similar to IRAS myTax Portal) for self-service views of accounts, updates, and query resolutions, and compliance actions. Staff similarly to gain mirrored views with appropriate delegated authority, supported by effective audit trails for governance, accountability and performance management
2. **Entity-Based Compliance Engine:**
    - » Shift to real-time risk profiling inspired by best-in-class frameworks, where economic activities (structured data from transactions, unstructured from social media) trigger risks to compliance and increasingly provide auto-assessments rather than declarations to reconcile a tax account. Embed big data analytics and AI to go beyond individual taxes, to also auto-assess VAT and minor taxes, connecting to trusted third party data sources (stocks and flows), as well as the economic value-chain points like point-of-sale (POS) systems.
    - » Architecture: A central "engine" using event-driven micro-services and graphic databases to model entity relationships, enabling proactive compliance checks and fraud detection with >90% accuracy, drawing from examples such as the ATO's AI risk models.

3. **Intelligent Case Management System:**
    - » Automate routine tasks with Agentic AI (AI bots) - (autonomous for scripted tasks like query resolution, with human escalation for exceptions and high risks), drawing from examples such as the ATO's AI governance for transparency and bias mitigation. Integrate compliance improvement for prioritising cases based on risk matrices.
    - » Architecture: Workflow orchestration via tools, with AI "hooks" (e.g., via APIs to models trained on current and historical data) for proactive notifications, intuitive resolution, and evidence-based audits.
4. **Partnership Integrations and Border Modernisation:**
    - » Expand SARS payment platform to link with South African Reserve Bank (SARB) for instant payments, enhancing financial inclusion and integrity through real-time analytics, similar to IRAS's digital payment options.
    - » For Customs & Excise, design a path to a "no-stop" single-window system (inspired by examples from Singapore TradeNet and EU Smart Borders). IoT sensors, AI cameras, and biometric checks for low-risk flows (~1.5% intervention rate), sharing data with Border Management Authority (BMA) for seamless goods/people profiling. The idea is to reduce the visibility and involvement of Customs Officers, except for service facilitation by exception.
    - » Architecture: Secure data exchanges via APIs and "blockchain" type technology for immutable records, ensuring POPIA-compliant privacy.
5. **Ethical AI and Data Governance:**
    - » Balance autonomy (high for routines, low for high stakes) with human oversight, per examples from the ATO's transparency statements and IMF analytics guidelines. Include bias audits, data quality pipelines, and helpful monitoring tools.

6.3.2 DESIGN GUIDANCE: PRINCIPLES AND BEST PRACTICES

Design principles prioritise user-centricity, scalability, and security:

1. **Intuitive Interfaces:** Taxpayer dashboards with AI-guided chatbots (e.g., for clarity and certainty augmentation and tools), reducing compliance burden/effort to irreducible lows, inspired by examples like the IRAS's seamless digital services.
2. **Proactive and Responsible Enforcement:** AI anticipates needs (e.g. a pre-populated assessments) and ensures timely and equitable responses, with metrics tracking rations such as compliance yield and unit cost/revenue ratios.
3. **Modular and Interoperable:** Use open standards (e.g., RESTful APIs, like IRAS's Digital Integration Incentive) for extensibility to future taxes or partners.
4. **Resilience and Performance:** Design for low latency (<1s for queries) and zero major breaches, with hybrid setups for data sovereignty.
5. **Cross-Team Alignment:** Emphasise DevOps pipelines, shared repositories, and ethical guidelines to integrate engineering builds, data science models, and technology infrastructure - also address the culture and change management aspects for collaboration and inclusivity.

6.3.3 INTEGRATED PROGRAMME: PHASED IMPLEMENTATION, COLLABORATION, AND METRICS

The programme follows a 3–5-year agile framework, using "Gantt" charts for visualisation, critical path analysis for dependencies (e.g., infrastructure before AI deployment), and quarterly milestones. It aligns with project management best practices (e.g., PMBOK), with cross-team collaboration via joint sprints, hackathons, and shared tools like Jira / Confluence.

- **Phase 1: Planning and Design (Months 1-6, Q1-Q2 2026):**
    - » Focus: Requirements gathering, architecture blueprints, legal reviews (e.g. Data exchange protocols and MOU's). Technology team leads foundational infrastructure (e.g., cloud setup, security certs).
    - » Collaboration: All teams in workshops; Data Science prototypes AI models.
    - » Milestones: Infra blueprints, initial UDI designs. Metrics: On-time delivery (100%).
- **Phase 2: Development and Integration (Months 7-18, Q3 2026-Q2 2027):**
    - » Focus: Engineering builds core platform (UDI, dashboards, compliance engine); Data Science develops AI agents and analytics; Technology enables pipelines and integrations.
    - » Critical Paths: API stability (Engineering), data access (Data Science), security certificates (Technology).
    - » Collaboration: Agile sprints with joint reviews, e.g., Engineering/Data Science on model APIs.
    - » Milestones: Prototypes, code repos, models. Metrics: System uptime >99%, AI accuracy >90%, etc.
- **Phase 3: Testing and Pilot (Months 19-24, Q3-Q4 2027):**
    - » Focus: Envisioning Laboratory for Beta testing (e.g. VAT auto-assess pilots, no-stop border simulations). Refine based on feedback.
    - » Collaboration: Cross-team hackathons for issue resolution.
    - » Milestones: Evaluation reports, dashboards. Metrics: Reduced non-compliance detections, user satisfaction >85%, etc
- **Phase 4: Rollout & Optimization (Months 25+, Q1 2028 onward):**
    - » Focus: Full deployment, monitoring, and scaling (e.g. add minor taxes). Annual reviews for enhancements.
    - » Collaboration: Ongoing via shared DevOps; external audits for ethics.
    - » Milestones: Live operations, performance audits. Metrics: Cost < current % of revenue, voluntary compliance rates >95%, zero breaches.

Proposed Budget allocation: 30% digital infrastructure, 40% development/AI, 20% testing, 10% optimization. Risks (e.g., data integration delays) mitigated via contingency planning. Success tracked holistically: Voluntary compliance via on-time filings and evasion reductions; efficiency through effort metrics and resolution times.

This statement empowers teams to deliver a transformative platform, ensuring SARS leads in digital tax administration while upholding fairness and innovation.

7. CONCLUSION

The modernisation of SARS is not a finite project or programme. At least for the next 5-10 years modernising SARS is a way of being. The speed at which new technologies emerge is unprecedented. At this stage therefore, we have to remain open to the choice of technologies as the modernisation journey progresses.

For example, just more than 5 years ago large language models (LLM's) like generative pre-trained transformers (GPT) did not exist and could not have formed part of our suite of modernisation technologies. The development of GPT's has now popularised the deployment of agentic AI and conversational AI. Similarly, over the next 5-10 years, there is likely to be GPT winners and losers, and exponential advancement and the emergence of specialised agent models in various disciplines. In addition, the emergence of artificial generative intelligence (AGI) will fundamentally increase the level of autonomy with which AI Agents may function. For SARS, this will have significant implications for how tax administration takes place and in particular the automation of tasks and the role of people.

In this regard, we must remain curious, but also professionally sceptical. The abiding questions include:

1. How do we ensure that AI remains responsible, ethical and safe? We are literally building the "modernisation road" as we walk it,
2. How do we take our employees along with us on this journey,
3. How do we ensure that we remain true to our mandate to collect only the taxes and duties that are due, whilst advancing our strategic intent of voluntary compliance and dealing responsibly with all forms of non-compliance as well as tax and financial crime facilitating legitimate trade, and,
4. How do we ensure guardrails are in place to ensure the above.

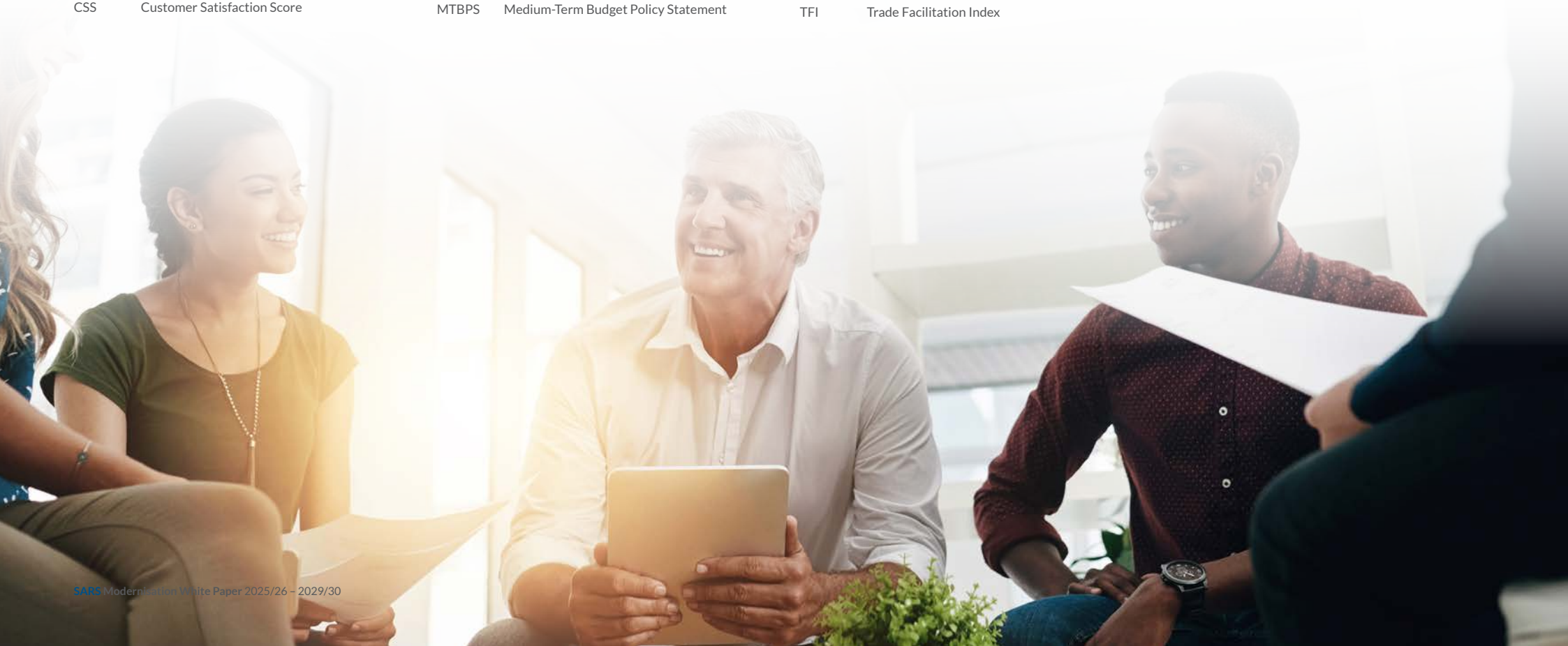
Modernisation presents a unique opportunity to transform the tax landscape and optimise revenue collection and change the engagement with taxpayers radically. By embedding tax, customs, and excise into natural systems, we can significantly improve voluntary compliance.

SARS, whilst, appropriately prepared for this journey, will retain an open mind, a high learning orientation, and a heightened sensitivity to remain responsible and ethical. We remain committed to our strategic intent of voluntary compliance and our aspiration to "make tax just happen". Finally, we stay true to the conviction that the deployment of technology must create benefit for all stakeholders in a fair and equitable manner.

Edward Chr Kieswetter
Commissioner

8. ABBREVIATIONS

AI	Artificial Intelligence
APP	Annual Performance Plan
ATO	Australian Taxation Office
BMA	Border Management Authority (Collaboration with the Border Management Agency)
CEMIS	Compliance Evaluation Monitoring Information System
CFO	Chief Financial Officer
CIT	Corporate Income Tax
CRM	Compliance Risk Management
CSS	Customer Satisfaction Score
DEIB	Diversity, Equity, Inclusion, and Belonging
DRM	Domestic Resource Mobilisation
EES	Entry/Exit System (EU Smart Borders Entry/ Exit System)
ETI	Employment Tax Incentive
EVP	Employee Value Proposition
EXCO	SARS Executive Committee
GPS	Global Positioning System
IRAS	Inland Revenue Authority of Singapore
KPI	Key Performance Indicator
MTBPS	Medium-Term Budget Policy Statement
MTEF	Medium-Term Expenditure Framework
NDP	National Development Plan
OGAs	Other Government agencies
PAYE	Pay-As-You-Earn
PIT	Personal Income Tax
POPIA	Protection of Personal Information Act
SARB	South African Reserve Bank
SARS	South African Revenue Service
SDGs	Sustainable Development Goals
SO	Strategic Objective
TFI	Trade Facilitation Index
TID	Technical Indicator Descriptor
UDI	Unique Digital Identity
VAT	Value-Added Tax
VCI	Voluntary Tax Compliance Index



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