



January 2017



**MOKHAFI**  
*The Taxpayer*

*newsletter*

The official Newsletter of the Lesotho Revenue Authority

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Commissioner General meets northern region employees



The Commissioner General, Mr. Thabo Khasipe visited employees in the Northern region as part of his programme to meet the Lesotho Revenue Authority employees. The Commissioner General on Tuesday, 24th January 2017 met employees at Peka Bridge, Maputsoe Bridge, Leribe Advice Centre and the Caledonspoort Border Post.

In his address, Mr. Khasipe said the LRA has done a splendid job over the years to perform its mandate through amongst others, the achievement of standardised and predictable business processes at border posts. *“The LRA has made notable strides in standardising business processes in Customs, our clients now enjoy similar treatment at all border posts and all that is credit to you as officers,”* he said.

He said during his tenure of office, his vision was that the Authority should develop mutually beneficial relationships with its clients. *“We should expand our relationship with our clients from a narrow Taxpayer and Tax Collector association. When we look at them as clients it will say to us our duty is to serve them and it will influence the way we approach them,”* he said.

He said that approach was vital as the Customs Administration role was evolving from just collecting taxes as it also encompasses trade facilitation and protection of the country against harmful goods such as drugs and dangerous weapons. He said through mutually beneficial relationships with its clients, the LRA would be able to instill a culture of voluntary compliance in the community.

*“I know we have been talking about achieving voluntary*

*compliance for some time now but we should take that further through instilling a norm of tax compliance among the community,”* he said.

He also said; *“It is my vision to one day look back and say we have developed a relationship with our clients where they will say through the excellent service they receive from us, they have no excuse to comply with their tax obligations,”* he said. He applauded the initiative to develop the compliance model programme saying it was long overdue. He said the programme would also go a long way in helping the LRA to determine a degree at which it creates an enabling environment that induces Taxpayers to voluntarily meet their obligations in relation to Tax and Customs Laws.

Mr. Khasipe also encouraged employees at border posts and Advice Centres to treat clients with respect because they play the ambassadorial role to all people visiting the LRA and the country. *“We are working towards improving our communications through creating multiple platforms where we can interact with our clients to share pertinent information on procedures and processes.”*

*We will establish a Call Centre and improve our website to include communication aids such as videos which will guide the clients on various procedures,”* he said. He concluded by assuring the employees that the Authority would priorities initiatives aimed at addressing challenges on staff welfare to keep up with market standards and to properly acknowledge them for the work they do.

Mr. Khasipe was appointed to the position of the Commissioner General in December 2016.



# Tax Calendar

## Income Tax

**31st December (3rd Installment)**  
**31st March (Last Installment)**  
**30th June (Return & Last Installment)**

## Corporate Tax

**30th September (1st Installment)**  
**31st December (2nd Installment)**  
**31st March (3rd Installment)**  
**30th June (Return & Last payment)**

## Fringe Benefits Tax

**30th June (1st Quarter)**  
**30th September (2nd Quarter)**  
**31st December (3rd Quarter)**  
**31st March (4th Quarter)**

## PAYE

**15th every month**  
**Valued Added Tax (VAT)**  
**VAT returns for VAT vendors**  
**20th every month (Return & Payment)**

## Import VAT Credit Facility

**20th every month (Return & Payment)**

## 6th Edition of Harmonised System 2017 implemented



**T**he office of Tariff and Valuation brings to you the successful implementation of 6th Edition of Harmonised System (HS) 2017.

The Harmonised System Conversion requires members Customs Administration to implement changes in Harmonised System on the 1st of January for each life cycle of the edition of the HS. The current new edition was due for implementation on 1st January 2017. The Lesotho Revenue Authority (LRA) through its section of Tariff and Valuation managed to meet this obligation successfully with the help of different quarters, namely the Operational Support Section and the Planning and Modernisation and Corporate Services Division.

In order for Tariff and Valuation to deliver on this mandate, the Section adopted a project approach in ensuring that on the 1st January 2017, the new HS (2017) is in place. The team was made up of Tariff and Valuation Officers mainly Tariff Classification Officers, and Operational Support Section.

### What is Harmonised System (HS)

- The Harmonized Commodity Description and Coding System generally referred to as “Harmonized System” or simply “HS” is a multipurpose international product nomenclature developed by the World Customs Organization (WCO).
- It comprises about 5,000 commodity groups; each identified by a six digit code, arranged in a legal and logical structure and is supported by well-defined rules to achieve uniform classification.
- The system is used by more than 200 countries and economies as a basis for their Customs tariffs and for the collection of international trade statistics. Over 98 % of the merchandise in international trade is classified in terms of the HS.
- The HS contributes to the harmonization of Customs and trade procedures, and the non-documentary trade data interchange in connection with such procedures, thus reducing the costs related to international trade.
- It is also extensively used by governments, international

organizations and the private sector for many other purposes such as internal taxes, trade policies, monitoring of controlled goods, rules of origin, freight tariffs, transport statistics, price monitoring, quota controls, compilation of national accounts, and economic research and analysis. The HS is thus a universal economic language and code for goods, and an indispensable tool for international trade.

- The maintenance of the HS is a WCO priority. This activity includes measures to secure uniform interpretation of the HS and its periodic updating in light of developments in technology and changes in trade patterns. The WCO manages this process through the Harmonized System Committee (representing the Contracting Parties to the HS Convention), which examines policy matters, takes decisions on classification questions, settles disputes and prepares amendments to the Explanatory Notes. The HS Committee also prepares amendments updating the HS every 5 – 6 years.

It is in this note that the Tariff and Valuation Section is proud to announce that our actions have added value for Lesotho to ensure that it has basis for this year as the WCO theme says, “Data Analysis for Effective Border Management.”

The LRA is also celebrating this successful implementation of the HS2017 as it is the first time in many years that we had to do some real work in implementation of the changes in HS. The Tariff and Valuation Section call upon everyone to support this change. The challenge brought to us by WCO is with respect to Data analysis thus, we need to put in place actions that will ensure that we have improved data analysis as it forms basis for our revenue collection and improves our risk management.

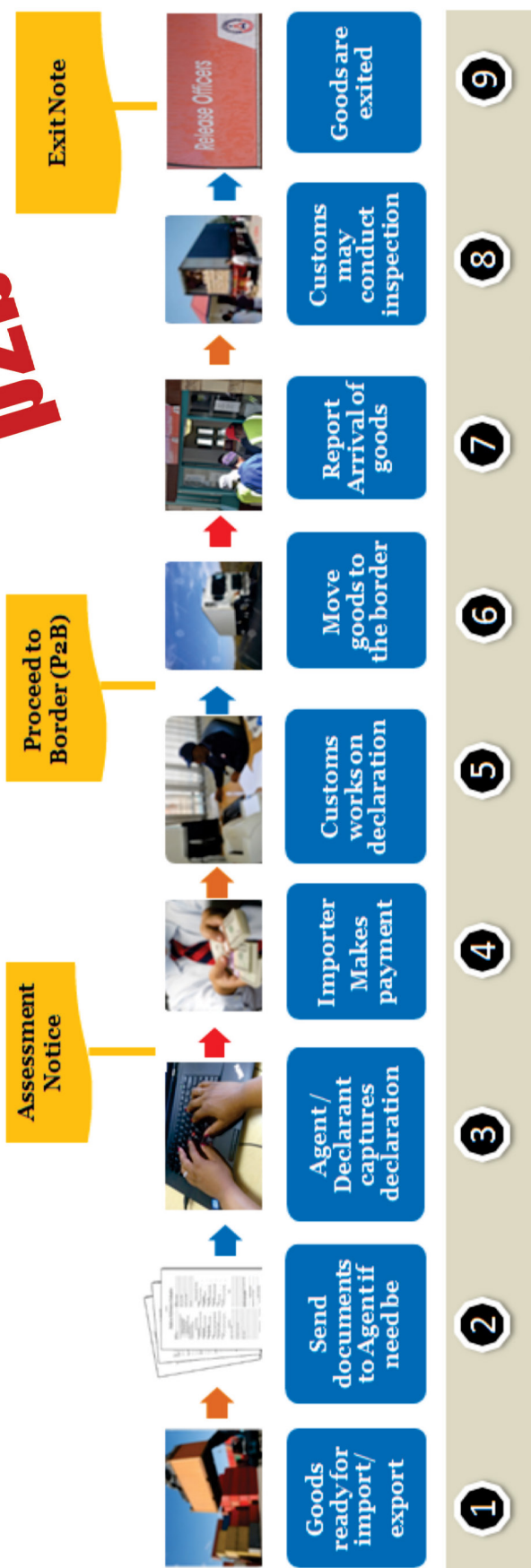
Implementation of HS 2017 does come with changes in classification in some of the goods and does bring in new products, we will therefore be continuously communicating and involving other sections which use the HS to ensure that there is consistent use of HS and that appropriate modifications are done where necessary. That says the risk engine will need to be modified to accommodate changes in HS.





# Proceed to Border

**p2b**



- P2B is an automated notification that allows a consignment to Proceed To Border for possible inspection & release
- Declare and pay in advance and if P2B notification is not issued within 24 hours after declaration, make an enquiry on [ecustoms@lra.org.ls](mailto:ecustoms@lra.org.ls) / 5221 5111 / 5221 5112
- No consignment should come to the border without ASYCUDAWorld P2B
- P2B is now accessible from the System anytime when it is due, just click this icon

## WTO TFA Enters into Force Soon, ... Are we ready?



Negotiations on the World Trade Organisation (WTO) Trade Facilitation Agreement (TFA) were concluded by member states in December 2013 with a protocol amendment to include the WTO TFA as one of the organisation's agreement. The agreement was adopted in November 2014.

There after a lot of work was done to get the WTO members to ratify the agreement. According to the provisions of this agreement, it will enter into force when two thirds of the members have availed their instruments of ratification. In numbers, this implies that out of the 164 WTO Members, at least 110 Members should have ratified the Agreement before it enters into force. Lesotho made its ratification in January 2016.

As of today (20th January 2017), there are 106 member states on the ratification list, with means only four are remaining for the WTO to meet the two thirds majority requirement for the agreement to enter into force. Upon entry into force, all WTO members that ratified the Agreement will be obliged to implement its provisions.

The provisions are subject to various aspects such as exceptions and transitional periods for developing and least developed Members. An interesting question, which is debatable is, whether or not the African continent is ready for that implementation? What about Lesotho? Of great significance is whether or not the LRA is ready to implement this Agreement and optimize on anticipated benefits?

Implementation of the TFA is expected to bring gains from trade, which is desirable by all WTO member states and this is no exception for Lesotho. It ensures the use of principles of simplification, standardization, harmonization and

transparency in the movement of goods from one country to another and through jurisdictions of other countries in some instances.

These are principles which the TFA have been built. They essentially make world trade simpler, better and faster which is ideal for good return on investment and ultimately economic growth and development. In the presence of such an atmosphere, business entities are more profitable, which increases potential for collecting more tax revenue. The WTO has emphasized that "implementation of the WTO Trade Facilitation Agreement has the potential to increase global merchandise exports by up to \$1 trillion per annum."

The Organisation for Economic Co-operation and Development (OECD) specifically separated the implementation into two categories stating resultant cut in trade costs under each group namely, Full Implementation Scenario and Limited Implementation Scenario). The Full Implementation Scenario is when a member country implements all provisions of the TFA, while the Limited Implementation Scenario is when a member country only focuses on mandatory provisions. Under this segregation, it brought forward potential benefits to countries depending on their level of development as summarized in the table below.

Potential trade costs reduction for implementation of the WTO TFA	
Full implementation scenario	Limited implementation scenario
14.1% of total costs for low income countries	11.7% of total costs for low income countries
15.1% for lower middle income countries	12.6% for lower middle income countries
12.9% for upper middle income	12.1% for upper middle income
Countries	Countries

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# WTO TFA Enters into Force Soon, ... Are we ready?

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From the estimates made above, it becomes clear that the TFA could benefit all countries regardless of their level of development. The only way that this will hold, however, is if member countries strategically position themselves and get ready for the implementation. This requires national collaboration and commitment. Lesotho, though moving at a slow pace, could be considered to be making positive strides in ensuring effective implementation of the agreement upon entry into force. As previously mentioned, Lesotho ratified the agreement early 2016.

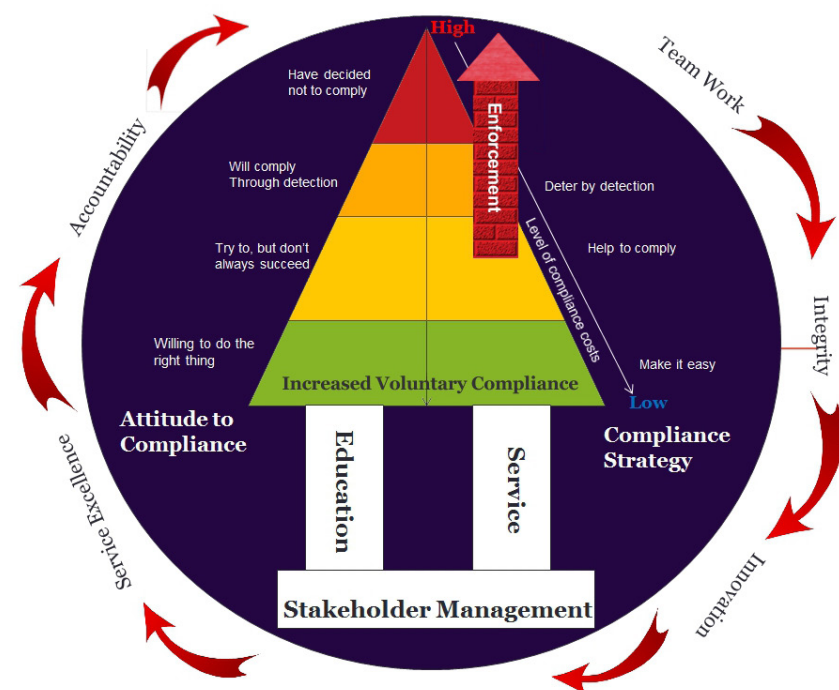
In addition, the country has built national programmes and structures that are geared towards promoting trade facilitation including Lesotho National Development Cooperation (LNDC) investor road map, Investment Climate Reform (ICR) and Heads of Boarder Agencies (HOBA), National Trade Facilitation Committee (NTFC) (still under construction). The LRA plays an active and prominent role in these forums, with the Commissioner Customs playing a leading role in HOBA.

The nature of participation expected from the LRA in trade facilitation matters spells out the importance of close collaboration with its clients. It is therefore justifiable to say that the role the Authority plays its aligned with the its strategic view of being Taxpayer centric. One of the most convenient ways of being Taxpayer centric is to strength

networks to get most out of them. The LRA Business Partnership Forum (BPF) is also instrumental in this area.

The LRA is on the right path and is being geared up, though it is rather difficult to say whether the Authority is moving at the right speed or not. It has, to this end, engaged with strategic partners at all levels and continues to implement and report on plans which have been collectively developed. In December 2016, the LRA officials from Customs and Legal and Policy underwent a workshop on coordinated border management together with members of HOBA and other government ministries. This is a positive sign of improved collaboration going forward, although it may not be as clear cut as meets the eye.

The importance of facilitating trade is valued by LRA and has been identified as one of LRA's strategic outcomes with specific Key Performance Indicators measured periodically. Worth noting is the critical decision reached by the organization to consider measuring only that which LRA has control over as this is a nationwide initiative with many external contributors. The Authority has also tapped into opportunities for funding enshrined in the provisions of the agreement and things look promising. Clearly work is being done to get LRA strategically positioned for the implementation of the TFA. There is however still room for improvement.



## TAX CLEARANCE CERTIFICATE (TCC) NEW FEATURES

Tax Clearance Certificate	
Certificate ID:	9795388359
TIN:	20002008-1
Legal Name:	GOOD CITIZENS
Trading Name:	KHAHLA KHAHLA ENTERPRISES
Nature of Business:	WHOLESALE OF FOOD, BEVERAGES AND TOBACCO
Address:	11 ROUTE 1, BLOOMSBURY, LESOTHO
It is hereby certified that as of the date of this Certificate, the above mentioned Taxpayer has complied with the legal obligations and commitments in terms of the provisions of the Income Tax Act 1983 as amended and the VAT Act 2001 as amended.	
Tax Clearance Certificate ID without prefix LRA New TIN TCC Date of Issue	
Type of Business Official LRA Stamp to identify TCC Original and Copy	

Effective January 2017

## DATA COLLECTION: ....AN INTEGRAL COMPONENT OF TAX ADMINISTRATION & A PREREQUISITE FOR REVENUE COLLECTION IN AFRICAN COUNTRIES



### AFRICAN TAX ADMINISTRATION FORUM

### FORUM SUR L'ADMINISTRATION FISCALE AFRICAINE

**A** Tax administration generates a substantial amount of data fragmented across different databases and often of varying focus and scope. The **African Tax Outlook (ATO)** a publication by the African Tax Administration Forum (ATAF) was initiated by the need for accessible quality information on taxation in Africa.

Fifteen countries participated in this inaugural ATO: Burundi, Cameroon, Gambia, Kenya, Lesotho, Mauritius, Rwanda, Senegal, Seychelles, Swaziland, Tanzania, Togo, Uganda, South Africa and Zimbabwe.

The ATO is a project led by African tax administrations. The ATO project is aimed at embedding the systematic collection of tax statistics in the day-to-day activity of their respective administration work.

#### The ATO's objective are:

- To be a reliable source of information on taxation that will serve as an African and global benchmark in formulating tax policies and tax administration reforms across Africa.

It also seeks to be a barometer for the business community. To those ends, the ATO endeavors to:

1. Enable improved comparisons and benchmarking between African countries and between regions;
2. Supply meaningful, comparable data on tax policy, tax administration and tax legislation;
3. Analyse data to determine trends in taxation; and

Identify good practices within the African region to improve revenue administration.

#### A PEEP INTO THE AFRICAN TAX OUTLOOK FIRST EDITION 2016

This first edition of ATO, which brings together valuable, practical and relevant descriptive and analytical work on tax issues for the period of 2009-2014 from 15 countries, is the beginning of a journey. It is the first-ever attempt by African tax authorities to compare, in a consistent fashion, the ways in which African tax authorities raise revenue.

It assesses and compares 15 countries against indicators in four broad categories: **tax bases, tax structure, revenue performance, and tax administration**. The indicators are crucial to African tax authorities as they implement reforms and policies to broaden the tax base, narrow tax gaps, simplify and improve fairness in tax systems, enhance overall voluntary compliance, and keep policy makers informed on tax matters. For the purposes of international comparison, the performances of the 15 countries are set against those of the Organisation for Economic Co-operation and Development (OECD) and the

Inter-American Center of Tax Administrations (CIAT) where possible. The purpose of the publication is to build a solid framework of meaningful indicators that will help to compare, assess and ultimately improve African countries' tax administration and revenue performance.

#### TAX BASE:

The ATO countries are very heterogeneous in population size as well as economic structure and levels of development. The results are wide disparities in GDP per capita and GDP growth. Similarly, numbers of registered taxpayers as a ratio of the labour force differ considerably from country to country

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## DATA COLLECTION: ....AN INTEGRAL COMPONENT OF TAX ADMINISTRATION & A PREREQUISITE FOR REVENUE COLLECTION IN AFRICAN COUNTRIES

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– from less than 0.1% in Burundi to over 80% in South Africa when it comes to income taxpayers.

Nominal economic growth was dynamic in the five years under study, 2010-14. The ATO countries registered a near 11% average annual growth rate in nominal GDP (the main driver of increases in tax revenue). The highest nominal growth came in Burundi, Tanzania, Kenya and Uganda.

#### TAX STRUCTURE:

The ATO countries have similar tax structures. They all use VAT and excise duties as consumption taxes, they all tax personal and corporate income, and they all have provisions for the special treatment of SMEs. Standard VAT rates range between 14% and 19.25%, averaging out at 16.5%. All the 15 countries use both main consumption taxes – VAT and excise duty. Although they account for the bulk of tax revenue, they can be costly and inefficient when applied to small companies. Personal Income Tax (PIT) is progressive in all the 15 countries save Mauritius, which applies a 15% flat rate. The Gambia has the lowest bottom marginal rate at 5%, Zimbabwe the highest top marginal rate at 50%. Many people are income-tax-exempt or pay the lowest rates as their income is close to the bottom marginal rate.

Most countries tax companies at uniform rates, regardless of sector. Standard corporate income tax rates range from 25% to 31%, with exceptions of Mauritius and Cameroon, where the rates are 15% and 38.5%, respectively.

#### REVENUE PERFORMANCE:

The tax-revenue-to-GDP ratio, the composition of tax revenue, and tax productivity measure a country's ability to mobilize and use domestic resources to finance public services and investments. The 15 countries' ability to mobilize revenue – measured by the average tax-revenue-to-Gross Domestic Product ratio – 17.6% – is well below the OECD average (25.7%) versus CIAT (21.3%).

Consumption taxes (including VAT and excise duties) finance 36.4% of total revenue in 15 countries. The customs tax share of revenue (16.8% on average) is above 10% in eight countries – Cameroon, the Gambia, Kenya, Senegal, Tanzania, Togo, Uganda and Zimbabwe – despite the fact that most other ATO countries have reduced or removed import duties, making customs taxes less important.

On average, personal income tax and corporate income tax contribute 21.7% and 15.9% to the total tax revenue of ATO countries respectively. The average ATO PIT revenue-to-GDP ratio is 4.1% – less than half the OECD's 8.6%. The equivalent figures for VAT-to-GDP and CIT-to-GDP ratios are 6.2% and 2.8% (close to OECD's 2.9%) respectively.

The ATO 1st Edition 2016 can be accessed here:

[http://www.ataftax.org/FB7822C7-7C47-402B-B82D-ED00D186F3E9/FinalDownload/DownloadId-AoEFDA47794498780A8AC880209F9309/FB7822C7-7C47-402B-B82D-ED00D186F3E9/en/Documents/ATO%20Africa%20Tax%20Outlook\\_Book\\_Eng%20Version\\_Final\\_Lowres.pdf](http://www.ataftax.org/FB7822C7-7C47-402B-B82D-ED00D186F3E9/FinalDownload/DownloadId-AoEFDA47794498780A8AC880209F9309/FB7822C7-7C47-402B-B82D-ED00D186F3E9/en/Documents/ATO%20Africa%20Tax%20Outlook_Book_Eng%20Version_Final_Lowres.pdf)

## Re Sebeletsa Uena, Re Sebeletsa Sechaba



## Serving You, Serving the Nation



## The Borderline View: Customs Officer – Gate Keeper or Risk Manager?



**T**he exponential growth of international trade in recent decades has challenged the way customs administrations have been traditionally operating. Administrations have caught themselves having to respond to increasing trade volumes and increasing complexity of trade while resources with which to respond have remained unchanged or not increased proportionally. In short, customs administrations are asked to do more with less. Proliferation of revenue authority models attest to this fact because under this model resources traditionally allocated to three tax departments are pooled under one big organization and therefore rationally utilized.

The traditional customs officer was a gate keeper. His role was to ensure that every single traveler crossing the border reported to him, every single commodity was declared, inspected, and all taxes chargeable paid and collected while every vehicle was searched. Only when all these tasks were performed to his satisfaction would he open the gate to grant pass. Time was not a factor in his business; the goal was the performance of those tasks. In fact he believed this was why there was customs and why he was posted at place of entry or exit. The traditional customs officer was working hard and not working smart. The concepts of trade facilitation and risk management were unknown to him.

However the ever increasing volumes of trade and their complex nature would soon tire out a gate keeper customs officer. He soon found himself unable to perform his tasks in the desired detail on each and every traveler, declaration, and vehicle. Events had forced him to perform detailed scrutiny on some and not on others because he just ran out of resources and strength. But his selection depended at worst on his gut feeling and at best on his perception of who he thought more likely to be in breach of the laws he was responsible for. This was the beginning of rudimentary risk management.

In recent years, risk management in customs has been perfected and automated to assist an officer in deciding which traveler(s) and declaration(s) deserve more scrutiny. This has resulted in at least two benefits: the officer is no longer working unbearably hard but is now working smarter. He can dedicate his time and efforts to riskier subjects.

For trade, those who are compliant find themselves spending less time at customs and this is good for business. For an administration this meant customs no longer needed an ever increasing pool of resources and what resources they have they could assign to riskier clients. A win-win

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## The Borderline View: Customs Officer – Gate Keeper or Risk Manager?

*From page 12*  
situation

Whereas Lesotho is a signatory to various international conventions encouraging customs administrations to adopt risk management in their operations, and there is a fledgling risk management unit, the Case Selection Unit granted it is still under development, it does not seem like the concept is finding favour within the rank and file of the LRA. There is a deeply entrenched expectation that every traveler, every declaration, and every vehicle passing through the border must pass through the hands of a customs officer. This is not only against the concept of risk management but it is practically close to impossible.

LRA customs administration will never have resources to operate like that whatever number officers are deployed. On average, over 30,000 customs declarations are lodged every month, over 45,000 incoming vehicles pass through the borders (no statistics for outgoing vehicles), and countless pedestrian travelers cross the borders. It would be inefficiency to attempt to control this much movement; this is why risk management should be the way to go. The contemporary customs officers should be a risk manager and not a gate keeper.

***Remember to declare and pay for your imports, your country needs your tax!! (No free membership to society called Basotho)***



### Excess Credit at the Ports of Entry

**Traders and Importers are urged to take note that:**

- The LRA does not allow importers to have excess credit from which they can gradually pay for declarations;
- Payments made must match the amount of the assessment notice;
- If an excess amount is paid, it can only be claimed through a normal refund process at LRA Headquarters.





**We are here to serve you!**



**Declare, pay, get notification  
and proceed to border**

**Lesotho Revenue Authority**

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