February 2017

MOKHAFI

The Taxpayer

newsletter

The official Newsletter of the Lesotho Revenue Authority

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Study on tax compliance costs on

The LRA Research Assistants and Specialists ready to undertake a study on Tax Compliance Costs across the country

Globally and nationally, tax compliance costs are a growing concern for both Taxpayers who have to bear them and tax administrations who wish to increase the efficiency of tax systems.

As the LRA, our strategy is to develop an intimate understanding of the needs of our Taxpayers in order to respond with innovative and fit for purpose solutions towards easing and enhancing compliance. It is towards achieving this strategy that the Authority is embarking on a study aimed at understanding and measuring the costs (monetary, time and psychological) incurred by Taxpayers towards complying with the tax obligations.

The LRA through the Department of Research and Development commenced the study Tax Compliance Costs borne by Taxpayers in Lesotho from the 22 February 2017. The research will be undertaken through collection of data using questionnaires which will be administered by the temporary Research Assistants. The data collection exercise will be done in the Northern, Southern and Central Regions of Lesotho.

A random selection of Taxpayers and tax practitioners was selected for interviews by the identifiable Research Assistants.

This study will enable the LRA and policymakers in Government to determine targeted tax reforms towards reducing tax compliance costs while also enhancing voluntary compliance

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)

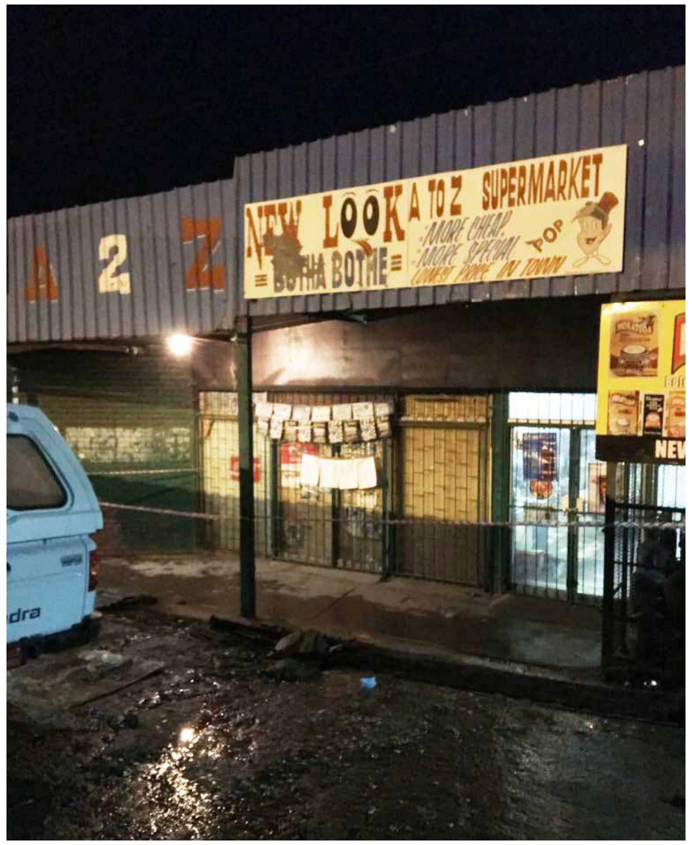
PAYE

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)

LRA enter into debt settlement pacts with delinquent traders



Some of the supermarkets distressed by the LRA this week

The Lesotho Revenue Authority (LRA) has entered into payment agreements with most supermarkets that were recently issued with the distress orders.

According to the Manager, Debt Recovery, Mr. Mahlomola Manyokole, following the distress orders against some supermarkets in Maseru, Teyateyaneng and Butha Buthe, the involved traders came forward to propose a payment plan with the LRA for their due tax debt.

He said the Authority accepted to enter into payment agreements with the involved retailers as the move was in the long run economically viable and sustainable for both the businesses and the LRA.

"The whole idea of issuing a distress action against the wholesale and retail sector is not to shut down business but to enhance compliance. Therefore if the involved traders come forward to negotiate a foreseeable short-term payment plan with agreed deposits, we are ready to accept," he explained.

The ongoing distress actions against some traders followed the risk based audits conducted by the Lesotho Revenue Authority in the sector.

The LRA has discovered that though the wholesale and retail sector was growing significantly, their contribution in taxes has dropped by 35%.

Meanwhile, the Debt Recovery Unit alongside Audit, Legal, Intelligence and the Police enforced distress orders to three supermarkets in Butha Buthe on Tuesday, 21st February 2017. They were namely:

- Lineup Supermarket
- Grens Supermarket
- New Look Supermarket

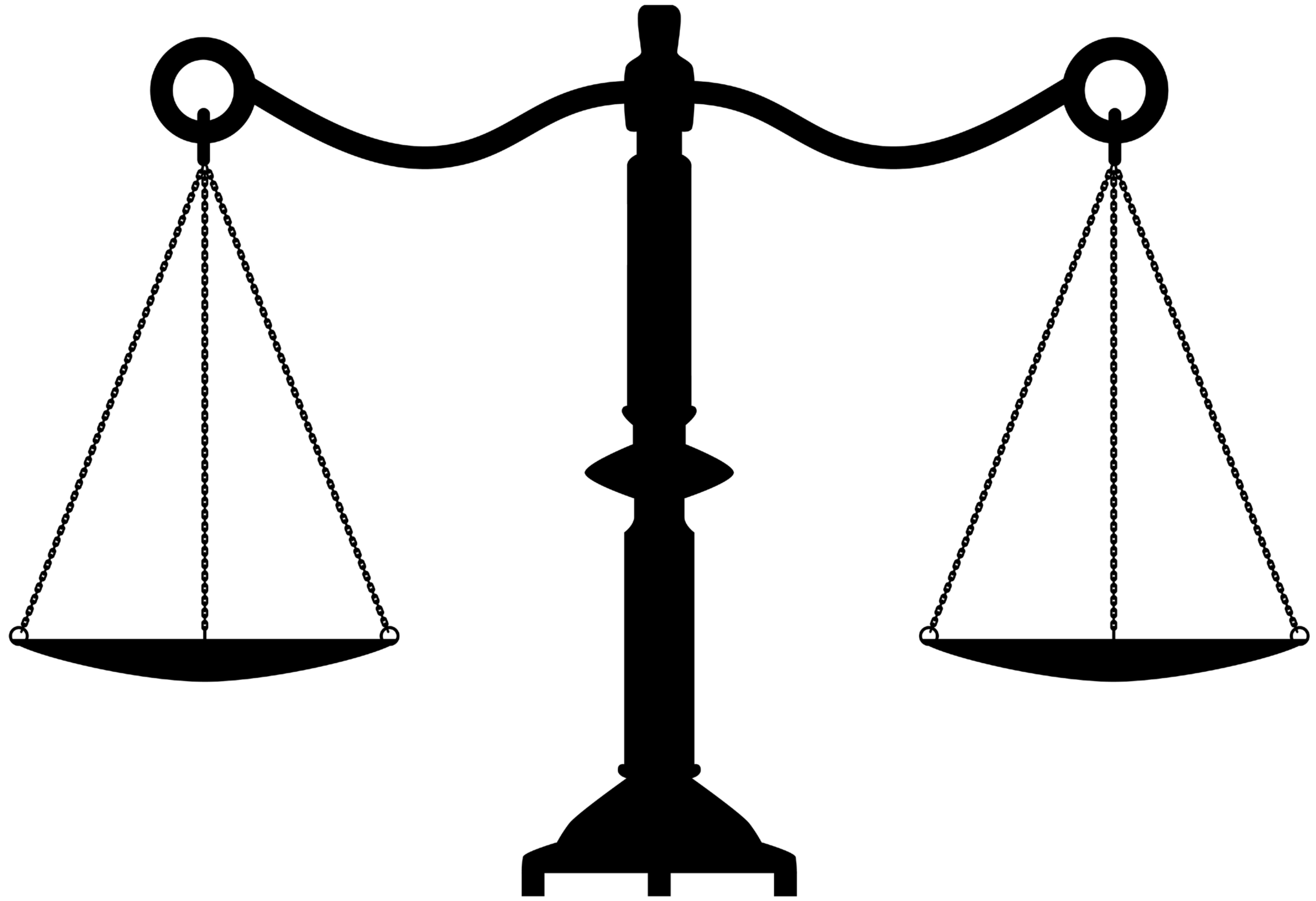
The Authority also levied a distress action against Hilk Enterprise (formerly known as (555 Supermarket) in Maseru on Wednesday, 22nd February 2017. Expectations are that the LRA would continue on this gear until there is noticeable change in behaviour.

Report fraud

How to report fraud:

Contact us on the following addresses:
LRA Internal Affairs Department
1St floor Oblate House, Right wing
Our email: internalaffairs@lra.org.ls
Toll free number: 80022008

Ha Hoohlo Trading convicted of tax fraud



The Magistrate Court on Wednesday, 8th February, 2017 sentenced the Director of Ha Hoohlo Trading and Agencies (PTY) Ltd, Mr. Po-Chin Wang for five and a half years imprisonment or to pay a fine of M 46, 000 after pleading guilty on counts of failure to file tax returns and furnishing the LRA with false statements.

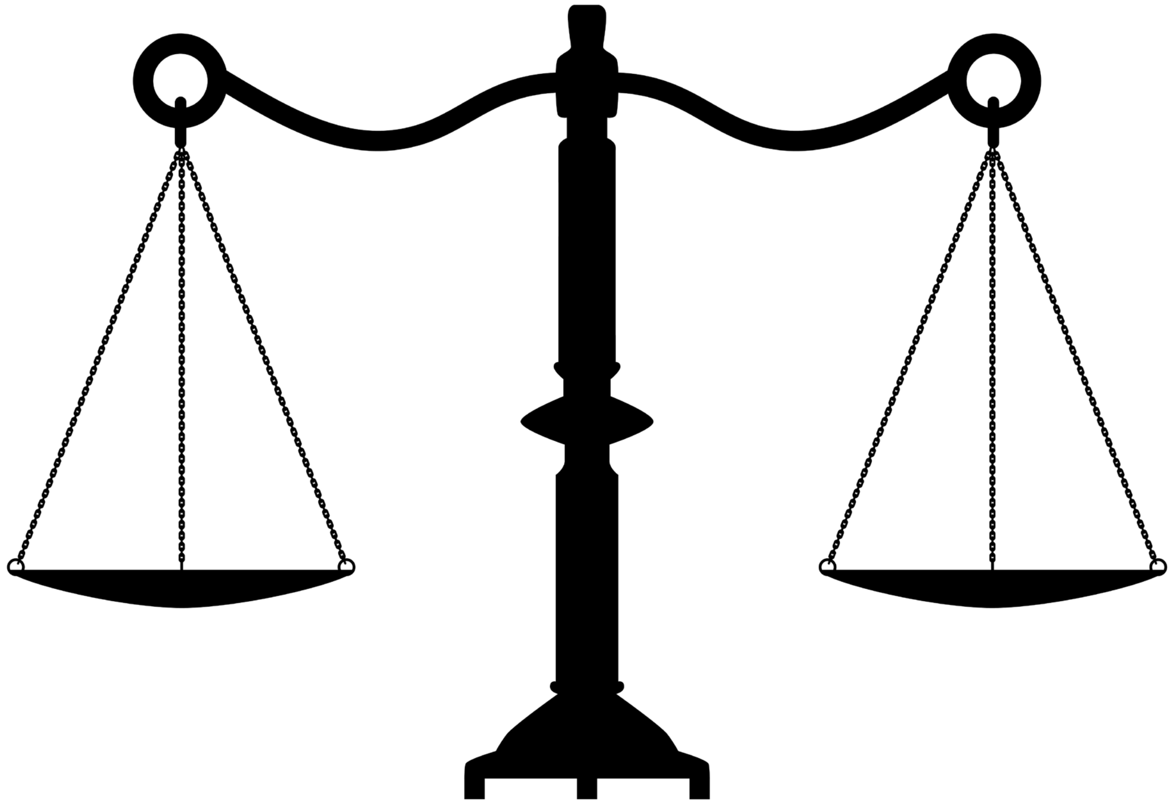
The Accused appeared before the Court facing a total of ten (10) statutory offences. The first four (4) counts involved a contravention of Section 61(1)(a) read with Section 27 (1) of the Value Added Tax (VAT) Act No.9 of 2001. Count five (5) involves a contravention of Section 25 (1) (a) and (i) read with Section 25 (2) of the Money Laundering Act No.4 of 2008.

Other alternative counts involved a contravention of Section 30 read with Section 34 of the Prevention of Corruption and Economic Offences No.5 of 1999 as well as the contravention of Section 68 of the Penal Code Act No.6 of 2010.
The counts also involved a contravention of Section 188 (1) read with 188 (4) of the Income Tax Act No.9 of 1993 and the contravention of Section 175 (1) read with Section 128 (1) of the Income Tax Act No.9 of 1993.

The sentence was therefore five and a half years imprisonment or a cumulative total of fine of M46, 000. The Accused avoided a custodial sentence and opted to pay a fine of M46, 000 which was paid.

The case was prosecuted by Advocate Lechesa Mahao.

M500.000 Tax Debt land Ketso in court



A 39-year-old Mr. Ketso Baba Ketso of Roma briefly appeared before Maseru Magistrate Court charged with failing to pay a tax of over M500.000 to Lesotho Revenue Authority (LRA).

Mr. Ketso who presently resides at Ha-Thetsana is currently out on bail granted on conditions that he pays a deposit of M10, 000, attends remands on set dates, does not interfere with crown witness and stand trial to finality. He is charged with three counts of contravening the provisions of the Income Tax Act No.9 of 1993 where it is alleged he failed to pay an income tax of M547,917.47 for the financial years 2013/2014 and 2015/2016.

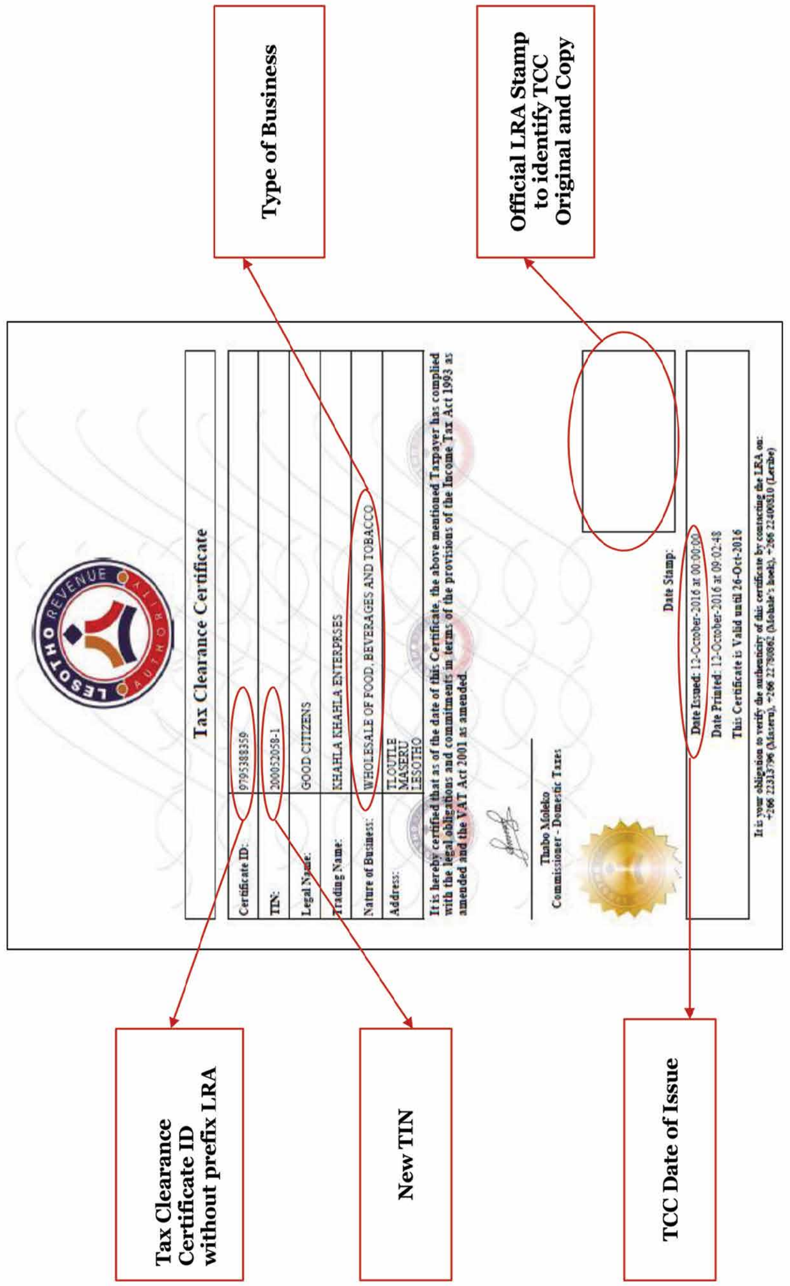
In the first count, Ketso is alleged to have contravened section 175 (1) read with section 128 (1) of the Income Tax Act No. 9 of 1993 further read with section 275 of the Criminal Procedure and Evidence Act No.9 of 1981 in that upon the period of March 31, 2014 to June 2014 and in Maseru, he being a registered Taxpayer in terms of the provisions of the Income Tax Act No.9 of 1993 unlawfully failed to file an income tax for the year 2013/2014 not later than June 30, 2014 or at all.
The charge also alleged that by failing to file an income tax return, Mr. Ketso thus failed to disclose or declare that he made a gross income of M488,970.00 for the said years and that he was obliged to pay income tax in the amount of M158,323.84.

With regard to count two, Mr. Ketso is alleged to have committed same crime but this time over the years 2014/2015 where he made a gross income of M528, 650.00 and was to pay income tax in the amount of M147, 328.00. In count three, he is alleged to have generated a gross income of M847, 362.00 over the years 2015/2016 and was supposed to pay an income tax of M242, 265.63 which he never paid.

He shall re-appear before court for his next remand on March 16, this year, the date which the court shall also set hearing dates for the case.

The case is before Senior Resident Magistrate Phethise Motanyane.

TAX CLEARANCE CERTIFICATE (TCC) NEW FEATURES



Effective January 2017

Delinquent Taxpayers face distress action

In pursuance of their mandate to recoup recoverable debt from delinquent Taxpayers, the Debt Recovery Unit alongside Audit, Legal, Intelligence and the Police successfully enforced distress orders to some traders in wholesale and retail sector in Maseru and Teyateyaneng.

The Manager Debt Recovery, Mr. Mahlomola Manyokole said the ongoing distress actions against some traders followed the risk based audits conducted by the Lesotho Revenue Authority in the sector.

"A discovery was made that the wholesale and retail sector is growing significantly but regardless of that their contribution in taxes has dropped by 35%. The sector is dominated by the Asian Communities or (Orientals)," said.

He said from late 2016, the Audit Department conducted audits on most of the companies in retail sector but have so far taken enforcement measures on the following:

- Jin Lin (Pty) Ltd
- Hepingdi Enterprises (Pty) Ltd, Success Trading/ New World Supermarket.
- Mobile Enterprise (Pty) Ltd at Borokhoaneng

"The challenge with these traders was mostly their failure to keep proper business records and the under declaration of their sales and as a result they contravened the Income Tax and Value Added tax Laws," he said.

Mr. Manyokole said following the audit process on these enterprises they served them with debt assessment and upon their failure to pay due taxes, the LRA executed distress orders on their stock because they did not have any fixed assets.

Meanwhile, Jin Lin (Pty) Ltd, Hepingdi Enterprises (Pty) Ltd, Success Trading (Pty) Ltd in Teyateyaneng reopened for business on Wednesday, 8th February 2017, after paying their dues and providing a security payment whilst Mobile Enterprise is still under distress order.

All the companies are currently reconciling their debts with the LRA. Expectations are that the LRA would continue on this gear until there is noticeable change in behaviour.

2017 – A year of Data Analysis for effective border management

The Secretary General of the World Customs Organization, Mr. Kunio Mikuriya

The Secretary General of the World Customs Organization, Mr. Kunio Mikuriya, announced that 2017 would be dedicated to promoting data analysis under the slogan **"Data Analysis for Effective Border Management."** That theme was launched on International Customs Day, celebrated annually by the global Customs community on 26 January in honour of the inaugural session of the Customs Co-operation Council (CCC) which took place on 26 January 1953. With that theme, we are all urged as WCO member states to promote our efforts and initiatives in a role that is becoming a key element in Customs modernization process: collecting and analyzing data.

We will all agree that data analysis can thrust the organisation to new levels of success in both compliance and facilitation, which responds directly to the LRA strategic objectives, by enabling it to:

- improve risk management which supports enhanced detection of irregularities, illicit consignments, the suspicious movement of people and financial flows, and the facilitation of legitimate trade;
- learn from historical activity to predict trader or passenger behaviour;
- engage with other government agencies to leverage their experience and expertise;
- conduct quantitative research for purposes of building knowledge;
- enhance performance measurement to improve officer standardised practices and integrity.

Therefore data analysis can greatly support the core Customs' objectives of revenue collection, border security, collection of trade statistics, and trade facilitation. The organisation, through customs has access to substantial amount of data, from the declarations submitted for clearance purposes. Through coordinated border management and single window initiatives, Customs can also have access to data from other government agencies, through interconnectivity initiatives which are already in the LRA strategic plan.

It has been emphasised that data only has value when it is used effectively and efficiently. It is critical, therefore, that as a revenue authority we leverage data to make informed decisions. We have covered some ground through the introduction of automated systems for customs and other various automation initiatives that the LRA has delivered and still ongoing our modernisation initiatives.

As part of this initiative for the theme, the WCO has pledged to enhance the promotion of tools such as the WCO Customs Enforcement Network (CEN) and nCEN,; the WCO Time Release Study (TRS) which is a methodology for measuring border agency clearance times; mirror analysis which involves using the HS Code to compare imports (or exports) of a country with exports (or imports) reported to the country by its trading partners to detect gaps in terms of quantities, weight or value that may reveal fraudulent flows or practices which we have started under the SACU Connect project; the use of performance measurement to improve Customs procedures and integrity, and the Data Model which supports data analysis by improving data collection and enabling the sharing of data between government agencies.

As an organisation we will definitely benefit from such support in our endeavour to analyse our data for effective border management.

SACU optimistic of economic recovery in 2017

SOUTHERN AFRICAN CUSTOMS UNION

The Southern African Customs Union (SACU) is optimistic of economic recovery in 2017, driven by improved commodity prices despite poor performance in member states and across the region last year. Many countries in Sub-Sahara Africa saw their creditworthiness being downgraded to negative by global rating agency Moody's Investors Services at the beginning of this year. The downgrade reflected the liquidity stress facing commodity-dependent countries, subdued economic growth, and persistent political risk.

Moody's predicts that Sub-Saharan African economies will continue to face commodity-induced liquidity stress in 2017, with recurring fiscal deficits amid challenging financing conditions. But SACU's Manager for Corporate Communications, Ms. Kungo Mabogo, says there are positive signs.

"According to the International Monetary Fund (IMF) World Economic Outlook update for January 2017, global economic growth was projected to grow by 3.1 percent in 2016 before recovering to 3.4 percent in 2017. *"Growth prospects in the Sub-Saharan African region in 2017 is expected to improve compared to 2016 at the back of improvements in commodity prices, as most of the regional economies are predominantly commodity exporters,"* she said.

She added; "As a result, growth in the Sub-Saharan African region for 2017 is projected at 2.8 percent compared to 1.6 percent in 2016. A similar trend is expected in the SACU region which is predominantly a commodity exporter. The sign of revival shown in commodity prices if sustained, can be expected to ease the pressure on the SACU economies, which may trigger a recovery in investment and act as an upside risk to the regional prospects."

For the year 2016, the average growth in SACU is projected to have increased to 2.3 percent from 1.7 percent in 2015 and the region is further expected to moderately increase in 2017. "Overall, the credit rating agencies only revised their outlook from stable to negative given the afore mentioned global economic outlook and potential debt threats," Ms. Mabogo said in an emailed response to The Southern Times.

Despite economies headwinds experienced in 2016, SACU has provided an expanded market over the years for its

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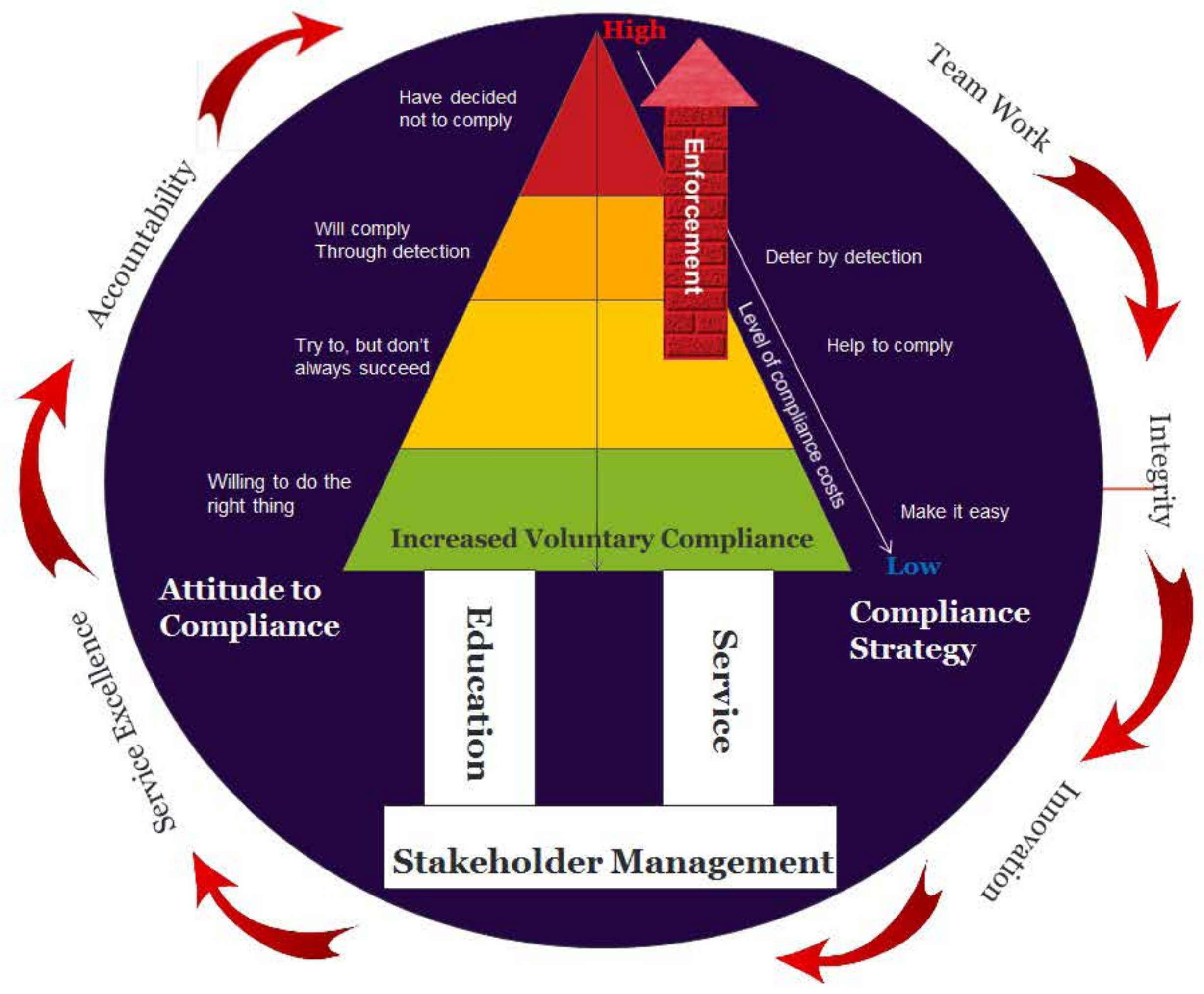
member states, by offering member countries immediate duty-free access to a market size of about 58 million consumers. The customs union's receipts have also strengthened public revenue growth and the state capacity to increasingly fund the budget and provide increasing public services for member states.

"The percentage share of revenue shares distributed for SACU member countries in 2016/2017 are 20 percent for Botswana, 6 percent for Lesotho, 18 percent for Namibia, 50 percent for South Africa and 7 percent for Swaziland," Ms. Mabogo said.

SACU determines the revenue share based on how much will be collected during a particular year. An audit is run at the end of the year to establish how much was collected and then compared to what was projected. However, there have been concerns regarding SACU Common External Tariff (CET), that it might have adversely affected on smaller economies – Botswana, Lesotho, Namibia, Swaziland (BLNS) – economies through structural constraint which adversely impacts on consumer welfare and economic activity in the BLNS economies due to higher prices of imports from the rest of the world and the price dynamics of intra-union imports.

Ms. Mabogo explained that: "Tariffs are used as a form of protection of domestic industry against competition with imports. In general terms tariff makes a good to be expensive to the importing country, but one should also note that tariffs are also a source of revenue for the domestic governments. "South Africa accounts for most of the goods imported by the BLNS, hence, the SACU revenue-sharing formulae is structured such that the customs component is shared based on intra-SACU imports. This to some extent compensates BLNS for the adverse impacts arising from economic polarisation and price-raising effects attributable to the common external tariff." [southernafrican.news]



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