



STATEMENT BY THE MINISTER OF FINANCE, THE HONOURABLE
TLOHANG SEKHAMANE, ON THE OUTCOME OF REVENUE
COLLECTION BY THE LESOTHO REVENUE AUTHORITY (LRA) FOR
THE 2016/17 FINANCIAL YEAR

THE MINISTRY OF FINANCE BOARDROOM

FRIDAY 7TH APRIL 2017

HIS MAJESTY KING LETSIE III

THE RIGHT HONOURABLE THE PRIME MINISTER

HONOURABLE MINISTERS

PRINCIPAL SECRETARY OF THE MINISTRY OF FINANCE;

THE CHAIRPERSON AND MEMBERS OF THE LRA BOARD;

THE ACTING COMMISSIONER GENERAL OF LRA;

EXECUTIVE AND SENIOR MANAGEMENT OF LRA;

SENIOR GOVERNMENT OFFICIALS HERE PRESENT;

DISTINGUISHED MEMBERS OF THE MEDIA;

LADIES AND GENTLEMEN.

Let me start by extending a warm welcome to you all. The mandate of the Ministry of Finance includes mobilization of revenue to finance the running of Government. Herein lies the pivotal role of the Lesotho Revenue Authority (LRA). It has now become our accepted fiscal culture that the LRA reports its performance against set targets on an annual basis; hence this gathering.

It is, therefore, a privilege and an honour for me to present before you this morning the revenue performance report of the LRA for the year ending 31st March, 2017.

Overview of 2016/17: Overall Performance.

The LRA's combined revenue target for the 2016/17 financial year was M6.4 billion, up from M5.7 billion in 2015/16. The LRA remitted M5.9 billion against this target, thereby missing the target by M430.8 million; that is, by 6.7%. This is the second time that the LRA has missed its target by a rather large margin. The first was in 2013/14 when it missed the target by M644.8 million, which translated to 12.7%.

In absolute figures there is a slight increase of 2.2% from M5.8 billion remitted in 2015/16 to 5.9 billion this year.

Break-down of the overall performance

As I now approach a breakdown and an analysis of the overall performance for this year, I should remind you that all the tax which the LRA collects is made up of Income tax and Value Added Tax (VAT). Income tax comprises personal income tax, corporate income tax, withholding tax, fringe benefits tax, and gaming levy; while Value Added Tax comprises inland and import VAT.

Performance in each of these components is as follows:

Income Tax:

- The 2016/17 Income tax target was M4 billion;
- But actual remittances stand at M3.7 billion;
- Thus the annual target was missed by M300 million.

Value Added Tax:

- The 2016/2017 VAT target was M2.3 billion;
- Actual remittances stand at M2.2 billion;
- Here the target was missed by M100 million.

Reasons for Underperformance

It is, first of all, to be noted that Income Tax, Value Added Tax (VAT), and the Alcohol and Tobacco Levy missed their set targets by 7.3 percent, 4.3 percent and 100 percent, respectively.

The main reasons for underperformance include the following three:

1. Income Tax was impacted by the bad performance of Company Income Tax (CIT), which was itself mainly affected by poor performance on the part of the Mining sector, noting that this sector contributes an estimated 30 percent of overall CIT collections;

Unsatisfactory performance on the part of the mining sector was due largely to unfavourable global diamond prices. Other factors include the appreciation of the South African Rand which negatively impacted the value of diamond exports; and bad weather, which resulted in increased production costs.

2. VAT was affected by the bad performance of the Wholesale and Retail sectors, which accounts for 55-60 percent of this tax. The dip in performance was caused mainly by a decline in compliance levels of on the part of taxpayers.

There are still some taxpayers in this sector who devise schemes to evade tax; or those who do not file returns; or worse still, those who file but deliberately under-declare. There are also taxpayers who make arrangements for settlements of debts, only to end up dishonoring those arrangements.

Another factor that contributed to poor VAT performance was a decline in the contribution of the Construction, Water and Sewage, and Electricity sectors.

3. With regard to the Alcohol and Tobacco levy, there was no collection at all due to the delay in enacting the bill which was required to enable the collection of this levy. Concerns were raised relating to the impact that this bill would have on the prices of these commodities. Hence the agreement for the Word Bank to undertake appropriate research to ensure that the bill would not have undesired

knock-on effects on the companies that produce these commodities and on the economy as a whole.

Conclusion

Admittedly performance has not been so good this year, seeing that we have missed our target. However, I still want to commend the LRA family for doing a sterling job over the years. Your track record speaks for itself. I wish to encourage you not to despair, but rather, in the words of Lady Macbeth, in William Shakespeare, screw your courage to the sticking place, and we shall not fail again. Bear in mind, always, in everything that you do, that the survival of our entire population, the whole gamut of them, especially the poor and the peripheral sectors of our populace, depends entirely on the work that you do. You are both the lifeline and the life support of our country. The importance of the work you do cannot be overemphasized. It must, therefore, be done with dedication, compassion and absolute selflessness. You are the economic and financial soldiers of your country. We cannot afford even a speck of complacency in your noble institution.

In closing, I would like to thank all those who have paid their fair share of taxes; and to appeal to those of us who are lagging behind, to please do the right thing and come

up to date with regard to our tax obligations. Please come forth and comply. It is the least we can do for our country.

I thank you for your attention.

KHOTSO! PULA! NALA!