



NEWS RELEASE

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LRA & SARS take major step to improve the VAT Refund System

Maseru, 21st November 2019: The Commissioner General of the Lesotho Revenue Authority (LRA), Mr Thabo Khasipe, and the Commissioner of South African Revenue Service (SARS), Mr Edward Kieswetter, signed a Memorandum of Understanding (MOU) on Processing and Administering the Value Added Tax (VAT) Refund System on Monday 18th November 2019. The signing took place in Kampala, Uganda, at the 4th African Tax Administration Forum (ATAF)' - International Conference on Tax in Africa (ITCA).

The main purpose of the MOU is to set up procedural aspects relating to refunds of Value Added Tax related to import or export of goods between the Kingdom of Lesotho and the Republic of South Africa. The key issues covered by the MOU include amongst others; refund procedures, lists of ports designated either as commercial or non-commercial, detailed description of 'tax invoices', obligations of the two Revenue Administrations and requirements for structured meetings to ensure that issues, challenges and opportunities arising out of the operation of the VAT refund arrangement are dealt with.

The signing of the MOU will pave the way for unlocking the potential benefits and to deal with more important issues to the two countries. The operationalizing of the MOU, in line with the respective domestic laws and the VAT Agreement, will allow the LRA and SARS to;

- Set up strategies to deal with non-compliance and VAT fraud schemes,
- Set up mechanisms for VAT refunds in relation to services and e-commerce,
- Exchange information,

- Assistance in collections and
- Resolutions of difficulties and disputes

The MOU forms part of a bilateral requirement under the Kingdom of Lesotho and Republic of South Africa (9th March 2014) “Agreement on Mutual Assistance and Co-operation and the Prevention of Fiscal Evasion with Respect to Value Added Tax” (The VAT Agreement) Article 3 (4). The MOU has been under negotiations for a couple of years. The negotiations and progress thereof were influenced and affected by the practical issues that were being experienced by the two revenue administrations in relation to the VAT refund system that was in place, based on the cordial cooperation that was put in place ever since Lesotho introduced VAT

For more information please contact us on t.mncina@lra.org.ls/t.loko@lra.org.ls
or call 52215531/52215433