



**Media statement issued by the Commissioner
General of the Lesotho Revenue Authority
(LRA), Mr. Thabo David Khasipe.**

Date: 24th January 2018

Place: Maseru, LRA Boardroom

Valuation of Imported Second Hand Motor vehicles

The purpose of this media briefing is to discuss the issue of valuation of imported second hand motor vehicles. I would like to start by clarifying that as LRA we are as you all know mandated to basically collect revenue on behalf of the Government of Lesotho which is used to enable Government to provide public services, finance development- roads clinics, hospitals, schools, providing social grants etc. The Government has no other means of raising revenue primarily other than through taxes. So LRA is therefore mandated collecting revenue in order to finance Government initiatives.

The Authority has also been mandated, in pursuit of that objective, to also promote voluntary compliance with the revenue laws and to provide advice on tax policy. So everything that we do has to fit within the laws that are governing us.

We are now facing an issue that we would like to talk to you about in relation to the valuation of imported second hand motor vehicles that is a subject matter mainly because of what we feel is the conversation that we should have with the affected sector and through you the nation at large to basically maybe set the record straight in as far as certain elements of the importation of second hand motor vehicles are concerned.

Let me start off by indicating that in executing our mandate, our approach generally speaking is to, at least going forward, to collaborate and be as collaborative as we can with the sectors that we deal with because raise taxes with various sectors of our economy but today we are speaking particularly with Clearing Agents with regard to valuation of second hand

motor vehicles. Our approach is to basically work on a premise that all Taxpayers are willing to do the right thing. You can flip it around and say the alternative approach would be, they are actually not willing to do the right thing but we the Revenue Authority has to chase them for them to do the right thing. Those are the two approaches.

You all appreciate and know that I just came in office and as I was introduced to you by the Board Chair I did say that the approach that I would want us to take going forward is to be collaborative, to basically premise our approach on a believe that people are willing to do the right thing. They are willing to pay what is due to the government because it is their obligation and they understand that it is their civic duty to contribute towards the development of the country. So working from that premise our role would basically be that of facilitators of voluntary compliance.

I want to preface my talk with those words because the issue that we are dealing with, which is valuation of imported second hand motor vehicles, in as much as strictly speaking, the law the way it stands, gives the duty of valuation of goods that are brought into the country to customs administration. Discussing the issue of valuation I should highlight that a tax rate is applied on a value of an item being imported into the country. I am talking about value not a price. Value is what is worth of an item one is importing.

I wish to clarify that with regard to the issue we are discussing today that there is no new tax or duty that has been imposed on second hand motor vehicles. What happens is that under declarations in relation to second hand motor vehicles were picked through our risk management system and that led to us paying specific attention and adjustments were made accordingly.

Working from the premise that a Taxpayer is always willing to do the right thing such mistakes are considered to be genuine mistakes with the understanding perhaps that they were caused by lack of understanding of the procedure. Valuation as I mentioned earlier, is a customs procedure that is applied at all times aimed at determining the correct value.

I should highlight that this initiative targeting valuation of imported second hand motor vehicles was already in place when I got in office in December. However, I believe that we could have done it better in terms of approach. What has been done is perfectly within the law and practice, globally, but our approach could have been better. We should have announced the initiative earlier and inviting all importers to come forward voluntarily to regularize their declarations. This is the approach we would want to take going forward.

In cognizant of the fact that our approach was not the best we could have done, the Commissioner Customs held meetings with clearing agents which resulted in her making the following concessions:

- ⇐ No penalties will be imposed on duties and taxes from application of valuation controls;

- ⇐ No storage costs will accrue on all vehicles kept at the State Warehouse as a result of these assessed values;

- ⇐ The assessments issued will not be removed or waived as they are only made up of a principal liability. As a norm, all clearing agents are allowed to raise an objection where they feel that they do not agree and accept the added value and forward reasons for that objection. Indeed in this instance the LRA has duly advised clearing agents to file justifiable objections as necessary on a case-by-case basis;

- ⇐ Payment agreements will be entered into with each clearing agent for the amount assessed, and the agreements will be for periods of up to six months, in their individual discretion, to allow sufficient time for the outstanding tax and duty amounts to be paid;

- ⇐ Payment agreements will be supported by security bonds that each clearing agent holds with the LRA as part of their licensing requirements;

- ⇐ Where such a security bond covers the whole liability and the clearing agent agrees to put it as surety, the vehicles will be released immediately and VAT 11 forms issued for all such vehicles. Where the clearing agent's security bond is less than the total liability, individual VAT 11 forms will be issued and the motor vehicles released only to the extent of the security bond cover.

The LRA has some discretion in relation to the exaction of penalties only, but not in relation to the principal tax and duty liabilities.

I should highlight that as LRA we are not infallible, we can make mistakes, so when a Taxpayer does not agree with any decision that we have taken

there is a recourse to that effect. A Taxpayer can appeal to us and if a matter is still not satisfactorily addressed it can be take up with the Tax Appeals Tribunal which is an independent body and whose decisions are binding to the LRA.

I thank you!!