



Media Statement by the Lesotho Revenue Authority (LRA) Commissioner General Mr. Thabo Letjama on the Outcome of Revenue Collection for the 2014/15 Fiscal Year

Date: 20th April 2015

Venue: LRA VAT BOARD ROOM

Event: End of Financial Year Media briefing

On behalf of the Management and Staff of the Lesotho Revenue Authority and on my own behalf I wish to once again welcome you all to this News Conference organized for the sole purpose of presenting to you the Revenue Performance Report of the Lesotho Revenue Authority for the Year Ending 31st March 2015.

It has become a norm that every time we invite you here we start off our presentation by listing a number challenges that we came across in pursuit of our mandate. I guess that is the nature of the assignment we are entrusted with by the Government of Lesotho. Paying tax is never easy and likewise collecting it is equally not an easy task.

As it was the case in the previous financial year, 2014/15 also presented its own unique challenges to all of us in the LRA family,

the business and the general tax paying community. You will recall that in 2013/14 financial year we missed our combined revenue target for the 1st time since LRA was established. We did highlight then, a number of reasons that we said could have contributed to our performance. Such assumptions were based on the analysis that was carried out on the feasibility of the target based on the performance of the national economy. Nonetheless we were quite satisfied with our performance by reaching the 4billion mark for the very first time. But the fact that we could not meet our target was indeed a bitter pill to swallow.

Overview of 2014/15

The Value Added Tax (VAT) missed its quarterly targets for three consecutive quarters with an exception of quarter 1 only. I should mention however, that Income Tax on the contrary performed very well exceeding its quarterly targets except for quarter 2. It should be noted that by end of February 2014/15, the Authority had managed to remit a total of M4, 400million against the target creating a balance of M732million, which is -14%. The Authority was despite this huge balance able to remit the M782million during the month of March 2015.

The LRA's combined annual revenue target for 2014/15 financial year was M 5,132,408 million or M5.132billion:

- Against this target, LRA remitted M 5, 182.3 million or 5.182 billion which is M 49. 9million (1%) above the annual target;

Income Tax

- Income tax annual target was M2,931billion;
- Income Tax remittances stand at M3,065billion;
- Income Tax exceeded its annual target by M133.7 million.

Income Tax comprises Company Income Tax (CIT), Personal Income Tax (PIT) and other taxes.

VAT

- Value Added Tax (VAT) annual target was M 2,200.6 billion;
- Value Added Tax (VAT) remittances stand at M 2,116.7 billion;
- Value Added Tax missed its annual target by M 83.8 million;

VAT comprises Inland and Import VAT

The total revenue remitted to the Government of Lesotho is above remittances of 2013/14 financial year by M761.1million. It represents an increase of the cumulative remittances during the same time last year of 17 per cent (%). Income Tax grew by 14 percent and VAT by 22 percent. This is a clear evidence of a proportional improvement in tax collection.

Reasons for 2014/15 performance

The performance we are reporting on today was amongst others driven by the following:

- Positive performance of the mining sector;
- Positive performance of the financial sector;
- Greater cooperation with stakeholders; and
- Greater determination and hard work by LRA Staff

Nevertheless, there were number of challenges that had a direct influence on revenue collection such as:

- The impact of political impasse on some of the sectors especially the Construction, Hardware, and General Retail; and
- Insufficient Government spending on the capital budget, to mention just a few.

Compliance Culture and Other Challenges

I must specify that we consistently see an increase in good compliance behavior to tax. Overall we have come to see on a month to month, more and more people registering for tax. We also have started seeing more and more people, filing their tax returns and making payments on those.

However, we also are aware that non-compliance is high in some sectors. We have come to see Taxpayers who deliberately devise schemes to evade tax and defraud the Government. We are aware of people who do not bother filing their returns, people who file but under declare Incomes or turnover, people who also declare the right amount but not pay on time or not pay at all. Some of the Taxpayers continue to make arrangements for payment of their debt only to dishonor those arrangements. Some of the Taxpayers lodge endless appeals, hoping that this would help them delay the payment of taxes due when they are due.

Non-compliance behaviors are criminal and at the least immoral. They rob our countries of its ability to provide for its citizens.

They defeat the very purpose of taxation, which is to ensure proper redistribution of income to avoid a country where few go with a lot, while the rest go without. The taxes evaded deny government to help build hospitals, to provide better pensions for the elderly, to send more students to universities and to even create more jobs for the youth of this country.

We wish to appeal to the entire nation and to every Mosotho that they must collaborate with us and help us build a better Lesotho by paying their fair share. Lesotho cannot grow if the instances of gross non-compliance I have referred to above continue.

The interventions that are being implemented:

In order to ensure that we promote voluntary compliance, and get to a stage where everyone will comply in the long run, we have and continue to put in place the following measures:

- Automation of all our processes, from customs to inland taxes. To this end, we implemented:
 - A new registration system for all tax type
 - Automation of Customs using the ASYCUDA World System which is currently being piloted at Maputsoe and to be rolled out to Maseru very soon. and
 - VAT System pilot with the Larger Taxpayer Department to mention just a few.

- We are now in the 2nd year of the implementation of our new strategy. With this strategy we are implementing recommendations of the 2013 Customer Satisfaction Survey. In this survey, we asked Taxpayers and our own staff how we can serve better, and they made recommendations which we have incorporated into our strategy for 2014-19.
- Robust Taxpayer Education and marketing campaigns to inform Taxpayers of why we are here and how they can help us for the success of Lesotho.
- High Level Tax Clinics/Talk Shops With various Taxpayer groupings to ensure a targeted and relevant education; and
- Putting various enforcement operations against non-compliant Taxpayers and industries.

Conclusion

May I take this opportunity to thank all the Taxpayers who paid their fair share of taxes during 2014/15 financial year. Your contributions have made today's achievement possible.

These achievements reflect the level of mutual cooperation and understanding that the LRA and all its Taxpayers share in fulfilling our national obligations with regard to tax. The LRA Board of Directors and Management therefore applauds all Taxpayers, LRA staff and other stakeholders who have contributed immensely towards these achievements and this demonstrates that working

together, we can achieve more and thus fulfill our promise to the nation.

Talking of stakeholders, I should single out the law Enforcement Agencies like DCEO, LMPS, FIU, the NSS and the LDF, as well as Government Ministries and other agencies like the OBFC and Road Fund, we remain grateful to their support and collaboration.

Our strategic partners like all the Banks, the LIA, the LAA and the LRA Business Partnership Forum and all Taxpayer groupings we work with, we remain grateful for your assistance in all its form. Your cooperation makes us punch way beyond our weight.

It would be remiss of me not to publicly thank the LRA Board for providing the necessary guidance throughout the year. If it was not for their guidance and counsel we would not have achieved what we are presenting to you this morning. We also thank the Government of Lesotho through our parent Ministry, Ministry of Finance for the support it has offered the Authority. Without this support, it would have been impossible.

Once again I conclude by re-iterating that taxes develop nations. In my own mind, the most patriotic thing that anyone of us can do is to pay their fair share. It is only right and fair to do so.

Annex 1

TAX TYPE		QUARTER 1	QUARTER 2	QUARTER 3	QUARTER 4	TOTAL
INCOME TAX	REMITTANCE	680,964,300.00	626,440,430.51	794,400,000.00	963,704,560.00	3,065,509,290.51
	TARGET	616,449,013.16	678,049,227.41	776,985,199.24	860,270,560.19	2,931,754,000.00
	VARIANCE	64,515,286.84	(51,608,796.90)	17,414,800.76	103,433,999.81	133,755,290.51
	% VARIANCE	10%	-8%	2%	12%	5%
VAT	REMITTANCE	520,268,500.00	498,736,093.57	543,687,070.00	554,102,650.00	2,116,794,313.57
	TARGET	473,452,735.54	508,600,570.07	572,410,231.90	646,190,462.49	2,200,654,000.00
	VARIANCE	46,815,764.46	(9,864,476.50)	(28,723,161.90)	(92,087,812.49)	(83,859,686.43)
	% VARIANCE	10%	-2%	-5%	-14%	-4%
TOTAL	REMITTANCE	1,201,232,800.00	1,125,176,524.08	1,338,087,070.00	1,517,807,210.00	5,182,303,604.08
	TARGET	1,089,901,748.70	1,186,649,797.48	1,349,395,431.14	1,506,461,022.68	5,132,408,000.00
	VARIANCE	111,331,051.30	(61,473,273.40)	(11,308,361.14)	11,346,187.32	49,895,604.08
	% VARIANCE	10%	-5%	-1%	1%	1%