



STATEMENT BY THE HON. MINISTER OF FINANCE DR.
'MAMPHONO KHAKETLA ON THE OUTCOME OF LRA'S REVENUE
COLLECTION FOR THE 2015/16 FINANCIAL YEAR

DATE: WEDNESDAY, 6TH APRIL 2016

VENUE: MINISTRY OF FINANCE BOARDROOM

SALUTATIONS

PRINCIPAL SECRETARY OF THE MINISTRY OF FINANCE

THE CHAIRMAN AND BOARD OF LRA

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

The core mandate of the Ministry of Finance is to ensure that Lesotho is able to mobilize its own revenue sources to finance and support Government's developmental initiatives and its social responsibilities. The Lesotho Revenue Authority is the main agency through which the Ministry carries out this role.

As a public institution, the LRA is accountable to the public hence it is a requirement that at the end of every financial year it reports its performance against the set target.

It is a privilege, therefore, that I am this morning presenting to you the revenue performance report of the Lesotho Revenue Authority for the year ending 31st March 2016.

But before I do that, let me take advantage of this gathering to briefly highlight some developments within LRA.

Developments within LRA:

The Government highly appreciates those Taxpayers who voluntarily comply with their tax obligations without LRA having to make intensive follow ups or resorting to using its enforcement powers. We believe that this compliance can be enhanced if LRA continues to invest in technology

to improve its efficiency and to decrease the costs of paying tax and of compliance in general.

To assist LRA to do this, the Government is financially supporting LRA's strategic initiatives that include the following:

- *Border refurbishment:* In order to improve the conditions and quality of service delivered to the public at the ports of entry, the Lesotho Revenue Authority (LRA) was tasked with a responsibility of driving the refurbishment of all the Lesotho border posts on behalf of the Government. The scope of this programme includes the refurbishment of the eleven (11) border posts, which commenced in 2007. To this end four border posts have already been upgraded;
- *Automation of Customs processes and procedures:* the LRA has successfully automated Customs processes and procedures using the ASYCUDA World System. The new developments brought about by this system amongst others include risk management, advance clearance; advance payment and introduction of non-intrusive inspections. The automation of customs processes is aimed at facilitating quick movement of goods across borders and save time and money for our honest traders. This automation has now been rolled out to all

commercial ports of entry including Moshoeshoe 1 International Airport;

- *Automation of inland taxes:* On the inland taxes front serious strides have also been made under the Oracle Enterprise Taxation and Policy Management (ETPM) project. The main objective is to enable a single view of a Taxpayer along with other systems currently being implemented. It is also the objective of the ETPM project to streamline services to Taxpayers and generally to improve efficiency of the LRA tax collection processes.

However, I must emphasise at this juncture that the LRA should find better ways of making these changes to be as seamless and hassle free as possible to the Taxpayers. We have heard on many occasions of the delays at the borders seemingly due to the teething problems of these new technological interventions, particularly the ASYCUDA World System. It is our firm believe as Government that technology should make life easy and not what we have been hearing. The LRA should be facilitating trade and not be seen or perceived as an impediment.

My advise to LRA is to have a toll free number that is sufficiently manned, that people can call when they encounter problems at the ports of entry.

LRA is now in the 3rd year of the implementation of its strategic plan. At the heart of this strategy is understanding the needs of all its stakeholders and putting in place measures to respond to those needs. As LRA moves plan forward, it should be more robust in its change management and communication plans if it were to succeed with these major changes that it is implementing under its modernization agenda. The complaints that we continuously receive suggest that there is inadequate consultation and communication with stakeholders. The perceived lack of customer care by some officials also exacerbates the problem.

The LRA has also developed a compliance strategy to manage non-compliance effectively and it is my believe that an effective compliance strategy should revolve around excellent service, a robust Taxpayer education and marketing campaigns to make people aware of both their tax obligations and their rights.

Let me now turn to today's business

Overview of 2015/16: Overall Performance.

LRA's combined revenue target for 2015/16 financial year was M5.7 billion (M5, 758.70 million), up from M5.1 billion in 2014/15.

I am pleased to report that against this target, LRA remitted M5.8 billion (M5, 861.48 million) and therefore exceeded the target by M102.75 million (1.78%). This is an improvement compared to its performance in 2014/15 financial year, whereat it remitted M5.18 billion (M5, 182.30 million) against the target of M5.13 billion (M5, 132.40 million) thereby exceeding its target by M49.92 million (0.97%).

Break-down of the overall performance

The overall tax collection comprises of collections from Income tax, and VAT. Income tax collections comprise of personal income tax, corporate income tax, withholding tax, fringe benefits tax, and gaming levy. VAT, on the other hand, comprises inland and import VAT.

The performance in each of these components is as follows:

Income tax Performance:

- The 2015/16 Income tax target was M3.3 billion (M 3,323.00 million);
- Actual Income tax remittances for 2015/16 stand at M3.6 billion (M3, 651.28 million);
- Thus Income tax exceeded its annual target by M328.28 million.

VAT Performance:

- The 2015/2016 Value Added Tax (VAT) target was M2.3 billion (M 2,363.30 million);
- Value Added Tax (VAT) remittances stand at M2.2 billion (M2, 210.20 million);
- This means that Value Added Tax missed its target by M153.10 million.

Major Drivers for the 2015/16 Performance

When analysing LRA's performance, we noted that besides its efficiency and greater cooperation from stakeholders, the performance we are reporting on today was, amongst others, driven by positive performance in the following sectors:

- mining;
- finance and insurance; and

- telecommunications.

On the other hand, the shortfall in VAT is as a result of underperformance in the wholesale and retail sector, which accounts for 55 – 60% of VAT. However, the underperformance in VAT was compensated by good performance in Income tax collection which has helped LRA to exceed its overall target.

Current Year Performance Compared To Last Year's Performance

The 2015/16 tax revenue remittances are above those of the 2014/15 financial year by M679.18 million which is equal to an overall 13.11% increase; of this, Income tax grew by 19.11% and VAT by 4.41%.

Conclusion

I wish to conclude by taking this opportunity to profusely thank all the Taxpayers who, against all odds, paid their fair share of taxes during the 2015/16 financial year. It is through their contributions and their spirit of commitment to Lesotho and its future, that a better and more developed Lesotho is possible.

In the same vein, let me appeal to all non – compliant Taxpayers to start paying their taxes and join us as we strive to improve the quality of life of our people.

Non – compliance robs our country of its ability to provide for its citizens. It defeats the very purpose of taxation, which is to ensure proper redistribution of income to avoid a situation where fewer people get more, whilst the rest go without. Tax evasion denies Government the ability to build hospitals, roads, schools and other necessary infrastructure. It hinders Government’s capacity to provide better pensions for the elderly and destitute, to provide more scholarships for tertiary education, amongst other things. I therefore want to reiterate my appeal to the entire nation, to every Mosotho and to every Taxpayer to collaborate with the Government, through LRA, to help us build a better Lesotho by paying your fair share of taxes.

It will be remiss of me not to congratulate the entire LRA family for work well done. The Board for providing the strategic direction that led to this achievement, the staff of the institution for their professionalism and to urge them to continue “serving the nation”.

As I indicated during my recent budget speech, the financial road we are travelling will not be easy given the fact that we have to **“Manage public finances in challenging economic times and seek self-sufficiency and govern with practicality”**, especially given the declining SACU receipts. All eyes are on the staff of LRA to ensure that the country is able

to look after its citizens. However, you should discharge your mandate with compassion, respect and consideration.

We should not under any circumstances be law unto ourselves, but rather we should remain humble servants of our people.

Once more congratulations to LRA, and remember that the reward for work well done is more work – Mohoma Temeng Baheso.

I thank you!!

KHOTSO! PULA! NALA!