



REMARKS BY THE RSL COMMISSIONER GENERAL

MRS. MATHABO MOKOKO AT THE MEDIA BRIEFING ON 2023/2024

REVENUE PERFORMANCE REPORTING

DATE: WEDNESDAY, 10TH APRIL 2024

VENUE: VAT BOARDROOM

PROGRAMME DIRECTOR,

ALLOW ME TO RECOGNISE THE PRESENCE OF:

MEMBERS OF RSL EXECUTIVE & SENIOR MANAGEMENT, HERE
PRESENT

INVITED MEMBERS OF THE MEDIA

DISTINGUISHED GUESTS.

LADIES AND GENTLEMEN

On behalf of the Management and Staff of Revenue Services Lesotho (RSL), I wish to welcome you all to this Media Briefing Session organized solely for the purpose of presenting to Basotho, through you, the media fraternity, the revenue performance of the RSL for the year ending 31st March 2024.

I am pleased to announce that we grew our revenue collection for the 2023/24 financial year by **12.5 per cent** relative to the revenue collection of the previous financial year, despite having missed our target for the 2023/24 financial year by 9.3%. We were able to remit to the Government of Lesotho **M8.87 billion** against the set target of **M9.78 billion**.

Reasons Behind the Performance

We have been operating in an environment which has, by far, been one of the most challenging years. It was anticipated economic growth would recover from global shocks which had a bearing on economic performance. The turnout has however been different from what was anticipated.

The assumption was that our main tax types will grow in line with the projected economic growth as follows:

- Economic outlook at the beginning of the financial year had depicted a projected growth of 2.1% for 2023/24 F/Y but in reality the economy grew by about 0.9% at the close of 2023, negatively affecting the collections across the board.
- Economic growth was expected to be anchored by Phase II of Lesotho Highlands Water (LHWP), picking up momentum from 2023 onwards but the construction sector has had very little impact to our economy,

contributing an average of 2.7% to GDP at the close of 2023, negatively affecting the main tax types.

- The services sector was expected to benefit from the positive spillovers of the construction sub-sector, even though some gains were likely to be offset by elevated consumer prices; Business services contributed about 2.1% to GDP affecting income tax collections.
- There was further expectation of growth in the mining industry resulting from an improved market outlook for rough diamonds and the current upsurge in commodity prices. The return to full-scale production of some of the mines under care and maintenance in 2021 was expected to improve the sector's performance in 2023/24 FY. While mining remained in the top 10 contributors to national GDP contributing 5.1% by 2023, we had to pay out perpetual refunds to the Mining sector because of its constrained performance which resulted in loss of revenue during in 2022/23 FY, affecting income tax collections negatively.
- The annual inflation rate was expected to average 6.6 per cent in 2023, gradually to moderate to 5.3 per cent and 5.0 per cent in 2024 and 2025, respectively, since the supply and demand imbalances that drove inflation to record highs in 2022 were expected to gradually diminish. Inflation is currently at 7.3% since February 2024. It negatively affected collections from the wholesale and retail sector, hence less than expected VAT collections as it affected consumer spending patterns.

- Furthermore, it was anticipated that revenue collection would be boosted by implementation of the collection of the Tobacco and Alcohol Products Levy. It would be recalled that the rates were revised downwards right in the middle of the financial year and would otherwise have resulted in improved revenue collection.
- The Tax Administration Bill (TAB), Value Added Tax (VAT) Amendment Bill, and the Income Tax Amendment Bill, had they being promulgated into law and implemented during the 2023/24 Financial year, they certainly would have improved revenue collection.

Even in such turbulent times, the RSL grew its tax collections from the previous financial year by 12.5%, thanks to all those of our Taxpayers who were compliant and to the initiatives taken by the RSL aimed at ensuring that revenue collection remained an integral part of RSL strategic priorities.

Compliance Culture and Other Challenges

We were encouraged by an increase in good compliance behavior by our Taxpayers for which we are profoundly grateful. Overall, we saw on a month to month, more and more people registering for tax. We also saw more people, filing their tax returns and making payments on those returns and making those payments on time.

However, we were concerned with non-compliance by some sectors. We have come to see some isolated incidents of some Taxpayers deliberately devising schemes to evade tax and defraud the Government of Lesotho of

its revenue. We are further concerned by Taxpayers who under declare their income or turnover. Some do make debt payment arrangements only to dishonour those arrangements. We still come across few who lodge endless appeals, hoping that this would help them delay the payment of taxes due when they are due.

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 country where few go with a lot, while the rest go without. Tax evasion denies the Government of Lesotho to build much needed infrastructure, provide medicine at hospitals, provide better pensions for the elderly, send more students to universities and to create jobs for the youth, among other things.

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

Key Highlights for the 2023/24 Financial year

Despite challenges we encountered during the 2023/24 Financial year, our key success highlights for the 2023/24 Financial year are, but not limited to the following:

- We saw an increase in our collections as a result strategic projects we implemented which saw us increasing our revenue collections.
- We registered almost 1,000 more taxpayers mostly in agriculture, retail and construction sectors.

- We made efforts to facilitate trade across the borders.
- We re-engaged SARS under the VAT MAA & the VAT Refund MoU to improve on the efficiencies of the VAT Refund system and simplify refund process through use of technology and adoption of single declaration between Lesotho and RSA.
- We increased use of online platforms where 90% returns for almost all tax types could be submitted online.
- We offered free access to RSL online platforms and education material throughout the country, and Tax clearance and VAT11 certificates were done 100% online.
- We introduced data analytics practice and capability organization-wide. Over 600 people of our members of staff were trained on data literacy.
- We acquired and implemented data management and business intelligence technologies through AfDB support.
- We pursued automatic sharing of data with our key stakeholders through integration of systems.

Some of the Interventions Being Implemented

As Revenue Services Lesotho we are confident that as we implement the new strategy, dubbed, LESOKOANA, from this month, our performance as an organization will significantly improve and will certainly have a positive impact on the revenue collection. This strategy, as you may recall, will help us address key main issues namely:

- Taking our staff out of the depression curve caused by many issues that were not properly dealt with over the years.
- Addressing key findings in the IMF's report Tax Administration Diagnosis Assessment Tool (TADAT) regarding the assessment of the health of key components of our tax system. Those findings actually talk to the core of our mandate. And finally.
- Improving our efficiencies by leveraging on data and modern-day technologies

We have successfully completed the restructuring exercise which took us almost four (4) years to complete. Performance during a reform like this always gets worse before it gets better than it could ever be had the change not been implemented.

A significant progress has been made under the Lesotho Tax Modernization Project. Under the E -Taxation a fully-fledged e-filing solution has been successfully deployed for all tax types. The E- Payment and E -Registration solutions have also been completed. Starting from this financial year we will be implementing the E – Invoicing solution.

We remain hopeful that all the outstanding bills will be passed on time to enable growth in terms of revenue collection.

On the same wavelength we are optimistic that Parliament will prioritize tax laws because all the tax reforms alluded to above will only come to fruition once enabling legislative framework is in place.

Conclusion

April 1st to June 30th every year marks a crucial period in our Tax Calendar, known as the Filing Season. It is during this period that all taxpayers; resident and non-resident, are required to fulfill their tax obligations, by filing their tax returns, and paying taxes due. This window of time provides individuals and businesses with the opportunity to ensure that their tax affairs are in order in line with the tax laws of Lesotho. RSL stands ready to support taxpayers, by providing guidance, assistance, and resources to facilitate a smooth and efficient filing process.

I extend a resounding call to action to all taxpayers across Lesotho, irrespective of category or scale of operations. Whether you represent a large corporation, a small or medium-sized enterprise, a partnership, a sole trader, or an individual, if you have earned income during the 2023/2024 financial year, it is imperative that you fulfill your civic responsibility by filing and submitting your income tax returns promptly.

Your compliance is not merely a legal obligation but a crucial contribution to the welfare of Basotho especially the most vulnerable sectors of our society.

In conclusion I wish to take this opportunity to thank profoundly all the Taxpayers who against all odds, paid their fair share of taxes during 2023/2024 financial year. It is with their contributions and their spirit of commitment to Lesotho and its future, that a better and more developed Lesotho is possible.

The hard-work, perseverance, and commitment of RSL leadership and its entire people have made the results we are announcing here achievable. I always remain indebted to them for doing all in their power to serve their country with pride and utmost dedication.

I also wish to single out the law Enforcement & Security Agencies namely: the Directorate on Corruption & Economic Offences (DCEO), Lesotho Mounted Police Service (LMPS), Financial Intelligence Unit (FIU), Lesotho Defence Force (LDF) and the National Security Service (NSS), as well as Government Ministries and other agencies, such as the Ministry of Local Government and Chieftainship, Home Affairs and Police through Immigration and Civil Registry, Ministry of Trade, Industry & Small Business through the One Stop Business Facilitation Centre (OBFC) and many others, who collaborated with us to make our job easier and possible. We remain grateful for their support and collaboration.

Our strategic partners: the Commercial Banks, the Lesotho Institute of Accountants (LIA), the Land Administration Authority (LAA), all Taxpayer groupings we work with and development partners, 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 RSL Board under the stewardship of Advocate Lindiwe Sephomolo KC for providing the necessary direction 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 further thank the Government of Lesotho through our parent Ministry, the Ministry of Finance & Development Planning under the leadership of Dr. Retselisitsoe Matlanyane for the support it has offered the RSL. 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 the right thing to do.

“Re Tjena Ka Uena”