

10TH ANNIVERSARY

Celebrating 10 years of building a better Lesotho



Makhafi

JAN - APR 2013 | ISSUE 6

The Taxpayer



The Official Newsletter of the Lesotho Revenue Authority

Serving You, Serving the Nation – Re Sebeletsa Uena, Re Sebeletsa Sechaba

LRA to introduce
customs scanners
at border posts

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Fully fledged
LTD in Pipeline

page 15



LRA Celebrates ten
years of excellence
in style

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Vision, Mission and Objectives

VISION

To be a Leading Performance Oriented Revenue Administration Characterised by Integrity, Innovation and Service Excellence.

MISSION

To collect revenue through:

- a capable and motivated workforce
- efficient and effective business processes
- strong and sustainable relationships with stakeholders

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Editorial Comment

Once again I wish to welcome you to the 6th edition of Mokhafi. This publication continues to be an integral part of our communications strategy and its main purpose is to forge close cooperation with various stakeholders and taxpayers in general by keeping them informed about LRA's operations as well as other tax related issues.



Mr. Pheello Mphana

The year 2013 is a unique year as it marks LRA's tenth year of existence as a Government Agency entrusted with the responsibility to administer laws governing tax revenue in the country. As we celebrate the milestones achieved and reflect on the challenges still lying ahead, we can however look back with pride and say we have come a long way.

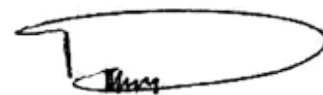
To this end the LRA has throughout the years managed to meet and exceed its revenue targets set by the Government of Lesotho. These achievements couldn't have been possible if it was not of the cooperation that exists between the LRA and its various stakeholders and a big majority of the taxpayers.

In this newsletter we present to you the LRA's 10th Anniversary launches that were held for staff and external stakeholders in December 2012 and January 2013 respectively. The Authority will throughout this year host different activities that will put the organisation in the public face. All these activities will be geared towards enhancing taxpayer education while also addressing some social and economic issues affecting disadvantaged groups. We will also roll out commemorative enforcement activities to ensure continued compliance to tax laws. The pinnacle of this campaign will be a closing event, to be held in June, where we will be celebrating everything that we have come to achieve as the Authority over the ten years period.

We have also covered progress on different projects within the Authority including the ongoing Organizational Structure Alignment to Strategy (OSAS). There is plenty more informative and educational articles to read in this edition and we hope you will enjoy reading this newsletter.

We are committed to presenting to you a quality newsletter and as the reader, should you come across or spot some limitations in any area of this publication please point them out by emailing p.mphana@lra.org.ls so that necessary improvements can be made in future publications.

Remember to file your Income Tax Return - Deadline 30th June 2013.



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Slowly Getting There

In our 4th Issue we mentioned that we had taken a huge step towards aligning the LRA structure to our new strategy. We said that our need to do so had been driven by amongst others, the strive to have a single view of the taxpayer, the need to allocate resources appropriately for implementing our new strategy, to allow for organizational growth and career pathing and succession planning for our staff and definitely the need to support the direction that business is taking; our business requirements have significantly changed hence restructuring was an initiative which could not be postponed any further.



*Commissioner General
Mr. Thabo Letjama*

We are pleased to let you know that the review and design of the LRA structure has been successfully completed. This was a very hectic process which was done through intensive engagement with our staff, and bench marking against international best practice in Revenue Administration. Further to that, the process was subjected to an intensive validation and verification process to confirm the structure.

The new LRA structure has been built on the following principles;

- ♦ **Segmentation of tax Divisions into Large, Medium and Small Taxpayers:** To target efforts in enhancing service delivery

- ♦ **Clustering of similar functions** (ie Integration of business intelligence functions) To facilitate better synergies so as to allow process or workflow and also to reduce duplications and enhance sharing of information and resources.
- **Specialization of functions;** Some functions undertaking specialist services have been grouped together to create better sharing of information and to create
- ♦ **Support functions** been modified to enable enhanced support to operating Divisions
- ♦ **Decentralisation of certain functions** to allow better service delivery in our regional offices
- ♦ **Introduction of new functions:** Several functions were also created to address identified gaps.

As most functions and mandates have been changed and modified, this has necessitated the change of names of Divisions and Units to reflect the new roles. Awareness to the taxpayers to this effect will be undertaken.

Review and design of the new structure is now complete and we are currently moving staff from the old structure to the new one as per the new functions. This is being done by way of matching and placing people accordingly and the exercise is anticipated to end in April 2013.

Ultimately the new structure should lead towards building capacity for the LRA to better fulfill its mandate, which is collection of revenue for the Government of Lesotho. Once more we reassure our taxpayers that in so doing we will undertake all improvements necessary to improve the delivery of service to enhance compliance.

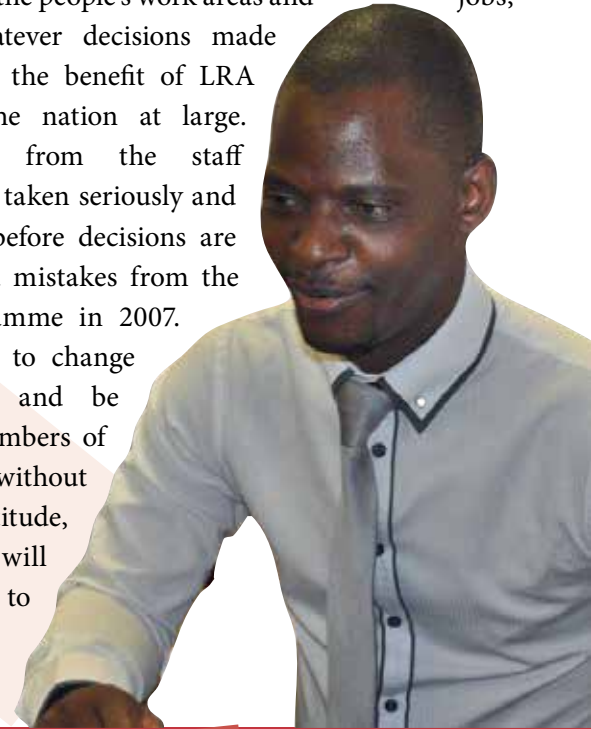
While the process of the Organizational Structure Alignment to Strategy (OSAS) project is continuing, we took to the corridors to meet some staff members to draw their views on different issues emanating from the implementation of the project. Here is what they had to say.

Mr. Abiel Mashale

*Assistant Commissioner Large Taxpayer Unit
Taxpayer Services*

The move to initiate the OSAS project was important because our organization had to address problems such as offering fragmented service to the taxpayers which weakened its efforts to better carry out its mandate and its objectives. The new structure will assist the Authority to have a single view of the taxpayers through proper alignment of strategies, processes and the structure and this will improve its services. However, I have noted a challenge on planning which has a negative impact on the implementation of the new structure. The divisions and sections are already planning for the next financial year on their own and this could affect the proper functioning of the new structure when some merges or relocate. Planning components such as the Integrated Performance Management System (IPMS) are also going to be affected by these developments. There is also a tricky issue like increasing the number of staff in the new structure against the ongoing automation of systems in the Authority. We might find ourselves in a position where some people

are not conversant with the purported systems and their redundancy can be costly to LRA especially if it gets to a point where there is need to release them from their duties. I believe the appointments for the additional staff in divisions should be done with caution, taking into consideration the automation process. Even though the OSAS process is going to affect the people's work areas and jobs, I believe whatever decisions made should be for the benefit of LRA as well as the nation at large. Contributions from the staff should also be taken seriously and into account before decisions are made to avoid mistakes from the similar programme in 2007. We also need to change our mindset and be positive as members of staff because without our right attitude, this change will amount to nothing.



Mr. Kamohelo Hlomisi

*Business Analyst
Business Process & Technology Division*

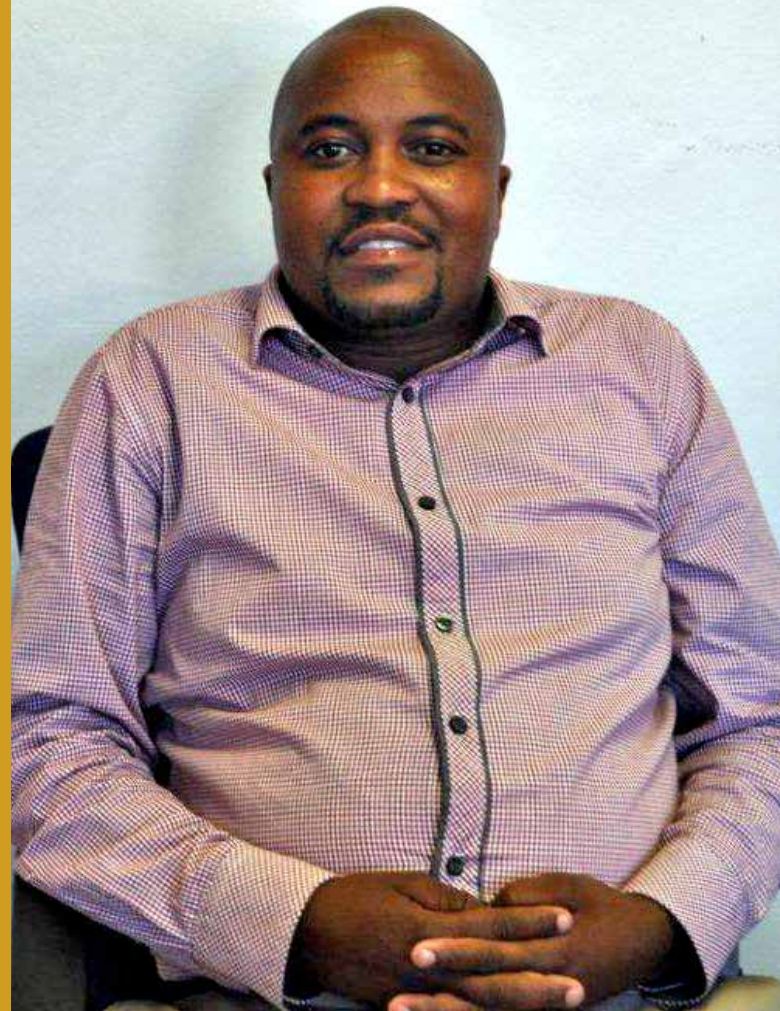
I think people are still insecure about the OSAS process especially about the security of their jobs. However as it was put out in the staff counseling sessions, we need to adjust to all business processes in the organization as changes are always bound to happen from time-to-time. There is also a concern on the change of titles and jobs for some people who think they amount to demotion. I think we should rise above this perspective as staff as long as we still have our jobs and be able to contribute in helping LRA to meet its goals. I sometimes compare this process to a person who has a relative that needs a kidney, in such circumstances one is bound to make certain sacrifices to help out and we need to implore a similar attitude for this OSAS process. This change can also be a spin-off for career development to some people who are currently panicking.

YOUR VIEWS

Mr. Mosiuoa Masoabi

*Senior Customs Policy Officer
Customs and Excise*

I am really not up to date with many developments about the process of the project but as far as I know its approach is much better than what we experienced during the 2007 Organizational Review (OR). There was an outcry after the last OR amongst staff members that they did not understand how management arrived at certain decisions especially those which had a negative impact on their positions. I was very impressed by efforts employed to involve staff in different processes of the programme to solicit their inputs. The approach to involve the staff in different steps of the project will go a long way to make the eminent change easy. The approach will also help the Authority not to impose decisions that the staff does not understand through the project. I also liked the recent counseling sessions that will play an important role in preparing staff members for any changes in their work areas. Our readiness for this change will make a significant contribution in its success.



WHATS NEW

An Insight into the LRA Customs Modernization Programme

It is an undisputable fact that the context in which Customs Administrations around the world operate in is fast changing, giving rise to new challenges and opportunities that Customs and governments universally are faced with in a globalized world.

In recognizing the new and dynamic role that Customs Administrations play in the 21st Century, Lesotho Revenue Authority (LRA) Customs and Excise found it imperative to develop a Customs Strategy as a response to the fast changing landscape while maintaining adaptability and flexibility to international trade and customs environment. As a member of the World Customs Organization (WCO), the development of the Customs Strategy has also been influenced by amongst others, the statement made by the former WCO Secretary General, Michael Danet "...Customs

in the 21st Century must promote growth and development through trade facilitation and enhanced border security, new strategies must be devised to rise to these challenges, whilst innovative and forward-looking responses are required" (2008).

Key Points to note in the Customs Strategy

Vision: An administration that meets international standards in managing Lesotho trade, revenue and social protection objectives.

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Mission: To collect revenue, protect society, provide accurate trade data and meet international obligations through:

- ◆ Developing partnerships with stakeholders;
- ◆ Applying clear policies, processes, procedures and modern technology;
- ◆ Engaging a capable and motivated workforce;
- ◆ Promoting Compliant Trade
- ◆ Applying strong enforcement measures for non-compliant trade

What to know about the Customs Modernization Programme (CMP)

The strategic objective of CMP is to contribute to the economic development of Lesotho through the introduction of a coordinated, sequenced and funded development programme for the LRA Customs and Excise Division.

The CMP also aims at developing a common understanding of the Customs Strategy within LRA and beyond.

In pursuit of the strategic objectives, CMP will ensure that;

- i) **Standard Operating Procedures (SOPs)** are developed in order to standardize, simplify, computerize and harmonize customs procedures within the entire administration so as to:
 - ◆ Improve service delivery
 - ◆ Improve staff competence
 - ◆ Improve turnaround time



*Commissioner of Customs and Excise
Mr. Thabo Moleko*



*Customs Modernisation Programme
Consultant Mr. Joe Kelly*

- ◆ Reduce corruption and
 - ◆ Improve revenue collection
- ii) **Risk Management (RM):** A process to develop the strategic and tactical risk parameters for, LRA which will enable resources to be deployed more effectively.
 - iii) **Preferred Trader Programme (PTP)** is put into place in order to reinforce the Customs to Business (C2B) relations through amongst others, the speedy release of goods to reduce the burdens on traders.
 - iv) **Trade Portal:** A multi-agency, web based site which will provide the trade and public with information needed to effectively import and export goods. It is a web based hub of information on legal requirements for importing into and exporting out of Lesotho.

It should however be appreciated that by nature of its mandate, LRA Customs and Excise faces a challenge of facilitating trade while applying controls to detect possible customs fraud and other offences; This is why the CMP will promote a risk-based and compliance-led approach.

CMP recognizes the role **Information and Communication Technology (ICT)** plays in promoting Customs Modernization. For LRA Customs and Excise Division to achieve its mission, CMP will seek to integrate modern practices and processes with ICT driven customs management systems. Automation of the customs procedures will lead to improved transparency, greater efficiency, and enhanced security.

ACTIVITY MATRIX FOR THE CMP

PHASE	ACTIVITY	START DATE	FINISH	DELIVERABLES
I	Planning and Development	01 September 2012	30 November 2012	<ul style="list-style-type: none"> ◆ Education programme on the LRA Customs Strategy ◆ Customs Modernization Programme Plan ◆ Defined trader benefits for a Preferred Trader Programme
II	Detailed Development and Piloting	01 December 2012	31 December 2013	<ul style="list-style-type: none"> ◆ Compliance management Procedures ◆ Risk management procedures ◆ ICT ◆ Non-Intrusive Inspection- scanners (NII) ◆ Trade Portal Launch
III	Full Implementation	01 January 2014- December 2015		<ul style="list-style-type: none"> ◆ Staged implementation of computerization modern procedures Preferred trader

LRA stops accepting tax invoices relating to direct imports

Following series of announcements made since November 2012, the Lesotho Revenue Authority (LRA) wishes to inform members of the business community and the public in general that Tax Invoices pertaining to Direct Imports into Lesotho from the Republic of South Africa shall no longer be accepted by Customs officials at the ports of entry from March 1st 2013. Value Added Tax (VAT) on Direct Imports shall be paid at the ports of entry upon importation of goods.

LRA uses three main methods to collect VAT at the ports of entry namely:

- ◆ Straight payment at the port of entry through a cheque, Cash or Electronic Funds Transfer, and this particular method is guided by LRA Receipting Policy
- ◆ Collection of Valid Tax Invoices from South Africa
- ◆ Import Vat Credit Facility (Deferred Payment Account) for vendors registered under this facility

The second method, Valid Tax Invoice, is primarily used to claim back VAT paid in South Africa for goods imported into Lesotho. Members of the business community and the general public are probably aware of an agreement

that exists between Lesotho and South Africa with regard to payment of VAT whereby Lesotho through LRA claims back import VAT paid on goods imported into Lesotho. In the absence of the Valid Tax Invoice the other two methods are applied.

However, with regard to Direct Exports by South African Suppliers and Direct Imports by Lesotho Vendors the RSA VAT Law as interpreted by South African Revenue Service (SARS) states that such supplies are to be Zero-Rated, meaning that VAT is not to be charged by a supplier in South Africa BUT should be paid by Lesotho Vendor (importer) upon importation of such supplies at the port of entry.

Customer satisfaction and internal climate survey rolls out

In pursuit of its mandate, the LRA seeks to develop and employ effective and transparent systems, processes, procedures and technologies to create a fair and equitable revenue environment, and to promote voluntary compliance. The LRA through its new vision aspires to be a leading performance oriented revenue administration that is characterized by integrity, innovation and service excellence.

Since its inception in 2003, the LRA has been successful in fulfilling its mandate by meeting and exceeding its revenue targets. This strong revenue performance has been matched by improvements in customer service, primarily driven by initiatives in integrity and enhancing professionalism in service delivery. During its involvement LRA has delivered on its mandate, transformed its public image, and is now widely regarded as a high performing Public Sector organisation.

Despite its considerable achievements in minimising customer compliance costs over time, there is need for the LRA to continue enhancing its service levels. Over the past years, two customer satisfaction surveys conducted have established that there are some weaknesses in service delivery hence a need for regular surveys to see whether there are some loose ends and to tighten them accordingly. The surveys are intended to inform planning so that the

findings and recommendations of the study could be focused on and addressed.

The LRA will be embarking on another survey this year which shall be looking at external satisfaction and internal climate. This survey is intended to assess the current level of customer satisfaction with respect to services rendered by the LRA, and also gauge prevailing public perceptions of the Authority. The survey should also assess the internal climate in terms of staff satisfaction with regard to work environment and job satisfaction.

Following a tender notice that was published in July 2012 a South African based company, ILSC Consult, was awarded contract to carry-out both surveys on behalf of LRA. So far a steering committee has already been constituted and a project team is also in place. The project kicked off in February 2013.

DID YOU KNOW

Tax cuts for sport sponsoring corporate: Why are companies not jumping at this opportunity?

In 2008, Income Tax (amendment) Act, 2008 came into effect. It is an amendment to the Income Tax Act that allows companies and business persons to donate/sponsor money to the sporting fraternity and in turn benefit by deducting as an allowable expense the amount so paid provided it is M1,000 or above.

The regulations were also published by the Minister of Sports by legal notice in 2010 so as to enable the prospective sponsors and the sponsored to know the procedures to be followed. The Income Tax (amendment) Act states that the sponsoring body will pay the money to the Lesotho Sports and Recreation Commission and if such monies are transacted through the bank, they shall be deposited in the account to be determined by the Commission and approved by the Minister. The companies can sponsor an association,

a club or an individual athlete. The Commission is also required to pay over the sponsored monies to the sponsored within 21 days of receipt. The Act refers to this sponsorship as "sports donations".

This income tax amendment requires that the sponsored associations, clubs or athletes submit to the Chief Executive of the Lesotho Sport and Recreation Commission all supporting documents and a detailed account of how the

DID YOU KNOW

sponsorship or donation monies were used at the end of each financial year. The Commission is also required to submit quarterly reports to the Ministry of Sports as well as to the Lesotho Revenue Authority the reports and statements of sponsorships, the names of the sponsored and the current status of the sponsorship. The amendment also specifies the penalties to be incurred for failure to report of use the sponsorship or donation money as intended. Even in cases where the donation/sponsorship is not in a cash form, the procedure that it has to be channeled through the Commission holds. In this case, the sporting attire or equipment must be accompanied by certified copies of invoices. The invoices will be used by the Lesotho Revenue Authority as proof of sponsorship/donation. Failure to produce the invoices will result in Lesotho Revenue Authority determining the fair market value of the items. The Commission will also write a letter to Lesotho Revenue Authority describing the equipment.

According to the Lesotho Income Tax Act as amended, donations are not allowed as a deduction from income derived by any business which is subject to tax in Lesotho. This means that this amendment now makes it possible for companies or businesses to deduct donations as long as they were made to the sporting bodies or sportsmen in Lesotho. The expectation was that most companies would take the opportunity as the final benefit would be to reduce their tax liabilities while at the same time improving the performance of Basotho in sports.

Benefits of sponsorships to the sponsoring bodies and to the sponsored

As described by McCarville and Copeland (1994, p. 103), "sponsorship involves an exchange of resources with an independent partner in hopes of gaining a corresponding return for the sponsor". Whannel (1992) gives three inter-related drivers for corporate sport relationships:

1. sport's ability to attract media coverage;
2. the link between the sponsor and sponsored; and
3. the demographic profiles of participants and spectators'

It is worth noting that in affiliating with the club, corporations are not purchasing the uncertainty of game outcomes; instead, they are aligning their own business

interests with that of the reputation of the association, club and its product, in order to increase their own financial wellbeing.

His Majesty the King of Spain once said:

"Sports provide a magnificent preparation for life and foster the most noble of human values: enthusiasm, discipline, teamwork, spirit of excellence, sacrifice and fair play. Sport generates hope, instilling in young people the drive to achieve new goals and turn dreams into reality."

While Nelson Mandela also said that:

"Sport has the power to change the world. It has the power to unite people in a way that little else does. It speaks to youth in a language they understand. Sport can create hope where once there was only despair. It is more powerful than governments in breaking down racial barriers. It laughs in the face of all types of discrimination".

(a) Benefits to the sponsored

In sports, athletes have to be identified and trained by associations or clubs so that they become of required quality. Quality has many aspects, one of which is reliability. Producing a reliable product is an absolute must if people have to be persuaded to follow and support the sport. However, the real skill is in the attention to detail with which athletes are shaped. Quality is about passion and striving for perfection as well as the perception by the audience in being satisfied from time to time by the athletes' performance. In the production of this product, the following people play an important role in guiding and directing the athletes towards success:

- (a) coaches
- (b) Administrators
- (c) Medical personnel
- (d) Nutritionists

The coaches assist the athletes with their training, discipline as well as competition techniques while the administrators will be ensuring that the athlete's schedules and needs (attire, food, transport...) are taken good care of. The medical team will be there to ensure that health matters of athletes are looked after while the dietician will be there to ensure that athletes eat well and healthy. These are then the people that help athletes to improve their performance.

DID YOU KNOW

The appeal of the sport product rests on the uncertainty of the competitions' outcome.

Whannel (1992, p.199) explained the uniqueness of the sports product as follows:

"Like other forms of entertainment, sport offers a utopia, a world where everything is simple, dramatic and exciting, and euphoria is always a possibility,... sport entertains, but can also frustrate, annoy and depress. But it is the very uncertainty that gives its unpredictable joys their characteristic intensity."

It is therefore a must that funding must be available in order to achieve the above.

(b) Benefits to the sponsoring body

1. The likelihood of the product image enhanced resulting in increased business and sales.
2. The likelihood of a significant amount of positive media exposure. This comes at the time when the team goes for competitions and when the team wins as the attire will be bearing the sponsor's logo. The athletes will also be talking about their sponsor as their success story.
3. Signage at athletics sporting events - advertising
4. Promotional opportunities before and after the event
5. Ability to reach a specific demographic or target market. This is an opportunity for the sponsor to enter the sponsored market and to explain the benefits of being part of the sponsoring family.
6. Tax relief. The sponsors benefit by claiming all expenses incurred as sponsorship/donation in their tax returns as long as the monies were used for the development of sports in Lesotho.

Suggested reasons why companies are not taking advantage of the tax relief opportunity

1. In a case where two parties are entering into an agreement, it is an expectation that such parties will work together in order to achieve the intended objectives and that reporting as well as monitoring of activities will be done together. In the case of this law, there is a third party that comes into play and it is this party that now will call the shots. This party is the Commission that will have power to receive the donated money, attire or equipment and have liberty to make transfer to the sponsored inside 21 days.



This third party will play the monitoring role and demands reports and also punishes. This does not increase the bonding between the parties that have entered into an agreement. This process also makes the athlete an accounting officer which means that instead of training and ensuring that performance improves, this athlete will be administering funds and preparing reports or alternatively, the athlete will have to employ and pay someone to do that administration for him/her (extra costs). This means therefore that companies will not agree to be party to such arrangements as they put their monies into sponsorships in order to get a return and such return can be possible if they are directly attached and work with the sponsored body.

2. Companies do not want to come into play because of bureaucratic impracticalities. When associations, clubs or athletes seek sponsorships/donations, it is because they have an immediate activity to take care of. The sport donation law follows a longer route which honestly is of no benefit to the sponsors. The sponsors want the donated monies to go directly to the sponsored and that no deductions should be made from such funds. In their contract with the sponsored, there are clauses which address actions in case of default and therefore, there is no need for such to be repeated again in the amendment act – and action being taken by a third party. If the amendment is to enable companies to claim as a deduction the sponsorship/donation monies, then it is easier for the companies to maintain such required

DID YOU KNOW

records and submit same to Lesotho Revenue Authority with copies to the Commission. It is a fact that the Commission is required to do an extra work for which it looks like it is not getting paid for.

3. Division 1v of the Lesotho Income Tax (as amended) refers to deductions. Under section 33 (1), there is reference to expenses of deriving income where it is mentioned that “.. a deduction is allowed for any expense or loss (including a depreciation or amortization expense, or other expense or loss specifically provided for in this Division), but only to the extent incurred by the taxpayer during the year of assessment in the production of income subject to tax”. Companies/sponsors pay out money on sports in order to derive a benefit and that benefit is the increase in their revenue base. They sponsor the targeted markets/sporting codes and by so doing they are able to get more clients for their products. This in itself is an expense which is business related as the intention is to increase revenue that will be taxed in Lesotho in the current year of assessment. Companies will classify such an expense as promotion, sponsorship or advertising expense and not as a donation. By so doing they will still claim the allowable deduction intended by the new sport amendment act. If there was an extra incentive like allowing companies to claim more than 100% of the amounts paid, maybe they would be interested in following that long tedious route. It is also important to mention that companies are able to maintain proper records and supporting documentations relating to the sponsorships made at any particular point in time. They have confidence in their own systems and personnel and at the end of the financial year, they are able to clear the full deductions unlike in a case where the requirement is for an association, club or athlete to maintain, report what companies already have in their own records.

Conclusion

The Sport Associations in Lesotho, clubs and individual athletes need companies to assist with making available money for their day to day sporting operations. The Government of Lesotho also came up with a helping hand

in the form of the sport donation act. It is a breakthrough as companies are now allowed to deduct donations to sporting bodies but it is not an appealing incentive to companies as there are other expenses that can be used and which are legally allowable as deductions from tax. It is my feeling that an extra incentive is needed in order to attract companies to follow this long bureaucratic route that makes them lose control of the entities that they sponsor, entities with whom they have the binding contracts as well as the performance measures. It is true that the Commission is the mother body of all associations and works in the best interest of all but it should not be overloaded with activities that can better be done by companies themselves – maintaining records and reporting.

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A decade of bliss for LRA

2013 is a special year for the Lesotho Revenue Authority (LRA) as it marks a decade since the inception of the Authority. It has been a long route and we talk to the Commissioner Taxpayer Services Mrs. Maleshoane Morakabi who has always been around to see the implementation of the Authority and its development to look back and take us through the journey of the LRA in the ten past years.

How did the idea to establish the LRA come about?

MM: The idea to form the LRA traces as far back as 1991. This idea was first proposed by Mr. Kieren Holmes who was an advisor to the then Income Tax Commissioner in the Ministry of Finance. He used say that there is a need for Lesotho to have a revenue board and his idea was that it will consolidate services from different revenue agents under one roof in order to effectively use available resources such as limited infrastructure and human resources to improve tax collection services. The departments were the Income Tax, Sales Tax and Customs and Excise. Mr. Holmes submitted different proposals and reports to the Ministry of Finance but at the time government was not yet ready to pursue it. As years rolled on, the International Monetary Fund (IMF) learnt about this reports and three consultants were appointed to explore ways on how the then existing revenue agencies can be merged.

How did the idea to form LRA take off?

MM: The government made a decision in 2001 to establish an operationally autonomous body that would be responsible for the assessment and collection, on its behalf of specified revenues and enforcement of laws relating to such revenue. The then Finance Minister Mr. Kelebone Maope was very passionate and instrumental in seeing to it that a legislation to form the LRA is done but he left the ministry before the completion of this project. When Dr. Timothy Thahane took over as a Minister of Finance and Development Planning a steering committee made up of principal secretaries and deputies that included Mrs. Lineo Ntoane, Mr. Semano Sekatle, the then Central Bank Governor Mr. Motlatsi Matekane, the Director of the Privatisation Unit Mr. Mothusi Mashologu was established. There was also an establishment of the implementation team of representatives of different government ministries to lead



*Commissioner Taxpayer Services
Mrs. Maleshoane Morakabi*

the project. Lesotho was also given a resident consultant by the United Kingdom's Department for International Development (DFID) and the IMF Mr. Lacok Ian to assist in the project.

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Celebrating 10 years of building a better Lesotho

DID YOU KNOW

Tell us about the appointment of the board and the first LRA Commissioner General?

MM: A board of directors was established and was made up of the Principal Secretary in the Ministry of Finance, Principal Secretary in the Ministry Trade, representatives from the Lesotho Employers Association, Lesotho Institute of Accountants (LIA), Central Bank, the Minister's appointee and the Commissioner General. The names of the first LRA board of director's members were namely; the late Advocate Thabo Makeka, Mr. Sam Mphaka, Mr. Thuso Thokoa, Mr. Mohlomi Rantekoa, Mr. Robert Likhang, Ms Leonea Lephoto, and Mr. Kevin Donovan.

The first Commissioner General of the LRA was Mr. Donavan who passed on in 2005. The position for the first Commissioner General of the LRA was advertised globally and after interviews Mr. Donavan who had worked as advisor to the Zambia Revenue Authority (ZRA) Commissioner General and later on lead the ZRA was appointed to take over the reins at LRA.

When did LRA become operational?

MM: The LRA started its operations on the 23rd January 2003. The new Commissioner General had, since his arrival recruited the senior management team that comprised the three Commissioners for Customs and Excise, Income Tax, Sales/Value Added Tax, the Chief Legal Officer, Director Human Resources, Director Information Technology and the Director of Finance and Administration, Director Internal Audit, Internal Affairs and Executive Support . The early days of the Authority were not easy because there were many challenges that rose from the handing over process from the government to LRA which to some extent was not proper. However, no government employees from the merging departments lost their jobs in the process as those who were not employed by the LRA were absorbed in different government departments. The first Commissioner General worked hard to transform staff members from the civil service culture and mentality. He was results-oriented and always emphasized that the LRA needs to meet its revenue targets which it successfully did. Attractive incentives were introduced to lure a wide ranging pool of staff members from various sectors into the Authority. Six

months after its establishment, the LRA also managed to introduce the VAT.

How was the structure formed and how has it evolved till today?

MM: KPMG was engaged to do the structure for the LRA but the first Commissioner General declined it saying that it is too ambiguous. He then engaged senior staff members to devise and propose a structure that will allow the Authority to start its operations. There were three Commissioners for Income Tax, Value Added Tax and Customs and Excise. There were support offices for Legal, Information Technology, Human Resource, Public Relations, Economic Unit, Finance and Administration, Internal Audit, Internal Affairs and Executive Support. The first structure was revised in 2007 under the second Commissioner General Mr. Charles Jenkins after a Customer Satisfaction Survey. The 2007 structure was aimed at improving services to taxpayers hence advice centres were introduced in three district to decentralise services. The Taxpayer Services Division was established to sensitize the taxpayers about their rights and obligations while Revenue Compliance concentrates on the law enforcements. This 2007 structure is currently being reviewed.

How have the systems, processes and systems changed?

MM: A lot was done to improve the systems in the past ten years and we moved from using manual work or papers in different divisions after the introduction of the automated systems. The introduction of the Enterprise Architecture Programme aimed at taking a corporate view on the way the Authority carries out its business and makes its technology investments, notable strides were made to improve the business processes and systems of the LRA.

What does the future hold for the LRA?

MM: The LRA is developing at the right pace and we see a light in the end of its tunnel. The LRA should continue to improve its services to the taxpayers to promote voluntary compliance. Modernizing services at the border posts through automation of the systems will also be important. The LRA should also work hard to secure its independent working space and establish its own building.

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Fully fledged LTD in pipeline – Khanare

The Large Taxpayer Department (LTD) Project team is working towards realizing the establishment of the fully fledged Large Taxpayer Unit, the project Manager Mr. Paul Khanare has said. The LTD Pilot Project was established in January 2012 to devise ways which the LRA can adopt to improve its services to the large taxpayers as well as to enhance their compliance. The Project Manager Mr. Khanare said his seven member team was confirmed to be the resident LTD Project Team in April 2012.



LTD Project Team

Large taxpayers make a significant contribution in the total tax revenue pool and the LRA has realized a need to effectively enhance its service to them. The project to establish a fully-fledged LTD seeks to create a platform where large taxpayers will be served in a manner that will promote their voluntary compliance. “If large taxpayers could voluntarily comply, the overall tax revenue performance is likely to increase”, said the LTD Project Manager.

The large taxpayers have unique and different service requirements hence there was an urgent need to put in place measures that would see them being classified into rightful categories. In this manner it would be easier for the Authority to employ suitable systems and processes for the large taxpayers and if certain challenges arise on the way, it will be easier to pick and address them.

The move will also ensure that the large taxpayers find it easy to fulfill their tax obligations in a more service focused environment. Some taxpayers operate from rural districts and the unit will devise ways aimed at ensuring that all taxpayers meet their tax obligations at minimal costs of compliance.

Each taxpayer will be allocated an Account Representative/ Manager. The move aims to help the taxpayers to have personnel that will concentrate on their tax affairs with

the LRA and assist them as individual taxpayers to address their needs and challenges from time-to-time in order to encourage their voluntary compliance. There will be a formal communication to each large taxpayer on how this arrangement will work.

The LTD will operate from the Maseru Mall where 37 dedicated staff members will ply their trade at the new offices in different sections of the LTD. The new offices are expected to house functions that include: Taxpayer Services (Advice Centre), Returns and Processing, Refunds Processing, Collection and Debt Management, Audit (including Post Clearance Audit for large taxpayers), Excise, and Records Management.

The new offices will also offer enough space for service points and parking for the large taxpayers. This will help in doing away with different hurdles the large taxpayers face when they attend services at the current LRA Head Office. Some taxpayers unnecessarily spent a lot of time at the LRA premises awaiting services and there is a hope that the move to secure a large office space at the mall will help in addressing this problem.

The new offices will also create a platform for the taxpayers to interact with the LRA while running their different errands at the mall. The large taxpayers normally undertake activities such as banking, shopping and dining at the mall and expectations are that they will at the same time visit the LRA offices for services.

Expectations are that the new offices will be operational in the LRA's next financial year, soon after the implementation of the Organizational Structure Alignment to Strategy (OSAS) project.

The LTD Project Team is currently made up Mr. Paul Khanare, Ms. Mpepiso Mpesela, Mrs. Mahali Mochaba, Mrs. Malehlohonolo Halahala, Mrs. Mantsoti Penane, Mr. Moeketsi Macheli and Mr. Letsika Nkhetše.

Electronic Documents and Records Management System (EDRMs) Project

In 2008, the Lesotho Revenue Authority (LRA) made a decision to take a holistic view of the LRA's processes and the technology that supports them, and identify ways of improving them through the development of an Enterprise Architecture (EA).



*EDRMS Project
Manager
Mr. Mokhethi Mabea*

*Consultant Mr.
Adriaan Hefer*

- ♦ An electronic filing system for management of physical records including tracking and tracing.
- ♦ An off-site storage facility for backups and archiving of all records.

The project has already started from September 2012 and currently it is about to finalize the planning stage: And before the end of 2013, the LRA staff will be able to view all tax payer files on-line in electronic format. This will greatly improve the Authority's efficiency, enabling files to be retrieved within seconds and eliminating lost documents.

It will also allow more than one staff member to view a particular file at the same time. The original paper files will remain available to staff members in case they are required.

With the EA the LRA aimed to achieve its mandated and objectives through process improvement and effective application of technology. This gave rise to a series of programmes one of them being an Enterprise Content Management (ECM) system. Then the LRA redesigned a nine (9) out of its twenty-eight (28) processes and the Records Management Processes was one of them.

As a way of successfully implementing the new records management process, the LRA approved a project meant to run for a period of eighteen (18) months. The project is going to implement a system called Electronic Documents and Records Management system by the assistance of the specialist company called I-Kno Knowledge Solutions (PTY) LTD. The project has the following objectives:

- ♦ A capability for the electronic storage of physical and electronic records.



The scanning of all existing taxpayers files began on Monday 21st January 2013 during the commencement of the exercise.

LRA to introduce customs scanners at border posts

For some time, the Lesotho Revenue Authority (LRA) has been considering ways in which to improve the efficiency and effectiveness of its border controls. As part of this endeavor, it has considered, like many other jurisdictions, the option of acquiring non-intrusive technologies.

In the last 10 years, and especially since the events such as the attack in the United States on 09th November, 2001, non-intrusive scanning technology has become widely used to improve inspection effectiveness and coverage in Customs environments.

- ◆ These technologies can bolster border control operations in different ways:
- ◆ Detecting certain (but not all) transgressions;
- ◆ The presence of scanners acts as deterrence to non-compliant tax payers;
- ◆ There will be increased inspection rates which will result in better compliance levels of taxpayers;
- ◆ Scanners can facilitate trade by reducing inspection time;

In addition, scanners can assist a jurisdiction to improve the 'credibility' of its trade by demonstrating its commitment to increased inspection coverage and effectiveness. There will also be skill enhancement of officers who will be operating

the scanning facility.

The Customs Scanner project was initially planned to undertake Inspection Hub and Compact Mobile Scanners but later on incorporated baggage scanners as a result of the LRA/South African Revenue Service (SARS) cooperation project.

The Inspection Hub has two legs where a portable mobile scanner will be set up at the Maseru Bridge while the second leg will be established at the place yet to be identified. The second leg will be an inspection area with unloading, loading equipment for manual inspections and scanner facilities for non-intrusive inspections.

The Scanning technology is expected to be put in place as follows assuming all things do not change; Compact Mobile Scanner November, 2013, Baggage Scanner November, 2013 and Inspection Hub December, 2014.

EVENTS

LRA celebrates ten years of excellence in style



LRA celebrates ten years of excellence in style

The Lesotho Revenue Authority (LRA) commemorated its 10th Anniversary with glitzy cocktail for the external stakeholders at the Lesotho Sun Hotel on Thursday, 23rd January 2013. The unique formal and red carpet event was attended by the Deputy Minister of Finance Hounorable 'Matsepo Ramakoe, Principal Secretaries, different business personalities and senior government officials.

The night of the 23rd January was more special to the LRA as it was reminiscent of its official launch at an event in Maseru Sun ten years ago. The decision to establish the Authority followed the Government decision in 2001 to establish an operationally autonomous body that would be responsible for the assessment and collection, on its behalf (Government), of specified revenues and enforcement of laws relating to such revenue. This decision was implemented by passing the LRA Act no.14 of 2001 that established the Authority.

In her speech the Deputy Minister of Finance Mrs. Ramakoe said the establishment of the LRA has gone a long way to broaden the tax net. She said when the LRA was formed; Lesotho had no tax compliance culture. Taxpayers did not file their returns as expected, contributed less than they had to pay and as a result the burden was left on the shoulders of the compliant few. She said the non-compliance culture hurt the tax morale and resulted in low revenues coming to Government.

She said despite many economic challenges including the most recent recession, the LRA has always exceeded its revenue targets for the last ten years. She also encouraged the Authority to continue its efforts in not tolerating tax evasion, fraud and corruption. "Tax fraud, evasion and corruption; divert public funds to individual hands for use in selfish private interests. This we encourage the LRA to work hard to eliminate, in all its forms, if Lesotho is to ever become a prosperous state," she said.

The LRA Commissioner General Mr. Thabo Letjama said his organisation has performed exceedingly well over the years, despite facing numerous challenges. "We have always managed to exceed targets the government has always set for us every year, and our internal revenue contribution has always been an average of 20 percent of the national

budget, from our collections. This is better than what other countries in the region are contributing to their national budgets at an average of 17 percent," he said. Mr. Letjama also outlined the LRA's successes in the past ten years as follows:

Simplification of the tax system to promote voluntary compliance

Since its inception the LRA put the following mechanisms to simplify the tax laws and make compliance easy:

- ◆ In the first year of its existence, the LRA successfully implemented the Value Added Tax (VAT) replacing the then General Sales Tax (GST), becoming the first Revenue Authority in Africa to have introduced VAT so soon after its inception.
- ◆ LRA and South African Revenue Service (SARS) agreed a VAT refund process, which resulted in SARS refunding LRA directly for VAT paid in SA by Basotho importers. All Basotho have to do now is to hand over an invoice obtained from SA and LRA gets refunded their tax directly by SARS. This saves time and eases on the cash flow burden of effectively paying twice while waiting for a refund.
- ◆ Assigned Taxpayer Identification Numbers (TIN) and later on introduced the Self-Assessment System (SAS) in its endeavor to promote voluntary compliance amongst the taxpayers.
- ◆ Persuaded Government to give a Tax Amnesty through a government gazette to ensure that all taxpayers start on a clean slate.
- ◆ Ensured establishment of A Revenue Appeals Tribunal to ensure transparency, consistency and fairness in tax administration.
- ◆ Is working simplification of the law and the tax system at large to ease off on the burden of compliance.
- ◆ Embarked on various enforcement operations to ensure compliance to tax laws. These included

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operation mokorotlo, operation ntsoana tsatsi, and other various “not business as usual” campaigns to bring about the required revenue.

- ◆ Cooperated and collaborated with DCE and LMPS to ensure effective enforcement of the law.

The Border Post Refurbishment

The first phase of the Border Post Refurbishment Project covering the Maseru and Maputsoe Border posts was completed in October 2009. The end of refurbishment works at those borders included construction of extra vehicular lanes, offices and canopies to facilitate inspection, and easy passage of traffic.

The second phase of the Project started with the finalisation of Concept designs all other nine border posts and refurbishment of Tele Bridge. During the period when Tele Bridge was being refurbished, the Authority also built an almost eleven (11) kilometre electricity line to Tele Bridge and another estimated five (5) kilometer line to Sephapho’s Gate. These lines will not only be providing the borders with electricity, but will also be the baseline from which the neighbouring villages will be electrified.

Extension of Filing System with Local Banks

In an effort to reduce compliance costs, the LRA in collaboration with Nedbank Lesotho, Standard Lesotho Bank and First National Bank introduced filing of monthly returns for VAT and PAYE at these banks. Taxpayers are now able to complete two transactions in one visit, remitting tax and also filing a return at any commercial bank throughout the country.

The Enterprise Architecture Journey:

At the Authority we aspire to be a leading performance oriented revenue administration characterized by Integrity, Innovation and Service Excellence: in our quest to ensure that we perform well on our mandate into the foreseeable future, we embarked on the EA Programme which was aimed at taking a corporate view on the way the Authority carries out its business and makes its technology investments. As a result of this programme, the Authority:

- ◆ Through the BPM and Serumula project re-engineered and implemented nine key processes out of 28 identified processes to simplify processes and



*Deputy Minister of Finance Honorable
'Matsepo Ramakoae*

ease compliance by the taxpayer.

- ◆ Following from the re-engineered processes, the Authority is now rolling out for the first time automation of Customs operations and implementing new system for taxes to replace the current system that is in operation.
- ◆ A data cleansing and records management solution has also been launched to ensure data integrity, security over records and easy access.

The LRA Business Partnership Forum

In order to enhance relationships with private sector stakeholders, the LRA and private sector established the Business Partnership Forum. This forum is a platform for the LRA, the private Sector and relevant government ministries to engage in dialogue in order to ensure that decisions made takes into account experiences of the private Sector.

Social Responsibility Programmes:

Various charities and individuals have benefitted from the Authority’s Corporate Social Investment programme. The Authority with its CSI program, ensure that it works with the concerned beneficiaries to implement initiatives that are sustainable and that ensure self-reliance of beneficiaries. As we speak, there are two sustainable projects, the Poultry and Dairy Farming Projects that serve as an income generating source for orphans and vulnerable children at St. Leo Primary School at Ha Makhoathi. The projects have so far generated over M50, 000.



LRA 10th Anniversary internal launch – a blast

The Commissioner General Mr. Thabo Letjama released balloons to officially launch the Lesotho Revenue Authority (LRA) 10th Year Anniversary during the fun-filled event at the Palace Hotel on Friday, December 14. The Internal launch of the LRA's 10th Anniversary coincided with the 2012 staff Christmas Party. A similar event was held on the 5th January 2013 for Customs staff as they could not make it to the main launch.

The launch marked a start of a series of activities geared to celebrate and leave a legacy in the organization as well as among different sectors in the society. The commemoration which will not be a once of event aims to celebrate the milestones achieved by the Authority in its 10 years of existence. The celebrations are also geared to reposition the brand and enhance the profile of the Authority as well as intensifying taxpayer education.

The 10th year anniversary with the theme: “Celebrating 10 years of building a better Lesotho!” has adopted its own identity which resonates LRA corporate identity and will be accompanied by the official LRA symbols to avoid unnecessary confusion.

The celebrations will also feature sponsorships and Corporate Social Investment initiatives that include the

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Post Budget Speech Event, the Annual High School Debate Competitions, Fight hunger campaign, Wheelchair Marathon, Staff competitions (i.e. Blanket design & Naming competition), the Annual Morija Arts and Cultural Festival –(Music Mix) and the new Strapline Signature Tune competition during the course of the year. The main event will be held sometime in June 2013.

The audiences at the event were given an insight in some of the staff competitions as a raffle was held for lucky entrants who had voted for the new strapline. The lucky winners won different electrical appliances as prizes.

The internal launch celebrations also featured an exciting industrial theater performance by the Bahale Drama Group led by a local actress Miss Liatile Mohale. The drama covered the experiences and milestones of the Authority and a notable shift in the society's minds in understanding the Lesotho's tax system.

There was also an introduction of the LRA's Official mascot named – Moronthlothlo – The Tax Guy who will be the face of the campaign. Moronthlothlo was officially introduced to the staff members after his visits to different offices at the head-Office as well as at the border posts.

In his remarks the LRA Commissioner General Mr. Letjama said the internal launch celebrations were special because they did not only create a platform to reflect on the past achievements and lessons learnt in the ending year, but also to celebrate the existence of the organization since its inception ten years ago.

He said the internal launch of the celebrations marks a series of events comprising a campaign that will engage taxpayers, the communities, and stakeholders aimed at ensuring that they understand LRA's role and its contribution in Lesotho's economic growth.

“In this regard LRA is looking forward to a very exciting year where the Authority will be celebrating its successes as well as thanking taxpayers for voluntary compliance with their tax obligations and continuing efforts to encourage those who are not yet in the tax net to follow suit”, he said.

He explained that, the internal launch celebrations also aims to ensure that the staff own up the campaign and support its initiatives to ensure that it is successful.

“We believe that with a strong will inside of us to support and make this initiative happen, it stands a better chance of success. Besides without you there would be no 10th anniversary to celebrate,” the Commissioner General added.

The celebrations were also graced with music from one of the top local musicians Sechaba Litabe, popularly known as Fatere who moved masses with his soothing sounds.



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LRA competes in charity golf tourney

The Lesotho Revenue Authority (LRA) has once again shown their unwavering support to charitable initiatives by participating in the second Metropolitan Charity Cup at the Maseru Golf Club in December, 2012..

The main focus of the tournament was to raise funds for different orphanages and charitable organizations in the country. Each winning company was given a chance to choose a charity organization where proceeds from the tournament would be channeled.

The motivation of playing for the benefit of their chosen charities fired up the players to compete to the best of their ability, further stimulating the growing culture of corporate giving amongst the country's top companies.

The LRA-Team as well participated in the golf tournament with the view of making a contribution towards charity in line with the organization's Corporate Social Investment (CSI) policy.

LRA had fielded a four ball team that comprised the 11-year



From left: 'Malehloa Lekhooa, Mosito Moloi and Motselisi Ramakoa

old Mosito Moloi, Ts'olofelo Motsie, 'Malehloa Lekhooa and Motšelisi Ramakoa. The LRA team braved the rainy weather to conquer their competitors and leave a notable mark at the tournament.

The dedicated team did well to finish in the sixth position at the tournament after garnering 96 points. One golfer in the team Mosito Moloi also walked home with a prize for being the youngest player in the course as well as being one of the golfers who had best shots in the competition.

The team which displayed an improved performance compared to 2011 was given a prize for its efforts. The tournament has become an annual event and there is hope that next year's (2013) tournament will be even bigger and better.



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“Tax collection without corruption is possible” A taxpayer tells tax collectors

The Commissioner General Mr. Thabo Letjama was amongst his continental counterparts who attended the 6th Taxpayer Appreciation Day that was hosted by the Tanzania Revenue Authority (TRA) on 7th November 2012. This glittering event was held at the Mlimani City Conference Centre, Dar es Salaam.

Delivering a keynote speech at this beaming event the Vice President of Tanzania Dr. Mohamed Gharib Bilal said the outstanding performance in revenue collection is amongst the Government achievement in building domestic capacity and independence to execute development goals. He said the Tanzanian Government is committed to improve policies and systems to ensure that every single taxpayer fulfills the obligation of paying tax timely and voluntarily. He urged the TRA to be resolute and firm in uprooting corruption within its own ranks and curb tax evasion to ensure that Government efforts aimed at modernizing its operations succeed.

Speaking earlier on the day, the Minister of Finance and Economic Affairs Dr. William Mgimwa praised TRA for continuously surpassing its revenue targets despite various challenges and thus making it easier for the Government to fund its social and development programmes.

Speaking at the same function a representative of taxpayers Mr. Mayinga commended TRA for being a role model in the fight against corruption which he said has become very chronic.

“One thing that I can safely say with my head up, is that TRA is clean,” he said amid a very strong applause.

Mr. Mayinga appealed to the few members of TRA who seem to be dragging behind to reform and change their attitudes as there is no place for corrupt officials in TRA. He said if Tanzanians are not keen on fighting corruption that would without doubt take their beloved country down the drain.

He even made an example of a seven year old girl who once encouraged her mother to bribe a police officer at a road traffic check point so that he can let them go.

“If their country has reached that stage, it is a strong signal that the country has a serious problem, he warned.

He further appealed to the Government to reduce VAT rate from 20 percent to at least 15 percent and to adopt a policy which restricts government departments from procuring equipment such as furniture from outside Tanzania as that affects growth of local business. He said the private sector is a driver of the economy and therefore should be taken into consideration when policies are being made. He completed his remarks by calling upon all members of TRA to note that **“tax collection without corruption is possible.”**

Delivering his remarks, the Commissioner General of TRA Mr. Harry Kitillya preceded his remarks by thanking representatives of other revenue administrations in the Southern African Development Community (SADC) and the entire African continent for accepting his invitation. He said for them to have honoured his invitation was a clear demonstration of cooperation that exists amongst tax administrations in the continent. He thereafter emphasized the importance of publicly recognizing the contribution of taxpayers to the development of the nation by organizing a special event to honour them. He said by so doing they are not only motivating them to do even more but also encouraging others to follow suit and do the right thing.

He said TRA is in its final year of implementing its current strategic plan and it is investing more on its systems so as to improve the services it provides to taxpayers. He said they are currently developing a system that would recognize a taxpayer as a stakeholder. He further said they are cognizant of increasing expectations on the part of taxpayers as a result, the management of TRA meets with different sectors of taxpayers to solicit their opinions regarding the services

and the strategic direction the organization is taking so that their views are at all times taken into consideration when decisions are being made.

On the issue of corruption, Mr. Kitillya explained that TRA is not tolerant to corruption in its many forms and amongst many strategies that they have put in place include establishment of ethical committees whose responsibility is to monitor compliance with TRA's code of conduct. He also appealed to taxpayers to demand receipts whenever a payment has been made and similarly warned businesses against a practice of not issuing receipts/till slips to their customers as that is against the law.

In the past financial year TRA exceeded its revenue target by four percent (4%). According to the CG the TRA's contribution to the GDP currently stands at 16 percent and their aim is to reach a 24 percent mark in a few years to come.

The National Micro-finance Bank (NMB) emerged most compliant and contributor at the national level and was awarded a certificate of merit, the other two companies which made it to the top three were Tanzania Breweries Limited (TBL) and Tanzania Cigarette Company Limited (TCC). At the function the Executive Director of Tanzania Women Bank, Ms. Margret Chacha received an award for the best women leading an institution that has been supporting women in various business undertakings which create new taxpayers.

Dignitaries who graced the event by their presence include the Vice President of the United Republic of Tanzania, Minister of Finance and Economic Affairs, Permanent Secretaries and other senior government. Mr. Letjama was accompanied by Mr. Tšepo Raletooane, Assistant Commissioner - Front Office and Mr. Pheello Mphana, Manager – Public Relations. At least eight heads of revenue administrations across the African continent attended the event.

LRA Commissioner General Mr. Thabo Letjama (second from right) pose for a photo with his colleagues from across the African continent.



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LRA presents at the EU-SADC Economic Partnership Agreement seminar

Representatives from seven countries - Angola, Botswana - Lesotho, Mozambique, Namibia, South Africa and Swaziland, known as the Southern African Development Community – Economic Partnership Agreement (SADC-EPA) Group met in Gaborone Botswana on the 14th -15th November 2012. LRA was represented at this seminar by Mr. Thuto Mathetsa - the Tariff and Origin Manager in the Customs and Excise Division.

The seminar was aimed at creating a platform for negotiations on a comprehensive economic partnership agreement with the European Union. In view of these negotiations which are still ongoing, the European Commission organized this seminar which was intended to provide an opportunity for experts from various organizations, government representatives and the business world to meet and discuss the challenges and opportunities offered by the EPA in order to help stakeholders to better understand the EPA and its impact on national, regional economic and business reality.

Presentations and discussions made at this seminar included issues of progress made this far, market access, rules of origin, trade defense instruments, trade in agriculture, trade in services and other trade related matters.

Alongside the various experts from the European Union and research institutions in South Africa, was also Mr. Mathetsa, the Tariff and Origin Manager at Lesotho Revenue Authority. Mr. Mathetsa delivered a presentation at the seminar titled: “Increasing Trade with African Neighbours: the use of rules of origin”. This presentation sought to indicate the following:

- ♦ The purpose of rules of origin in a trade agreement;
- ♦ What the indicators are if the rules of origin under a trade agreement can indeed help to increase trade with neighbouring countries;
- ♦ What the Interim SADC-EU EPA has to offer with regard to these indicators;
- ♦ What can be done to ensure practical benefits for trade.

In his presentation, Mr. Mathetsa highlighted and advanced that:

- ♦ While the purpose of rules of origin is simply to avoid trade deflection i.e. to ensure that trade preferences are only applied to qualifying goods under a trade agreement, once they are set, it is not farfetched to explore how to use them optimally for the benefit of increasing trade;
- ♦ A trade agreement may be expected to increase trade with neighbouring countries if:
 - It allows the use of imported materials for some of the goods to be considered originating and qualifying for preferential treatment;
 - It allows for cumulation of origin with neighbouring countries i.e. materials imported from such countries are considered as if they are not imported
- ♦ The Interim SADC-EU EPA provides for origin criteria which allows use of imported materials and also allows for cumulation of origin with other African, Caribbean and Pacific (ACP) States, Overseas Countries and Territories and the EU itself.

He therefore concluded by mentioning that amongst other things, the SADC-EU EPA rules of origin does provide a fertile environment for increasing trade with neighbouring countries including African neighbours. However, he strongly cautioned that practical benefits for such increase are not automatic because, amongst other things:

- ♦ As the situation currently stands, many input materials such as those used in the Textile and Clothing sector in Lesotho are imported from Asian countries;
- ♦ Business people still have to know and understand rules of origin and the most cost effective options they have;
- ♦ Business people need to check whether the quality needed by the buyers is available in the neighbouring countries;
- ♦ The procedures and requirements such as Customs procedures and requirements are simple and practical enough to enable cost effective importation of input materials from such neighbours.

LRA awards best students

In an effort to recognize excellence in education, the Lesotho Revenue Authority (LRA) bestowed awards of excellence to three grandaunts from institutes of higher learning.

The three students are Mokete Lethola from the Centre of Accounting Studies (CAS), Rethabile Moleko and Mohau Johannes Qoane from the National University of Lesotho (NUL).

Lethola who received his award during the 32nd Graduation Ceremony of the CAS at the Manthabiseng Convention Centre obtained a qualification in Certified Accounting Technician (CAT) studies.

The LRA award targeted candidates who had excelled in their studies that had elements of taxation during their spell at their institutes. Lethola was declared as the Best Student in Foundations Taxation and for his efforts he was awarded the LRA trophy and M 1 500 monetary reward.



Mr. Lethola Mokete of the Centre of Accounting Studies receives his LRA award from Prince Seeiso Bereng Seeiso.



Ms. Rethabile Moleko of the National University of Lesotho also received an award from the LRA.

Lethola expressed gratitude over the LRA award as he said it is commendable to note that local organisations appreciate excellence that students display in their studies.

He also said the award will be his source of motivation to work hard as he continues his studies in General Accounting at the CAS.

The NUL students – Qoane and Moleko each received M 2 500 from LRA as best students in Bachelor Degrees in Economics and Accounting respectively.

Moleko had stolen the show and dominated the awards after she obtained a first class pass Bachelor of Accounting. Qoane also obtained the sole first class position in Bachelor of Economics.

The prizes were hailed by both students as a shot in the arm in their lives after meeting various challenges in their studies before finally reaching their destiny.

The graduates are also looking forward to be more resourceful and creative than their predecessors in order to create more and better opportunities for self-employment.

This is in view that Lesotho is faced with multiple social, political and economic challenges. This also means that even if they will ply their trade in either the private or the public sector, the graduates will have to employ their skills and knowledge with greater dedication diligence and discipline with the aim of creating a better future for Basotho, particularly the poor and the marginalized.

LRA was sponsoring the NUL awards for the second year running and continues to play a key role in acquiring skills instilled in both the NUL and the CAS graduates through full-time and temporary employment. The sponsorships are in line with LRA's Corporate Social Investment policy under the public and taxpayer education which provides that the Authority may offer financial incentives/assistance to students in the fields of accounting, economics, taxation and any other relevant fields.

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How do you live or apply the LRA corporate values on your day to day work

Ms. Mabataung Tsinyane
Senior Taxpayer Education Officer
Taxpayer Services



A positive attitude helps to achieve corporate values to enhance organizational goals. There is Team Work and in order to achieve this value, we try to allocate tasks to each member of the team still considering the skills and ability of each member. However we also try to empower each other by giving ourselves challenging work to do. As a team we might not agree on certain things but we try to be mature, and place the interests of our division before our personal interests. Emotional intelligence is also important, as this help us to manage our emotions and feelings towards the decisions made. It is important to listen and respect other people's views and perceptions. Even if we do not agree on something, we try to compromise where necessary because people have different characters and personalities. To achieve service excellence – I try to understand taxpayers' needs in order to come up with the right solution to their enquiries. I always treat each taxpayer as an individual because they have different needs and expectations. Most importantly when serving a taxpayer, patience, politeness and respect are key elements to always remember that this will make a taxpayer feel at ease to talk to. In order to achieve this value it is very vital to consult where necessary especially where we are dealing with difficult issues to avoid giving the taxpayer wrong information.

Mr. Moholo Lekomola
Manager Collections
Debt Management – Revenue Compliance

I always work hard to abide by the corporate values being Teamwork, Integrity, Service Excellence and Accountability (TISA) whenever I do my job. In debt management we deal with cases which sometimes involve properties of delinquent taxpayers. As a team leader I allow my fellow colleagues to lead their cases. However, I employ my presence and contribution in different operations and cases as part of my duty to be accountable. That also helps me and my fellow staff members to live with integrity.

During the course of our work we try by all means to identify loop holes within our manuals in order to improve our work and this task is done by my team. This task propels them to think outside the box and if we come across any flaws in the manuals we definitely involve our boss to be part of the solution which goes back to team work. My job is pretty much to enforce the tax laws. We make efforts to explain and educate the taxpayers about their obligations and the consequences of defaulting should they fail to abide by the tax rule.



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AS I UNDERSTAND IT

Mrs. Mabokang Kose
Customs Auditor
Post Clearance Audit

In all corporate values team work plays an important role in my day- to-day duties more especially when we deal with cases of fraud. We also gang up against practices of corruption to ensure that every one of us avoids bribes. Fraud in auditing is a very sensitive issue and we come across situations where our records do not corroborate or match with the information from some taxpayers and in such situations we work as a team to study and reach a certain conclusion about the next step. All corporate values help to boost our efforts to improve compliance from the taxpayers although some of them think we are sometimes too hard on them.



OUR PEOPLE

Mrs. Nthabeleng Khama
Personal Assistant – Revenue Compliance

Mrs. Nthabeleng Khama obtained a Bachelor of Arts in Business Entrepreneurship at National University of Lesotho (NUL) on 27th October, 2012. She believes the programme has prepared her to implement, develop, market and organize other management functional areas in business.



She said the programme will also assist her in developing her career and face challenges in today’s rapidly changing marketplace. As part of the course Mrs. Khama was also fortunate to carry out a study on LRA Taxpayer Education strategy which gave her the opportunity to learn more about the Authority and how other countries deal with tax education to improve tax compliance.

She sent her gratitude to LRA’s management and staff for their unwavering support during her studies

Ms. Limpho Rakoto
Senior Auditor Revenue Compliance

Ms. Limpho Rakoto was blessed with a beautiful daughter – Mosa Precious Rakoto on the 31st May 2012 at Rose Park Hospital in Bloemfontein, South Africa. Meanwhile, Ms. Limpho Doreen Rakoto recently graduated for a Postgraduate Diploma in Management Practice (Trade Law and Policy Management) from the University of Cape Town in South Africa. The Programme is offered in collaboration with Trade Law Centre for Southern Africa. The graduation was held in Cape Town, South Africa. Ms. Rakoto believes her new academic achievements will help her in the advancement of her career. She said the course has equipped her with skills that will enable her to explore different spheres of her career. “The programme will help me to diversify and be able to venture into other LRA departments,” she said.



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MEET THE TEAM

Meet Customs Northern region Management and Team Leaders

In this column we introduce different teams within the LRA with the aim of making it easy for the LRA community and the taxpayers to link a face to a person. Often we communicate with people we haven't met before



Name: Mamoswati B. Polisa
 Designation: Manager Northern Region
 Joined LRA: 2003
 Hobbies: Singing, and watching movies
 Contacts: 22 431175



Name: Mofolo Makhele
 Designation: Senior Customs officer Team Leader
 Joined LRA: 2003
 Hobbies: Travelling, Reading
 Contacts: 22 430257



Name: Liteboho Mohase
 Designation: Senior Customs officer Team Leader
 Joined LRA: 2003
 Hobbies: Gardening, Travelling, Hiking, Music
 Contacts: 22430257



Name: Ramonate Ramonate
 Designation: Senior Customs officer Team Leader
 Joined LRA: 2003
 Hobbies Volleyball & Soccer
 Contacts: 22 430257



Name: Mokoto Molise
 Designation: Senior Customs officer Team Leader
 Hobbies: watching soccer, socializing
 Joined LRA: 2003
 Contacts: 28462385



Name: Lefu Lekoetje
 Designation: Senior Customs Officer
 Joined LRA: 2003
 Hobbies: Soccer
 Contacts: 22460621



Name: Lekhoanyane Pebane
 Designation: Senior Customs Officer
 Joined LRA: 2003
 Hobbies: Outing and Soccer
 Contacts: 22460621



Name: Morai Motsoari
 Designation: Senior Customs Officer
 Joined LRA: 2003
 Hobbies: Churh goer, soccer
 Contacts: 27550240



Name: Teboho Lefoka
 Designation: Senior Customs Officer
 Joined LRA: 2003
 Hobbies: Church Goer, Cooking
 Contacts: 27550240



SUMMARY FOR NEW RECEIPTING POLICY

LRA is reengineering its business process in order to improve the effectiveness and efficiency in handling records and reducing taxpayer's compliance costs and also eliminate the incidence of errors and fraud

As a result of this business process reengineering endeavour LRA introduces the following changes with effect from 1st of April 2012.

CASH HANDLING

- LRA shall cease to accept any cash payments from single payer in excess of M 20,000.00 at LRA payment point. If a taxpayer has to make a payment which exceeds this amount he/she must make such a payment directly into bank account. This is intended to reduce the costs, security, fraud and money laundering risks associated with Cash, it is the strategy of the LRA to reduce the amount of Cash payments made to its payment points.

Issuing of Manual receipts

- *LRA shall eradicate the issuing of Receipts where Depositors are in possession of alternative proof of payment.*

No Receipts will be issued in respect of direct bank deposits and electronic funds transfers (EFT) payments.

The following shall be accepted by the LRA as proof of payment providing such payment has been shown to have cleared through a Commercial Bank account in the name of the LRA:

- > a Bank Deposit slip bearing a dated bank teller stamp
or
- > an EFT proof of payment confirmation slip

Acceptance of Payment

- **LRA shall not accept cash payment when:**
 - > the Depositor is unable to provide complete details regarding the allocation of funds. In such event, the Cashier shall refer the Depositor to the relevant office to obtain correct details of payment.
 - > It includes counterfeit monies.

Acceptance of cheques

Personal cheques shall not be accepted, only bank guaranteed cheques will be accepted. LRA does not accept foreign bank cheques at its payment points.

Summary of key LRA changes affecting the Taxpayers

- No receipts to be issued for bank deposits and EFTs.
- No receipting shall be done by Advice Centers.
- Personal cheques not accepted unless they are bank guaranteed.
- Acceptance of cash payment from a Taxpayer shall not exceed M20,000.00 regardless of the number of transactions.

For more information please contact: 22313796 or 52215061

Tax Calendar

TAX TYPE	DUE DATE
Income Tax	30 September (1st Installment)
1. Personal Income Tax	31 December (2nd Installment)
2. Corporate Tax	31 March (3rd Installment)
3. Fringe Benefit Tax	30 June (1st Quarter) 30 September (2nd Quarter) 31 December (3rd Quarter) 31 March (Last Quarter)
4. Withholding Tax	15th of every month
5. Pay AS you Earn (PAYE)	15th of every month
VAT	20th of every month
1. Vat Returns for Vat vendors	20th of every month
2. Import Vat Credit Facility (IVCF)	20th of every month



REQUIREMENTS OF A VALID TAX INVOICE

A valid tax invoice should bear a VAT number of RSA registered vendor. The VAT number is a ten digit number commencing with "4"

The Invoice should be an original. It should not be a copy

TAX INVOICE				
Sam's Computer Store (PTY) LTD				
Vat Registration No: 4000000000 Telephone: (+27) 51-444 3434 Business Fax: (+27) 51-444 3433 Physical Address: 15 Piet Retief Street, Ladybrand, RSA Email: sam@samelectric.com				
				Invoice No: 112 Date: 27/01/2010
Description	Qty	Price per Unit	Total	Gross
1 IBM Desktop Computers	2	2,000.00	4,000.00	4,000.00
2 HP Multimutifunction printer	6	1,000.00	6,000.00	6,000.00
Net Amount				10,000.00
VAT@14%				1,400.00
Grand Total				11,400.00

A valid tax invoice should bear/have an invoice number

A valid tax invoice must reflect an invoice date.

A valid tax invoice should show a rate at which VAT has been charged and the amount of VAT charged. Alternatively if VAT is inclusive in the total amount, then the rate at which VAT has been charged should be clearly indicated.



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*Serving You, Serving the Nation –
Re Sebeletsa Uena, Re Sebeletsa Sechaba*