

May - July 2014
Issue 08

MOKHAFI

The Taxpayer



Newsletter

The official Newsletter of the Lesotho Revenue Authority

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Editorial Comment



Editor: Mr. Pheello Mphana

We unleash the 8th edition of Mokhafi, The Taxpayer, to once again provide you with necessary information intended to improve your tax compliance level. Indeed this edition is no different from its predecessor in terms of content and structure. Through this publication we strive to arm you, our cherished reader and Taxpayer, with essential tools that would enable you discharge your patriotic responsibilities. We hope you find it useful, informational, educational and also entertaining as our ultimate goal is to make it a must have and must read publication.

The LRA is currently embarking on a number of initiatives geared towards a new strategic direction the Authority is taking. Therefore there is a lot happening within the organization as we aspire to be one of the leading organizations in the south Saharan region in terms of performance with the main emphasis on teamwork, integrity, innovation, service excellence and accountability.

As you flip through the pages you will notice through our articles that the focus is more on initiatives intended to improve services rendered to the customers. This publication also carries articles on social responsibility and further reports on progress on projects underway.

There are plenty more to look forward to and we hope that you will enjoy reading this newsletter as we believe you did with previous editions.

Remember to file your income tax return before 30th June 2014.

Commissioner General View



The End of the beginning is insight

In our 7th issue we mentioned that we had taken a huge step towards aligning the LRA structure to the new strategy that we have adopted – through a project known as the Organizational Structure Alignment to Strategy or OSAS as affectionately known within the LRA circles. The new structure seeks to assist the LRA in building its capacity to better fulfill its mandate. There are notable developments since the implementation of the new structure and we believe it will go a long way in assisting us to achieve our vision which is “to be a leading performance Oriented Revenue Administration Characterized by Integrity, Innovation and Service Excellence.”

Following the implementation of the project we have so far managed to successfully segment our Taxpayers into three categories namely:

- Large Taxpayers
- Medium Taxpayers; and
- Small Taxpayers which includes majority of employees and small businesses.

You are probably aware that our Large Taxpayers are now being served from our new offices based at the Maseru Mall while the other two categories are currently being served from the head office, Finance House. This categorization is without doubt going to assist in:

- close monitoring of Taxpayers' compliance with their tax obligations;
- improve the LRA's understanding of different sectors behaviors;
- focus on characteristics and behavior of distinct categories of Taxpayers;
- assess risks and come up with mitigating strategies tailored to distinct sectors;
- allocate resources based on risks; and improve accountability

Notable strides have been made in as far as the Customs Modernization Programme (CMP) is concerned. The

programme which was launched in 2012 will this year move from its design and development phase to implementation. The programme when fully implemented will benefit border users and the general public in many ways. The main objective is to have modern and efficient procedures for business and general border users, supported by state of the art computerized systems. These procedures will maximize commonality with the systems used in other countries mainly South Africa. This will also promote more efficient and modern guarantee and payment systems to increase compliance.

The Preferred Trader Scheme, one of the projects under the programme, is currently being on a pilot stage and will be expanded to reach more traders to offer a wide range of benefits for compliant trade. The Lesotho Trade Portal which is also part of the CMP was recently launched and is now available for use by clients. Under this project we intend to provide improved, clear and up to date information on all government requirements for border users and is now available on the internet and thus being accessible to traders worldwide.

Significant progress has also been made with regard to the Integrated Revenue Management System (IRMS) project and we have already completed the Registration Module of which we are now embarking on a re-registration campaign which has so far been successful.

While we are busy bringing in these developments which are intended to improve efficiency in delivering on our mandate we are cognizant of the fact that we should not get distracted and put our eyes off the ball. We are therefore implementing a number of revenue collection initiatives as well to ensure that we continue to collect the much needed revenue for the betterment of our country. As we implement these initiatives our main emphasis is on ensuring that



Commissioner General Mr. Thabo Letjama

the integrity of our tax system is intact at all times. The integrity of the tax system relies on its fairness whereby all taxpayers are treated equally. This means that we are not prepared to tolerate non-compliance at all costs and never will. The act of non-compliance with our tax laws is unjust and it robs the country of its ability to provide for its citizens.

As a corporate citizen we are also cognizant of our corporate social responsibility. We normally look beyond what we do on daily basis which is revenue collection but always look at bigger picture which is, nation building, because taxes build nations. The taxes that we collect are used to improve lives of the citizens. We have supported a number of corporate social investment initiatives and we intend to continue doing so as we believe it is everyone's responsibility to make a meaningful contribution especially towards the less privileged.

It is the responsibility of us all to make Lesotho a better place to live in and I therefore call upon all Taxpayers to comply with their tax obligations and do so voluntarily for the benefit of our fellow countrymen who depend on taxes for their livelihood.



Strategic Management Framework Development



Mr. Greg Carolin
DPI Consultant

number of shortfalls that were experienced during this period especially around the implementation, monitoring and evaluation.

The Authority has therefore brought on board a company known as Decision Processes International (DPI) to assist the LRA in addressing these shortfalls and to help build a robust Strategic Management Framework which will stem from Strategic Planning, Budgeting, Training, and performance management.

The primary objective of this project is to build the capability that shall allow the LRA to autonomously develop and implement its strategic plan in a controlled, repeatable and deliberate manner. The secondary objective is to develop the next strategic plan, as well as the 2014/15 Corporate Plan, in all its facets. The project started in November 2013 and shall run for approximately 18 months, including post-implementation activities. Progress made since then is huge and the new strategy has been successfully developed and was officially launched on April 2nd by the Commissioner General. Currently divisions are busy working on divisional plans.



Staff members listen attentively during the 2014-2019 LRA Strategic Plan Launch

The LRA has just completed implementation of its 3rd strategy which came to an end on March 31st 2014 and thus paving the way for a newly developed 5 year strategy which will run until 2019. The first strategy 2003/06 was developed under the founding Commissioner General Mr. Kevin Donovan through the assistance of consultants, as was the case with 2006/09 strategy. Building internal capability to enable LRA to develop its future strategies was very key during the development of 2006/09 strategy.

This ideal was successfully achieved since the 2006/09 strategy was developed in-house and so was 2009/12 though the latter was cut short due to change in strategic direction and thus ushering in 2011/14 strategy.

Although the Authority developed its last two strategic plans in-house, there have been a



The stunning LRA's ladies new corporate wear

The Lesotho Revenue Authority (LRA) ladies are set to amaze the Taxpayers with their newly launched ladies corporate wear. The new attire was launched on Wednesday, 4th April.

On Monday's the ladies are expected to wear a dark royal suit with caramel blouse or camisole with a caramel scarf (printed or plain). The following day (Tuesday's) they will be seen wearing a caramel suit or full dress with printed dark royal or plain scarf and printed caramel blouse. The colours for Wednesdays are a dark royal suit with light blue blouse or camisole with a light blue scarf. On Thursdays the ladies will brace gladly in a full dress, skirt or slacks suit with red, caramel or navy camisole.

In an interview LRA Human Resource Specialist Mrs. Mamotonosi Lehema said the ladies uniform is changed after every two years in line with the LRA Staff Policy. She said the invention of ladies uniform in LRA was done to portray the good image of the organization.

"The invention of the uniform first came as a recommendation from the LRA Board of Directors some years back after a realization that the assorted dressing of ladies was not good enough and that they needed uniform to portray a good image of the organization," she said. Special features of the new uniform are that it resembles all the corporate colours of LRA: Red, Navy and Mustard. This is third set since the established of the organization.

As I Understand it



“One of LRA's missions is to collect revenue through strong and sustainable relationships with stakeholders. We interview colleagues about their understanding on this mission.”



Mrs Matieho Adam
Team leader Audit-LTD

relationship with stakeholders, is that LRA aims to collect revenue through strong relationships with stakeholders that meet the current generation without compromising the ability of future generations. Therefore interaction, collaboration, cooperation and communication with the stake holders such as Taxpayers, Employees, Government and other Revenue Administrations is very fundamental to the success of LRA.

As an auditor, during my daily interaction with Taxpayers, I regularly provide them with advice and information so that they are aware of and understand their legal obligations in order to enhance full compliance. I offer timely professional service and listen to Taxpayers so that we can better understand their behavior and expectations; this is done through fora and by one on one consultations with Taxpayers.

As auditors, we also interact with other Revenue Administrations such as SARS through seminars where we share joint cross border taxation initiatives and exchange best practices with the aim to promote tax compliance in each country.”

“Each relationship is an intangible asset of the business. As any Accountant will tell you, assets can either appreciate or depreciate or hold their value. By effectively managing relationships, LRA can enhance the quality of its intangible assets and therefore increase the overall value of its business.

My understanding of LRA's mission; To collect revenue through strong and sustainable

“The Authority has a number of MOUs signed with several stakeholders such as Ministry of Trade, the Lesotho Mounted Police Service (LMPS) and Directorate on Corruption and Economic Offences amongst the list. The main reason behind the monograms was nothing more than collection of revenue for the Authority.

The Authority has established these relationships through which enforcement can be efficiently realized. These relationships are not only visible when collection duty calls, but are also observed when the Authority hosts celebrations and other massive events. As observed, these types of events and celebrations do not only lead to strong relationships but they also contribute to their sustainability.

The combined roadblocks formed by LMPS and LRA, sharing resources such as office space and ICT resources between the LRA and Ministry of Trade evidently exhibit relationships that are formed to collect revenue. In conclusion, leading other government ministries in big projects such as Trade Portal surely will contribute to strong and sustainable relationships with stakeholders as the Trade Portal has been developed to be sustainable for many more years to come”



Mr. Thabo Magaga
Forensics Specialist



Litsiane tsa boqheku



“...re lebaha
Basotho
bohle ba
befang
Lechetho
Ka botsepeki.”

lijo
ngaka
sesepa
liqhahla



Tax treatment of terminal benefits

The Income Tax (Amendment) Act No. 11 of 2012 (hereinafter referred to as "the Amendment Act") introduces exemption from income tax of terminal benefits received from employment. For the purposes of this Public Ruling, employment has the meaning in section 3 of the Income Tax Act 1993 (as amended and hereinafter referred to as "the Act"). In terms of that particular section

"Employment" means –

- (a) the position of an individual in the employ of another person; or
- (b) a directorship of a company; or
- (c) a position entitling the holder to a fixed or ascertainable remuneration; or
- (d) a public office.

Thus, in terms of the definition, the exemption does not apply to any other forms of engagement, for example, self-employed individuals.

The Amendment Act changes the current tax treatment of the following main types of lump sum employment payments – **contract gratuities, gratuities from permanent and pensionable positions/jobs, and severance payments** in two main ways –

- (i) it brings some tax concession by exempting a certain amount of the lump sum,
- (ii) it provides the same tax treatment for the taxation of lump sum employment benefits. Prior to the amendment, contract gratuities, gratuities from permanent and pensionable positions and severance pay were taxed differently, and this created inequity in the tax system.

The Law

Terminal benefits are explained in section 1 to mean three main items of income –

- gratuity,
- severance payment, and
- superannuation fund payment.

Which Taxpayers are Covered?

As can be seen from the law and its objects, the Amendment Act exemption applies generally to

- (a) employees,
- (b) holders of public offices which include offices in both the central and local governments (including all institutions thereof).

Which Taxpayers are Not Covered?

The exemption does not apply to taxpayers that are not taxed under sections 18 and 156 (read together with the related regulations) of the Act. Specifically the exemption does not apply to –

- (a) sole traders,
- (b) partners in a partnership unless such partners are salaried partners and taxable under sections 18 and 156 of the Act.
- (c) members in an association, a mutual club or similar organisations,
- (d) self-employed or independent contractors,
- (e) trustees, and
- (f) members of a board of directors whose income is derived only from the board sittings.

3.3 Which Items of Income are Excluded?

As the law indicates, the following are two conditions that must be met for income to qualify for the exemption –

- (a) it must be a gratuity, a severance payment or a superannuation fund payment,

(b) the basis for its calculation must be the basic salary earned.

The following are examples of items of income that do not fall within the scope of the exemption –

- accumulated leave days pay (including any unused sick leave),
- overtime and bonus payments,
- passage (travel allowance) granted to an employee at the start or end of employment,
- amounts received as compensation for unfair or wrongful dismissal,
- amounts received as compensation for restrictive covenants, for example, for requesting a former employee not to be employed by another employer or undertaking private business, and

· all other work related benefits.

NOTE

It must be noted that while the foregoing are not relevant for purposes of calculating the exemption threshold, they nonetheless, remain taxable amounts arising from employment.

Example 1: Application of the 25% Cap/Limit
The table below shows examples of three taxpayers who each received M100 000 as salary during their periods of employment. Taxpayer 2 also earned some business income while Taxpayer 3 received two types of gratuities, from the employer and from a pension fund at retirement. In all the three cases, the exempt amount is only limited to a maximum of 25% of the basic salary.

Item	Taxpayer 1	Taxpayer 2	Taxpayer 3
Salary	M 100 000	M 100 000	M 100 000
Business Income	0	M 50	0
Gratuity paid by owner			
Gratuity from pension fund	0	0	M 20 000
Exempt Terminal benefits at 25%	M 25 000	M 25 000	M 25 000
Taxable Terminal benefit	0	5 000	15 000

Example 2: Lump Sums Exempted or Taxable
Mrs Happy Ending received an award from the Lesotho Labour Court. The Court ruled in her favour that her former employer, Big Company Ltd, must pay her M385 000 as a separation settlement broken down as follows –

- severance pay of 2 weeks' monthly salary of M10 000 for each of the 5 years worked,
- lump sum equivalent to three years' salary in lieu of what she would have earned had her contract not been unfairly terminated.

Question: How much of the M385 000 terminal benefit is exempt from tax?

Answer

· Severance payment in terms of the law = half the monthly salary x number of years worked = (M10 000 pm/2) x 5 years = M25 000.

- Lump sum in lieu of unfair dismissal = M10 000 pm x 12 m/y x 3 years = M360 000.
- Of the M385 000, the M360 000 lump sum is not a gratuity, a superannuation fund payment or severance payment. It is compensation for unfair dismissal; it represents a salary and as such is not exempt, but taxable at the marginal rates. The M25 000 is severance payment and the whole amount is exempt because it is less than 25% of salary earned over the five years.

Special Cases

Amounts Used as Basis for Calculation of Terminal Benefits

In practice employers use different amounts for purposes of calculating gratuities at the end of employment terms – some employers base gratuity calculations on actual salaries paid, some employers use the average of some years

of the total employment period, and other employers use the current /exit salaries as the basis.

Item	Taxpayer 1	Taxpayer 2	Taxpayer 3
	M 100 000	M 100 000	M 100 000
1	M 120 000	M 120 000	M 120 000
2	M 132 000	M 132 000	M 132 000
3	M 145 000	M 145 000	M 145 000
Total Salary	M 397 200	M 397 200	M 397 200
25% Gratuity Payable	M 99 200	M 103, 350	M 145 200

Note that:

Employer 1 uses the actual salary paid, (M397 200), as the basis for the 25% Gratuity.

Employer 2 uses last two years' average, ((M132 000 + 145 200) /2) x 3, as the basis, and

Employer 3 uses the current/exit salary, (M145 200 x 3), as the basis.

Question: How much gratuity is exempt in each case?

Answer:

Employer 1: the entire gratuity, M99 300, is exempt.

Employer 2: of the gratuity, M99 300 is exempt and the difference, M4 650, is taxable.

Employer 3: of the gratuity, M99 300 is exempt and the difference, M45 900 is taxable.

NOTE

While in actual fact Employers 2 and 3 did not pay gratuities based on the actual salaries earned during the period for a variety of reasons, some of which could be justifiable, it is good taxation principle not to allow the whole amounts in both cases for two main reasons –

- (i) to prevent abuse thereby protecting the tax base, and
- (ii) to bring about equity in the tax system.

Treatment of Terminal Benefits Related Returns/ Interest Returns from Complying Superannuation (Pension & Provident) Funds

As and when employers and employees contribute to complying superannuation funds, those funds whose rules have been approved by the Commissioner General as meeting the tax law requirements, the contributions are invested to earn some returns. Furthermore, it should be recalled that it is Government policy to encourage long term savings by granting a tax deduction at the time the contributions are made, but such tax free returns are subject to the limitations of the Amendment Act. When employees retire or leave employment and consequently the pension schemes, the individual shares in the pension funds are normally split into two components; lump sum gratuity and another portion that goes towards purchasing periodic payments, for example, monthly pensions.

Question: How should the lump sum, consisting of both the actual contributions and the returns/ interest on the contributions be treated for tax purposes?

Answer:

The actual contributions and the related returns/interest are exempt from income tax, but as already indicated, the exempt amount cannot be more than 25% of the basic salary earned during the period.

Example 5: Treatment of Terminal Benefits from Pension and Similar Funds

Mr Bokamoso has been employed by Good Employer (Pty) Ltd for the past twenty (20) years. His remuneration consisted of a fixed salary of M10 000 per month and a commission which depended on the business he brought to Good Employer.

During the years, both him and the employer each contributed 15% of the basic salary towards his pension. Over and above this, he also contributed M200 per month from his after tax income and this was with the same pension scheme. On retirement he is entitled to 1/3 of his share in the fund as a lump sum gratuity. The remaining 2/3 is to be used to buy him a monthly pension. His total share in the fund is estimated at M921 600.

Question: What are the tax implications for Mr Bokamoso?

Suggested Steps

Step 1: Calculate the maximum terminal benefit to be exempt under the law.

Step 2: Calculate the terminal benefit that is payable under the employment contract.

Step 3: Apportion and cap the contract terminal benefit between:

- Self-provide portion,
- excessive contribution, and
- exempt amount.

Step 4: Calculate the tax on the taxable terminal benefit.

Answer:

Step 1: Maximum exemption limit=(M10 000 pm x 12 m/yr x 20 yrs) x 25% = M600 000.

Step 2: Terminal benefit payable under the contract = 1/3 x M921 600 =M307 200.

Note that not all of this terminal benefit is exempt even though it is less than the maximum amount allowed under the law. This is because it includes amounts related to self-provided pension fund and excessive contribution to the pension fund. As such it must be apportioned.

Step 3: Apportionment of terminal benefit payable under the contract:

· Self-provided portion = (M200/M3 200) x M307 200 = M19 200

· Excessive contribution portion = (M1 000/M3 200) x M307 200 = M96 000

· Exempt amount = M307 200 – (M19 200 + M96 000) = M192 000

Step 4: Tax on taxable terminal benefit = (terminal benefit payable under the contract – exempt terminal benefit) x standard rate of tax.

Hence (M307 200 – M192 00) x 25% = 25% x M115 200 = M28 800.

Taxation of Rolled Over Benefits

Section 99 of the Act allows that terminal benefits can be rolled-over or paid into a complying pension or provident fund without tax being paid at the time of rollover. Thus, an employee may decide not to “cash (in)” the terminal benefits but transfer such into a complying pension or provident fund. When the person ultimately “cashes (in)” from the pension fund the exemption provided by the new section 32 must be applied.

Example 6: Taxation of Rolled-over Benefits

Ms Matjato is employed in a parastatal, Letamo Authority, as a Legal Officer and her contract is for five (5) years with a starting salary of M16 000 per month. For each year, an increase of M1 000 per month is to be made at the beginning.

Letamo Authority has a provident fund for its employees into which it contributes 10%, with the employees also contributing the same amount. Matjato's contract expires at the end of 2014 after which she will go into private practice for ten (10) years. She intends to invest all her estimated M264 000 proceeds from the employer provident fund into a self-provided superannuation fund, but will not be making any further contributions.

At retirement, that is after the private practice,

she can either be paid her estimated fund of M684 800 or have 1/3 of this amount as a lump sum gratuity, with the 2/3 remainder used to buy her periodic pension.

Question: What will be the tax implications at retirement under the two options Ms Matjato is considering?

Step 1: Calculate the total salary earned during the five years.

Step 2: Calculate the 25% cap provided under the new section 32.

Step 3: Calculate the terminal benefit payable at retirement under each option.

Step 4: Calculate the taxable amount under each option.

Step 5: Calculate the tax payable on taxable terminal benefits, if any.

Answer:

Step 1: Year 1 salary = M16 000 per month x 12 months = M192 000

Year 2 salary = M17 000 per month x 12 months = M204 000

Year 3 salary = M18 000 per month x 12 months = M216 000

Year 4 salary = M19 000 per month x 12 months = M228 000

Year 5 salary = M20 000 per month x 12 months = M240 000

Total salary = M1 080 000

Step 2: 25% cap allowed by the law = 25% x M1 080 000 = M252 000

Step 3: Terminal benefit payable under each option

Option 1

Terminal benefit = M684 800 - M684 800 x 1/3 (33%) = M228 267

Step 4: Taxable terminal benefits: Option 1

Option 2

Benefit under Step 3 = M684 800 - M228 267

Benefit under Step 2 = (M252 000) - (M252 000)

Taxable difference = M432 800 - M0.003

Step 5: Tax on taxable terminal benefit

Tax on terminal benefit = 25% x M423 800 = M105 950

NOTE: Tax on terminal benefits is payable only under Option 1. The monthly salary payable under Option 2 is to be taxed in the same manner as monthly salaries under the PAYE system.

Tax treatment of terminal benefits

5. Other Types of Benefits

In practice there are many other reasons and circumstances that can bring an employment contract to an end, for example, death or disability. Employers get a tax deduction when they insure their employees under different life assurance policies. The benefits derived from such instances are also subject to tax laws.

It must however be noted that for any contract gratuity to be exempt it must satisfy all the key elements/conditions of the definition of "contract gratuity". The key elements are;

- the gratuity must be expressed as a percentage of salary,
- the basis of the gratuity must be a certain period of time of actual employment, and
- the gratuity must be paid upon expiry, termination or renewal of a written contract.

If any one of these conditions is not met then the individual is not entitled to any exemption on that type of gratuity. An example of this is where an employer pays four times annual death gratuity regardless of the actual period worked. As can be seen only one condition/element is satisfied. The other terminal benefits that are payable and meet all the above will qualify for exemption in the manner already explained in the foregoing parts of this note.

Effective Date

In terms of Government Gazette No. 41 of Friday 23 March 2012 the Income Tax (Amendment) Act No. 11 of 2012 is effective from 1 April 2012.

In applying this effective date, the meanings of "paid" and "payment" as defined under section 3 of the Act must be taken into consideration. This therefore, means that if an employee's contract expired on or before 31 March 2012 but received the lump sum after the effective date then the exemption does not apply to such an employee.

7. Summary

(a) Terminal benefits can take many forms and variations, but the exemption is limited to only three main types; gratuities, severance and superannuation payments.


(b) Employment contracts are of different types


and duration. The exemption applies to each employment contract regardless of renewals, terminations or variations.

(c) Different formulae and approaches can be used in determining the terminal benefit payable at the end of employment contracts. Care should be taken that the formulae or approaches taken are those that are in line with the Law.

(d) The exemption provided under the amended section 32 does not replace the concession under section 99. Both sections should be read together in determining the tax on the terminal benefits.

FEATURES OF TAX CLEARANCE CERTIFICATE







Tax Clearance Certificate
Original

Certificate ID :	LRA-111111
TIN :	1111111-1
Legal Name :	Mokhafi oa Tsepahalang PTY(LTD)
Trading Name :	Mokhafi oa Tsepahalang PTY(LTD)
Address :	UPPER THAMAE MASERU LESOTHO

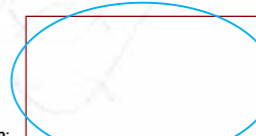
It is hereby certified that as of the date of this Certificate, the above mentioned Taxpayer has complied with the legal obligations and commitments in terms of the provisions of the Income Tax ACT 1993 as amended and the VAT ACT 2001 as amended.



Thabo Moleko
Commissioner - Domestic Taxes



Date Stamp:
Date Printed: 17-Feb-2014 at 11:16
This Certificate is Valid until: 17-Aug-2014



It is your obligation to verify the authenticity of this certificate on the LRA website: www.lra.org.ls or contact us on: +266 22313796 (Maseru), +266 22780862 (Mohale's hoek), +266 22400810 (Leribe)

Shows whether it is an original or copy

Tax Clearance ID to be authenticated

Official LRA stamp

Re – Registration Drive



The temporary re-registration centre at LRA Head office

The Lesotho Revenue Authority has embarked on a campaign to register new and existing Taxpayers. This initiative amongst others will help the Authority clean up Taxpayers' registration details and to facilitate the registration of individuals and companies who have thus far been unable to register as Taxpayers.

The LRA is automating and integrating its Customs and Tax processes in a drive to achieve a single view of a Taxpayer and therefore improve its services to the Taxpayers. The LRA therefore encourages Taxpayers to join the wagon of modernity by supporting this initiative and making it a success.

Why should I register or re- register?

First, it is a legal requirement for every Taxpayer to register with LRA for tax purposes, however through this campaign LRA intends to collect accurate and up to date Taxpayers' registration details with a view to improve its services to them.

Who should register or re – register?

New and existing businesses, individuals, Government ministries, Non –Governmental Organizations, and parastatals.

How should I re - register?

You can register either as an existing or a new

Taxpayer as per the guidelines below:

The existing Taxpayers are required to complete a Taxpayer registration form only. New Taxpayers are required to complete a Taxpayer registration form and attach the following documents:

Employee/Director/Partner

A copy of a valid identity document e.g. Passport, national identity card driver's license, voter's card

Sole Traders

- A copy of a valid identity document e.g. Passport, national identity card driver's license, voter's card
- A copy of trader's license

Any Other Businesses

- Memorandum and Articles of Association
- Certificate of Incorporation (Depending on the type of business)
- Partnership Deed (if partnership business)
- Copy of trader's license
- A copy of a valid directors' identity document e.g. Passport, national identity card, driver's license, voter's card.

Where can I re - register?

New and existing Taxpayers can register and or re-register at the following registration centres:

- Maseru Advice Centre
- Leribe Advice Centre
- Mohale`s Hoek Advice Centre
- With the consultants conducting the Door to Door visits

When can I register?

The campaign was kicked off in May 2013 and it is still continuing.

Progress on Projects



SACU-WCO CUSTOMS DEVELOPMENT PROGRAMME

Lesotho as a Member State within the Southern African Customs Union (SACU) and also a Member State in the World Customs Organization (WCO), is benefiting from both international and regional initiatives under both institutions. In December, 2008 the SACU Council of Ministers adopted a comprehensive Customs Development Programme for SACU in partnership with WCO as an umbrella driver for SACU Trade Facilitation.

The programme builds on the progress achieved under the five customs initiatives that SACU has pursued since 2004. SACU itself has in the past and continues to follow the developmental approach with focus on the following five priority areas viewed as essential in furthering integration:

- Regional industrial development policy
- Trade facilitation
- Unified engagement in trade negotiations
- Review of the Revenue Sharing Arrangement
- Development of SACU institutions
- Regional industrial development is the overarching priority.

The SACU-WCO Customs Development Programme contributes to the development of a sustainable and improved economic environment in SACU with regard to trade, security and social protection. This is achieved through the establishment of the Customs Authorities as fair and effective trade management partners.

The Programme aims to assist the SACU Member States to comply with international customs standards and modernise their respective Customs Administrations. Programme implementation with the support of the Swedish International Development Agency (SIDA), was planned for three years with the deadline of December, 2012. An interim extension of the programme to

December 2013 was agreed while the WCO discusses the possibility of further extension to the programme with SIDA.

At inception the programme covered five areas emanating from the WCO Diagnostic Assessments of Member States done in 2006; and agreed by the Council. These were:

1. IT Connectivity
2. Risk Management
3. Trade Partnerships
4. Standard Operating Procedures
5. Legislative review

There are also supporting activities on human resource development and strategic/change management. An institutional structure consisting of a Steering Committee of Commissioners; National Project managers, a Regional Project Manager and project teams was also established. In June 2011, the Steering Committee of the Programme agreed to streamline the focus of programme and prioritised IT Connectivity, Trade Partnership and Risk Management and Enforcement

During the past years of implementation of the Programme, Significant progress has been achieved in the following:

1. Regional Customs Policy
2. Development of a Manual for the Single Administrative Document (SAD)
3. Customs IT Interconnectivity Programme
4. Customs Enforcement and Risk Management programme
5. Customs Legislation
6. Trade Partnerships

Within Lesotho almost all of these are run as projects/components under the Customs Modernization Programme. They can be detailed on the next issues showing progress made so far, both nationally and regionally.

Lesotho Revenue Authority launches Trade Portal



Finance Minister Dr. Leketekete Ketso hands over a globe to Deputy Minister of Trade and Industry, Marketing and Cooperatives Mr. Maliehe Prince Maliehe in launching the Lesotho Trade Portal.

The Lesotho Revenue Authority (LRA) has undertaken an extensive Customs Modernisation Programme aimed at simplifying the processes and reducing the costs of 'doing business' at the border. Earlier this week, the LRA launched the Lesotho Trade Portal as an introduction of the first portion of these reforms which brings a commitment to transparency for all border users on expectations and procedures. The launch of the portal will be followed by an introduction of simplified border procedures supported by the implementation of modern computerised systems using ASYCUDA World.

The LRA has been reorganising its structure the past year aligning it with organisational strategy, and alongside that as a result of the modernisation, there will be extensive restructuring to promote efficiency and professionalism in customs and across the LRA. Staff members are undergoing extensive training to prepare for the introduction of the new systems.

To facilitate legitimate trade and enhance

compliance LRA will introduce risk based controls to enable legitimate trade to pass more freely through the border posts and following the recent pilot project, there will be a full introduction of a 'Preferred Trader Scheme' offering additional facilitation benefits to compliant traders.

Through use of modern technology LRA will speed up the inspection process as they will be coordinated and organised from dedicated inspection areas. There will eventually be an introduction of inland clearance to improve service delivery and clearance time.

To protect legitimate trade and reduce market distortion, there will be targeted anti-smuggling activities. This will be for deterrence of illicit and illegal goods as well as to protect the nation from prohibited importation of goods.

The Lesotho Business Partnership Forum has also voiced its unanimous approval of the Lesotho Trade Portal. It believes this milestone represents a major breakthrough in the relationship between business and government. It reveals

a level of transparency in procedures and processes which business can only welcome as a sign of a more constructive and open approach to the management of government affairs.

Similarly, the traders and general public will participate in an extensive publicity campaign

with announcement in the media as to how to get involved and benefit from the reforms. A key tool in this process to keep everyone on the loop, will be the News section of Lesotho Trade Portal itself. This will be supported by an extensive communications programme and an education programme targeted at regular border users.

Insight into Lesotho Trade Portal Project

Current inefficient border and customs procedures hamper the diversification of the Lesotho's exports and serve as an impediment to attracting foreign direct investment (FDI). This is particularly damaging given the fact that Lesotho is a landlocked country and its economy is dependent on the export-oriented and labor-intensive textiles and clothing sector. The Lesotho Revenue Authority (LRA) plays an integral part within the trade supply chain. Its primary role at the entry and exit ports is a regulatory one ensuring that various stakeholders are compliant with the requirements of Customs Law. At the same time, trade facilitation has become increasingly important, with Customs having a unique position within the hub of the international supply chain of goods and services. Consequently, one of the challenges to the LRA is achieving balance in ensuring the speedy delivery of services, while maintaining systematic and effective incentives and controls to ensure compliance.

Among initiatives that would make for improvement of its performance at the border, LRA has embarked on a Project that will help make use of communication technology for the provision of electronic information to players in the import and export business and which in line with the Customs Collaboration Project between LRA and SARS aims to strengthen and streamline the Customs system to lower trade transaction costs for traders as well as enhance performance of LRA's activities. Conceptualization of the Project, which leverages stakeholder Government Ministries/Agencies import/export information for development, was borne out of the following nation-wide challenges and needs:

- Inconsistency in provision of import/export information

- Multiplicity of information sources
 - Lack of transparent and easy-to-access information to the trading public
 - Need for informed compliance
 - Ease of doing business
 - Reduction of the burden and cost of trading
 - Inability of government agencies to respond to trade related queries promptly and accurately
- PROJECT DEVELOPMENT OBJECTIVES

The Project aims at;

1. increasing efficiency of border procedures; and
2. reduction of trade transaction costs at the border of Lesotho and South Africa to help stimulate trade and attract investment.

Benefits to Lesotho Revenue Authority;

- Accruing out of the achievement of these specific objectives would among others be the voluntary compliance to LRA requirements.
- A further resultant outcome shall be the reduction to LRA clearance times/costs and reduction in border traffic

SO...WHAT IS THE LESOTHO TRADE PORTAL?

Customs administrations require an active use of information and communication technologies (ICT) to become more effective and efficient. The objective is to use electronic data instead of paper documents and in the long-term to connect different computer systems of government agencies and businesses creating a single window environment.

Against the backdrop of a fast-changing international trade environment and information

technology innovation, the trade portal concept, according to good practice information, has been adopted by several governments with a view to streamlining and simplifying information on regulatory requirements in the trans-border movement of goods.

The concept can further be viewed as a first stepping stone towards building a Single window system which aims to simplify border formalities for traders and other economic operators by arranging for a single electronic submission of information to fulfill all cross-border regulatory requirements, and it is thus preeminently a tool for trade facilitation.

To this end the LRA commits to develop and deliver a functional Trade Portal which will be fully utilized by traders globally e.g. by relevant Ministries, SACU COMESA, EU, and that it is consistent with international standards and meets the requirements as set out below. The goal of the portal is to make the search for concrete and practical information on import and export between Lesotho and SACU and internationally, more transparent and time efficient, and thus to support the practical facilitation of trade.

The Lesotho trade portal will be a website where all regulatory information from all agencies involved in import and export is consolidated & aggregated in order to provide the trade with a single authoritative reference point; this Web Portal will be created as a single hub that will aggregate and integrate information on import and export trade requirements including procedures and regulations concerning trade in Lesotho, SACU and internationally. It will be designed in a more flexible manner to adapt to any future development.

The categories of information to be presented on the portal may include customs and excise laws, regulations, licensing procedures, technical requirements, health and livestock controls, trade regimes as well as the regulations for border operations and controls applied in. The portal will allow access information on different tax types.

The Lesotho Trade Portal was officially launched on Wednesday, March 26 and can be viewed at: www.lesothotradeportal.org.ls

facilitation, in line with its LRA-SARS Cooperation Agreement initiatives, the LRA Customs Modernisation Program, and SACU/WCO Development Program activities that are being coordinated through the SACU Regional Trade Partnership project.

Benefits to the LRA

The PTP supports the Lesotho Revenue Authority (LRA) corporate strategic goals and objectives, namely:

- Service-excellence: Accredited traders will be subject to certain simplification of procedures and requirements, and thus enjoy easy access and less regulatory obligations that will result in expedited service.
- Enhance compliance: benefits to be provided to traders in the form of procedural simplifications in order to participate in the scheme shall entice traders to be more compliant with regards to customs and other LRA requirements on their own accord.
- Strong & sustainable stakeholder relationships: the continuous communication between the LRA Customs and the Preferred Traders creates an environment for manifestation of mutual trust relations between trade and Customs Administration as well as other LRA Divisions. These relations shall enable continuously informed compliance, including a strong and sustainable

relationship build on trust.

- Revenue optimisation: with improvement in compliance as a result of enhanced services provided to traders comes voluntary revenue, in the form of "the right amount of revenue paid on the right time". This will in turn reduce the costs of enforcement on the Administration.

Benefits to Trade

- Reduced Level of documentary verification checks at the Border
- Reduced level of inspection checks
- A designated contact person for prompt resolution of queries
- Periodic audit of the client transactions in order to verify compliance

In order to participate in the scheme an applicant/Company must fulfill these requirements:

- Must have a sound financial standing.
- Must maintain adequate books, records and control systems to support full compliance auditing by the LRA
- Must have had a good compliance record for the last three years in Customs, VAT and Income Tax obligations
- Must maintain certain competency in Customs Knowledge

Customs Preferred Trader Accreditation Project

The Lesotho Revenue Authority's Customs Preferred Trader Accreditation Program also known as the PT Program or PTP can be defined as a compliance improvement program that offers certain benefits to traders that interalia has demonstrated high compliance level and competence in customs business.

Through Customs the LRA seeks to assist legitimate compliant import and export traders to improve their access to their goods on time and thereby reduce costs of doing business through the Preferred Trader Accreditation Program that is being developed and designed through a Pilot Project Scheme.

The main purpose of the program is as follows:

- To improve the release time of goods at the

borders

- To reduce the costs of movements across borders for legitimate trade
- To enhance a culture of partnership between LRA Customs and Clients/Traders and;
- To improve trader compliance across all LRA revenue obligations

In return for maintaining a highly demonstratable level of compliance and standing in Customs and other Tax obligations, the trader will be offered benefits as a reward. This will be achieved through the introduction of Self-Assessment tools of client systems, record keeping, compliance history, and financials in alignment to the PT criteria set, to be monitored through periodic audits, random inspections and minimal border documentary checks.

The LRA embarked on implementation of a Preferred Trader Program as a tool towards trade

WANTED...

Toll Free: +266 800 22006
Email: intelligence@lra.org.ls



TAX FRAUDSTERS



Boost for regional trade



Delegates attending the Southern African Customs Union (SACU) Regional Trade Forum in Maseru

The Southern African Customs Union (SACU) has launched a platform for interaction between member-states and the private sector. Named the SACU Regional Customs Trade Forum, the initiative would offer business leaders from the regional trade block, the opportunity to comment on the impact of some customs systems and processes on business in general. The forum, which was established in collaboration with the World Customs Organisation and Swedish International Development Cooperation Agency, is also expected to address tax-collection challenges emanating from the evolution of the business environment.

More than 30 representatives from the private sector in the SACU region attended the forum together with the five Heads of Customs and one delegate from each Member's private sector presented their expectations on the continuous work within the Forum framework. The

first working meeting of the Forum is tentatively scheduled to be held in April 2014.

The SACU Council of Ministers chairperson and Lesotho's Minister of Finance, Dr Leketekete Ketso, said many countries rely on revenue from international trade for economic growth, but most of their customs administrations have not transformed their operating environments to suit the increased needs of traders and travelers. He said the forum seeks to get customs administrations within the region, to engage on an equal platform with the private sector. This is done with a strategic intent to ensure the facilitation of trade between our borders and protection of citizens of the region in order to grow our economies.

"The unprecedented growth in international trade in recent decades, has placed international trade as a key driver for economic growth

and development and it is an undeniable fact that our countries rely on international trade for economic growth and prosperity. International trade has grown by an average of six-percent per annum since 1990, which exceeds the growth in world output. Among the SACU member-states, intraregional trade has almost doubled in the last decade," Kefso said. The minister further said the forum is also expected to "bridge the gap" in countries seen to be concentrating more on collecting taxes and overlooking the importance of facilitating international trade.

"the launch of the SACU Regional Trade Forum represents the first practical engagement between governments and the private sector at regional level".

"As a consequence, customs departments have increasingly been faced with contradictory challenges, such as the dilemma of emphasising revenue-collection against facilitating trade. Advances in technology development in the area of commerce and communication, globalization, developments in transport and

regional integration initiatives, have all contributed to the changing environment in which customs operate."

The SACU Executive Secretary, Ms Tswelopele Moremi, in her address, said SACU, which comprises Lesotho, Namibia, South Africa, Swaziland and Botswana, has come a long way to where it is since its establishment in 1910. Moremi further said the organisation has been able to evolve with the changing times although there is still need for more transformation.

"There are still many outstanding issues that need to be addressed, including the establishment of additional institutions such as the Tariff Board. These are important tasks and should remain on the agenda of the organization," she said.

According to Moremi, the launch of the SACU Regional Trade Forum represents the first practical engagement between governments and the private sector at regional level.

"It is my sincere hope that the experiences shared and the dialogue fostered by such a forum will not only promote regional and international trade and integration, but most specifically, trade-facilitation and ultimately, economic prosperity in the sub-region."



LRA Commissioner Customs Mrs Makali Lepholisa drives home her point during SACU Customs Commissioners meeting

LRA participates in the 9th WTO Ministerial Conference



LRA Senior Manager Trade Management and Legislative Development Mr Thuto Mathetsa (right) during the WTO Ministerial Meeting in Bali, Indonesia

Two Lesotho Revenue Authority officials formed part of the Lesotho Delegation that participated in the 9th WTO Ministerial Conference (MC9) that was held in Bali, Indonesia in December 2013. The Lesotho Delegation was headed by the Minister of Trade and Industry, Cooperatives and Marketing (MTICM) Mr. Sekhulumi Ntsoaole who was accompanied by Lesotho Ambassador in Geneva Mr. Nkopane Monyane and officials from MTICM, Geneva Mission and Lesotho Revenue Authority.

The Conference, which was attended, on LRA's behalf by the Senior Manager-Trade Management and Legislative Development, Mr. Thuto Mathetsa and the Acting Manager-Trade Regimes, Ms. Seithati Lephoto, was held pursu-

ant to the Doha Development Agenda (DDA) agreed by Ministers in 2001. In 2009, the WTO Members had acknowledged the fact that negotiations were at an impasse. In response to this impasse, Members had agreed to base negotiations on the parts of the DDA that had the potential to attract convergence among Members.

These came to be known as negotiations aimed at striking "provisional agreements". In pursuit of these provisional agreements, Members agreed to limit negotiations to three key areas of negotiations, namely Trade Facilitation, Elements of Agriculture, as well as Development including Least Developed Countries (LDCs) issues. These areas were to be agreed on as

a "package", which meant they all had to be agreed as a unit.

The main objective of the MC9 in Bali was for WTO Members to finalise and sign a deal on this so called "Bali Package". Following intensive consultations at the conference coordinated by the Director General of WTO, on issues where there were divergent views of members at political level, members managed to resolve all their differences and adopted substantive elements of the "Bali Package", one day later than scheduled, with the exception of the institutional framework for Trade facilitation towards implementation which is aimed at being completed before July 2014.

The successful sealing of a deal in Bali marked a historic milestone in the history of the WTO Negotiations, particularly under the Doha Development Agenda which has been going on for

the past 12 years.

Lesotho has welcomed the outcome of the MC9 as its interests have been taken on board such as trade facilitation, flexible agriculture provisions that will enable support to local farmers, and development support for LDCs to enable implementation of obligations.

The Bali Package means a lot of work for the LRA because there is a need to ensure that the agreed measures, especially in trade facilitation are implemented. This will include ensuring that its developmental projects incorporate implementation of the measures in categories A and B of the Trade facilitation Agreement, notifications are made to the WTO on the measures that are being implemented and together with the MTICM, publicity and educational programmes are entered into in order to bring the private sector on board.

LRA & Nedbank host 2014/15 Post Budget Speech Dinner



Minister of Finance Dr. Leketekete Ketso

In an effort to promote dialogue between the Government of Lesotho and the private sector, Lesotho Revenue Authority (LRA) and Nedbank Lesotho co-hosted a successful Post Budget Speech Gala Dinner on Thursday, February 20, 2014 at the Maseru Sun hotel.

This has become an annual event which is normally held after a presentation of the Budget Speech in Parliament by the Honourable Minister of Finance. The purpose of hosting this event is to give local business community and other stakeholders a balanced interpretation of the annual budget and its implications for the economy and business. Analysis of the budget was made by a renowned Cape Town Economist Dr. Cornelis Bruggemans. In making sure that there is interest especially amongst youth LRA and Nedbank sponsor essay competitions targeting undergraduate and postgraduate in Economics from the National University of Lesotho (NUL).

The top ten students are usual invited to the event to receive their awards in the form of certificates and cash for outstanding performance. This year's event attracted more than 250 guests.

Summary of Lesotho 2014/15 Budget

REVENUE: The overall budget allocations are based on Total Revenue of M15, 754.0 million. The proposed overall fiscal balance is a surplus of M284.0 million or 1.2 percent of GDP.

EXPENDITURE: The proposed total expenditure is M15, 465.2 million, excluding principal repayments. This is divided into M10, 465.3 million for recurrent and M5, 001.6 million for capital.

INDUSTRY: M19.0 million has been earmarked for this infrastructure. This comprises the Tikoe Industrial Estate as well as supporting agro-industry development, market centres, slaughter houses for piggery and poultry and storage for farmers' produce.

AGRICULTURE: Government intends to continue the subsidy programme and has therefore, earmarked M166.0 million to support subsidies to farmers. M11.0 million is proposed to support irrigated agriculture and procurement of agricultural machinery. Livestock production will be supported through the construction of wool and mohair shearing sheds and support for small-holder agriculture development. For the latter, an allocation of M56.0 million is proposed, of which M43.1 million will be sourced from development partners.

ROADS AND FOOTBRIDGES: The budget proposes an allocation of M811.0 million for road construction and M97.0 million for the construction of footbridges. An additional M40.0 million is also proposed for rehabilitation of the Moshoe-shoe I International Airport runway and the Maseru Container Terminal.

WATER SUPPLY AND SANITATION: The proposed 2014/15 allocation for the water and sanitation sector is M1, 344.8 million of which M157.0 million is for watershed management.



Mr. Cees Bruggemans provides his analysis during the LRA, Nedbank Post Budget Speech Dinner

ENERGY: It is proposed that M80.0 million be allocated for the implementation of energy projects.

INFORMATION, COMMUNICATION AND TECHNOLOGY (ICT): An allocation of M260.0 million is proposed for 2014/15. This is for Ministry of Communications to rollout government on-line service which will support and speed up provision of ID Cards, birth certificates and passports where applications will be done on-line.

MANUFACTURING: To promote textile manufacturing in Lesotho, Government introduced a zero rate on corporate income tax from proceeds on exports destined outside SACU in 2006/07. However, this tax exemption is inconsistent with Lesotho's commitment under international and regional agreements to remove very low tax rates as a step towards regional integration and to eliminate unfair competition that could arise from differentiated tax applica-

ble to other domestic producers exporting within SACU. It is therefore proposed that the zero corporate tax on extra-SACU export be abolished and the standard 10 percent rate be applicable to all manufacturers.

YOUTH UNEMPLOYMENT: proposed sectoral allocations have taken into consideration, the necessity to involve youth in the implementation of our economic growth and development objectives. It is important, therefore, that as we implement this budget, special attention should be paid to the cross cutting nature of youth in our policies and the need for effective coordination among sectors.

MINING: The government recognises that to enhance potential of the mining sector to contribute to the growth of Lesotho's economy, it is important to complete the development of a mining and minerals policy and review the existing legal framework. Also a geological survey, which started in the current year, will be advanced, to determine the country's potential mineral resources and a feasibility study will be conducted in 2014/15 for the establishment of a diamond centre, which will provide facilities for the sale of raw diamonds, cutting and polishing. A total allocation of M8.1million is proposed in 2014/15 to support these initiatives.

EDUCATION: M229.5 million is proposed to support programmes in the education sector. In addition M661.6 million is proposed to support the National Manpower Development Secretariat Loan Bursary Scheme. The proposed allocation is a reduction of 3.2 percent from the 2013/14 allocation.

HEALTH: In 2014/15, it is proposed that the allocation for the health sector be M687.5 million, which includes financing for the Queen 'Mamohato Memorial Hospital at M 554 million.

PUBLIC FINANCIAL MANAGEMENT: Reforms will continue to focus on activities aimed at strengthening the quality and efficiency of public resource management. The 2014/15 budget proposes an allocation of M60 million to achieve these objectives.

FINANCIAL SECTOR: To continue deepening the financial sector reforms, the CBL will implement the Financial Sector Development Strat-

egy during 2014/15. In particular, reforms will continue to intensify around financial inclusion, financial resources mobilisation through the development of capital markets and promotion of a savings culture. But to further improve the speed and efficiency of financial transactions, the new National Payments Systems law due for enactment during 2014 will enable the CBL to exercise oversight of the payment systems and to provide modernised methods of payments to ensure safety, security and stability in the financial system.

INCOME TAX: To reduce the tax burden and encourage tax compliance, this budget proposes reduction in both the lower and upper personal income tax rates, from 22 to 20 and 35 to 30 percent, respectively.

VALUE ADDED TAX (VAT): In Lesotho, there are four (4) VAT rates - the zero rate on mainly essential and basic items, the 5 percent on telecommunication and electricity, the standard rate of 14 percent and the 15 percent on alcoholic and tobacco products. It is proposed that the 15 percent rate on alcohol and tobacco be abolished. With the exception of the zero-rated items, electricity and telecommunications, all items be taxed at the standard rate of 14 percent. But to curb abuse of alcohol and tobacco that could possibly arise from a reduction in the cost to consumers, and therefore affect the general health of the population, it is proposed that an additional 4 percent levy be imposed on purchases of these two items.

CORPORATE TAX: Government proposes elimination of zero corporate tax on extra-SACU exports and introduced a standard 10 percent rate to be applicable in 2014/15 to all manufacturers

SALARY ADJUSTMENT FOR PUBLIC SERVANTS: In line with this, 2014/15 it is proposed that salaries and wages be adjusted by 4 percent across-the-board in an effort to maintain the value of the take home pay. This is below the projected inflation rate of 6 percent.

OLD AGE PENSION: Government proposes that the old age monthly pension be increased from M450.00 to M500.00.

Compiled By: Nedbank Lesotho Treasury Economic Desk



LRA Chief Corporate Services Officer Mrs Manneheng Mopeli attending the Tanzania Revenue Authority (TRA) 7th Taxpayer's Day.

Delayed VAT refund undermines compliance among taxpayers

"TRA warned"

The Tanzanian Revenue Authority (TRA) was warned against tax delinquency if it does not take deliberate measures to remove business huddles like delayed VAT refund which undermines compliance among taxpayers. These were the sentiments by a representative of the Tanzanian Private Sector Foundation speaking at the occasion intended to celebrate the 7th Taxpayer's Day.

The Vice President of the Republic of Tanzania Dr. Mohamed Gharib Bilal delivered a keynote address at this occasion. In his remarks he not-

ed that taxes play a pivotal role in any country's development, thus traders and businesses should pay all taxes voluntarily and on time to enable the government improve infrastructure and services enabling the country achieve economic development.

"Tax payment is a noble cause that should be followed by all," he underlined, noting that the companies recognized in this year's ceremony are examples that should be emulated by others. He applauded the TRA for a job well done on account of education services on the impor-

tance of paying taxes without compulsion. He however said more still has to be done in trying to sensitize the public on the importance of paying taxes, taking into account that tax compliance is still quite low.

"Shutting down business enterprise should be the last option," he stated.

He challenged the TRA that it should reduce hurdles to paying taxes, so as to enable traders and businesses to pay taxes with greater ease and thus higher compliance levels. He further pointed out that there are still major challenges facing the Government in the collection of taxes as it received 44 percent of direct taxes from employee taxation while the rest is collected from business people. He also challenged the TRA with regard to number of registered taxpayers whom he said is still too low as there are so many traders in the country. "This may be attributed to an unfriendly tax collection system which pushes away traders from paying their taxes promptly," he suggested.

Dr. Bilal advised the TRA to create a favorable environment for business seeking to pay taxes, so that traders are attracted to comply more promptly. He said that TRA should be creative enough to introduce other means of collecting taxes instead of relying on habitual methods which remain aggressive and offensive. "Shutting down business enterprise should be the last option," he stated.

He praised the use of Electronic Fiscal Devices (EFDs) machines saying the Government introduced the method so as to keep tax records updated and easier collection of taxes. He said the use of these devices had proved to be efficient, safe and convenient in revenue collection. The Government will effectively supervise the exercise so as to investigate and arrest businessmen who evaded taxes as the act deprived it of revenue, he emphasized. Dr. Bilal also warned TRA officials who secretly work with unscrupulous traders to avoid taxes, saying such behavior reduces the public trust.

Speaking at the same occasion the Commissioner General of TRA Mr. Harry Kitilyia assured taxpayers of their cooperation with TRA for improved revenue collection system which would allow smooth implementation of the planned national development strategies. He said the number of registered taxpayers has increased dramatically from 487 000 in 2008/09 to 1 611 000 in 2012/13 and collections also increased from 4 Trillion to 7.7 Trillion under the specified time period.

Transparency is the guiding scepter of TRA. In the next 18 months massive improvement levels will be realized to the convenience of both sides. Touching on the issue of corruption he emphasized that the best way to uproot corrupt elements is for taxpayers to refuse to give bribes and report to relevant authorities.

Meanwhile the Tanzania Breweries Limited (TBL) has once again scooped victory after emerging the best Taxpayer in the 2012-2013 financial year national level awards. TBL for the second time topped other companies in the big taxpayer division last year for being overall tax compliant company as well as the most compliant corporate taxpayer in the financial sector. Coming in the 2nd position was the Tanzania Cigarette Company and third position was picked up by a mobile phone giant Vodacom.

The Taxpayer's day is an initiative meant to recognize and appreciate Taxpayers for their invaluable contribution in revenue collection. Eight revenue administrations from around the continent attended the event and the LRA was represented by the Chief Corporate Services Officer Ms. Manneheng Nini Mopeli and the Manager Public Relations and Communications Mr. Pheello D Mphana.

"Tax payment is a noble cause that should be followed by all," he underlined

LRA intensifies plan to enhance compliance



LRA Commissioner Enforcement Adv Realeboha Mathaba (Centre) with Commissioner Customs Mrs Makali Lepholisa (left) and Commissioner Customs Mr Thabo Moleko (right)

In an effort to enhance compliance, Lesotho Revenue Authority (LRA) has devised a plan which will enable the organization to have regular interaction with Taxpayers to ensure they meet their tax obligations. The plan spearheaded by the Revenue Commissioner Forum was shared with Taxpayers through different media platforms. These obligations include the following:

- Registration for tax purposes;
- Keeping proper records to facilitate tax assessments;
- Filing of proper and truthful tax returns;
- Withholding and paying taxes such as Pay As You Earn (PAYE);
- Making proper and truthful declaration at the ports of entry; and
- Paying the right tax at the right time.

In addition to ongoing projects within the LRA that are aimed at assisting the organization to deliver quality service to build productive relationships with them, the LRA continuously –

- Try to find out what our Taxpayers need to comply;
- How the LRA can make it easy for them to

comply; and

- Deliver Taxpayer Education.

However, it has come to the attention of the Lesotho Revenue Authority that while some Taxpayers comply with their tax obligations and pay their fair share of taxes, other Taxpayers have opted not to comply. This is not only unfair to complying Taxpayers, but it also promotes unfair competition in the case of businesses and undermines the integrity of our tax system. Most importantly, this hinders the Government's ability to provide for its citizens.

The plan which was implemented in July 2013 and continues up to March 2014 include:

1. Accelerating implementation of segmentation of Taxpayers which is going to assist in –

- close monitoring of Taxpayers' compliance with their tax obligations;
- improve the LRA's understanding of different sectors behaviors;
- focus on characteristics and behavior of distinct sectors of Taxpayers;

- assess risks and come up with mitigating strategies tailored to distinct sectors;
- allocate resources based on risks; and
- improve accountability for outcomes.

2. Conducting inspections aimed at checking Taxpayers' compliance with their tax obligations such as record keeping and on withholding taxes - in the process, identify areas where Taxpayers need assistance.

3. Intensifying inspections at the border posts to ensure that importers make correct declarations and pay taxes and duties accordingly. The LRA apologize for the inconvenience that this is likely to cause, but it is a necessary exercise both for tax and social protection purposes. Risky sectors have already been identified for targeted inspections.

4. Intensifying lifestyle audits on high wealth individuals and high profile figures to check their compliance. Audits that have so far been conducted in this area have indeed confirmed huge discrepancies between the lifestyle which some Taxpayers are leading and the returns that they are submitting to the Authority – there is simply no correlation. This group includes professionals whose compliance is not where it should be.

5. Taking the necessary measures to ensure that local staff working for Diplomatic Missions and Non-Governmental Organizations pay their taxes. It has been realized that the exemptions given to expatriate employees working for international organizations are misinterpreted to be covering even locals.

6. Conducting targeted audits against sectors such as mining and manufacturing. These are risk areas due to the tax incentives available under these industries

7. Developing a penalty grid/criteria which recognizes voluntary disclosure and discourages non – compliance by –

- not imposing penalties if non – compliance is as a result of ignorance and there is demonstrable effort by the taxpayer to comply;
- reducing penalties for voluntary disclosures;
- imposing penalties in all cases of deliberate non – compliance; and
- imposing additional tax/interest in all cases where it is permissible.

8. Conducting audit on Taxpayers who have consistently filed Nil returns or are perpetually on a refund position. The LRA since realized that self – assessment systems is subject to abuse as some businesses are continuously filing Nil Returns or are perpetually on a refund position.

9. Taking enforcement measures such as distress actions and prosecutions as it may be necessary. While tax system is based on voluntary cooperation and compliance, it does not mean that people should pay their taxes only when they want. It therefore becomes necessary for LRA in some occasions to take enforcement measures where Taxpayers refuse to cooperate.

The LRA has also put in place an operation whereby different LRA teams are deployed in supermarkets and hardware's to interview and observe day-to-day operations regarding tax collection.



Commissioner Enforcement Adv Realeboha Mathaba



LRA powered COSAFA Under-20 Youth Championship



Lesotho Revenue Authority (LRA) ensured that the Mountain Kingdom stage a world-class tourna-

ment through supporting the Council of Southern African Football Association (COSAFA) Under 20 Youth Championship in December 2013. The tournament was played across two venues – Maseru and Mafeteng – with a round-robin group stage featuring four pools. The top team in each group advanced to the semifinals, after which the tournament switched to a knockout format.

As part of sponsorship package LRA received branding rights at both Maseru and Mafeteng venues. The LRA Commissioner General Mr. Thabo Letjama was amongst dignitaries who officiated at the prize giving ceremony after the final match of the tournament. The LRA's support was in line with the organization's CSI programme

Provision of assistive devices



To date a total of 47 wheelchairs, 17 crutches and 11 canes have already been distributed to beneficiaries following a campaign known as Join the Cause and Change a Life, which was launched last April. The Lesotho Revenue Authority in collaboration with other stakeholders intends to maintain the momentum and ensure that the needs of the physically disabled community are at least met half way if not adequately addressed through initiatives such as the Wheelchair Marathon which was held last April

Maseru Mall Corporate Challenge



In a move geared towards contributing to charity, the Lesotho Revenue Authority (LRA) joined the rest of the corporate industry to participate in the Maseru Mall Corporate Challenge on the held in 2013. LRA fielded two teams in the race each made up of five riders. The bicycles and all proceeds of the event will be channeled towards the Sky Trust Charity and will be donated to the kids and youth at Ha Ramoshabe community project.

LRA supports the Night with the King Gala Dinner

LRA participated at the Gala Dinner intended to raise funds for Scott Hospital refurbishment project. Amongst dignitaries who crazed the event with their presence were their Majesties, Government ministers, business associations and captains of big businesses.



Name: Mrs Malehana Khalema
Designation: Executive Assistant
Division: Commissioner General Office
Effective: 20/11/2013



Name: Mrs. Malibe Bulane
Designation: Manager Forensic investigations
Division: Enforcement
Effective: 01/10/2013



Name: Mr. Thabang Mapetja
Designation: Legal Officer Law Interpretation
Division: Legal and Policy
Effective Date: 01/10/2013



Name: Ms. Manthatisi Machepe
Designation: Legal Officer—Corporate Advisory
Effective Date: 01/10/2013
Division: Legal and Policy



Name: Mr. Refuoehape Posholi
Designation: Legal Officer Legislative Research & Dev
Division: Legal and Policy
Effective Date: 01/10/2013



Name: Mr. Mahlomola Moses Manyokole
Designation: Legal Officer—Litigation
Division: Legal and Policy
Effective Date: 25/11/2013



Name: Manthuseng Hlopho
Designation: Personal Assistant - Chief Finance Officer
Division: Finance
Effective: 16th December 2013



Name: Lerato Ramollo
Designation: Personal Assistant—Chief Planning and Modernisation Officer
Division: Planning and Modernisation
Effective: 16th December 2013



Name: Mr. Sehleka Sehleka
Designation: Manager—Internal Affairs
Division: Assurance Services
Effective: 1st December 2013



Name: Mr. Albert Mokuil
Designation: Investigations Specialist
Division: Assurance Services
Effective: 09th December 2013

Mokuena adds a feather on his cap



Mr. Lifeboho Mokuena — Manager Internal Audit added a feather on his cap when he was recently elected as the President of the Institute of Internal Auditors Lesotho.

Mr. Mokuena initially occupied the seat of the Membership Director in the institute. He has also worked as the Senior Internal Auditor at the LRA from March 2003 until assuming a new role as the sectional manager in July 2013.

We wish him the best in his new role.



Name: Mr Khauta Mofobatha
Designation: Manager -Records Management
Joined LRA: 2008
Hobbies:
Contacts: k.mofobatha@lra.org.ls



Name: Mr. Libenyane Letsie
Designation: Records Officer
Joined LRA: 2011
Hobbies: Watching Soccer & Reading
Contacts: l.letsie@lra.org.ls



Name: Mrs. 'Mahopolang Pitse
Designation: Records Officer
Joined LRA: 2003
Hobbies: Cooking & Reading
Contacts: m.pitse@lra.org.ls



Name: Mr. Mokhobo Maja
Designation: Records Officer
Joined LRA: 2003
Hobbies: Traveling
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Name: Mrs. Mamojela Saudi
Designation: Records Officer
Joined LRA: 2003
Hobbies: Listening to radio
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Name: Mrs. Helena Mokoena
Designation: Records Officer
Joined LRA: 2008
Hobbies: Watching Movies
Contacts: h.mokoena@lra.org.ls



Name: Mrs. 'Mankola Masoabi
Joined LRA: 2003
Hobbies: Going to church
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Name: Mrs. Marelebohile Mpopo
Designation: Records Officer
Joined LRA: 2003
Hobbies: Watching TV
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Name: Mrs. 'Mathabo Mapesela
Designation: Records Officer
Joined LRA: 2003
Hobbies: Singing
Contacts: b.mapesela@lra.ls

Income Tax

30th September (1st Installment)
 31st December (3rd Installment)
 31st March (last Installment)
 30th June (Return & Last payment)

Corporate Tax

30th September (1st Installment)
 31st December (2nd Installment)
 31st March (3rd Installment)
 30th June (Return & Last payment)

Fringe Benefits Tax

30th June (1st quarter)
 30th September (2nd quarter)
 31st December (3rd quarter)
 31st March (4th Quarter)

PAYE

15th every month

Value Added Tax (VAT)

VAT returns for VAT vendors
 20th every month (Return & Payment)

Import VAT Credit Facility

20th every month (Return & Payment)



YOUR TAXES

@ WORK

File your Tax Return by 30 JUNE 2014

