





Vision

To be a leading performance oriented revenue administration characterized 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

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

TABLE OF CONTENTS

2 Editorial Comment

3 Commissioner General's View on topical issues

Your views

- 4 - Staff members views on topical issues

What's new

- 5 - New LRA receipting policy
- 6 - The Taxation Perspective 2012/13 Budget Speech

Did you know.....?

- 7 - Parenting Autistic Child is a challenge
- 8 - Who should withhold tax, how & why?
- 11 - Gross Income, What is it?

Progress on Projects

- 13 - LRA Takes another Bold Step to Restructure

Events

- 14 - LRA golfers battle it out for charity
- 15 - LRA opts for sustainable projects to relieve OVC'S plight
- 16 - LRA, LIA partners for charitable cause
- 17 - LRA - Business Partnership Forum AGM on the cards
- 19 - LRA signs partnership with ZRA
- 20 - LRA host Swaziland in a study tour
- 21 - Complex Customs processes a nightmare for traders

Meet the Team

- 22 - Maseru Bridge Management

As I understand it

- 23 - How do you see your role contributing towards attainment of LRA's Vision?

26 Our People



Once again, it's a pleasure for me to unveil yet another edition of Mokhafi, a publication of the Lesotho Revenue Authority (LRA) intended to educate, entertain, and provide necessary information intended to improve cooperation and collaboration between the LRA and its many stakeholders.

This time, we present a completely different publication, in terms of structure; the plan being to make it more responsive to the needs of our readers, taxpayers and staff members. We have introduced new columns; each focusing on a specific issue, and in line with our strategic objectives. We plan to make Mokhafi a must-have, and must-read publication.

Currently, the LRA is embarking on a number of initiatives geared toward a new strategic direction. As a result, a lot is happening within the organization as we strive to be one of the leading organizations in the Sub-Saharan Region in terms of performance; with particular emphasis on Integrity, Innovation and Service Excellence.

As you flip through the pages of this publication, you will notice -- through our articles -- that the focus is more on initiatives intended to improve service rendered to our customer: the taxpayer. Establishment of strong and sustainable relationships with stakeholders is extremely important for any organization aspiring to succeed in its business; hence the LRA's continuous effort to establish partnerships with key stakeholders.

This publication also carries articles on Social Responsibility, and Progress Reports on projects underway.

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

Should you find this publication lacking in any area, please do not hesitate to contact us on: p.mphana@lra.org.ls so that necessary improvements could be made.

Remember to file your Income Tax Return before 30th June 2012.

AS WE MOVE TO A NEW STATE



Thabo Letjama
Commissioner General

"If the change outside is faster than the change inside, the end is insight."
Jack Welch

It is our vision, as the Lesotho Revenue Authority, to lead in performance; be characterized by integrity, innovation, and service excellence. In order for us to achieve this ideal, we have grafted a new strategy and have changed our philosophy to excellence in taxpayer service. With this theme, we aspire to make doing business easy for taxpayers, wherever they come into contact with us.

The structure of any organization can be the biggest impediment to change if misaligned to the direction desired and taken by such an organization. With this insight, the LRA has embarked on, among others, an initiative to align the structure to the new strategy, which is internally dubbed Organizational Structure Alignment to Strategy (OSAS).

This is a build-up to the Organizational Review project that we undertook in 2007. With this initiative, our intent is to build an LRA that has all

staff playing roles most suited to their strengths. We also wish to ensure with this project that divisions within the organization are laid out in a way that enables a complete and integrated service to the taxpayer. Realizing that sustained performance of the LRA depends on its ability to retain talent and develop its people, we have further built career pathing and succession planning as part of this major project.

An initiative of this nature and magnitude shall disturb the way of doing business with the LRA as we know it. Some well known processes and known contact points may change and we understand the effect that this may have to our taxpayers.

We regret the inconvenience that this may cause. However, we are confident that at the end, we shall have changed things for the better, and that the end we seek shall justify all the means we shall take.



Your Views

Mr. Mpiti Makhobalo

Driver - Finance and Administration

“ I think the OSAS Project is a good initiative, as it will help the LRA take a desired direction and adjust to the global economic challenges currently facing the world. But my concern is on the effect of this project on people who will be negatively affected by it, since it is not yet clear how they will be assisted. We, however, will be happy to know how LRA will go about addressing this worry.

The last Organisational Review (OR) was beneficial to people at my level. It came with an improvement on our salaries, and the offer presented to us on the table was beneficial to our living. To me this OSAS should be more about bridging the gap between different levels rather than be about who should leave or remain ”



Ms. Puseletso Kali

Senior Collections Officer – Debt Management

“ What I know about OSAS is that it will affect everyone, but it is not clear to what extent it will do so, and this means there is still need for more staff engagement so that we can better understand the concept and its effect on us. For our office, I think it will be great if the OSAS can introduce a new office that will be responsible for the issuing of Tax Clearances, so as to give the Debt Management Unit more room to operate at the clients' offices. There is also a need for management to deal with the suspense gripping employees regarding how the project will affect jobs within the Authority. Recently, there was that people should re-submit their certificates to the Human Resources Department and some feared this could be part of the OSAS initiatives' staff reduction initiative. ”



New LRA receipting policy

The LRA is re-engineering its Business Processes in order to improve the effectiveness and efficiency in handling records and reducing taxpayer compliance costs and also to eliminate the incidence of errors and fraud.

As a result of this Business-Process-Reengineering endeavour, the LRA introduces the following changes with effect from 1st of April 2012.

CASH HANDLING:

- LRA shall cease to accept any cash payments from a single-payer in excess of M 20,000.00 at an LRA payment point. If a taxpayer has to make a payment which exceeds this amount he/she must make such a payment directly into a bank account. This is intended to reduce transactional 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.



THE TAXATION PERSPECTIVE 2012/13 BUDGET SPEECH

The adjustments in tax laws were one of the major highlights in 2012/13 Budget Speech presented to the National Assembly by the Finance and Development Planning Minister Dr. Timothy Thahane in January.

The adjustments were, among others, made possible by the increase in the overall budget of M 13.7 billion by M 3.9 billion (36%) in 2012/13. The increase is attributable to M 2 billion surplus from the Southern African Customs Union (SACU).

Income Tax

Personal Income Tax

In the previous 2 years, individuals who earned income between M22, 788 and M40, 368 per annum paid income tax at 22% rate. In the year effective from April 2012 to 2013, the range has increased to M26, 160 and M48, 744 while the tax rates remain the same.

This means that taxpayers will only be charged Pay-As-You-Earn (PAYE) if their earnings are at M26, 160 per annum (M2, 180. per month). An individual who earns less than that will not be charged Pay-As-You-Earn (PAYE).

Tax Credit

A Tax Credit is the amount credited against the total tax payable by the individual to the state. This amount has been increased from M5, 000 to M5, 755 per annum.

The adjustments in the personal Income Tax and the Tax credit align the law with the current state of inflation. "The last adjustments in the law were done during the 2009/10 budget.

The two initiatives will provide relief to the low income earners because the mechanisms will help them to have an excess in their earnings for expenditure.

The projections are that the Lesotho Revenue Authority (LRA) will be at M 114 Million (7%) loss in the Pay-As-You-Earn (PAYE) revenue collections after the adjustments.

However, there will be a 14% increase in government expenditure on employee's compensations such as the salaries, wages and employer pension contributions, due to increased government employment, which will translate into a boost for PAYE collections.

Terminal benefits:

Tax on lump-sum element of the terminal benefits which was at 25% rate has been eliminated in the year 2012/13. This includes lump-sum payments on pension funds, gratuities and severance pay. The Amendment provides that 25 percent of terminal benefits shall be exempt from income tax provided it does not exceed 25 percent of basic salary earned during the period of employment.

While this change is bound to decrease collection of revenue, it however brings equity to the taxation of all terminal benefits. This will also see employees leaving employment with a substantial amount of money to live on.

Value Added Tax (VAT)

Meanwhile, the VAT registration threshold has increased from M 500, 000 per annum to M850, 000 in 2012/13. This means a vendor who makes taxable supplies of M850, 000 or more in a year will be obliged to register for VAT. However, this does not mean that those vendors who were already registered will be taken out of the tax net if their taxable annual turnovers fall below the proposed registration threshold of M850, 000.00. Those who decide to remain in the net will be free to do so. New registrants will be registered based on the new threshold, effective from April 2012.

PARENTING AUTISTIC CHILD IS A CHALLENGE

It is every parent's dream to be blessed with children. Having children is largely seen as a source of joy and unity in families. However, parenting children comes with various challenges. One of these challenges could be to raise an autistic child. Raising a child with Autism is the hardest thing a parent will ever have to do. It is a physically, and emotionally overwhelming challenge. Bringing up a child with autism often contributes to marital problems, problems with other children, and job instability. Unfortunately, there are no reliable treatments for autism, and the responsibility of bringing up an autistic child falls largely on the family, with initial feelings of parents ranging from shock, denial and even depression.

Autism is described as a "disorder of neural development characterized by impaired social interaction and communication, and by restricted and repetitive behaviour". Some of the cells and connections in the brain of a person with autism, especially those that affect communication, emotions, and the senses, do not develop properly. These signs can be noticed before a child is three years of age.

Tebello Motelle from the Customs and Excise Division suspected autism in her child when he was two years old. At the time, she was expecting her son to be learning how to speak, but this was not the case, she says.

After some consultations with different local Doctors, Tebello was told that the child was autistic, an incurable condition. At first, she could not accept the doctor's report.

She then decided to go for a second opinion and, unfortunately, the story was the same.

Another LRA staffer Cinisile Nqojane says her family suspected some kind of abnormality in their child when he repeatedly failed to go down a small door step at home at the age of two. They then decided to consult with doctors locally and in Bloemfontein, where they were told that the child was autistic.

"I must say we couldn't believe what we were told; we were in denial and, as a result, we suffered a lot of depression," she lamented.

That both boys are also mute was one of the early warnings that prompted the parents to seek a medical assistance.

Both Cinisile and Tebello said one major challenge to raise an autistic child was that there is no Specialized Care-Giving Centres or schools in Lesotho to address

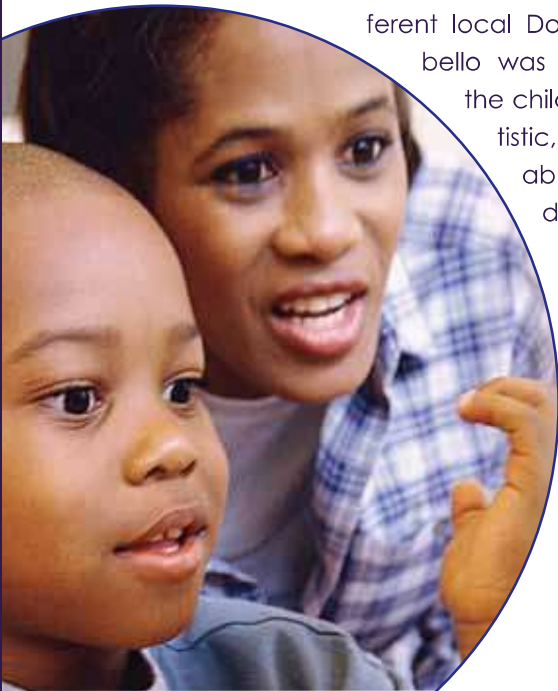
"As a parent you need to have a fenced home that will ensure that your child does go beyond the reaches of your eyes, otherwise the child's life would be endangered."

Tebello added.

their children's needs.

"There are no Centres for children with these needs in Lesotho and one has to go as far as Johannesburg or Cape Town to secure schooling for a child. At one point my child was dropped from crèche because the teachers could not stand his needs," Cinisile says.

Lamenting some of the challenges faced by parents with autistic children, Tebello recalls one incident when her child was unceremoniously dropped from a nursery school during its re-opening because of his condition. The most frustrating fact is that teachers find it very difficult to deal with children with special needs due to lack of necessary training. Parents of "normal" children also make it even worse as they do not tolerate autistic children and thus put pressure on



teachers not to accept them at their schools. One other challenge faced with raising autistic children is their lack of ability to fit into the conventional social spectrum.

"It is not easy to go for social activities with these kinds of children because it also makes them uncomfortable. You just can't take them with when you go shopping, church or partying," Cinisile explained.

"As a parent you need to have a fenced home that will ensure that your child does go beyond the reaches of your eyes, otherwise the child's life would be endangered." Tebello added.

The two parents appeal to society at large to give

moral support to families and children living with autism.

They further urge families with the same challenges to come out openly about their children's condition and join the Autism Lesotho Group so that they can walk this journey together.

The cost of living with an autistic child, according to Cinisile, is extremely high as everything regarding them is specialised, and that means it is expensive.

Both Cinisile and Tebello's kids are now attending school at the Leseli Community Centre in Khubetsoana, Maseru; the only school in Lesotho that admits and takes good care of children with special needs.

Who should withhold tax, how and why?

The Income Tax Act 1993 as amended (The Act) makes provision for the taxation of Lesotho residents on their worldwide income and, for non-residents; tax is levied only on their income that is Lesotho-sourced income. To facilitate taxation of non-resident(s) on the Lesotho-source income, withholding tax system is adopted.

In terms of the withholding tax rules, the payer is required to deduct from the gross amount due to the payee, a percentage prescribed by the law. Thus, the payee receives payment on the invoice amount less the withholding tax deduction. The payer who is referred to as the Withholding Agent is required to pay the amount withheld to the Lesotho Revenue Authority (LRA) within a stipulated time period as prescribed by the Act.

Withholding taxes are applicable to the following Service fees payable to non-residents for services such as accounting, auditing, economic, financial, legal,

management and consultancy, engineering, architectural and surveying.

Service fees paid under employment contracts, PAYE.

Payments to resident contractors. For this purpose, it is important to note that, the Act defines a resident contractor as a person engaged in the business of leasing vehicles, plant, or equipment, or of providing construction, transportation, painting or decorating, plumbing, drainage, or irrigation, roofing or tiling, earthmoving or excavation, landscaping, building demolition, site restoration and installation of services or appliances.

Passive income. This refers to income which is derived without active involvement in generating it. Examples of passive income are: interest, dividends, royalties, management charge, patent fees, and trade mark fees.

Amounts paid to artistes, sportspersons and musicians who are entertainers, (including professional clubs but excluding amateur sporting associations).

Notwithstanding the above, where goods are produced or supplied in the process of providing a service then the cost of such goods will be aggregated with the cost of the service and the gross amount (before charging VAT) is subject to withholding tax. Such goods are considered incidental to the provision of the service as they combine to deliver the service.

However, withholding taxes are not payable on utilities. That is, provision of electricity, water and sewage, and telephone. Further, tax is also not withheld on rental for buildings. For instance no withholding tax will be payable on residential accommodation and office space.

This note seeks to provide guidance on the circumstances wherein one is expected to withhold tax. However, special note should be taken as this ruling does not cover the entire spectrum of the withholding tax under the Act, but deals only with the specific

areas in respect of the international transactions and construction and related services.

The law and its application

The Act prescribes various circumstances wherein a payer is obligated to withhold tax when making payment. To illustrate the application of the law therein, tables have been drawn which presents the applicable withholding rates as per sections 107, 108, 157, 158 and 160 of the Act. In the column "Filing Requirements", it is shown whether the taxpayer is required to file return(s) after the tax has been withheld or not.

Where no further return is required, the tax received therein is final tax and for the purposes of the illustration hereunder the words "Final tax" are used. Alternatively, the words "Optional" apply where the law allows filing of a return if the taxpayer feels that the income tax paid during the tax year, by way of withholding, is higher than that which is otherwise payable where a return and supporting documents are filed.

Section 107: passive income

This section applies where payment of Lesotho source income is made to non-residents. Tax is withheld in terms of this section on the gross amount of a Lesotho source dividend, interest, royal, natural resource payment and management fees. However, where dividend is paid out of manufacturing income, no withholding tax is payable. Further where, the royalty is paid for the use of technology that produces manufacturing income subject to tax in Lesotho, the rate of withholding tax is 15%¹.

Items/Examples	Form Used ²	Withholding Rate	DTA Rate ³	Filing Requirement
Dividends	WD1(1993)	25%	10% /15%	Optional
Interest	WD1(1993)	25%	10%	Optional
Natural Resource	WD5(1993)	25%	10%	Optional
Payment	WD4(1993)	25%	10%	Optional
Management fee	WD5(1993)	25%	10%	Optional
Royalty	WD5(1993)	25%	10%	Optional

Section 108: services

In terms of section 108, tax is withheld where payment is made to a non-resident under a Lesotho source services contract. The contract referred to herein is a contract other than the employment contract of which performance of services therein gives rise to Lesotho source income. The provisions of this section apply to both technical and ordinary services. Management fees are however, not covered under this section, as such are taxed under section 107.

Items/Examples	Form Used	Withholding Rate	DTA Rate	Filing Requirement
Artistes, Entertainers, Sportspersons	WD3(1993)	10%	N/A	Optional
Auditing, Accounting, Economic, Financial, Legal, Engineering, Architectural, etc.		For all items in this category	For all items in this category	Optional for all items in this category

Section 157: resident contractors

This section applies to resident contractors. It does not; apply where the payment relates to construction of an individual's principal residence. However, where the total fee to be paid is less than m3000 no withholding tax is payable.

Items/Examples	Form Used	Withholding Rate	DTA Rate	Filing Requirement
Leasing vehicles, plant equipment, construction services, painting or decorating, Installation services, plumbing and drainage, water supply, irrigation, roofing, tilling, earthmoving, excavation, landscaping, demolition, restoration works, etc.	WD11(1993) This form is used for all resident contractors	5% For all items in this category	N/A For all items in this category	Mandatory For all items in this category

Section 158: interest to residents

Tax is withheld at a source where interest is paid by a Lesotho resident to another. The first m500.00 of interest income is exempt from tax, that is, it should be deducted from the gross amount before applying the 10%. However, special note should be taken that the exemption is only available to resident individuals, that is, it excludes companies and other incorporated bodies.

Items/Examples	Form Used	Withholding Rate	DTA Rate	Filing Requirement
Interest paid to individuals	WD1(1993)	10%	N/A	Final tax
Other resident taxpayers	WD1(1993)	10%	N/A	Mandatory

Section 160: payments by liquidators

These are payments made to shareholders in winding up companies and not to ordinary business creditors. Liquidation involves cancellation of shares and therefore, there could be capital gains on the shares. Normal company tax rate of 25 % applies on the capital gain.

Items/Examples	Form Used	Withholding Rate	DTA Rate	Filing Requirement
Cancellation of shares	Ordinary notification letter required	10%	N/A	Filing mandatory

(Footnotes)

1. A lower rate of withholding applies under a Double Tax Agreement (DTA) entered herewith the Government of Lesotho
2. This refers to the relevant LRA form to be filled by taxpayer
3. This rate applies only to residents of RSA and UK both of which countries Lesotho has concluded Double Taxation Agreements (DTAs)

Gross Income, what is it?

By Sera Falatsi



I was recently chatting with a very committed and hardworking friend of mine. He had performed outstandingly well at his firm and met all the relevant and important targets. As a result, he was given an All-Expenses-Paid-For-Holiday to tour the Americas. I was shocked, not at his prize, because I know he works hard, but by the “all expenses paid for two or three week holiday!!” As he went on to tell me all of what he was enjoying and all the finest suites he was booked in, I wept. The market value of that holiday, at an arm’s length transaction, will be added to his Gross Income and taxed as Income received by him during the relevant year of assessment. If it were me, I would have declined the holiday.

This began to trigger questions about what exactly constitutes, or is included as Gross Income in your Tax Returns.

What is Gross Income? The definition in Section 17 of the Income Tax Act 1993 is broad and covers employment, business property, and any other income or gain excluding amounts exempt from tax. It also covers worldwide income for resident taxpayers and Lesotho-sourced income for non-resident taxpayers.

This then, means all amounts that a taxpayer (natural person) derives from her employer as a result of the employment she has, will be included in determining the Employment Income of that taxpayer for the period of assessment - that is, the period during which such amounts were received. There are amounts and

benefits which may also constitute a Gain or Income from Employment to the taxpayer, for a particular period of assessment, but those are exclusively exempt from inclusion in the taxpayer’s employment income by sub-sections (a), (b), (c) and (d) of Section 18. We can call these precluded amounts exclusions.

Let’s now try to establish elements of income included in the Employment Income definition in Sec 18 (1). The definition of Employment Income (which is liable to tax) is stated in the Act as “a payment or benefit arising from an employment” net of the exclusions already mentioned by the sub-sections above. This can be interpreted to mean that all we derive from our employment should be included in our Employment Income.

The holiday trips and the prizes we may have won from our employers all constitute part of our Employment Income, because these are amounts arising from an employment. If the Act says that for amounts received to be treated as employment income, they have to be arising from employment, then an employment link is necessary as a condition for the income to be qualified as arising from Employment.

It becomes evident that for the prize value to be included in Employment Income, it has to be arising from “an employment”.

Say, for instance, that one Mr. Apple is an employee at a Lesotho subsidiary of a foreign company; the Le-

sotho subsidiary has its own legal persona, separate from that of the mother company in the foreign land. My employment is with the subsidiary in Lesotho, and its legal jurisdiction is Lesotho, and not anywhere else. Mr. Apple is not legally employed by the parent company.

If the mother company awards prizes to all its employees, and those of its subsidiaries as a motivational tools, should the value of the prizes be included as Employment Income?

Is this benefit arising from my "employment"? Remember, Mr. Apple does not have any employment contract with the mother company, and the company giving the benefit is the mother company.

Should the amount received be included in his Employment Income "arising from an employment" as the definition in Section 18 states?

Remember, Employment income arises from "an employment", with whom, then, should one be having this employment? The person giving the amount or the one he is employed by in the subsidiary? It is clear enough from the wording of the Act that employment is an "indispensable preliminary condition" before income is received, in order for the income to be considered as Employment Income. In the present case there is an employee, an employer and the giver of the amount, who does so on his /her own behalf, and not for or on behalf of the employer.

If this benefit is arising from an employment, then two questions have to be answered in the affirmative .

1. Is it the cause without which the gift would have not been received? In other words, is the employment the causa sine qua non of the gift?

2. Is the employee's employment the causa causans for receiving the gift?

The law says that this income "should be a benefit arising from an employment."

In establishing this kind of relationship between the gift and the employment, we ask if the employment is the causa sine qua non for the gift. Would the gift still be awarded if there was no employment? The answer is obviously 'No'; the gift would have not been awarded if it was not for the employment. The employment therefore passes the causa sine qua non test. It is a condition without which, the prize would

have not been awarded, and meaning there exists a basic "casual nexus" between the prize and the employment.

The second question is answered by considering if the employment is the real, or proximate cause, or the causa causans for receiving the gift. A causa causans is the primary cause, or originator of an action.

If income is received from an employment, then it should be included in Employment Income in terms of Section 18 (1). If the employment is the source that has given rise to the amount received, then the "employment" is the causa causans for the gift.

Now, has Mr. Apple rendered his skills, time and capital to him who has awarded him the gift? Are his services being performed for the company which gave him the Prize? Obviously, he has not been in the employ of the parent company and the Prize Money he received is not for any service he rendered in fulfillment of terms of employment with it. It is a fortuitous amount received from a non-employer.

Can we now say, having considered the definition of "arising from an employment," that this prize money has met the two conditions necessary for "Employment Income", namely the causa sine qua non and the causa causans tests?

If an employer awards a gift to an employee, for the latter's birthday, what really is the cause of the gift, the "Employment" or the "Birthday"? A convincing can be made that the gift is not a result of an "employment" but as a result of a "birthday". But what does the wording of our Act say? The Act says employment income should include "any payment or benefit arising from an employment". Having considered the two tests of what falls within the definition of "Employment Income", can we or can we not say the gift constitutes Employment Income?

All cases depend on their facts and circumstances and, unless the facts are closely similar, no one incident can lay precedent for another. Each and every case will depend on its particular facts and circumstances.

(Foot Notes)

1. *Stander v CIR 1997 (3) SA 617 (c). 59 SATC 212, 1997 Taxpayer 174, 1997 (1) JTLR 5*

2. www.Polity.org.za

LRA Takes another Bold Step to Restructure

“Change is hard because people overestimate the value of what they have — and underestimate the value of what they may gain by giving that up.”

In 2007 LRA undertook an Organizational Review that came up with a new Organizational Structure; which reflected greater functionality and elevated the focus of the LRA to better serve the Taxpayer. This reorganization also discarded the outdated notion of administering taxes by Tax-type and made efforts to improve taxpayer services in a broad spectrum.

Since then, significant strides have been made by the Authority. Strides that included the completion of Phase-1 of the Business Process Re-engineering, review of the customs and excise legislation, implementation of the performance management system and many others.

However, further challenges were inevitable, amongst these were ones relating to the structure of the organization. The LRA, once again, identified the need to critically look at its Service Value-Chain and ensure integration and realignment of its business processes. In an effort to respond to the ever-changing environmental demands, a new strategy was developed, and this led to the new LRA Vision and Mission. The new Vision and new Business Process Reengineering initiative confirmed the need for a change in the way the LRA operated and, as such, necessitated a review of the existing organizational structure as it demonstrated flaws that needed to be addressed.

An Organizational-Alignment-To-Strategy project was therefore set in motion in October 2011. From October to January, the Project concentrated on preparing staff for the change. The next stage is the implementation stage began on the 6th of February 2012. Organizational Development Africa (ODA) has been appointed to provide technical assistance on this project.

Currently the main focus is on conducting a situational analysis, where the aim is to gather as much information as possible from all stakeholders, in order to understand the environment in which the institution operates so as to better understand the real challenges experienced with the current structure.

“Change is hard because people overestimate the value of what they have — and underestimate the value of what they may gain by giving that up.”

Whilst these changes are taking place, the Authority will ensure that there is minimum disruption to the business of the LRA.

The authority invites input from all stakeholders as ultimately, the aim is to improve the service provided to LRA clients, the taxpayers.



LRA golfers battle it out for charity



The Lesotho Revenue Authority (LRA) team, made up of Mr. Thabo Letjama, Mr. Kamohelo Hlomisi, Mr. Mottalepula Nkhabu and Mr. Teboho Mhlanga, showcased their skills at the Metropolitan Charity Cup 2011, where the LRA team will definitely go down memory lane as one that presented the competitors with lots of fun.

The LRA team members gave a good account of themselves at the Maseru Golf Course to garner 60 points. Even though the LRA team was largely made of non-golfers, they were praised for their dedication and penchant for fun on the course. Their efforts did not go unnoticed as they were also awarded a prize for their contribution.

The dedicated LRA-Team participated in the golf tournament with the view to making a contribution towards charity in line with the organisation's Corporate Social Investment (CSI) policy. Proceeds from the tournament are planned for channelling into the empowerment of local charity organisations.

The Metropolitan Charity Cup is an annual Golf Tournament organised by Metropolitan Lesotho. We hope that the LRA team will come better prepared next year, and that its intention would be to display a much better performance than in 2011, all in the name of charity.



LRA opts for sustainable projects to relieve OVC'S plight



The LRA through its Corporate Social Investment moving towards sustainability and empowerment of beneficiaries

The Lesotho Revenue Authority (LRA) has abandoned its style of giving "small hand-outs" to assist orphaned and vulnerable children opting, instead, for income generating projects that could sustain livelihoods of beneficiaries.

This was observed at the St. Leo Primary School at Ha Makhoathi in the Maseru District on September, 16, 2011, when the LRA's Commissioner-General Mr. Thabo Letjama handed over live Poultry and Dairy Projects to the orphans' Caregiver and the school's management.

Mr. Letjama handed over 200 layers and two brown Swiss-dairy cows with two calves, to assist 52 orphaned and vulnerable children in that school. The Commissioner-General also handed over two fully-equipped shelters for both layers and cows.

The historic handing over of these two income-generating projects marks a big shift from a normal practice of giving hand-outs such as food parcels and clothes to providing self-sustaining alternatives. The LRA is now committed to proving long-term solutions that are not only intended to assist beneficiaries financially, but to permanently empower them as well. This, in the long-run could erode the dependency syndrome common among disadvantaged groups in Lesotho and the world.

In 2010, the LRA donated foodstuffs and clothes to the same school but realizing that such measures are not

sustainable, a decision was made that, in future, the Authority would commit its resources toward projects that prolong the livelihoods of beneficiaries. The LRA is now providing technical assistance to St. Leo Primary School designed to last for a year; after which the project is expected to be fully-fledged to stand on its own.

Besides solving food and financial difficulties for beneficiaries, the projects will also serve as practical education on farming for children as they will have the opportunity to care for the cattle and poultry, and learn from an early age about poultry and dairy production.

The project has already showed some encouraging signs of sustainability and, in just two-months, it was able to yield some M 7 400 in profit. The school is, however, still faced with a challenge of exploring the markets for its products; especially poultry products, as these are more abundantly available in the open market.



LRA, LIA partners for charitable cause



LIA Chief Executive Officer Mr. Moahloli Mphaka hands over donations to support groups.



Poverty and escalating levels of HIV/Aids continue to rattle Lesotho both socially and economically. These phenomena have seen parents dying in households leaving children as heads of families.

Lesotho has about 180 000 orphans and vulnerable children, according to statistics from the United Nations Children Fund (UNICEF). This setback calls for serious intervention by both the public and the private sector.

It is a similar plight that prompted the Lesotho Revenue Authority (LRA), in partnership with Lesotho Institute of Accountants (LIA), and other local organisations to extend a helping hand to orphans and vulnerable children in the Mokhotlong District.

The orphans and vulnerable children at the Touching Tiny Lives Orphanage, and seven other support groups, received a shot-in-the-arm when they received donations in the form of Food Parcels, clothing, and blankets from the afore-mentioned organisations on November 25, 2011 in Mokhotlong.

Support groups that received donations alongside Touching Tiny Lives were Kutloano, Thusanang-Bana-Ba-Nkhasi, Salang-Makoala, Thusanang-Ka-Lerato, Boikemelo, Phutha, Bolokanang Support Groups.

Speaking at the handing-over ceremony, the LIA Chief Executive Officer Mr. Moahloli Mphaka said that his organisation and the LRA were aware of the plight facing orphans and vulnerable children in the area, hence the decision to help them.

"We are on a campaign to sensitize the business sector about the importance of accounting and tax compliance. We are also using these campaigns to give back to disadvantaged groups in society," he said.

Mr. Mphaka pointed out that it was everyone's constitutional right to have a decent life, and that was why the partnership has taken an initiative to help orphans and vulnerable children.

"This event aims to highlight the fact that top organisations such as the LIA and LRA are not only interested in getting money and taxes from the public, but are also geared to give back through initiatives of this nature," he concluded.

Receiving donations on behalf of beneficiaries, the Touching Tiny Lives Managing Director Mrs. Nthabeleng Liphoto said the donations were gratifying, and added that the donations will help them sustain a healthy life for the orphans as they are capable of assisting a large number of children in remote areas through the support groups.



LRA-Business Partnership Forum AGM on the cards

The LRA-Business Partnership Forum (LRA-BPF) has a lot to contribute toward the economic development of Lesotho. This was said by the Minister of Finance and Development Planning Dr. Timothy Thahane at the official launch of the Forum in October 2011.

Now that the Forum has been launched, the Interim Committee is hard at work making the necessary arrangements for the First Annual General Conference (AGM) scheduled for April 2012.

The objects for which the Forum is established are to:

Serve as a minimum platform through which the LRA Customs Division and the Business Community can forge strong a Partnership to educate Business about the need to foster Customs Compliance by the latter;

Ensure effective, and continued, customs and tax compliance through smooth cooperation and collaboration with Business for mutual benefit with the LRA;

Enhance trade facilitation and a business-friendly environment and smooth cross-border trade in, and out, of Lesotho;

Share relevant information on current and new customs control



LRA - BPF Interim Committee Chairperson Mrs. Maleshoane Morakabi

systems, and improvements to generate and account for the revenue destined for the Country;

Facilitate improved understanding of the needs and concerns of Business by the LRA and ensure that the needs and requirements of the LRA are also appreciated by Business to ensure that the two partners optimize mutual benefits;

Ensure partnership that facilitates structured dialogue between all key-players in the trading chain that contributes to trade facilitation, improvements in

Customs Tax and Operations, as well as higher compliance by the trading community;

Facilitate main-streaming of trade as a means and an effective tool for a shared growth and equitable development for Lesotho;

Facilitate and promote regular and results-focused dialogue, with opportunities being created in the process, to take action on existing and new challenges and to bring into play other sectors and areas where necessary, to



promote accelerated growth of the Economy of the Country;

Create the most essential avenues for promoting Intra-SACU/SADC trade, accelerated regional integration, for Lesotho to benefit from the expanded markets in the Sub-region.

This forum will, indeed, provide a good platform for Business, the Public Sector, and the LRA, to seriously deal with issues that affect trade; especially those relating to Customs as well as issues of compliance on the taxpayer side.



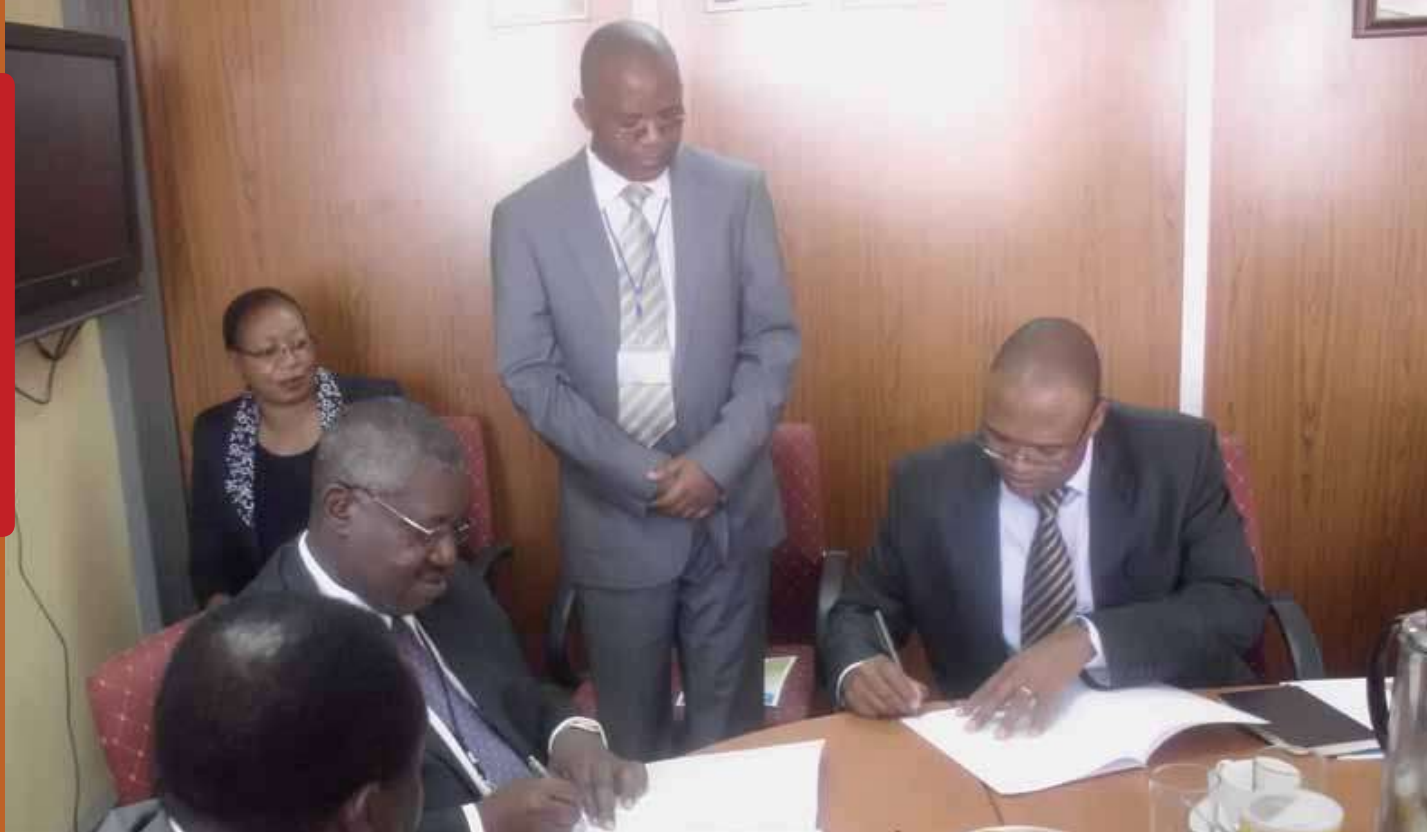
Minister of Finance and Development Planning Honourable Dr. Timothy Thahane, a local businessman Mr. Seipobi and LRA-BPF Interim Committee Chairperson Mrs. Maleshoane Morakabi.



LRA Commissioner General Mr. Thabo Letjama



The LRA-BPF Organising team.



LRA's Commissioner General Mr. Thabo Letjama (right) and Zambia Revenue Authority Commissioner General Mr. Wisdom Nhekairo.

LRA signs partnership with ZRA

The Lesotho Revenue Authority (LRA) has signed a Memorandum of Understanding with the Zambia Revenue Authority (ZRA) aimed at forging cooperation in Revenue Administration. The agreement will allow the two revenue authorities to work together on issues of tax policy formulation and the scrutinizing of tax legislative proposals. The agreement will also support capacity-building programmes, improve information exchange, provide for knowledge transfer and the adoption of innovative approaches in tax administration.

The pact was signed by the LRA's Commissioner-General Mr. Thabo Letjama and his Zambian counterpart, Mr. Wisdom Nhekairo. Speaking at the signing of the agreement, Mr. Nhekairo said the deal will contribute to the strengthening of capacity to administer revenue laws, and resulting in increased compliance and tax revenue collection for both parties.

"The parties will cooperate in the area of revenue

administration through exchange initiatives such as exchanging of staff, attachments and engagements, and through undertaking joint cross-border taxation initiatives," Nhekairo said.

The agreement is also expected to see the LRA and ZRA cooperate in undertaking joint cross-border taxation initiatives. The aim of this is to promote tax compliance in the two countries and provide an understanding of the common challenges which they face in tax administration. ZRA Board Chairperson Mr. Christopher Mundia said the sharing of common goals would enhance and improve performance to meet Lesotho and Zambia's expectations.

"It is my sincere hope that ZRA and LRA will work together and develop strategies and determine modalities for implementation of all identified programmes and initiatives contained in the agreement," Mundia said. The LRA's Commissioner General Mr. Letjama said the agreement will allow the two institutions to learn from each other and cement their relationship.

LRA host Swaziland in a study tour

The Lesotho Revenue Authority (LRA) firmly believes in the interaction and collaboration with other sister Revenue Administrations intended to strengthen ties and exchange Best Practices. This was evident when the LRA hosted two directors from the newly-established Swaziland Revenue Authority (SRA) in a week-long study tour from February 13-17, 2012.

The two officials were Mr. Mduduzi Zwane who is a Director Responsible for Value Added Tax (VAT) Implementation and Mrs. Gugu Mahlinza who is a Director for Customs Operational Policy.

The two Directors visited different LRA divisions where they, amongst others, learnt about legal drafting and policy, VAT processes and procedures, training and taxpayer engagement, Import and Export VAT and the returns processing.

The SRA started operations in January 2011 as a semi-autonomous revenue collection agency for the Government of Swaziland and the purpose of the two Director's visit to Lesotho was to learn and understand the operations of the LRA in its different divisions.

The SRA Director of VAT Implementation Mr. Zwane said their visit to Lesotho has helped them understand the LRA operations, against which his organisation will benchmark.

He said the visit has also helped them to have a face-to-face platform to exchange their experiences with LRA officials in the different operational areas.

"The SRA is on the verge of implementing a VAT system similar to the LRA's and we deemed it fit to visit Lesotho to have a first-hand experience on how it functions here," he said at a farewell ceremony.

Mr. Zwane noted that Swaziland and Lesotho shared similar tax laws, which should make it easier for the SRA to implement different strategies learnt from the LRA.



Mr. Zwane said the study has also created a platform for them to learn more about the Memorandum of Understanding signed between South African Revenue Service (SARS) and the LRA.

The LRA and SARS have an on-going customs collaboration mechanism, which is aimed at ensuring facilitation of trade between the two countries and effective enforcement of customs controls.

"As a new Authority we are set to learn and benchmark with our colleagues in the region and beyond in setting up a world-class revenue administrative system," said Zwane.

The LRA Commissioner of Taxpayer Services Mrs. Maleshoane Morakabi said the two Director's visit to the LRA was a sign the LRA was becoming seasoned in its operations, and that they will always be at the disposal of the SRA for further interaction and consultations.

"We are very honored to host the delegation from Swaziland and, hopefully, what they learnt here will be beneficial in their efforts to implement the VAT system," she said.

She also thanked her colleagues from the LRA for their undying support to the visitors and openness during their meetings.



The Time Release Study team made up of LRA, SARS and other border agencies.

Complex Customs Processes a nightmare for traders

Customs Officials from both Lesotho and neighbouring South Africa have been urged to improve services by simplifying documentation and other declaration processes at borders.

Various stakeholder groups aired their views at the Time Release Study (TRS) Feedback Session organised by the Lesotho Revenue Authority (LRA) and the South African Revenue Services (SARS) at the Maseru Sun Hotel in November 2011. The stakeholders pointed out that services provided by the two entities at the border areas are very slow due to complicated declaration processes.

The study is a joint-initiative by the LRA and SARS intended to determine the effectiveness of customs processes and procedures at the borders. The initiative also examined the work of other government agencies

deployed at the border posts between Lesotho and South Africa such as the police, immigration.

The findings from the TRS data-collection exercise conducted from October 17 to 24 at Maseru, Maputsoe and Ficksburg border posts are intended to be released to the public as soon as they are available.

The stakeholders, who included Clearing Agents, Textile Factory Representatives, Businesspeople, and the Lesotho National Development Corporation (LNDC), said the clearing of Import and Export goods was "a nightmare" because of the requirements by the two Revenue Administrations. They complained that the forms they are requested to fill are very long and complicated. This initiative was financed by the World Bank.



Meet Team – Maseru Bridge Management

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.



Name: Mr. Tseko Nyese mane
Position: Manager – Maseru Bridge
Joined LRA: 2003
Hobbies: Watching Soccer, Gadgets and Gizmos, Culture and Drag Racing
Contacts: 22316997/52215191



Name: Mrs. 'Mamakoala Pitso
Position: Senior Customs Officer – Team Leader
Joined LRA: 2003
Hobbies: Sports, Travelling and Dancing
Contacts: 22312204



Name: Mrs. Mpho Ramapepe
Position: Polisa
Position: Senior Customs Officer – Team Leader
Joined LRA: 2003
Hobbies: Bike Riding and Gym Exercising
Contacts: 22312204/ 52215189



Name: Mr. Tšepang Mohale
Position: Senior Customs Officer – Team Leader
Joined LRA: 2003
Hobbies: Playing and Watching Soccer
Contacts: 22322204



Name: Mr. Lefielo Lefielo
Position: Senior Customs Officer – Team Leader
Joined LRA: 2003
Hobbies: Singing and Playing Cards
Contacts: 22312204/52215189



Name: Mr. Ndebele Ramakhale
Position: Senior Customs Officer – Team Leader
Joined LRA: 2003
Hobbies: Watching Soccer and Reading
Contacts: 22312204/52215189

How do you see your role contributing towards attainment of LRA's vision?



Mokhafi took to the corridors to find out how some of the employees view and understand the vision and mission in line with their duties and this is what they have to say.



Mr. Molibeli Chitja
Senior Investigations Officer

Our duties as LRA Investigators are primarily to investigate tax crimes, including tax fraud and tax evasion, through the enforcement of Tax Laws of Lesotho. These include the Customs and Excise Act, VAT Act, and the Income Tax Act.

To achieve this, LRA-Investigators collaborate with regular law enforcement departments and officers in the country. Since members of the Lesotho Mounted Police Services (LMPS) are authorized by the law to conduct criminal investigations, LRA-Investigators provide them their expertise in tax crime matters, and work closely with the police

in conducting investigations that gather admissible evidence to be used in the courts of law against violators.

In all matters legal, Legal Counsel plays a major role in making sure that Investigators gather sufficiently admissible evidence before any person can be brought before the courts of law in tax violation cases. Thus, consultation between the two is imperative.

Our duties are in line with the LRA-Vision on integrity, for both the staff and the taxpayer. There are cases where LRA staff members had assisted taxpayers in evading tax. In such instances, we refer such LRA officials to the Internal Affairs Unit for further investigation, while we continue to investigate the taxpayer's malpractices with the intention to prosecute.

We also contribute in improving Service Excellence in the LRA by ensuring that everyone of us abides by the laws, policies, rules and regulations set down to guide the organisation in its undertaking to serve taxpayers and avoid malpractice. We strongly believe that this will go on to improve Service

Delivery as required by our Mission Statement. I also believe that when all taxpayers respect and abide by the tax laws, knowing that they will be arrested when caught cheating through available self assessment options, this enhance the deterrent factor in the system and improves tax collection efficiency in the country, and consequently impacts positively on the corporate image of our organization.

LRA-Investigations plays a major role in establishing mutually respectable relations between the Authority and our stakeholders through making taxpayers know, and see, that tax violations will not be tolerated. Thus, taxpayers' knowledge of our existence impacts positively on our Mission as well as our corporate image.

We can, as a result, ensure taxpayer integrity while sustaining cooperative relations with our customers. As an enforcement function, the Watchdog of the Lesotho Revenue Authority, we play an important role in ensuring that the "dream" of the taxman, as depicted in our Corporate Vision and Mission Statements, becomes a reality.

The LRA has strategies from the divisions aimed to help in the achievement of the vision and mission objectives. We play a leading role in the planning and implementation of projects proposed by different division through their strategies. Our role is to ensure that the Authority invent

the vision and we lead people into thinking outside the box. We go on to ensure that such projects are sustainable. There are also changes going on in LRA and my role is to ensure that they are properly managed from both the juniors and seniors. The changes are implemented through projects

Our role is to ensure that the Authority invent projects, manage them properly, deliver them in good quality and at the right cost.

projects, manage them properly, deliver them in good quality and at the right cost. The formulation of projects needs every one of us to be innovative as required by

aimed to improve performance. We always keep a close eye on processes of change and make assessments after implementation to find out if the projects are



Mr. Ithuteng Pefole
Director Change and Project Management

successful and advice the authority accordingly.



Mr. Liteboho Mokuena
Senior Internal Auditor

Our mandate as the LRA is to collect revenue and my role is to ensure that the systems in place are working efficiently and effectively

for the achievement of the Authority objectives. I should make sure that controls in our processes and system are adequate enough to curb the obstacles that may prevent the achievement of LRA objectives. This role is in line with the

revenue efficiently and effectively. My role is also to identify risks that can have negative impact on the Authority's systems and advice the management to take action against them. I should also advice the management on any factors

This role is in line with the LRA mission on collecting revenue through a capable and motivated workforce.

LRA mission on collecting revenue through a capable and motivated workforce. The good systems and controls processes will help the Authority to bring the best out of its workforce and go on to collect

that can affect its governance to ensure that all leadership undertakings are directed effectively for the achievement of the mission.



Lesotho Resident, Please DECLARE your Foreign Registered Vehicle



TALK TO US:

Visit nearest LRA office for

assistance or call 52215183/22310390/22313829

It's your obligation

Our people

The purpose of this column is to celebrate team and individual successes either work related or personal achievements and to cover sad news as well (obituary).



Mrs. Mamphotleng Mahao
Senior Taxpayer Education Officer

Mrs. Mahao graduated with a Post Graduate Diploma in Human Resource Management in September, 2011 at the National University of Lesotho (NUL). It was a two year programme.

Ms. Seithati Lephoto
Senior International Coordination Officer

Ms. Lephoto graduated with a Masters of Public Finance – Customs at the National Graduate Institute for Policy Studies in Tokyo, Japan. The programme amongst others equipped her with skills in customs valuation, tariffs, customs law, risk management and post clearance audit. Ms. Lephoto also holds BA Economics from the National University of Lesotho (NUL).



OBITUARY

Ntate Malachamela is no more

Mr. 'Muso Gabriel Malachamela, aged 52 died on Tuesday, 7th February at Rosepark Hospital in Bloemfontein. His remains were laid to rest on the 25th February 2012 at his home at Ha Mabote Maseru.

The man commonly known as "Ntate Lachi" to his colleagues at LRA, died due to a stroke allegedly caused by Hypertension at the Rosepark Hospital in Bloemfontein, South Africa. According to his family, he also suffered from kidney failure for eight months before his untimely death.

Mr. Malachamela was born in

Pulane in Berea District. He was the fourth child in a family of six. He studied at Pulane Primary School before proceeding to complete his Cambridge Overseas School Certificate (COSC) at Cana High School in Berea. He was joined in marriage with Ms. Motšelisi Tieli in 1987 and they were blessed with three boys.

He worked in South Africa before joining the then Income Tax Department in 2003, which later became the LRA and worked in the Finance and Administration Division as a driver. He was laid to rest at his home at Ha Mabote,



Maseru on Saturday, February 25.

He is survived by his wife and a son.

MOKHAFI expresses its heart-felt condolences to the Malachamela family. --Friends, staff and management of LRA.

**Paying tax does not stop
your business from growing**

BIG!

**Pay yours – it's your
obligation**



TALK TO US:

Visit nearest LRA office for assistance or call

22313796/22400800/22780862



Serving You, Serving the Nation

Re Sebeleletsa Uena, Re Sebeleletsa Sechaba