

# Most of your tax money well-spent – Gordhan

✘ PRETORIA – Minister of Finance Pravin Gordhan attempted to reassure South Africans that most of the money collected through taxes is being used for the correct purposes. At a media briefing on Tuesday, held to share the preliminary outcome of revenue collection for the 2012-13 financial year, Gordhan said that South Africans are asking that their money be well-spent and rightly so.

He did however caution that perceptions that government wasted the total R1trn it had at its disposal last year and that the manner of its disposal was corrupt, are “wrong”.

He added that the media is one of the main conveyors of perceptions and that when the calculation is made there is not a lot of money that can be manipulated, arguing that a lot of the funds are spent on the correct things.

## Corruption

Nonetheless Gordhan did give an indication in his comments that corruption is a problem and that the government is taking it seriously. He said that that the new procurement office and officer announced before his Budget speech in February, would begin to produce results to combat the system where businesses and certain government officials “cook up tenders in one form or another” and people make money out of the tender system. He said that government is serious about changing its tender processes.

He added that corruption and bribery is a two-way process where the government and private sector is involved and that to eradicate it will take a concerted effort by all South Africans.

## Revenue collection up

Gordhan also announced that the South African Revenue Service (Sars) managed to meet its revised target of R810.2bn for the 2012-13 fiscal year and collected revenue to the total of R814.1bn. In real terms (taking out inflation) revenue collection was 1.5% higher this year than last year, against a backdrop of muted economic growth.

The original revenue target was set for R826.4bn, but was revised twice during the course of the year as growth in the gross domestic product (GDP) slowed, particularly during the last quarter of 2012.

Oupa Magashula, Sars commissioner, indicated that next year it is aiming to collect R898bn, which is 10.3% higher than this year. With the economic outlook muted he told journalists that Sars will have to “unleash” extra efforts to get near this target.

Gordhan thanked the millions of “honest taxpayers who have done their share”, but lamented the fact that there seems to be a new practice where more and more individuals are requesting “unearned refunds” from Sars. He said that there were also tax practitioners who seem to “specialise” in attracting large amount of clients on the basis that they also claim unearned refunds from Sars.

“We want to send a warning that they can’t make a living out of defrauding the state. Sooner rather than later the revenue service is going to catch up with them,” Gordhan warned.

Monitoring refund payments more closely resulted in additional revenue of R1.02bn where taxpayers could not substantiate refund claims, Sars said in a statement.

Out of the total of R814.1bn collected in revenue, personal income tax collections were R276.8bn (34%) and 10.1% higher than last year.

## Public perception

Research by TMS30X30, a local research company, into the public perception of Sars, however, showed that 96% of the respondents interviewed at the start of 2013 were of the opinion that waste and corruption in government is high and 90% felt that taxes could be lowered if government corruption was reduced. A total of 71% felt that the amount of tax that they pay is unreasonable considering the benefits that they receive and 88% feel income taxes should be reduced.

Tim Matthis, director of market research company TMS30X30, told Moneyweb that an increase in the perception that tax money is not well-spent could lead to a tendency from taxpayers to become non-compliant or just more vigilant about claiming everything owed to them, which could lead to lower revenue collections.

However, this didn't seem to faze Gordhan, who said that in the tax compliance area South Africa has one of the "most remarkable stories in the world," where in less than ten years there has been a change in compliance culture. He added that civil society needs to start treating people who live ostentatiously from money that was stolen from the state and the people who pay tax as "outcasts."

TMS30X30's research was conducted telephonically in January and February among a sample of 300 people across different age groups, income segments and races.

Good news for Sars is that 58% of the respondents still feel that it is the best-run government organisation in the country. The research also shows that the main drivers for paying tax were the fear of getting caught, some have no choice (tax is deducted as pay as you earn) and others believe it is the right thing to do.

Other highlights:

- In the year Sars reduced its debt book by R6bn.
- The Sars Call Centre received 5.5m inbound calls and 6.38m walk-in tax payers to the branch operations.
- The Sars Compliance Division recovered R1.06bn in outstanding debt.
- Personal tax income collections amounted to R276.8bn, corporate income tax to R161.1bn and VAT to R215.5bn, prompting Gordhan to remind South Africa that all South Africans contribute to tax revenues, not just those registered to pay income tax.
- Gordhan says disruptions in the mining sector in the year probably led to revenue loss of about R10bn.