

**SPEECH FOR COMMISSIONER MOYANE ON THE OCCASION OF THE REGIONAL
MEETING OF COMMISSIONERS GENERAL**

PRETORIA

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DISTINGUISHED COMMISSIONERS GENERAL

DISTINGUISHED REPRESENTATIVES OF CGs

TAX DIRECTORS

SENIOR LEADERSHIP OF SARS

LADIES & GENTLEMAN

COLLEAGUES & FRIENDS

At the outset I wish to express my profound and sincere gratitude to all of you for gracing us with your esteemed presence here. I am truly pleased that you agreed by your presence today to deploy your resources, both human and capital so that together we can map the way forward on what we must do jointly. As we gather here we must send out an unequivocal message to all, **that we are one** in dealing with illicit financial flows and all associated criminal activities in the Southern African region.

As you mandated me, I am pleased to report back to you, that countries we all identified to be part of our deliberations, have all acceded to our request to come join us today. I thank you Commissioners General for making the trip. I must also welcome into the **Revenue Authority family, the new CGs of Malawi, Angola and Mozambique.**

I believe that the destiny of the institution I lead is inextricably interlinked with your institutions. Thus the successes, setbacks and challenges that we face as revenue collecting authorities are the same, albeit with peculiar national dimension. This therefore, conveys a clear message that we must act in unison to confront these challenges, for, none amongst us can be an oasis of success amidst other revenue institutions hampered and limping from carrying out their legislative mandate of collecting revenue.

Distinguished Ladies and Gentlemen,

John Maynard Keynes (1883-1948) once said **“The avoidance of taxes is the only intellectual pursuit that still carries any reward”** It is mind boggling that to this very day, these nefarious activities have assumed pride of place globally. Illicit financial flows (IFFS) circulating around the globe are huge and, disproportionately affect the African Continent. As Commissioners of Revenue Authorities in the sub-region we must remain deeply concerned and adopt action to deal with this scourge.

There is no disputing of preponderance of evidence supported by extensive research by experts in various relevant fields funded by governments, international institutions, and non-governmental groups; in addition whistle-blowers that the scourge of IFFs must be urgently confronted head on. Notably, the research paper by **Global Financial Integrity** appropriately named **“Hiding in Plain Sight”** starkly, states that “approximately 80% of the \$542bn per annum of illicit financial outflows from developing countries are due to trade mis-invoicing.

The problem for our continent and our sub-region as stated in the latest report of the High Level panel (HLP) of the Economic Commission for Africa (ECA) **“By many accounts; about US\$50 billion is siphoned out of Africa annually due to trade mispricing. The ECA estimate that amount to be US\$60 billion using a different method”** (Source: Sub-regional Workshop document on Curbing Illicit Financial Flows (IFFs) from Africa, Nairobi, Kenya 15- 17 September 2015). Regardless of the numbers they are still huge.

Let us for a moment reflect on the harm the IFFs do.

- ✓ First, by moving productive resources including raw material and profits they deprive our nations of capacity to meet their investment challenges and expands economic growth.
- ✓ They contribute to unemployment because job opportunities that could be created are lost due to lack of investment.
- ✓ Further, IFFs reduces our capacity to raise much needed finances to fund social development programme and economic infrastructure that are an imperative to raising the standard of living of those who are vulnerable in our society.
- ✓ Also, often not stressed enough is the fact that IFFs by depriving the fiscus of much needed resources, force developing countries to go with empty bowls in hand to ask for aid or grants, which if and when granted has many strings attached.

- ✓ Finally, they force fiscal prudent governments to go and borrow from international financial institutions in order to make up for the shortfalls, often on terms, which are unsustainable principally to service the interest on debt.

There is a correlation Distinguished Colleagues, between income inequalities and poverty, Gini coefficients and unemployment as a result of IFFs. We all know that the Gini Coefficients is a commonly accepted index for income inequalities.

Indeed what often stands out when you look at countries balance sheet is the sheer magnitudes of periodic payments of external debt.

What emerged from the Conference is that Domestic Resource Mobilization (DMR) has to be at the core of what our countries and the Revenue Authorities must do to finance our own development. It is an established fact that resources mobilized internally far exceed Official Development Aid in recent years. Accordingly, the Sustainable Development Goals will be anchored on our capability and capacity to collect diligently and determinably what is due to the fiscus.

In South Africa, as is in your countries where our base is being seriously eroded, there is an urgent need to implement the BEPS action items. An essential part of this will be increasing capacity and building capability to tackle complex arrangements as well as improving reporting and information systems. Another area of focus should include the transfer pricing of intangibles, treaty abuse and claiming of excessive interest deductions, which is often abused by multinationals.

There is also some follow up work on BEPS including analysing transfer pricing in financial services which will continue post BEPS. Furthermore, it is anticipated that all participants including the OECD will play a key monitoring and reporting role on the efficacy of the BEPS action items in countering abuse and protecting sovereign tax bases.

Distinguished Ladies and Gentleman

The expectation from the G20/ OECD project is high in preventing aggressive tax planning arrangements by multinationals. My colleague will speak to us at length on how as the sub-region **we can come together to prevent and deal decisively against aggressive tax planning by multinationals.**

For the countries of the sub-region to optimise this process, we must establish capable and fully functional **Competent Authority** that will improve the extent to which the exchange of information is formally used for tax purposes within the region but also to promote the

participation of our countries in international co-operation. Having gone through this process, and hopefully some Revenue Authorities have done the same, we are willing to work with all the countries of the sub-region in this respect.

Thomas Piketty says on BEPS and transfer Pricing “**European Union should require companies operating in Africa to declare the taxes they pay there more transparently, to ensure they contribute fairly to government revenue**”and to drive the point home further says, “**You have no examples of countries that have become rich with 10% or even 20% of GDP in tax revenue. African countries should aim to gradually raise tax revenue to 30-50% of GDP, the levels typical in Europe**”

Distinguished Ladies and Gentlemen,

In our sub-region we are confronted by challenges of cross border illicit trade, VAT fraud, contraband cigarette, money laundering, drug trafficking, smuggling in alcohol, cash economy and illegal trade in wildlife.

Another of the serious scourge confronting our administrations is **rampant scourge of corruption** which continues to retard our progress. This flourishes where weak institutions, poor governance and under resourced customs services and police forces stationed in our porous borders and are difficult to control. Customs and border officials often operate in remote posts that are geographically dispersed, and work around the clock with relatively under staffed resources.

The cash economy is **unrecorded, unreported and unfair**. Transactions are primarily cash and they go undetected and unrecorded therefore undeclared for tax purposes. This deliberate evasion deprives the fiscus of its due revenues and directly deny the citizens of the right to a functional economy. Where these transactions are captured in some form in the formal economy, trade mispricing becomes the order of the day in order to manipulate transactional values. This then allows for rife movement and transference of these monies offshore hence capital flight and illicit capital outflows. But the challenge is that generally, the cash economy transactions are not captured or recorded in any form, and so begs the question so what do revenue authorities do to respond. An even bigger challenge is that the exact scale of the problem is virtually unknown, cannot be measured (at least not yet) and therefore responses cannot be quantified in terms of investment and return on investment and whether public funds should be allocated to target the issues around IFFs.

Distinguished friends,

Of particular importance is how we respond as customs, the frontline defenders of our nations. It is critically important that we develop common standards and practices for our Customs officials. It my considered view that given the sophisticated and dangerous environment within which our people are operating, we must set an institution that will respond to the 21st Century Customs challenges. In this respect, I wish to submit to the Commissioners General herein present that we must give serious consideration to the establishment of a militarised customs school in our sub-region.

If anything, this to me will reflect the seriousness that will give concrete expression to what we want to do for the region. There is a Zimbabwean proverb that appeals to me deeply and it goes **“Until the lion tells his side of the story, the tale of the hunt will always glorify the hunter”**.

This is our opportunity to tell our own story in a manner that speaks to the exigencies of our situation.

I expect engaging discussions to emerge over the next few hours. This is a forum to jointly and collectively take measurable and concrete action against the challenges we all face. The message is clear we will no longer permit our sub-region to give succour to capricious and gluttonous behaviour to deny our people a decent future.

I thank you