**NATIONAL ASSEMBLY**

**QUESTION FOR WRITTEN REPLY**

**QUESTION NUMBER:** **2151 [NW2441E]**

**2151. Mr E M Buthelezi (IFP) to ask the Minister of Finance:**

In view of the fact that the SA Revenue Service and the National Prosecuting Authority are issuing summonses to taxpayers with outstanding tax returns as part of the compliance drive which also aligns with the proposed expatriate exit tax, what specific initiatives has the National Treasury put in place to ensure that the amassed revenue is not lost through embezzlement, rampant corruption and mismanagement?

NW2441E

**REPLY**:

I will attempt to answer this question, even as I request the Honourable Member to clarify the question he is asking. There are a number of unverified factual statements contained in the lead-up to the question, which seem to have limited relevance to the question itself.

Firstly, it is not clear on what basis the Honourable Member makes the claim that SARS and the NPA are issuing summonses to taxpayers with outstanding tax returns as part of a compliance drive which aligns with the proposed expatriate exit tax. What summonses is the Honourable Member referring to and by whom, from SARS or the NPA? SARS does not disclose any secret or protected taxpayer information matters to the Minister of Finance, in keeping with the provisions of the Tax Administration Act. I would therefore request the Honourable Member to provide more information on what facts he is basing this claim - we all need to take great care not to spread false information and rumours in the world we live in. The NPA also does not report to the Minister of Finance, and I cannot answer for the NPA, but here too the Honourable Member needs to provide more clarity on what basis he is suggesting that the NPA is involved in issuing taxpayer summonses.

With regard to a proposed “expatriate exit tax”, can the Honourable Member indicate what specific tax he is referring to, or which announcement in the last or previous Budget Review was such an announcement made? Perhaps he is referring to recent amendments – some already enacted in our tax laws and some proposed this year and not enacted as yet - that affect South African taxpayers who change their tax residency at some point in their lives, which addresses a number of long-standing inequities in our residency-based tax system. In the past, tax administration of foreign incomes and movement of taxpayers was hampered by a lack of jurisdictional assistance and poor information beyond the jurisdiction of any tax authority. The international sharing of information between tax authorities is enabling revenue collection options that were long difficult to pursue, even in cases where South Africa may have had taxing rights in principle. Our recent amendments, that some colloquially (and inaccurately) refer to as an “expat tax” or “exit tax”, remove exemptions that have benefited South African tax residents who spend a portion of their time in employment out of the country. This means that any increases in the tax liabilities faced by those taxpayers arise from the cessation of generous exemptions, rather than the imposition of new taxes.

With regard to any concern that the “amassed revenue is not lost through embezzlement, rampant corruption and mismanagement”, the Honourable Member is reminded that section 213 of the Constitution requires that all revenue collected from a national tax or levy must be paid into the National Revenue Fund (NRF), except money reasonably excluded in terms of an Act of Parliament. Further, money can only be withdrawn from the NRF via an appropriation or direct charge in terms of an Act of Parliament. The NRF is also annually subject to an audit, and its financial statements tabled in Parliament every year. The Treasury is able to assure the country that the flow of revenue from SARS after it has received the revenue due from taxpayers to the NRF is safe and there is little risk of losses through corruption and embezzlement – the biggest scope and risk of corruption occurs once funds are allocated from the NRF to organs of state in terms of the Budget, when it is up to the accounting officer or accounting authority to manage the spending of budgeted funds, including their procurement processes, in terms of the Public Finance Management Act or Municipal Finance Management Act. It is in this spending and procurement phase that we need to improve all our mechanisms to keep funds safe and ensure that all spending is in line with budgeted objectives and that the state gets full value-for-money.