

NATIONAL COUNCIL OF PROVINCES
QUESTION FOR ORAL REPLY
QUESTION NUMBER: 230 [CO496E]
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★230. Mr M Khawula (KwaZulu-Natal: IFP) to ask the Minister of Finance:

- (1) What is the country's legal capacity to be able to curb the illicit financial flows which have become a huge problem in African states;
- (2) whether the closure of a certain company's accounts (name furnished) in South Africa is associated with this problem; if not, what is the position in this regard; if so, what are the relevant details;
- (3) whether any serving public representatives in South Africa are involved in this matter; if not, what is the position in this regard; if so, what are the relevant details?

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REPLY:

South Africa has recognized the problem of illicit financial flows for some time and taken robust steps to try and deal with it. This can be observed through the routine work conducted by the South African Revenue Service (SARS), the South African Reserve Bank (SARB), Finance Intelligence Center (FIC) and the prosecuting authorities. Whilst there are various mechanisms that are used to facilitate such illegal capital flows, like trade mispricing, money laundering, drug trafficking, corruption, it is our view that aggressive tax avoidance and evasion probably form the most significant part of such illicit flows. This was one of the reasons why the Minister of Finance appointed a Tax Review Committee chaired by Judge Dennis Davis, to improve the tax system and reduce the scope of tax avoidance and evasion. The committee has already produced a report to deal with problems of base erosion and profit shifting (BEPS).

The SARS and the SARB continually assess taxpayers and any significant financial transactions undertaken. The Financial Intelligence Centre also monitors for possible money laundering and financing of terrorist-related activities. Where they perceive that such activities are not declared or are not legitimate, appropriately steps are taken to follow up within their respective mandates.

The problem of illicit flows from Africa also requires Africa-wide coordination. However, this is a global problem and requires globally-coordinated action. South Africa strongly supports and is part of various organisations which focus on these issues like the African Tax Administration Forum, OECD / G20 BEPS project, the Global Forum on Transparency and Exchange of Information for Tax Purposes etc. These actions include sharpening the mechanisms to deal with BEPS, including transfer mispricing, the recent move to automatic exchange of information as the new global standard by the Global Forum and the agreement that has been reached on the implementation of country by country reporting. South Africa is an Early Adopter with over 50 other jurisdictions to automatically exchange of financial information of account-holders with financial institutions, which will commence from 2017.
