

NATIONAL ASSEMBLY
QUESTION FOR WRITTEN REPLY
QUESTION NUMBER: 1071 [NW2229E]
DATE OF PUBLICATION: 10 OCTOBER 2019

1071. Dr M Q Ndlozi (EFF) to ask the Minister of Finance:

With reference to the statement made by the National Treasury Deputy Director-General, Mr Ismail Momoniat, in a meeting of the Standing Committee on Finance held on 7 September 2019, where he said that the SA Revenue Service needs an intrusive unit to deal with illicit financial flows of money, (a) what are the details of the nature of the unit that he was referring to, (b) on what legislative provisions will the establishment of the unit be based and (c) how will the work of the unit be different from the work done by the intelligence services?

NW2229E

REPLY:

I want to refer the Honourable Member to the submission made by the National Treasury in its submission to the Nugent Commission on 29 August 2018, which I fully endorse: *“Enforcement powers that are also intrusive are necessary for any tax collection agency. Whilst most taxpayers seek to comply, there are cases of taxpayers who are less cooperative when declaring income or have a clear incentive to withhold key facts about the nature of income-generating activities of the person or business. In such cases it is necessary for SARS to have intrusive enforcement capacity to deal with such evasion.”* (“Tax Policy input”, 29 August 2018, pg. 2, Document available on www.inqcomm.co.za).

While it is not required of me to infer or elaborate the meaning of Mr. Momoniat’s statement at the Standing Committee on Finance meeting on 17 September 2019, I am informed that Mr. Momoniat was responding in general terms to the Honourable Member’s questions about surveillance capacity of SARS after presenting on progress made on the implementation of the recommendations of the Commission of Inquiry into Tax Administration and Governance by SARS (the Nugent Commission). It is not clear to me why the Honourable Member did not ask Mr Momoniat any further questions for clarification at that meeting. I am in agreement with his view on the general requirement for intrusive capacity for a well-functioning revenue-collection authority. I am sure the Honourable Member will also agree that SARS must have significant intrusive powers, not only to deal with taxpayers concealing information on income received, but also to counter illegitimate trades (and financial flows) in commodities such as tobacco, liquor and counterfeit goods.

Seeing that Mr Momoniat’s response was on the principle, rather than on any specific unit within SARS, questions (a) to (c) do not apply. Indeed, since SARS is a semi-autonomous revenue authority which determines its own internal organization, it is the Commissioner, and not the Minister or any official at National Treasury, who can provide any information on any unit within SARS. I am sure the Honourable Member is also aware that the Nugent Commission’s final report points out that there is *“no reason why SARS was, and is not entitled to establish and operate a*

unit to gather intelligence on the illicit trades, even covertly, within limits." (p76 par [9]) Indeed, the Nugent Commission has noted that any such unit is not unlawful. Indeed, SARS must not be a toothless tiger when dealing with tax evasion and illegitimate trades and financial flows.