

**NATIONAL ASSEMBLY**  
**QUESTION FOR WRITTEN REPLY**  
**QUESTION NUMBER: 1371 [NW1610E]**  
**DATE OF PUBLICATION: 7 JUNE 2013**

**1371. Mr N Singh (IFP) to ask the Minister of Finance:**

- (1) Whether he has investigated the effect of (a) tax evasion and (b) aggressive tax avoidance on the fiscus; if so, what are the relevant details; if not, why not;
- (2) whether steps have been taken regarding (a) tax information exchange and (b) beneficial ownership with tax havens; if so, what are the relevant details; if not, why not;
- (3) whether he has instituted any investigations to establish the extent to which South African (a) individuals and (b) business corporations use overseas tax havens to avoid paying tax in South Africa; if not, why not; if so, what are the relevant details in each case;
- (4) whether he will make a statement on the matter?

NW1610E

**REPLY:**

- (1) The South African Revenue Service (SARS) investigates the impact of tax evasion and aggressive tax avoidance on the fiscus as part of its ongoing operations. These investigations inform SARS's strategic plan, annual performance plan and compliance programme. SARS's compliance programme was released to the public for the first time in 2012, identifying key areas where compliance is not at the levels it should be and highlighting a range of measures to address this over the period from 2012/13 to 2016/17. An update on the SARS compliance programme was released on 2 April 2013.

The SARS compliance programme focuses on seven key areas identified as posing a specific risk to the work of SARS, to the fiscus, and ultimately to the economic future of South Africa. These are:

- a. Large businesses and transfer pricing
- b. Construction industry
- c. Wealthy South Africans and their associated trusts
- d. Illicit cigarettes
- e. Clothing and textiles
- f. Small Businesses
- g. Tax practitioners and trade intermediaries

- (2) Yes. South Africa has negotiated 76 Double Taxation Agreements (DTAs), which provide for tax information exchange amongst their other provisions, and nine Tax Information Exchange Agreements (TIEAs) specifically for tax information exchange. South Africa has signed the Organisation for Economic Cooperation and Development (OECD) and Council of Europe Convention on Mutual Administrative Assistance in Tax Matters, which also provides for tax information exchange, and is in the process of Parliamentary ratification.

A further eight DTAs and eleven TIEAs are in the process of negotiation. DTAs are renegotiated or protocols to DTAs are concluded from time to time to ensure that the DTAs remain current and meet the current international standard for tax information exchange.

South Africa has also participated in work by the OECD to clarify the interpretation of the meaning of beneficial ownership in the context of tax treaties.

- (3) Yes. Although SARS monitors the tax affairs of large businesses, wealthy South Africans and others to detect the use of tax havens to avoid the payment of tax, it is extremely difficult to determine the full extent of such use. The structures used range from the simple to the extremely complex, requiring the commitment of skilled resources over extended periods of time to unravel. Progress in this regard is set out in the update on the SARS compliance programme.

A recent development has been the announcement by Australia, the United Kingdom and the United States tax administrations that they have obtained a very significant amount of data, revealing complex offshore structures, involving trusts and companies holding assets for residents in jurisdictions throughout the world. The data contains both the identities of the individual owners of these entities, as well as the advisors who assisted in establishing the structures. Although the magnitude and complexity of the data will mean that this will be no easy task, SARS is in the process of engaging with the relevant tax administrations to share the information relevant to it.

- (4) No.

Tax evasion and aggressive tax avoidance is a major problem and undermines the fiscal sustainability of nations and South Africa – in the midst of an uncertain recovery from the “Great Recession”.