

Media Releases 2003

Address By Commissioner PJ Gordhan on the Occasion of Receiving an Award for Management Excellence from the University of South Africa's School for Business Management

The Vice-Chancellor, prof. Barney Pityana
Deputy Governor of the Reserve Bank
Prof. Barney Erasmus, acting head of the department of Business Management
Faculty and Staff members
Honoured Guests

It is a tremendous honour for an ex-pharmacist hailing from the rolling hills of KwaZulu-Natal to be a recipient of this prestigious award by the foremost distance learning university on the African continent. We, the management and over 14000 tax and customs staff of the SARS are deeply appreciative of the recognition you give to our humble contribution to the well being of the SA economy and our young democracy.

Thank you, prof. Pityana, for your very kind words about myself, but more importantly, about the team of about 14 000 people who make a very important contribution to our economy.

Allow me also to extend our warmest, albeit belated, congratulations to the staff, students and administrators of Unisa on your 130th birthday during the month of June this year.

In many ways both Unisa and the SARS have been shaped by our past and in future will have to shape the country we will have 20 years from now. When we reflect today on this history we'll speak about an institution like yourselves which has come from a past which we cannot forget but which we certainly need to overcome. Today we can also look back at a past where the old Inland Revenue and Customs and Excise departments used to be part of a state machinery which created the apartheid system on the one hand, but certainly, economically didn't do its work properly. It didn't do its work properly because it was part of a process which perpetuated economic discrimination in our country in various forms, as a result of which, today we can say that we have a really narrow tax base in our country which we as the SARS has a responsibility of expanding and extending.

Part of our legacy both as the university and certainly in our environment, has been if you like, that a lawlessness almost, which our part has created. A lawlessness which generated a culture of non-compliance with tax and customs laws, an active denuding of the tax base of this country and if you like, a fiscal recklessness that required the new democratic government to manage a fiscal deficit of over 9% in 1994 – and by the way, last year that fiscal deficit was managed down to 1,1%.

Let me haste to add that we are a contributor to this process but certainly the credit goes to the Minister of Finance, the former deputy Minister of Finance and government as a whole for what is a marvellous fiscal performance by any standards. Both of our institutions have had good people, not withstanding the past that we come from, who were in the face of adversity trying to do the right thing, who were trying to be principled and professional in their respective field of endeavours. Our institutions have also created a small but remarkable base of positive outcomes on which the democratic South Africa and its institutions could build a new exhilarating vision of our democratic, non-racial and non-sexist future.

Both Unisa and SARS have in our recent history, undergone processes of dynamic, and at times, painful transformation in order to respond adequately to the new challenges of South African society and in our case of the economy.

SARS, like UNISA, faces the challenges of transformation in the fullest sense of the word. Our challenge is to give meaning to the values and injunctions of our democratic constitution. We have to introduce race and gender changes in a way in which we meet the aspirations and expectations of all sections of our society. We have to change "the way we do business" so that we build resilient and responsive institutions that can cope with national, regional and global dynamics. Above all, we must make our changes without interrupting delivery of the services we offer our country.

I often say that the one difference between an institution like SARS and most corporates is that we can't issue profit warnings. We can't say "give us a break this year, don't let our share prices drop too much because we'll deliver next year". We are required to deliver each year on the kind of budget targets that the national treasury and the Minister of Finance set for us. The task of leaders of such institutions as ours is to ensure that we build confidence in our chosen path of change and the vision we have for our institutions.

In SARS, we too strive to be a national administration with the highest, exemplary standards of service provision. We want to become a Revenue and Customs agency which is innovative, whose work would enhance economic growth and social development in our country. We have transformed and will continue to reinvent ourselves to be able to respond to the challenges that our country faces and that our economy faces in the global village today.

Your recognition of SARS' positive role in our economy is, I am sure, due to the fact that we have successfully begun the transformation process and, in the last five years particularly, demonstrated effective delivery revenue for government. Some of the facts have been outlined, but let me reiterate them:

1. We have exceeded our revenue targets every year for the last 5 years;
2. The Minister of Finance has given back over R40 billion in tax cuts;
3. The individual tax rates and indeed corporate rates have been substantially reduced;
4. Corporates are beginning to pay a fairer share of the overall tax collection;
5. Government's deficit has been systematically reduced from 4% in 1997 to just over 1% in 2002/3;
6. Government's borrowing requirements has been reduced as has been the debt service costs and
7. Above all, SARS' approach to inducing better compliance has made a significant and growing impact on taxpayers in South Africa

Despite these results, we have to humbly declare that we have many, many challenges to still overcome. The process of transforming our institution has only started.

One of the most important challenges we face is whether we and government generally can convince increasing number of South Africans that the uniquely positive fiscal position South Africa finds itself in presently must be sustained for the next 10, 20, 30 years.

The question and challenge for all of us is whether we as the revenue service can persuade corporate South Africa and higher income earners not to aggressively undermine our tax-base.

Can we persuade the thousands of very creative tax planners who are our competitors in South Africa to steer a course which does not plunder the tax-base of South Africa?

Can we ensure that importers and exporters, help to grow our economy but not at the expense of our customs regime?

There is certainly a formidable contestation between us as the tax and customs administration and various stakeholders that we have to engage with.

At the same time there is an increasingly encouraging acknowledgement by many individuals and businesses that the new course we are charting is the right way to go and a better way for all of us.

The alternative we face is a foreboding one. Let me give you a quotation from a Peruvian economist Oswaldo de Rivero, which in some way poses to us the gruesome alternative that we could face, as do many developing countries in the world:

"State-driven and market-led development models have both failed (poorer countries). Many countries are mistakenly called 'developing' – they would, in fact be, better described as 'non-viable national economies (NNE's).
"It has been said that the Latin American countries lost a decade due to debt crises, but the truth of the matter is that they have lost fifteen decades, 150 years, without ever managing to become modern, prosperous capitalist democracies. Today our country have been overtaken in standards of living and technological modernisation not only by Europe and the United States, but also by Japan, Taiwan, South Korea, Malaysia, Hong Kong, Singapore, Australia, New Zealand and Canada."

"Soon many of these so-called 'developing' countries, plagued by urban population explosions, will begin to show signs of economic non-viability, due in part to the absence of a national and an international market. Their only function as part of the present global economy, consist in paying their debt, receiving some speculative foreign capital, and importing food, fuel, and all sorts of industrial and consumer goods."

Compare this scenario to what we have currently, and we should savour the situation that we find ourselves in. We are unique amongst the developing countries of the world in the kind of fiscal position we find ourselves in. As South Africa provides energetic leadership and momentum to NEPAD and boldly pursues political developmental and trade alliances across Africa and around the globe, the new business and social leadership in our country – both black and white – will have to be firmly resolved to avoid Rivero's scenario.

The government, the Minister of Finance and the leadership of SARS is certainly firmly committed to ensuring the continual fiscal health of our economy. But of course we can't do it without a reasonably compliant tax base.

We as the SARS will continue our process of transformation, we will continue to engender a performance culture across our organisation which you as South Africans can be proud of. We will ensure that the new kind of leadership that we're building in SARS at all levels as a result of our transformation effort, will over time become experienced professionals full of integrity and honesty and will be there not to serve themselves but to serve you, the South African public.

In this reinvention process we have done much, much which have created new centres in KwaZulu-Natal and the Western Cape and we're about to affect the lives of about 5 000 of our staff in Gauteng in the next few months. We are trying to improve on the services that we offer, to establish an avenue for taxpayers who have complaints against us to lodge those complaints to an independent entity, we have improved our levels of vigilance amongst all sectors of the tax paying public, we've introduced such things such as electronic filing to match the best that is available in the world and we are readily learning from our compatriots both within South Africa's private institutions and civil administrations elsewhere in the world.

It is our hope that over time there will be more compliant tax payers than non-compliant ones, it is our hope that over time, the tax gap, which is the gap between what we collect and what we should be collecting, is narrowed in a significant way, and it is our hope that at the end of the day we will have an administration on the southern tip of Africa of which all of us can be proud, and which can act as a symbol of hope not only for SARS and Southern Africa but indeed for the continent as a whole. In recent times we have helped Lesotho to implement a VAT system, we have helped Botswana to implement a VAT system, we are creating active partnerships with Southern African countries to create, if you like, a unified customs and trade machine so that our technologies benefit them as well and the chance of evasion across our borders is minimised.

We hope our dialogue and engagement and indeed contestation with the private sector and private individuals will continue, but in a way in which we can increasingly have people sitting across the table and resolving their problems with us and minimise litigation.

Finally we believe that all of us are committed to creating a working South Africa and a successful South Africa. And as the Vice-Chancellor has said, a winning South Africa. There's no doubt that modern experience shows that without an effective tax and customs administration no country can stand up proudly on an international forum, particularly like the one taking place in a few days in Dubai – that of the IMF and the World Bank – and say we are truly independent. Not only do we save our political independence – and whilst we recognise that we work in an economic global village - we [also] are able to make decisions ourselves and not having to take instructions from anyone.

In conclusion ladies and gentlemen I am honoured to accept this award with a very deep sense of gratitude. I would want to take this opportunity to dedicate this award to over 2000 customs men and women who work in some of the most difficult conditions at the borders of South Africa. They defend our economy in a way which is not often very well known. Since there are some auditor colleagues of mine here, to are some of those auditors whose permanent quest is to obtain better compliance from tax payers. And lastly to the SARS senior management team who, as you correctly pointed out Vice-Chancellor, has very bravely accepted the challenge of building a new administration that all of us can be proud of.

I thank you.

ENDS.

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