

# Sars' drive trims budget deficit

BRENDAN BOYLE

HUNTING down missing taxpayers and their debts helped to trim the budget deficit for the financial year to Wednesday to 6.8% of GDP from the 7.3% forecast in the budget on February 17 — and SA Revenue Service Commissioner Oupa Magashula says he is not done yet.

"There is still a tax gap," Magashula told Business Times in an interview after announcing a revenue harvest of R8.1-billion more than the minister of finance Pravin Gordhan's budget forecast.

He said sophisticated Sars data matching tools would expose more people who had not registered to pay the taxes they owed, who declared too little and who lied about their ability to settle arrears.

One major change had been to shift the registration obligation from the worker to the employer. In future, companies would be obliged to report all payments to individuals who would be less able to fly under the radar by taking their payments in kind as food, cars, rentals or travel.

Magashula did not mention ANC Youth League leader Julius Malema by name, but he described a system that would make it difficult for someone like Malema to live a rich life, based on gifts and without declaring any income, as the youth league leader has claimed to do.



OUPA MAGASHULA

Magashula said the revenue service could now get almost all information about an individual's income and expenditure — including director's fees, expense repayments, car and home purchases and bank account details — and had computers programmed to identify anomalies pointing to undeclared income.

He said penalties of up to 200% of undeclared income were bringing reluctant taxpayers out of the woodwork and encouraging them to settle their affairs before they were caught.

Sars would never back off from an investigation because someone had a high corporate or political profile, Magashula said, but nor would the revenue service go after individuals

What other methods can Sars employ to close the tax gap?

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in public. "The fundamental right to confidentiality will not be sacrificed on the altar of political expediency or some other populist agenda."

The so-called risk-based rule — a Sars term for investigations known as lifestyle audits — would also be applied to find companies that manipulate their figures to reflect artificial losses.

Sars pulled in R4.1-billion from a debt book of more than R70-billion comprising outstanding taxes that people claimed they could not immediately settle.

"People hide money in all sorts of assets. We now know where people stay, where they work, what other income they earn and what they spend."

Gordhan announced at a news conference also attended by Magashula that Sars had raked in R598.5-billion by midnight on Wednesday. This was R60.8-billion less than the Treasury forecast in February 2008, but R8.1-billion more than Gordhan had predicted in the most recent budget.

Combined with a R4.8-billion reduction in total government expenditure for the year, this brought the deficit below 7% of gross domestic product.

"Special revenue raising initiatives", Sars-speak for persuasion followed by pressure: the threat of prosecution, contributed R23.9-billion of the windfall.

Staff made more than a million phone calls in the final days of the tax year to alert people to their debts and to follow up until they had paid.

Magashula said personal tax payments were up 4.8% year on year to R204.6-billion, despite the loss of about a million jobs during the recession. Company tax payments plunged 18.3% to R135.2-billion, VAT fell 4.1% to R148-billion and the fuel levy was up 17% to R4.25-billion.

Revenue from mining crashed to R10-billion — less than half the previous year's figure — but agriculture and construction were up.

Magashula said he expected corporate taxes to pick up strongly in the new financial year, but predicted that consumer spending would recover slowly.

"Consumers have learned the hard way. They are repairing their balance sheets and clearing debt. We're not going to see those heady days of debt-driven consumption again."